

Mr. Barnes said that is why she has so much property to collect these animals.

Motion was made by Commissioner Nelson, seconded by Commissioner Sessions, that the 1987 Dodge Van (Vehicle #15-007) be removed from the donation list; and that the 1989 Isuzu Pickup (Vehicle #10-012) be donated to Club Utilitas; and the 1983 Dodge Van (Vehicle #16-291) be donated to Dogs & Cats Forever, Inc.

Those voting in favor of the motion were: Commissioners Benton, Bryan, Nelson, Sessions, and Enns. Those opposed: None.

The next item on the Agenda was Mr. Elie Boudreaux, Director of Fort Pierce Utilities Authority, request approval of Resolution No. U.S. 97-12, Final Budget Amendment for F.Y. 1997.

Mr. Elie Boudreaux, Director of Fort Pierce Utilities Authority, said they have before them U.A. Resolution 97-12, which is their Final Budget Amendment for Fiscal Year 1997. There is a memo of explanation of variances in this Final Budget Amendment which they are asking the Commission to approve. A couple of things he would like to bring their attention to. The proposed estimated transfer to the City is \$35,000 less than what was transferred last year. Although this budget amendment does not really address that, this is only housekeeping for their budgeting process, he would like to give them a short explanation on the reason for that. They will get the figures on this when they get the combined financial report in a few weeks along with the check. He thinks what also is worthy of note in here is that the actual amount that they spent over the last fiscal year was slightly over \$2 million less than what was approved. They are constantly looking at cost cutting measures in the Utilities Authority. As far as the estimated decrease in the transfer, although the gross revenue was higher for Fiscal Year 1997 than Fiscal Year 1996, both the net income for the Utilities Authority and the City transfer were both lower in Fiscal Year 1997. The bottom line is that the unit sales were lower. The City transfer is based upon gross revenue; however, some of the revenues were exempted in that process. For example, electric sales for resale and contract gas sales were also excluded because the profit margins in these two areas are considerably low, generally lower than 6%, and to include these in the formula would have in most years penalized the Utilities Authority and historically these amounts has been relatively small. Also excluded from the gross revenue figure is the power cost adjustment for the electric utility. There is also a corresponding purchase gas adjustment (PGA) in the gas utility. What this exclusion means is that the City transfer of 6% is computed on the base rate - he is referring to electric now - of \$89.88. That is no matter how the PCA, the purchase cost adjustment varies, the transfer is computed on the base rate which is set by the Utilities Authority and approved by the City Commission. The PCA on the other hand is a dollar amount per thousand kilowatt hours, which is set by the Utilities Authority, that is based on the cost of power or fuel to produce that power. It presently is \$1.78 per thousand kilowatt hours and it is added to the bill. Historically, it has been a negative amount. This item is excluded because it is a straight pass through. And whether the PCA is plus or minus, the transfer formula is not affected by the PCA. They hope to be able to lower the PCA within the next few months, resulting in lower bills to customers. But again, this will not affect the City transfer except through possibly helping to increase unit sales by having lower bills for customers. They believe the unit sales last year are lower for two reasons. One is due to the mild weather they have had and also due to the higher bills. In milder weather, customers are less likely to use electricity to heat or cool their businesses or their homes. When costs are high, people again are less likely to use electricity due to the elasticity of demand. If

they are able to lower the electric bills as they have an intention to do, they expect the unit sales to increase this year, which will have a positive effect on the City transfer amount for next year. The U.A. Finance Director, Mr. Frank Varella, is here with him this evening. Between the two of them they hope to be able to answer any questions the Commission may have regarding this budget amendment.

Commissioner Sessions asked what are the U.A.'s plans in order to address the shortcoming in the upcoming year? Do they have any long term plans to eradicate the problem that Mr. Boudreaux says they are encountering presently so that they can get that nice healthy check that they used to get?

Mr. Boudreaux said the major plan or the major emphasis is reduce the rates, primarily in the electric area. He honestly believes that they are going to be able to, by the end of this calendar year, have a significant reduction in electric rates. It is going to take some time to do it, but they are going to be able to lower electric rates, which hopefully will have the effect of customers using more electricity only because they will not have to pay as much for it. One of the major factors, and he knows he says this every year and it is the truth every year, is that the weather is the biggest factor on the profits of the Utilities Authority. If they have a mild winter or a mild summer, customers do not use very much electricity for heating or cooling. And normally the afternoon thundershowers at 2:00 or 3:00 o'clock in the afternoon knock the heat load down instantly. People also will not be watering lawns as much when there is an abundance of rain. Over the last three years, they have averaged about 75 inches of rainfall per year, whereas the 50 year average is about 50 inches per year. So they have had an awful lot of water fall on the City the last couple of years. That has had a negative effect in both electric sales and water sales. So weather is the primary player. But in an effort to position themselves for competition in the next few years, their plan is to lower the electric rates and they have a plan to do that.

Commissioner Sessions said he tends to wonder whether or not mother nature is the actual individual that is responsible here when Mr. Boudreaux tells them that gross revenues are up nevertheless.

Mr. Boudreaux said the gross revenue includes the PCA which is added to the bill and that is a direct pass through to customers. It is indicative of exactly what it costs them for the additional power or the fuel to produce that power. Within the base rate of \$89.88 there is a certain amount of money that is projected in there for fuel costs and power costs. If the power and fuel costs go above or below that figure, they have to adjust through the PCA. That PCA adjustment is a direct pass through. When their costs are lower, they deduct that from the bills, so customers in effect see a lower bill. He does not want to say a lower rate because the rate always stays the same. But they see a lower bill, because the bill they will see is the base rate less a \$2 or \$3 PCA. He does not know if he is making sense. So in the computation of the City transfer formula, the PCA is not a player, whether it is high or low. In the last couple of years when the PCA has been a negative amount, the City transfer was still based on the \$89.88, even though customers were paying maybe \$84.00. In fact, at one point they were paying \$79.00 per thousand kilowatt hours, but the transfer to the City was still based upon \$89.88.

Mayor Enns said fuel costs have such wild impacts, they can change in over a couple of months. If they tried to include it entirely in their rate, they would be constantly having to hire somebody to come in and re-figure the rates. So basically what they have done is they have put the fuel costs out as a separate item. So if they

go down, the consumer is the beneficiary; if it goes up, they are the ones that have to pay for it. And the gas market is ...

Mr. Boudreaux said it is a commodity and it is very volatile.

Mayor Enns said it is a commodity and it fluctuates a great deal.

Mr. Boudreaux said for example, a year and one-half ago, gas prices on the stock exchange, NYMEX or the Mercantile Exchange, were about \$1.85 to \$1.90 a million BTU's, and six months ago it was up to like \$3.50. So it is a wild ride and it is very hard predict because it is commodity like soy beans and pork bellies and wheat and corn and things like that.

Commissioner Nelson said Mr. Boudreaux covered this but he is still confused. Mr. Boudreaux said something trying to explain it earlier. Fuel costs, is that considered an expense?

Mr. Boudreaux said yes.

Commissioner Nelson said based on Mr. Boudreaux's report, he concluded that they had a decrease in expenses, an increase in revenues, and a shortfall of \$35,000 that they are giving to the City as opposed to what they gave last year. He is not sure he quite understands that. Could Mr. Boudreaux explain it further? Has the City's Staff or Mr. Beach looked at that?

Mr. Boudreaux said he can explain it. For one thing, if they are looking at the Budget Amendment, they will not find anything in there to explain this because this Budget Amendment only reconciles their last year's budget. They had a \$2 million decrease in expenses. The budgeted amount for the previous year, they spent \$68,111,000, which was a decrease of \$2 million. So their total O&M Budget for last year was in the vicinity of \$70 million. That is what was budgeted, that was what was approved by the Utilities Authority, that is what was approved by the City Commission. They only spent \$68,000,000. So there was \$2 million that was budgeted that they did not spend. That is why he is saying they saved \$2 million off the budgeted amount.

Commissioner Nelson said so it was not a real expense, it was a projected expense.

Mr. Boudreaux said yes, this document, this was all projected. This is what they are doing, is reconciling what was projected versus what was actually done.

Commissioner Nelson said now he understands it. This English language is funny. Those funny little words sure straightened him out.

Mayor Enns said remember, expenses have nothing to do with the City transfer now. Nothing whatsoever. Strictly gross revenue less any exempt item.

Commissioner Nelson said Mr. Boudreaux has projected now a shortfall of \$35,000.

Mayor Enns said if the Utilities Authority lost \$5 million, the City would still get its transfer.

Mr. Boudreaux said that is correct, based on gross revenue.

Motion was made by Commissioner Bryan, seconded by Commissioner Nelson, to approve Resolution No. U.A. 97-12, Final Budget Amendment for F.Y. 1997.