

**VERO BEACH UTILITIES COMMISSION MEETING**  
**Tuesday, May 10, 2016 – 9:00 a.m.**  
**City Hall, Council Chambers, Vero Beach, Florida**

**AGENDA**

- 1. CALL TO ORDER**
- 2. APPROVAL OF MINUTES**
  - A) April 12, 2016**
- 3. PUBLIC COMMENT**
- 4. NEW BUSINESS**
- 5. OLD BUSINESS**
  - A) Recommended Improvements and Cost Estimate by Step (for Vero Electric's Transmission and Distribution System) – (Previous presentation by Power Resources – April 12, 2016)**
  - B) Motion on Stormwater Utility Study to be Reviewed with Regard to Parliamentary Procedure – (See page 14 of the February 22, 2016 Joint Utilities Commission / Finance Commission minutes)**
  - C) City of Vero Beach Representation on the FMPA Board**
- 6. CHAIRMAN'S MATTERS**
- 7. MEMBER'S MATTERS**
  - A) Parliamentary Procedure – Stephen Lapointe**
  - B) Procedure for Presentations – Stephen Lapointe**
- 8. ADJOURNMENT**

This is a Public Meeting. Should any interested party seek to appeal any decision made by the Commission with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings and that, for such purpose he may need to ensure that a record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. Anyone who needs a special accommodation for this meeting may contact the City's Americans with Disabilities Act (ADA) Coordinator at 978-4920 at least 48 hours in advance of the meeting.

## VERO BEACH UTILITIES COMMISSION MINUTES

Tuesday, April 12, 2016 – 9:00 a.m.

City Hall, Council Chambers, Vero Beach, Florida

**PRESENT:** Chairwoman, Laura Moss; Vice Chairman/Indian River Shores Representative, Robert Auwaerter; Members: Bill Teston, Judy Orcutt, Stephen Lapointe, J. Rock Tonkel, Alternate Member #1, George Baczynski **Also Present:** City Manager, James O'Connor; Water and Sewer Director, Rob Bolton; Transmission and Distribution Director, Ted Fletcher and Deputy City Clerk, Sherri Philo

**Excused Absence:** Chuck Mechling

### 1. CALL TO ORDER

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

### 2. APPROVAL OF MINUTES

#### A) February 22, 2016 – Special Joint Utilities Commission / Finance Commission Meeting

Mrs. Moss referred to page 14 of the February 22, 2016 Special Joint Utilities Commission / Finance Commission minutes where it states, "*Mrs. Moss asked that even though staff stated that the study would come back before them, that Mrs. Orcutt amend her motion and state within the motion that the study is to be brought back before both Commissions and that there will be a public referendum on this since evidently it is not a matter of law (that it be brought to referendum).*" She said it should state, "*Mrs. Moss asked that even though staff stated that the study would come back before them, that the motion be amended and state that the study is to be brought back before both Commissions with the recommendation that there will be a public referendum on this since evidently it is not a matter of law (that it be brought to referendum).*" She said there is an issue with this motion that she would be bringing back before the Commission at their May meeting, but they can go ahead and vote to approve the minutes today. She said the requirements of parliamentary procedure were not met on the motion, which she then read from Robert's Rules of Order, The Ranking of Motions, "*The principle of taking up one item of business at a time requires that main motions, subsidiary motions, and privileged motions be assigned a rank. If you think of this rank of motion as a ladder, the main motion is the bottom rung. When the main motion is pending, which is being discussed, someone can make a motion of higher rank. For example, someone can make a motion to amend. Amend becomes the pending question because it is a higher ranking motion than the main motion. Discussion is now on the motion to amend and not on the main motion. When making the motions you go up the ladder and when voting on the pending motions you go back down the ladder. For example, after the amendment is voted on the members would then vote on the main motion.*" Mrs. Moss asked for a motion to approve the minutes.

**Mr. Auwaerter made a motion to approve the minutes of the February 22, 2016 Special Joint Utilities Commission / Finance Commission meeting. Mr. Teston seconded the motion and it passed unanimously.**

**B) February 25, 2016 – Joint Airport Commission / Utilities Commission Meeting**

Mr. Baczynski said that he attended the February 25, 2016 Joint Airport Commission / Utilities Commission meeting, but was not listed as being present.

**Mr. Baczynski made a motion to approve the minutes of the February 25, 2016 Joint Airport Commission / Utilities Commission meeting as amended. Mr. Lapointe seconded the motion and it passed unanimously.**

**C) March 8, 2016 – Regular Utilities Commission Meeting**

Mrs. Moss referred to page six (6) of the March 8, 2016 Regular Utilities Commission meeting where it states, “*attached to the original minutes.*” She said this did not include the title, “*Agenda Request for Governing Board Meeting March 8, 2016,*” which she felt should be included. She then referred to page seven (7) where it states, “*Groveland Utilities, LLC; Financial Feasibility Study of the Groveland Reservoir.*” She said this does not state that it is attached to the original minutes and she felt it should be attached to the original minutes. Also, the last sentence of that paragraph states “*in affect,*” and it should be “*in effect.*” She then referred to the last sentence on page seven (7) where it states, “*Mr. Mechling thought that Mrs. Moss was looking at the wrong Resolution.*” She said that Mr. Mechling actually was very diplomatic and stated, “*old Resolution.*” She said receiving updated information at the last minute is a problem that the Commission needs to address because it leads to mistakes, not only within the Commission, but this earlier version of the Resolution is still on the City’s website, which needs to be replaced with the current Resolution.

**Mr. Tonkel made a motion to approve the minutes of the March 8, 2016 Regular Utilities Commission meeting as amended. Mr. Baczynski seconded the motion and it passed unanimously.**

**3. PUBLIC COMMENT**

None

**4. NEW BUSINESS**

\*Please note that items on today’s agenda were not heard in the order listed.

**A) State Representative Debbie Mayfield to Discuss HB579 and Indian River Lagoon Cleanup Tax**

Mr. Auwaerter asked that item 4-H) be heard after item 4-B). The Commission members agreed.

Mrs. Moss noted that State Representative Debbie Mayfield would not be arriving for today's meeting until 9:30 a.m. She suggested that they start with item 4-B) and if Representative Mayfield arrives before this item is concluded that they allow her to speak and then go back to item 4-B).

State Representative Debbie Mayfield arrived at today's meeting at 9:35 a.m. Mrs. Moss stated that Representative Mayfield's appearance before the Commission today is consistent with the Commission's goals listed in their Annual Report. She then read from the Utilities Commission's Annual Report, *"To continue to facilitate the downward trend to obtain the lowest possible sustainable utility rates and the efficient operation of the utilities. To provide detailed information in a friendly format to the public regarding the finances and operations of the utilities through the following activities."* She said the very first activity states, *"Continue to monitor FMPA issues – Receive regular reports from the City's representative."* She said this is the reason that she invited Representative Mayfield to speak today on HB579, which dealt specifically with FMPA. She noted that the Bill did not pass. She said Representative Mayfield would also be speaking on the Indian River Lagoon cleanup tax, which is another goal of the Commission to monitor water quality.

State Representative Debbie Mayfield reported that HB579 was based on the Audit General's Report that was published last year. She said that she serves on the Joint Legislative Audit Committee and the Audit General gave a presentation. She said the Senators and other House Representatives realized that there were issues with FMPA in the way they were conducting themselves. She reported that FMPA is not regulated by anyone and are exempt from the Public Service Commission (PSC). She noted that the FMPA is exempt from the PSC because they only supply wholesale power to municipalities and municipalities are exempt from the PSC. She said the reason FMPA was exempt was because the thought at the time they began was that they would only be servicing people within incorporated areas. Therefore, the City Council members would be the ones to oversee the utilities and so there was not a need to have anyone else do the oversight because if the people living within the City didn't like the rates or what was being done they would vote the City Councilmembers out of office. As the utilities grew outside their municipalities representation of the people was lost. She noted that this is not just an Indian River County issue. There are 32 municipalities that vary in percentage of people who are serviced outside the incorporated area.

Mrs. Moss noted that currently most of the representatives of FMPA for the cities are not Elected Officials, but City Managers. She said that the City of Vero Beach did have Councilmember Randy Old as their representative, but now they have the City Manager as their representative.

Representative Mayfield reported that she put together HB579 in order to bring transparency and accountability to FMPA. She explained that they wanted a financial

report submitted to the Audit General, the PSC, as well as all of the member cities on the finances of FMPA.

Mrs. Moss asked will the Audit Report be done on a yearly basis. She said the report from last year showed staggering losses, as well as practices that were not consistent with industry standards.

Representative Mayfield said if the Joint Legislative Audit Committee requests an update it will. But, she would think that the Utilities Commission could make the recommendation to the City Council that they would like to see it. She said this Bill was going to require that it be done on an annual basis. The other part of the Bill was to require that an Elected Official be the one sitting on the FMPA Executive Board and the FMPA Membership Board. The reason was because elected officials should be the ones who are accountable to the taxpayers. She said some of the argument was that elected officials don't have the expertise, but no one said the City Manager and Utility Director could not attend the meetings. It is just when it comes to a vote the elected official is the one making the final decision.

Mr. Auwaerter asked what financial statements she was asking FMPA to provide. He said that he has reviewed FMPA's financial statements and he currently has them pulled up on his laptop.

Representative Mayfield explained that they wanted the financial statements provided to the PSC.

Mr. Auwaerter said the information is on FMPA's website.

Representative Mayfield explained that the only ones who can look at the information are members of FMPA. She felt that anyone in the public should be able to view the information. She said if the cities are looking at the finances of FMPA, she would have thought that some of the information that the Joint Legislation Audit Committee and the Audit General brought up would have been questions that the City Councilmembers should have been asking. She said there seems to be a disconnect on the cities who are suppose to be overseeing FMPA and the people who are hurt are the ratepayers.

Mr. Auwaerter felt that FMPA's governing structure was completely flawed. The idea of having a 32 member Board of Directors in effect means that they have no Board of Directors. He said that he would have at most, five to ten members on the Board of Directors in order to hold them at task. It is just too big of a Board.

Representative Mayfield agreed that the Board of Directors should have a smaller membership. She noted that FMPA does have an Executive Board that is a smaller Board and they are the ones who are making some of the financial decisions, especially on the SWAPS. She said there was a section in the Bill about representation, which was one of the major things in the Bill because currently people living in the unincorporated area did not have representation, but they ended up taking that section out because they were told

they would not have the votes to get that done. She said the Utilities Commission knows what the problems are and she would think that they would go before the City Council.

Mrs. Moss reported that last year the Utilities Commission did make the recommendation to the City Council that an elected official be the representative on the FMPA Board. She said that this would be on the Commission's agenda again this year. She thought the Bill also dealt with fair market evaluation.

Representative Mayfield said they had asked that FMPA give member cities the value of whatever asset they had with FMPA so the member cities would know what the value was and what the cost would be to get out of the contracts that they have with FMPA.

Mr. Tonkel said the political process came to a halt despite the efforts and initiatives that Representative Mayfield had. He asked what is the appetite within the legislature in proceeding and moving forward to actually take this initiative and do something with it. He asked is it something that the City has very little control over and very little interest in or is it something that if enough municipalities will push hard enough that there might be a chance for success in the next legislature.

Representative Mayfield felt if they could get the cities and counties together to push this issue that it would go through. She said the Senators that were sitting on the Joint Legislative Audit Committee were appalled as to the report and the structure of FMPA. She felt that they would have more Senators and more House members who will feel it is not right that FMPA does not have any oversight.

Mrs. Moss asked Representative Mayfield if she thought this Bill was worth resubmitting in its original form.

Representative Mayfield thought the Utilities Commission should look at it and tell her what they think. She did not know if it would be in this exact format or exact language, but suggested that the Utilities Commission help in writing the Bill as to what makes sense to get the outcome that they want, which is to get some oversight of the FMPA that is acceptable to all parties.

Mrs. Moss asked if this Bill were to pass, what would be the next step.

Representative Mayfield asked for clarification on the question.

Mrs. Moss said the community has been told that other agreements were stymied by FMPA in terms of a value being determined, that the City cannot set an amount on the assets and therefore cannot exit FMPA.

Representative Mayfield explained that the Bill is a tool for them to use, which is why she would suggest that they look at it and help write it based on where they think the Bill can assist the City. She explained that every piece of legislation they write is meant as a tool for citizens, cities, and counties to use. If the Bill does pass, what the City does with it is up to the City.

Mr. Auwaerter asked who makes the assessment on the fair market value.

Representative Mayfield said that she is not an expert on this at all. But, she would assume that FMPA would have to have an outside evaluation done in order to get the value of what that asset is.

Mrs. Moss asked Representative Mayfield if she thought it would be possible to legislate this or would it end up being a legal situation, such as a lawsuit.

Representative Mayfield said that she did not know. This is a contractual issue that the City of Vero Beach has. She does not know if this would be a complete fix to it. She said the contracts were written for a reason and the reason was to keep the City of Vero Beach in it forever.

At this time, Mrs. Moss opened the floor for public comments.

Mr. Glenn Heron said Representative Mayfield has done a terrific job over the last eight years in trying to get this issue brought forward. He said that it wasn't until the audit that other Representatives in Tallahassee began to understand what was happening with FMPA. He said the City has been involved with FMPA for 37 years and the narrative of FMPA has been a contract is a contract and you can never get out. He said if they look at the balance sheet of FMPA they would see cash, investments, generation assets, and debt. The centerpiece of Representative Mayfield's Bill was fair market value. He questioned, which would they believe, that after 37 years the City is still involved in a contract, they have 40 years left and they are dispossessed of all their assets and FMPA's position is if the City wants to get out they are going to have to pay an enormous penalty. Or, is it that after 37 years the City is the rightful owners of the assets of FMPA, such as cash, investments, generation assets, etc. He said those assets can be sold and that is the nature of Representative Mayfield's Bill.

Representative Mayfield gave a brief summary on the Indian River Lagoon Cleanup Tax. She said currently within the Florida Statute there is the infrastructure surtax that cities and counties can take advantage of. They would have to go to referendum to the voters in order to increase the sales tax by one-half cent, but it would have to be used for a specific thing. Her Bill would have expanded that from just roads and buildings to dredging or de-mucking of the Lagoon in order to help clean it up. Unfortunately, they were unable to get the Bill through.

At this time, Mrs. Moss opened the floor for public comments and no one wished to speak on this matter.

Mrs. Moss thanked Representative Mayfield for attending today's meeting.

Representative Mayfield thanked the Commission for inviting her today. She welcomed the Commission members to ask her staff for any information that they might need.

At 10:03 a.m., the Commission went back to the Optimization Study presentation by Power Services.

**B) Optimization Study Presentation – Power Services**

\*Please note that questions and answers took place throughout the presentation.

Mr. Ted Fletcher, Electrical Transmission & Distribution Operations Director, introduced Mr. RL Willoughby, Vice President of Power Services, Ms. Linda Kushner, Special Project Manager of Power Services, and Mr. Lloyd Shank, Jr., PE-Senior Project Manager of Power Services to the Commission members.

Mr. Willoughby and Ms. Kushner gave a Power Point presentation on the City of Vero Beach Electric Utility System Study (attached to the original minutes).

Mr. Auwaerter referred to the slide, *Resource Adequacy (Staffing)*. He asked how comparable are these numbers with regards to the type of customers.

Mr. Willoughby said the comparability is the number of customers. They did not differentiate between commercial, industrial, and residential. However, all these utilities had from 20,000 customers to 60,000 or 70,000 customers so they all fit into the size of Vero Beach.

Mrs. Orcutt asked what does APPA stand for.

Mr. Willoughby said it is the American Public Power Association, which is an association of public power entities across the United States.

Mr. Auwaerter asked hypothetically, if there are 1,000 residential customers verses 1,000 commercial customers in their experience are the employees to service them higher for commercial or residential.

Mr. Willoughby said it would take more employees to serve a totally residential load than it would a high industrial load.

Mr. Teston referred to the slide, *Resource Adequacy (Reliability)*. He asked what does the acronym of SAIDI and CAIDI stand for.

Mr. Willoughby explained that SAIDI is the acronym for System Average Duration Interruption Duration Index and CAIDI is the acronym for Customer Average Duration Interruption Duration Index.

Mr. Auwaerter said that he did some research on the internet and found that under the Institute of Electrical and Electronics Engineers Standard 1366-1998, Florida CAIDI calls for the meeting value of 1.36 hours. He asked is that correct.

Mr. Willoughby said that he can't quote that, but thought that was correct. He said it has been creeping up and the City is doing the right thing to correct it.

Mr. Teston asked is that related to the (revised) T&D February 2016 Outage Report that was given to the Commission members this morning (revised report attached to the original minutes).

Mr. Fletcher said that is a report that he created that refers to the L-Bar and is the average for the month of February. He said the L-Bar plays the same role as CAIDI.

Mr. Teston asked Mr. Fletcher if he could produce the value for past months as they only have one month listed.

Mr. Fletcher said that he and Mrs. Moss discussed this and opted to produce one (1) month for today's meeting and then ask the Commission member what format they would like in the future, what information they would want to review on a quarterly basis, etc. He noted that they would be discussing this under item 4-C) on today's agenda.

Mr. Auwaerter said monthly numbers are important, but he would like to see graphs of the trends over time.

Mr. Fletcher said that is fine and that is the reason he supplied this information so that he could get the Commission's input on what they want.

Ms. Kushner said one (1) of their (Power Services) recommendations was to create goals for certain metrics and to measure those goals. She agreed that a "snapshot" is a dangerous thing to look at because they are going to have variations depending on weather related events. She noted that storms were excluded from this, which is the way they measure the outages as an industry. She said trending is important and they added a graph to show several years to indicate that they are seeing a trend, but are also recognizing that many things are in place or planned to be in place that should reverse that trend.

Mr. Willoughby referred to the slide, *Resource Adequacy*. He said they looked at the local distribution costs (LDC) of a number of other cities in Florida and found that Vero Beach is on par with them. He said the lowest number was 3.19 cents, the highest number was 5.66 cents, the average was 4.18 cents, and Vero Beach was 3.62 cents per kWh, which shows that Vero Beach is in the lower part.

Mr. Auwaerter asked who were the other cities.

Mr. Willoughby answered Ocala, Ft. Pierce, Jacksonville Beach, Leesburg, and Keys Energy. He explained that they tried to select cities that were similar in size.

Mr. Auwaerter said that he looked at something similar to this and identified Ft. Pierce as being a good comparison to do a benchmark study on. He asked what was Ft. Pierce's number.

Mr. Willoughby answered 3.68 cents.

At this time (9:35 a.m.), State Representative Debbie Mayfield entered the meeting and the Commission agreed to allow her to give her presentation and then come back to the presentation by Power Resources.

The Power Point presentation by Power Resources resumed at 10:03 a.m.

Mr. Auwaerter referred to the slide, *Resource Adequacy*. He said there was a comment that some of the outages involved underground cables. He asked did they come up with a cause and effect.

Mr. Fletcher clarified that when they discuss the underground cable being faulty they are talking about the older cables that doesn't have the conduit around them.

At this time, Ms. Kushner briefly went over Exhibit F - *Recommended Improvements and Cost Estimate By Step* with the Commission members (attached to the original minutes).

Mr. Tonkel referred to the slide, *20-Year LRP – System Improvements*. He said only if it is true that there is sufficient clarity as to the long term provision of power from the City to and County residents and City residents could they seriously consider the expenditure of \$15 million dollars over the relative near term. He asked Mr. O'Connor if he believes from a policy standpoint that the clarity exists. He asked if they should put an end to looking at the alternative.

Mr. O'Connor felt the alternative was something they should continue to explore. He said in a practical way, he did not see the City getting out of their contracts. He explained that the City had attorneys look at them, FPL had attorneys look at them, they have been round and round with FMPA, etc., and he felt the customers deserve better than the City putting reliability as the second place holder. He felt that they needed to step up and make sure that reliability is an issue that they continually address.

Mrs. Moss felt confusion came from the press or the politicians stating that the City was getting out of the power business. She said it is not that it's untrue, it is just not specific. She said the specifics are the closing of the Power Plant and not that the City was getting out of the power business.

Mr. O'Connor said there was a lot of confusion because there were people who thought once the Power Plant was shut down the City would be out of the electric business. He felt that the closing of the Power Plant was a very good move because the City is too small to be in the generation business and is much more equipped to be in the transmission and distribution business.

Mr. Mark Mucher said in looking at this long range plan and listening today, it sounds more like an emergency plan or something they should have been doing over the last five (5) years. He said a lot of the items in the first five-year plan are things that need to be done in the short term and in some cases as an emergency and very short term. He did not know if the City could budget the \$14 million dollars five (5) years out if it isn't very heavily frontloaded.

Ms. Kushner emphasized that this was input from a modeling and engineering perspective on recommendations for improvements in these stages. The City's actual plan is their Capital Improvement Plan. This should give them a look ahead on what to anticipate for budgeting purposes.

Mr. Baczynski said the frontend loading is accurate, but it is based on past inactivity or inaction on the part of the City and they are playing catch-up, which it is always more expensive to play catch-up.

Mr. Tonkel felt the big issue for this Commission was whether or not they agree with the conclusions and he did not know that they have gotten into sufficient depth to make a recommendation to the City Council. Personally, he was not prepared to make a recommendation today.

Mr. O'Connor felt that the City Council would expect a recommendation from the Utilities Commission. He said that he would prefer to manage without crisis as opposed to waiting for something to go out on them.

Mr. Auwaerter felt they should be taking this information into account during the budgeting process. He said they do have to have reliability and it comes down to how quickly they do it and more importantly, how they pay for it.

Mrs. Moss asked how much above and beyond the amount they would normally expect to be in the City's budget would this take them.

Mr. O'Connor explained that there were two components that have to be considered in capital projects. One is having the funding availability and the other is the capability of doing it. He said when they present a budget with capital projects, they would probably come in with projects they feel can be accomplished in that fiscal year. He noted that Mr. Fletcher would be proposing capital projects in his budget, as well as a five-year capital improvement plan.

Mrs. Moss asked how much money was dedicated to this last year and how much money would they be requesting.

Mr. O'Connor was not sure how much they would be requesting this year. Their history in capital projects would be changing because they would be putting more emphasis on transmission and distribution. He explained that the money they have been putting into the Power Plant would be shifting to the transmission and distribution side.

Mr. Tonkel said that he was persuaded by the argument about the shift into reliability. He asked Mr. O'Connor based on his evaluation of the Optimization Study, if he was in general agreement with the specific recommendations that were made.

Mr. O'Connor said generally speaking, yes.

Mr. Tonkel asked if this was acted on in the next fiscal year's budget, is that a sufficient time frame or is there something that should be accelerated in terms of avoiding some potential crisis.

Mr. O'Connor felt the \$14 million dollars over the next five (5) years was an achievable number. He felt comfortable in achieving many of these goals.

Mrs. Moss felt that the Commission members were not comfortable with this as it sits today. She noted that they just received the information right before the weekend. She said it happens often where they receive information that is financially detailed at the last minute. She noted that a joint Utilities Commission / Finance Commission meeting is scheduled for May 2, 2016, and she would move that they discuss this at that meeting.

Mr. Auwaerter felt it was important that they look at what they were doing and how they would pay for it.

Mrs. Moss said that is what she would like to address with the Finance Commission. She said that she would like to know how these large expenditures sit with the overall budget of the City and felt the Finance Commission could provide that information.

Mrs. Orcutt said if staff was looking for support from the Commission on the idea of making reliability an important part of the system, she would hope they all would support that. She felt that doing a long range plan with reliability as the focus was very important and she commended staff for doing that.

**C) Quarterly Report on Power Outages – James O'Connor and Ted Fletcher**

Mrs. Moss felt that at some point they should receive power outage reports more frequently than quarterly. She then read one of their goals from their Annual Report, "*to monitor the magnitude, frequency, and duration of power outages, as well as the causes.*"

Mr. Fletcher agreed that the Commission wants to look at outage reports more often than quarterly. He referred to the backup information provided and asked the Commission members if they felt there was too much information or not enough information to let him know (information on file in the City Clerk's office).

Mr. Auwaerter said that he would like to see monthlies as well as a trailing trend of six (6) months and one (1) year included in the graph. He said that he would also like to have the System Average Interruption Generation Index (SAIDA) provided.

Mr. Mark Mucher said that he would like to see a list of major outages, what caused them, and what was being done so that it would not happen again.

Mrs. Moss asked Mr. Fletcher if he could arrange the list of outages in terms of the customers that are affected.

Mr. Fletcher answered yes.

**D) AWWA Public Affairs Advisory on Lead and Copper Rule (LCR) – Rob Bolton**

Mr. Rob Bolton, Water and Sewer Director, explained that the reason he sent the Commission members this information was in response to the lead issue that Mr. Baczynski brought up at the last Utilities Commission meeting. Mr. Bolton reported that the City receives notifications called “utility alerts” that could be anything from terrorist acts, cyber problems, etc. He said that when he receives these that he would forward them to the Commission members. He noted that the City does not have any lead issues.

**E) Water Sampling Program – Rob Bolton**

Mr. Bolton reported that the lead sampling they just received did not show any homes above any contaminant levels that would be alarming. He briefly went over the 2016 Water Quality Report with the Commission members (on file in the City Clerk’s office). He reported that this report will be sent to customers in their next utility bill. He briefly explained to the Commission members the Aggressive Index (IA) Formula that he showed on the doc cam. He said the City is trying to create water that is non-aggressive so that anyone with an older home that might have brass and old copper would not create any problems internally. He said at their last meeting, Mr. Auwaerter questioned why they were sampling the water in the same places. Mr. Bolton explained that they sample the water in the same places because that is what the Department of Environmental Protection (DEP) wants them to do so that they can monitor how their water is affecting specific sites in the system over time.

Mrs. Moss asked do they have regulations on where the water is drawn from.

Mr. Bolton said it is typically focused on the older homes with older plumbing.

**F) Measure the Community Can Take to Reduce Contaminants Within Their Water - Rob Bolton**

Mr. Bolton reported that a few things customers can do to reduce contaminants are if a customer is gone for a long period of time the best thing they can do is run their tap water for a few minutes, they should use cold water for cooking and for preparing any baby

formulas. He said the warmer the water the more change they would have of lead contamination.

Mrs. Orcutt asked is there a certain year when plumbing fixtures were changed and is there a higher risk if your home was built in a certain year.

Mr. Bolton said about 20 -25 years ago they started regulating the amount of lead that could be in brass and in the last two years they started using enviro-brass, which has no lead in the brass.

**G) Follow-up to FMPA Presentation on Solar Power– Robert Auwaerter**

Mr. Auwaerter handed out to the Commission members a few pages from the *Utility-Scale Solar 2014- An Empirical Analysis of Project Cost, Performance, and Pricing Trends in the United States* (copies attached to the original minutes with the full report on file in the City Clerk's office). He said at the March 8, 2016 Utilities Commission meeting, Ms. Michele Jackson, of Florida Municipal Power Agency (FMPA), gave a presentation on a solar photovoltaic (PV) project that they were evaluating. He said that he was extremely troubled about a lot of statements that she made. He then read from the minutes, "*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.*" He said these numbers did not make any sense to him so he did some research and spoke with someone at the Department of Energy who suggested that the Utility-Scale Solar 2014 was the most up to date information. He briefly went over page 17, *Levelized PPA prices have fallen by more than two-thirds since 2009* with the Commission members. He said they could see graphically how they have moved down substantially to ranges of about \$50 to \$100 a megawatt hour. What he added in red were the bill costs from the financial statements for fiscal year 2015. The green circles indicate what is coming out is actually below their billed costs, not 78% higher. He then referred to page 19, *Apparent deep market at these low PPA prices*. He explained that what he added in red were the actual bill costs per megawatt hour. If they look at these numbers compared to the areas that he highlighted they can see that consistently around the Country the cost of solar power that is being implemented is coming in lower than their base load numbers, not 78% higher. He then referred to page 20, *Financial modeling also supports low PPA prices – and suggests modest set-back in 2017*. He read the statement that he highlighted, *Using aggressive-but-achievable empirical data drawn from this slide deck, along with basic finance assumptions, yields a real levelized PPA price of \$43.5/MWh – consistent with the data sample*. He said at the time this study was done the investment tax credit was not extended. He said that he would be very skeptical with getting involved with FMPA on solar power based on this information. He felt that solar power did make sense, but not the way FMPA does it. He then read from the March 8, 2016 Utilities Commission minutes, "*Mrs. Jackson said at their (FMPA) Board meeting they acknowledged that they were not making a decision for solar based on economics. It was because customers want it.*" He said that answer is no, based on the numbers that he provided.

Mr. Baczynski said these numbers suggest that if they are interested in this that they should be looking elsewhere (other than FMPA).

Mrs. Orcutt reported that there is going to be a solar initiative on the August Primary Ballot, which would give businesses a tax break for installing solar power and it would exempt the assessed value of renewable energy devices.

Mr. Tonkel said they received information regarding the estimated NPV of rate impact of Indian River Shores transfer. He asked is this part of the Joint Utilities Commission/Finance Commission meeting that has been scheduled for May 2, 2016.

Mr. O'Connor said that is the reason for the joint meeting. He explained that Mr. Schef Wright, Attorney, has been working with FMPA to get some long term numbers, which he thinks that he will have by May 2<sup>nd</sup>.

#### **H) Potential Cybersecurity Vulnerabilities in our Utility Systems – Robert Auwaerter**

Mr. Auwaerter referred to the backup information that he pulled off the internet regarding attacks against supervisory Control and Data Acquisition (SCADA) systems (on file in the City Clerk's office). He said that he wanted to get a broad sense as to what the City is doing to make sure the City's software has the proper security.

Mr. Fletcher explained that the City does have an outside company that comes on a regular basis to make sure everything is compliant. He noted that he could not disclose how they are protected.

Mr. Auwaerter said that he just wanted to make sure the City was protected.

#### **5. OLD BUSINESS**

None

#### **6. CHAIRMAN'S MATTERS**

Mrs. Moss reported that she presented the Utilities Commission Annual Report to the City Council at their last meeting. She said at that meeting she also spoke on a Resolution that the City Council passed, which she read the title, "*A Resolution of the City Council of the City of Vero Beach, Florida, related to Ordinance No. 520 adopted by the Town of Indian River Shores, Florida, attempting to regulate electric utilities providing service within the Town; initiating Governmental Conflict Resolution procedures with the Town of Indian River Shores regarding said Ordinance pursuant to the Governmental conflict resolution Act, Chapter 164, Florida Statutes; providing for an effective date.*" She said the gist of this is that the Resolution was to approve further legal action in terms of mediation. She said that she spoke against this Resolution and mentioned it today because she thinks it might come up during their joint meeting with the Finance Commission. She said that she received a two (2) page summary of the meeting that was held in Tallahassee that was prepared by Mr. Wright and a more

detailed report done by Indian River Shores. She asked that the Utilities Commission / Finance Commission members receive a copy of both reports, as well as the Resolution.

**7. MEMBER'S MATTERS**

**A) Possible Change in Day/Time of Commission Meetings**

Mrs. Orcutt said that she did not know if the meeting days and times were set in stone.

Mrs. Moss said 9:00 a.m. is the earliest the Commission members can meet. She said they could meet later in the day, but she would not suggest it because of the length of their meetings. She felt 9:00 a.m. was a good time to hold their meetings.

After a brief discussion, the Commission members agreed not to change their meeting day or time.

**8. ADJOURNMENT**

Today's meeting adjourned at 12:10 p.m.

/sp

**RECOMMENDED IMPROVEMENTS AND COST ESTIMATE  
BY STEP**

5-A)

City of Vero Beach Electric Distribution System 2016-2035 Long Range Plan Comprehensive Cost Estimate (2015 \$)												
Substation, Transmission, and Critical Equipment Assessment Projects (MAINTENANCE)		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026-2035
1	Install battery room exhaust fan & control (Sub 5)	\$ 1,000										
2	Install battery room exhaust fan & control (Sub 7)	\$ 1,000										
3	Remove moisture from oil in Transformer T1 (Sub 8)	\$ 45,000										
4	Replace/remediate transformer T1 fans (Sub 9)	\$ 8,000										
5	Install battery room exhaust fan & control (Sub 9)	\$ 1,000										
6	Remove moisture from oil in Transformer T1 LTC (Sub 10)	\$ 10,000										
7	Replace surge arresters (Sub 10)	\$ 9,000										
8	Install battery room exhaust fan & control (Sub 10)	\$ 1,000										
9	Install battery room exhaust fan & control (Sub 11)	\$ 1,000										
10	Miscellaneous Substation O&M (see Appendix 5)	O&M										
11	Miscellaneous Transmission O&M (see Appendix 6)	O&M										
12	Test submarine cable (Line 69-0609) (Appendix 7)											\$ 100,000
<b>ANNUAL MAINTENANCE BUDGET:</b>		\$ 77,000										\$ 100,000
<b>STEP 1 (2015-2019)</b>		<b>STEP 1</b>					<b>STEP 2</b>					<b>STEP 3</b>
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026-2035
<b>LRP IMPROVEMENTS</b>												
13	Replace Metalclad Switchgear (Substation 7)	\$ 180,000										
14	Add Second Transformer (Substation 10 -20/37 MVA)		\$ 1,570,000									
15	Line Construction & Circuit Reconfiguration (Substations 9 & 10)		\$ 3,963,487									
16	Rebuild Substation 1 (2-30/56 MVA Transformers)			\$ 1,108,990	\$ 1,108,990	\$ 3,326,970						
17	Line Construction & Circuit Reconfiguration (various substations)					\$ 2,246,158						
18	Line capacitors (various locations)					\$ 652,500						
<b>ANNUAL TOTAL STEP 1:</b>		\$ 180,000	\$ 5,533,487	\$ 1,108,990	\$ 1,108,990	\$ 6,225,628						
<b>TOTAL STEP 1:</b>						\$ 14,157,095						
<b>STEP 2 (2020-2024)</b>												
19	Replace Transformers (Substation 9 - (2) 20/37 MVA)							\$ 1,300,000				
20	Line Construction & Circuit Reconfiguration (various substations)									\$ 60,000		
<b>ANNUAL TOTAL STEP 2:</b>							\$ -	\$ -	\$ 1,300,000	\$ -	\$ 60,000	
<b>TOTAL STEP 2:</b>											\$ 1,360,000	
<b>STEP 3 (2025-2034)</b>												
21	Replace Transformers (Substation 11 - 20/37 MVA)											\$ 650,000
22	Replace Transformers (Substation 10 - 20/37 MVA)											\$ 650,000
23	Line Construction & Circuit Reconfiguration (various substations)											\$ 3,295,189
<b>TOTAL STEP 3:</b>												\$ 4,595,189
<b>TOTAL LRP IMPROVEMENTS</b>												\$ 20,112,284
<b>LRP CONTINGENCY</b>												
24	Transmission Line (1.4 miles - Substation 5 to Line 69-069)					\$ 750,000						
<b>ANNUAL CONTINGENCY:</b>		\$ -	\$ -	\$ -	\$ -	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>TOTAL CONTINGENCY:</b>												\$ 750,000
<b>BUDGET SUMMARY</b>		<b>STEP 1</b>					<b>STEP 2</b>					<b>STEP 3</b>
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026-2035
2016-2035 ANNUAL MAINTENANCE BUDGET		\$ 77,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
2016-2035 ANNUAL LRP BUDGET		\$ 180,000	\$ 5,533,487	\$ 1,108,990	\$ 1,108,990	\$ 6,975,628	\$ -	\$ -	\$ 1,300,000	\$ -	\$ 60,000	\$ 4,595,189
2016-2035 LRP & MAINTENANCE BUDGET BY STEP				\$14,984,095					\$1,360,000			\$4,695,189
<b>GRAND TOTAL 2016-2035 MAINTENANCE &amp; LONG-RANGE PLAN</b>												\$21,039,284

5-B)  
happened last year was the City was faced with more expenses than they could fund. What happens every year is infrastructure gets kicked down the road. He said what this really does is it takes it out of the hands of the City Council to kick the can down the road and not fix infrastructure. He would like to see a mechanism whereby they are assured that this problem gets fixed, not just for now, but for the future of their children and grandchildren.

Mr. Brovont said it is his opinion that the real plus of this is that they have dedicated funds. He said they need the capital investment. He is not opposed to the program, but how they are handling it.

**Finance Commission:**

**Mr. Brovont made a motion to move forward and approve the City spending another \$50,000 to complete the study. Mr. Gorry seconded the motion and it passed 4-1 with Mr. Stump voting no, Mr. Smith yes, Mr. Polackwich yes, Mr. Brovont yes, and Mr. Gorry yes.**

**Utilities Commission:**

**Mrs. Orcutt made a motion to go forward and spend the extra money to finish the study. Mr. McDermott seconded the motion.**

Mrs. Moss asked that even though staff stated that the study would come back before them, that Mrs. Orcutt amend her motion and state within the motion that the study is to be brought back before both Commissions and that there will be a public referendum on this since evidently it is not a matter of law (that it be brought to referendum).

Mrs. Orcutt said that she would not accept the amendment to her motion.

Mr. Teston said that he would like to vote on the initial motion.

Mr. Mechling asked Mrs. Orcutt why the issue of a referendum is a concern.

Mrs. Orcutt said at this point she did not want to make the decision that it has to be a referendum. The decision that they are making today is to move forward with the study.

Mrs. Moss said that she mentioned it because staff stated that it was not a matter of law and she felt it was very important that the public makes the final decision.

**The motion passed 7-0 with Mr. Baczynski voting yes, Mrs. Moss yes, Mr. McDermott yes, Mr. Teston yes, Mr. Lapointe yes, Mrs. Orcutt yes, and Mr. Mechling yes.**

Resolution of the Utility Commission - *Herb Whitell*

5-c)

Considering what the Audit of FMPA says, the Vero Beach City Utility Commission requests the Vero Beach City Council send the following letter to the City Councils of all the members of FMPA.

We hope all of your City Council has read and understands the gravity of the findings of the Florida Government Audit of FMPA. It shows that FMPA management has not been doing what FMPA was set up to do. Namely, to deliver Natural Gas and Electricity to its members at the lowest possible price, lower than any one of us could obtain for ourselves.

As elected officials we are responsible for FMPA's actions. We request that you appoint one of your fellow council members to be the voting member on FMPA's board. We need to rein in FMPA's \$2 Billion debt and wasteful ways. We, as stewards to our residents, need to force FMPA management to do the following:

1. Cancel the contract for the current Financial Advisor.
2. Make no further investments of any kind until the debt is below \$200 million.
3. Reduce their staff from 73 to no more than 30, which should be adequate to carry out the mission FMPA was formed for – to supply Natural Gas and Electricity at the lowest cost possible. This would save FMPA and us about \$4 million per year at current salary levels.
4. Freeze all benefits and salaries, now averaging \$131,000 per person, until the debt is below \$200 million.

If you should need a copy of the audit or a video of the meeting of the Indian River County Commission or the Vero Beach City Council regarding the audit, please ask us and we would be happy to provide them to you.

We look forward to all of us cooperating to bring FMPA back to doing its proper mission.

Fellow Commissioners, I applaud Chairman Whittall's cause to action, however, I do not believe it is anywhere near strong enough action. Having read the recently submitted audit of FMPA, I find myself appalled by the lack of general business management practices uncovered by the Auditor General, David Martin, such as absurd employee benefits calculated at an average of some \$32,000 per year for their 73 full time employees. There were uncovered ridiculous travel expenses, and dining expenses in two instances charged to FMPA of over \$3,000 each. *These* numbers are in our Utility rates.

Adding to expenses that are passed on to our rate payers (you and I) that supply no economic value is the contract with their members to supplying benefits beyond employment for accumulated leave, which I believe should be taken annually by any hard working employee to charge their batteries. In addition, sick leave accumulation, which in my opinion sick days should only be available to an employee who is actually sick, because a business cares about their employees, not so they can retire rich. This calculated amount for just the CEO and General Counsel if they had retired on September 30<sup>th</sup> last year would be a whopping \$355,000. For all employees as of September 30<sup>th</sup> last year it would be over \$1.2mm. And continuing any benefits for any employee, especially the CEO who may be terminated "FOR CAUSE" is ludicrous. *These* numbers are in our Utility rates.

The Audit goes on to outline many other undisciplined actions and inactions at the FMPA, such as poor expense reporting, large expenses not quantified as for any public purpose, specifically prohibited of government agencies. A major flaw in practices was FMPA's not following their own Manual's rules in many instances. In one important instance, however, they placed their organization at substantial risk of not uncovering potential fraud by not changing auditors according to their own term limits, established by their own policies and procedures.

I know you have all read the Audit but I would be remiss if I didn't underscore the bad judgment and outrageously costly

decisions FMPA management has made in other unacceptable financial decisions. I've read about some of the aforementioned poor practices, but haven't read in the press the severity of these financial contracts. The first is in their Fuel Hedging, which through complex trading practices went far afield of acceptable industry practices, and not consistent with a simple fuel hedge which from 2003 through 2014 has cost FMPA over \$247mm. **This** number is in our Utility rates.

*Add the word* FMPA in 2004 entered into a consortium with 6 other utilities to reduce the cost of natural gas by entering into two Gas supply pools, which obligated them for their share of costs. FMPA never

took any delivery of any natural gas. Its share of gas was sold on the open market. As of September 30<sup>th</sup> last year that investment was valued at a deficit of \$14.6 million dollars, as the price of natural gas declined from \$12 per BTU to approximately \$4.00 per BTU. This number is in our Utility rates.

Lastly, and unbelievably, FMPA entered into Interest Rate Swaps in 2006 to guarantee rates for a coal plant that "might not need permanent funding" until 2012 to 2015". FMPA's cost share of this project was to be \$624mm. They planned to issue bonds for this project, but decided in their infinite wisdom in November 2006 that locking in rates futuristically by issuing \$700mm in Interest Rate Swaps was a good idea. We all know that rates have done nothing but go down over this time frame and these swaps, still unwound, are valued at a negative \$155mm dollars. **These** numbers are in our utility rates. By the way, this coal plant was never built, and, by the Governors executive order, will never be built.

Fellow commissioners, its time the City Council demands an exit from Florida Municipal Power Authority for the many breaches of financial responsibility FMPA have repeatedly demonstrated. They are an organization that has run amuck by contracting its members to obligations never bought into or envisioned, and has not fulfilled its mission of supplying our

communities with reasonable rates. This audit by the state of Florida is the substance of the argument to demand release from prior contracts with FMPA on behalf of the City, and County of Vero Beach and the Town of Indian River Shores. Our commission through Chairman Whittall should send a much stronger message to City Council that they demand its contracts with FMPA be cancelled, and allow a sale of Vero's system to FPL which our constituencies have directed. They now have the ammunition and they should use it.