

VERO BEACH UTILITIES COMMISSION MINUTES
Tuesday, March 8, 2016 – 9:00 a.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Vice Chairman/Indian River Shores Representative, Robert Auwaerter; Members: Chuck Mechling, Judy Orcutt, Stephen Lapointe, Laura Moss, J. Rock Tonkel (arrived at 9:14 a.m.) and Alternate Member #1, George Baczynski **Also Present:** City Manager, James O'Connor; Water and Sewer Director, Rob Bolton and Deputy City Clerk, Sherri Philo

1. CALL TO ORDER

Today's meeting was called to order at 9:00 a.m.

2. APPROVAL OF MINUTES

A) February 9, 2016

Mr. Auwaerter referred to page four of the February 9, 2016 minutes where it states "*Mr. Auwaerter asked have they identified anything other than the PLC and the inverter.*" He noted that what he actually asked was: "*have they identified any other single point of failure other than the PLC and the inverter.*" He felt this was an important clarification in terms of what they were discussing.

Mr. Mechling made a motion to approve the minutes of the February 9, 2016 Utilities Commission meeting as amended. Mrs. Orcutt seconded the motion and it passed unanimously.

3. ELECTION OF OFFICER

A) Chairman

Mr. Auwaerter thanked Mr. Scott Stradley for his service on the Utilities Commission. He said they had a lot of meetings this past year involving the revised contract with the Orlando Utilities Commission (OUC) and felt that Mr. Stradley's work, along with the other Commission members, got Vero Beach into a better contract than the one they were originally presented with.

Mr. Mechling nominated Mr. Robert Auwaerter for Chairman of the Utilities Commission.

Mr. Auwaerter nominated Mrs. Laura Moss for Chairman of the Utilities Commission.

Mr. Auwaerter was concerned about serving as Chairman of the Utilities Commission because he is on the Commission as a representative of Indian River Shores and some

people in the community might think he has motives other than trying to lower the cost of services.

Mr. Mechling seconded the nomination for Mrs. Laura Moss to serve as Chairman of the Utilities Commission.

There were no other nominations.

Mrs. Laura Moss was unanimously appointed Chairman of the Utilities Commission.

4. PUBLIC COMMENT

None

5. NEW BUSINESS

None

6. OLD BUSINESS

A) Solar Photovoltaic Project Presentation – Ms. Michele Jackson of Florida Municipal Power Agency (FMPA)

*Please note that questions and discussion took place throughout today’s presentation.

Ms. Michele Jackson, of Florida Municipal Power Agency (FMPA), introduced herself to the Commission members.

Mrs. Moss referred to the memorandum from Ms. Jackson on Solar Photovoltaic Projects that was included in their backup information (attached to the original minutes). She said it seemed to be almost contradictory. She read *“Due to a steady decline in technology prices and with the assistance of federal and state subsidies, nearly 784,000 U.S. homes and businesses have “gone solar” as of December 2014”* and immediately below that it states *“However, the high cost of PV modules and equipment ...”* She asked are they talking about two different things.

Ms. Jackson said if they go back to the history of when photovoltaics were invented they would see that they were 100 times more expensive than they are today. Gradually through the years the prices have come down, but they are not down to a point where they are competitive with traditional central power plants. She reported that if they were to construct a solar photovoltaic (PV) project today and compare it with other traditional technologies, the cost of electricity from a solar PV Plant is 78% greater than the cost of electricity from a conventional natural gas fired combined cycle facility. She said from a household prospective, homeowners can install rooftop systems, which will cost about \$30,000.

Mr. Auwaerter asked does her calculations take into account for a private investor, the 30% investment tax credit plus the accelerate depreciation in the first two years of the life of the plant.

Ms. Jackson answered yes. She noted that the chart provided in their backup information shows the cost with and without subsidies.

Mr. Baczynski asked what is the average payback assumed for rooftop solar equipment for a homeowner.

Ms. Jackson said in the studies they have done it is 40 to 50 years.

Mr. Baczynski said that is longer than the life of the panels.

Mr. Lapointe said on the Solar Nation website that Ms. Jackson site quotes an average residential installation of 5 kilowatts with a \$21,000 installation cost minus the 30% there is a \$14,700 installation cost to the homeowner with an estimated payback period of 12 years.

Mr. Baczynski said that sounded more reasonable.

Mr. Lapointe said those calculations don't include the benefit to the homeowner in resale value.

Ms. Jackson thought Solar Nation was able to quote that because they might be citing customers who are living in California in the Pacific Gas & Electric Company (PG&E) service territory. She said PG&E has a net metering tariff that currently pays .32 cents a Kwh for any excess energy fed into the grid. Also, those net meter customers get that credit off their bill. PG&E has time of use rates. Electricity is .20 cents a Kwh during the peak period. She said there is pressure across the nation with Public Utility Service Commissions hearing appeals from utilities on changing net metering laws. In fact, Arizona is successfully appealing their service commission to state that net metering rates should be at wholesale so if any excess solar is fed into the grid, they should only be paid the wholesale costs. Therefore, a rooftop customer has to be very careful when hearing from different vendors about payback because a lot of the payback equation depends on net metering, legislation and the utilities current rates. There is also a great movement across the Country where utilities are realizing that rooftop customers are not paying their fare share of the fixed cost of the distribution system. She said when they think about it, a rooftop customer is sitting there a few hours of the day not using the electric grid, but then leaning on the grid at night. Because the way utilities charge customers for their fixed costs, there is cross subsidization happening.

Mr. Auwaerter said that he was having trouble with the 78% number. He said the Commission recently received a presentation from ConEd Solutions who is talking with Airport staff about a potential solar farm on Airport property. He said ConEd Solutions wants to do a Purchase Power Agreement (PPA) with the City and he questioned why they would even think about this if the power costs are 78% higher. He said the cost of

panels have dropped dramatically over the past few years. He said they are seeing the amount of solar power installation skyrocket, which does not jive with the 78% higher number.

Ms. Jackson said the price of panels have dropped dramatically. She said FMPPA invested their member's money for a study on what it would cost to construct a Plant. She then went over the *Solar Project Installed Cost Elements for Utility Scale Projects* and *Cost to Install fixed tilt Solar PV in Florida* of the Power Point presentation with the Commission members.

Mrs. Orcutt referred to the slide, *Solar Project Installed Cost Elements*. She said it is possible if ConEd Solutions came in, a big part of the savings could be under the engineering and procurement.

Mr. Auwaerter did not agree. He said they have a return on investment. It is not going to work if the cost of the supply power is 50 to 70 percent higher than the utility. He said no utility is going to do that.

Ms. Jackson said at their Board meeting they all acknowledged that they were not making a decision for solar based on economics. It was because customers want it.

Mr. Tonkel asked do you have the total installed cost for each project.

Ms. Jackson answered no.

Mr. Tonkel explained that he was trying to find a way to verify her projections.

Ms. Jackson said the source of this information came from a report that was done by Black and Veatch. She noted that the report is available.

Mr. Tonkel asked is there any way of estimating what the installment cost is.

Ms. Jackson answered no.

Mr. Tonkel said then there is no way to validate her projections at this point.

Ms. Jackson said she would use them as a benchmark.

Mr. Lapointe said the only reasonable way for a small entity like Vero Beach to finance a project like the one they are envisioning at the Airport (ConEd Solutions) would be to have a third party developer and enter into a PPA that stipulates the price at or below market fuel costs. He asked is that reasonable. He asked is there a third party developer that would even come close to such an agreement.

Ms. Jackson said the investor owned utilities are required by the PSC to offer what is called "*Standard Offer Contracts*," which means that any power plant developer could come in and build and interconnect with FPL or Duke Power and receive a price for their

energy based on the cost that FPL or Duke Power offer, which is pretty much the market at that hour. She said there haven't been any developments like that in Florida because developers are not willing to take a Standard Offer Contract.

Mr. Auwaerter referred to bullet point "7 new PPA's for 31 MW ac," on the slide "JEA Develops New Solar Farms." He asked do you have the cost per megawatt hour.

Ms. Jackson said that might be redacted by the developer.

Mr. Dan O'Hagan, Associate General Counsel for FMPA, said the third party developer may consider it confidential business information and might redact it. He said that it wouldn't hurt for them to request it.

Mr. Auwaerter said that is the bottom line number.

Ms. Jackson said in a few weeks they are going to ask the FMPA Board for approval to proceed with a Request for Proposals (RFP) for PPA's. Their intent is to issue a Notice of RFP Issuance in April and go out for a RFP in August. She explained that they are going to do their own investigations on the cost of PPA's.

Mr. Auwaerter asked is that information going to be public record or is it going to be redacted.

Ms. Jackson said as a member, Vero Beach is invited to join in what they are calling their "Multi Member Funded Solar PV Project."

Mr. Auwaerter asked is it going to be in public record where everyone can see it.

Mr. O'Hagan said third party developers might consider it confidential. FMPA wouldn't consider it confidential unless they are required to by the developer.

Mrs. Moss requested that the Commission members receive the information mentioned today (the Black and Veatch Study and the RFP).

Ms. Jackson said that she would forward the information to the City Clerk's office to be distributed to the Commission members.

B) Resolution Expressing Support for the Construction of the Groveland Reservoir and Treatment Area and Requesting St. John's Water Management District to Protect and Preserve the Florida Aquifer Public Water Supply by Restricting Withdrawals from the Floridan Aquifer for Electric Utility Use.

Mrs. Moss gave some history of the proposed Resolution. She read from the minutes of the February 9, 2016 Utility Commission meeting, where Mrs. Orcutt stated, "At this point in time, FPL's discussion with St. John's Water Management District (SJWMD) is not really addressing the requirement to have FPL utilize the surface water. Therefore,

she felt it would be important for the Utilities Commission to request that SJWMD consider or require FPL to use surface water if it becomes available. She then handed out to the Commission members a few pages from the memorandum they received on Friday from Rich Burklew, Bureau Chief of the Bureau of Water Use Regulation (attached to the original minutes). She felt that with this new information, the timing of the Resolution was inappropriate, the context was misleading in that it does not acknowledge existing documents and dictates of the Bureau, and there is nothing in the Resolution that has not already been cited by higher authorities. In addition to that, her concern is it could give an appearance of impropriety in that the Groveland Reservoir is not public and is in fact a property of Evans Utilities. She then read from the information she passed out, from page one, "Recommendation: Approval of the Agency Report and conditions regarding the site certification application (SCA) for the Florida Power and Light (FPL) Okeechobee Clean Energy Center (OCEC)." page 28, "Surface Water Sources: Ft. Drum and Blue Cypress are regulated water bodies requiring operational flowrates and criterion to meet environmental needs. Neither sources is capable of providing a reliable or adequate quantity of water for the operations of the OCEC and are therefore considered not environmentally feasible for use." page 29, "The GLRSTA is currently in the conceptual evaluation phase and there are a number of environmental, financial, technical, and regulatory issues requiring resolution before the GLRSTA project would become available to potential users. FPL's investigation indicated that if all the foregoing issues are resolved, the design and construction of the GLRSTA would occur in five to six years, after which water may be available for use at OCEC. As a condition of certification, and upon notification by the District of a potential alternative source, FPL will be required to evaluate and report to the District regarding the potential use of any identified source. If deemed feasible, the licensee will be required to propose a plan to maximize use of these alternative sources. It is anticipated that the District will request investigation of the use of GLRSTA within the first six years after licensing." and page 34, "Recommendation: The District has reviewed the SCA for the OCEC pursuant to the above described requirements and is recommending approval of the SCA with the conditions listed below." She noted that the conditions listed were recommended by the SJWMD. She said within this context of the Resolution it does not cite any of this and therefore it seems to be inappropriate in timing and misleading in that it doesn't acknowledge any of these documents.

Mrs. Orcutt asked Mrs. Moss if she had the revised Resolution.

Mrs. Moss answered yes. She said the Resolution gives the impression that Groveland Utilities is not a "company." She felt that was inappropriate and misleading. It should be stated that it is a company.

Mr. Tonkel asked Mrs. Moss if she was indicating that the Resolution, although perhaps incomplete and unsatisfactory at this point, is something that should be reworded to reflect her concerns and views.

Mrs. Moss answered yes. She felt the timing was inappropriate as this has already been addressed by a higher authority and this Resolution isn't suggesting anything new. She said unless they think they know more than the Bureau of Water Use of the Florida

Department of Environmental Protection (EPA) she was not sure they would want to direct them. She felt it was inappropriate. She passed out to the Commission members information that she received from the internet titled "*Groveland Utilities, LLC; Financial Feasibility Study of the Groveland Reservoir.*" She read from page ES-4, *Other Potential Beneficiaries: Another potential beneficiary is FPL. In the event that it chooses to site a new power plant in northeast Okeechobee County, water from the GLRSTA Project could be used for power plant cooling.*" She said they are listed again at the bottom of this laundry list of other "so called" beneficiaries, which she would assume would be a customer. She then read from page ES-5, "*The annual revenues and costs were calculated each year from 2015, the presumed year when project design begins, to the year 2020, when the project becomes operational ...*" She said so this project won't be operational until the year 2020 and they are writing a Resolution in affect directing two companies about something that has already been addressed by more than one authority and will not occur until the year 2020.

Mr. Auwaerter said that he had a different view. He accepts her point that this project is going to take quite awhile, but he thought they were putting a marker on the table that they would prefer to have surface water drawn from farm rather than the aquifer. He said it might lessen the flow into the Indian River. That was all they were attempting to do.

Mrs. Orcutt said as a Utilities Commission, their purpose should be looking out for City utilities, which includes potable water. She said the City draws from the same straw. The purpose of the revised Resolution was to support the SJWMD's recommendations to FPL and also support Groveland Utilities' efforts to build this reservoir and stormwater treatment facility as being positive to help protect our water supply. She said that she would have preferred to take it one step further to encourage FPL to work with Groveland Utility now so that as the planning process occurs for both the Power Plant and the Groveland Utility reservoir and stormwater treatment area, it is done efficiently and cost effectively by working together. She said nine (9) million gallons of water coming out of the water aquifer per day is very significant. If FPL waits until the entire reservoir is constructed to begin their feasibility it would delay the process significantly. She would urge FPL to start working with Groveland Utilities now so that it expedites the entire process to save that aquifer. She said this Resolution doesn't go that far, that it simply supports SJWMD's effort to encourage FPL to

Mrs. Moss said the Resolution doesn't state "encourage," it states "required." She read Section 3 of the Resolution, "*The City Council hereby urges and requests the SJRWMD, through its CUP process, to require FPL to utilize water from the Groveland Reservoir ...*" She said that is requiring one company to utilize water from another company. If they want to dictate what one company does with another than she feels it should be stated as such. They should not use "*Groveland Reservoir,*" but use the name of the company, which is "*Groveland Utilities, LLC.*" She invited the FPL representatives who were present for today's meeting to the dais if they would like to speak on this matter.

Mr. Mechling thought that Mrs. Moss was looking at the wrong Resolution.

After a brief discussion it was determined that Mrs. Moss was referring to the first draft of the Resolution. She was then given a copy of the draft Resolution that is before them today.

Mr. Bart Getzen (spelling may be incorrect), Internal Affairs Manager for FPL, said they have a west energy center in West Palm Beach where they initially started pulling from below the aquifer with the Avon Park area being their primary source of water. He said when the County was prepared to provide reclaimed water to them they started using it.

Mr. Tonkel asked where this initiative came from. He asked did it come from the City Council, the City Manager, etc.

Mrs. Orcutt felt this was like a citizens' initiative to be concerned about the amount of water that is going to be withdrawn from the aquifer. She said nine to eleven million gallons of water is being drawn per day, which is probably more than what the entire County uses.

Mr. Getzen noted that FPL is using 9 to 11 million gallons per day and they are putting 80% of it back through deep well injection.

Mrs. Orcutt said polluted.

Mr. Getzen said not necessarily polluted, but more or less expended.

Mrs. Orcutt said it would be so laden with materials that it has to be put into the boulder zone where it won't ever be part of the water system.

Mr. Getzen did not think the term "polluted" applied.

Mr. Auwaerter asked Mr. Getzen to explain the word "expended."

Mr. Michael Tamara (spelling may be incorrect), Environmental Attorney for FPL, said there are two things operating that were kind of touched on. The first is the legal requirement from the SJWMD that FPL use the lowest quality water they could possibly use for the intended use. The second is the requirement to use an alternative water source when it becomes economically, environmentally, and technically feasible. As described, they have a situation with their west county energy center where they are now using 100% reclaimed water where the Plant was initially built using groundwater. He said they just licensed two new nuclear plants where they are using 80 to 90 million gallons of reclaimed water per day. With SJWMD insisting that they use the lowest quality water available, they are installing a series of wells very deep into the saline portion of the Floridan Aquifer and testing them to see how much water than can get from the Avon Park producing zone, which lies below the Floridan Aquifer. If they can get a lot of the water from Avon Park they would then abandon a Floridan Aquifer well and install a deeper well. They will do that continuously until they have maximized the usability of the water in a conservation sense, meaning that they would be acquiring the lowest water that they can, still cycle it five times at which point what can't be used would be injected

into the boulder zone. He said they are all on the same page. FPL has a corporate ethic and an incentive to do this.

Mrs. Orcutt asked what would be the barriers to using surface water. She asked assuming there is a lot of surface water available to them, what would be FPL's economic or environmental concerns.

Mr. Tamara said with surface water it is often its availability. He explained that if you use surface water and it's not available year round then they need a completely redundant backup system.

Mr. Mechling asked Mr. Tamara if he had the chance to review the latest Resolution.

Mr. Tamara was unsure if he seen the latest Resolution.

Mr. James O'Connor, City Manager, reported that at least two representatives of FPL reviewed the latest Resolution and they did not have any objections to it.

Mrs. Moss said FPL is listed as a beneficiary in the Groveland Utilities Financial Feasibility Study. She asked does FPL see itself as a beneficiary.

Mr. Tamara said that he would not say they were a beneficiary in a financial sense because in the end the ratepayers pay whatever the cost is because it goes into their rates. He said they are not a financial partner and they do not see themselves as a beneficiary.

Mrs. Orcutt said that she would like to see the Resolution move forward to show support to SJWMD and the Groveland Utilities project.

Mrs. Moss was glad to see in the latest version of the Resolution the requirement that companies do business with each other was removed. She thought the current version was greatly improved.

Mr. Mechling made a motion to move the Resolution (revised version) forward. He did not believe that it does anything other than what FPL would have to do in their regulatory process and felt that they were just supporting the fact of that process. Mrs. Moss seconded the motion.

There was no one else from the public who wished to speak.

On a roll call vote, the motion passed 7-0 with Mr. Baczynski voting yes, Mr. Teston yes, Mr. Lapointe yes, Mr. Orcutt yes, Mr. Mechling yes, Mr. Auwaerter yes, and Mrs. Moss yes.

7. CHAIRMAN'S MATTERS

Mrs. Moss reported that she attended last week's City Council meeting and the City Council voted 3-2 in favor to continue the stormwater study. The City Council also voted

to limit the Study to Option 1. She said it was not clear on the part of the City Council that there would be a Referendum and she felt there should be as the public should be the final decision maker on a stormwater utility.

8. MEMBER'S MATTERS

Mr. Baczynski referred to the article, "*the guardian: Water utilities serving American cities use tests that downplay contamination*" that he provided the Commission members (attached to the original minutes). He explained that the purpose in bringing this up was to reassure the Commission members and the citizens that the City's utility system is doing everything necessary to protect the quality of the water people are drinking. The question that has come up is apparently the EPA has changed specifications for collecting samples of water for testing and for some reason a large number of water utilities have been ignoring that recommendation. As a result, they are using a sampling method that minimizes the concentration of potentially toxic materials in the water. He wanted to be sure they were all aware of this and that the City's water supply is being tested properly.

Mr. Rob Bolton, Water and Sewer Director, said that he did not have a chance to look at the information.

Mr. Teston thought what they were doing was flushing the lines before they do the test, thereby minimizing the pollutants that are in the lines. He asked when the City does their testing do they flush the lines prior to testing or do they leave the lines as the water is delivered to the customer.

Mr. Baczynski said apparently the testing should be done at the customer's faucet. He did not know what percentage of customers are contacted to take those samples. He asked is that the only place the City takes samples.

Mr. Bolton said it is a burden on staff because they have to find customers who will commit to doing the testing, which they have had the same people doing it for years. He explained that staff drops the bottles off, the residents have to follow the procedure of running the water from their faucet for a certain amount of time, and then they have to collect the sample for the City to pick up. He said the problem they would have with lead is that it would come from the resident's home. The City does not have any lead pipes in their system or lead services in their system.

Mr. Auwaerter asked if he understood it correctly that the City uses the same homes every year. He asked statistically wouldn't they want to randomize the test as that would be more accurate. He asked why would they use the same people.

Mr. Bolton said it is hard to get someone to commit to do the testing. He said they try to get as many users as possible to participate.

Mr. Tonkel asked how many people are doing the sampling.

Mr. Bolton did not have that information with him. He noted that they do have to show the DEP that it represents the City's entire system.

Mr. Mechling asked was there a clean bill of health in their latest sampling.

Mr. Bolton answered yes.

Mr. Tonkel thought that when he previously served on the Utilities Commission a Resolution was passed to have some type of reporting mechanism on incidents of the utilities.

Mrs. Moss said that was one of this year's goals, but they did not establish a timeline. She felt that quarterly reports would be good.

Mr. O'Connor agreed. He said the Utilities Director can give a quarterly report on if they had any significant outages and what the causes were.

Mrs. Moss said that she would put this on their April meeting agenda.

Mrs. Orcutt asked how the Commission ended up holding their meetings on Tuesday mornings. She asked is there any flexibility in their meeting schedule.

After a brief discussion, the Commission members agreed to have their meeting days and times as an agenda item for their April meeting.

9. ADJOURNMENT

Today's meeting adjourned at 10:54 a.m.

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