

AGENDA ITEM 2-a

MINUTES OF REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, FEBRUARY 26, 2007, AT 6:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

Chairman Para requested Commissioner Allen to lead in an invocation and Commissioner Diesen to lead in the Pledge of Allegiance.

Chairman Para then asked for roll call to be taken with all of the Commissioners present as follows:

Commissioner William E. Hall
Chairman Kevin J. Para
Commissioner Richard L. Spangler
Commissioner Walter Allen III
Commissioner Jeanne K. Diesen

Others in attendance were as follows: R. Rodi, General Manager/ CEO; L. Klinkenberg, Director of Finance; R. Mitchum, Director of Electric Operations; T. Beyrle, Director of System Ops. & Generation; J. White, Director of Engineering; D. Hoover, Director of Water/ Wastewater; P. Kelly, Acting Director of Human Resources; C. Montgomery, Acting Director of I.T.; E. Mahle, Public Information Manager; R. Wetherington, Materials Manager; R. Zani, Development Specialist; C. Roberts, Controller; D. Simmons, Executive Asst./Recording Secretary; and additional U.C. personnel; Bill Preston, Interim U.C. Legal Counsel; City Commissioner Plaskett (@ 6:20 pm); Richard T. Wagner, Southeastern Investment Securities; Peter Dame, Akermann, Senterfitt & Edison, P.A.; Vicky Koren, Reporter for the NEWS JOURNAL (came in at very end of meeting); Bob Tolley, Bill Rogers, Ken Taylor, Sally MacKay, and an unidentified woman, members of the public.

(1) Agenda Changes, Additions and Deletions:

Chairman Para asked if there were any agenda changes, additions and deletions.

Mr. Rodi stated I have two clarification items to make, one of them will occur when Mr. Beyrle gives a brief status report, and the other will occur under old business for the MOU discussion.

(2) Approval of Consent Items:

After confirming there were no other agenda changes, Chairman Para asked if there was a motion for the approval of consent items.

Commissioner Hall made a motion to approve the consent items; item 2-a. Minutes of Special UC Meeting held 1-16-07, and item 2-b. Minutes of Regular UC Meeting Held 1-22-07, approve both as submitted; item 2-c. Bid No. 27-04 – Annual Supply of Emulsion Polymer – 2nd Renewal, approve award of purchase order no. PON0003949 in the amount of \$38,016.00 to Polydyne Inc. for the 2nd year extension for the annual contract; item 2-d. General Services Contract Pricing for Purchase of One Altec Model DM45TR Digger Derrick on 2007 International Cab & Chassis, approve award of purchase order no. 3931 in the amount of \$172,447.00 to Altec Industries utilizing the General Services Administration Contract #GS-30F-

(2) Approval of Consent Items (cont.):

1028G, item #A40; item 2-e. Engineering, Design, Procurement and Construction Agreement, approve ratification of interim supplemental funding in the not-to-exceed amount of \$1,500.00, and to approve the second agreement for an additional maximum of 480 hours for this agreement with ETAP Engineering Corporation (Enrique Torrens) as submitted, and authorize the General Manager/CEO to execute; item 2-f. Service of Archaeologist – South Riverside Drive Water and Force Main Replacement, archaeological services for project provided by Southeastern Archaeological Research, Inc. through DRMP, estimated at \$15,200 but likely less, and reported on new City archaeological requirements which will be ongoing additional expense, no action recommended, information only; item 2-g. Interest on Customer Deposits, approved the interest rate of 4.25% to be computed on customers' deposits during 2007, to be effective with the first billing cycle of March 2007; item 2-h. Cost Estimating Support Services, QLH offered to provide these services for an amount not-to-exceed \$19,580.00, reported on only, no action required, information only; and item 2-i. Contingency Recruiting Agreement – Exiance LLC, a recruiting agreement executed with Exiance LLC as an additional recruiting agreement (in 10-06 executed agreement w/Spherion), necessary due to limited number of good quality candidates for key managerial and technical positions, information only, no action needed. Commissioner Diesen seconded Commissioner Hall's motion and it passed unanimously on a roll call vote.

(3) Public Participation:

(3-a.) Request to Appear – Bob Tolley RE: Alternative Renewable Energy Status:

Chairman Para stated to Mr. Tolley you're up.

Mr. Ken Taylor asked Chairman Para if public participation was limited to Mr. Tolley or is it truly public participation.

Chairman Para answered it is public participation and we will look forward to hearing from you.

Mr. Tolley addressed the Commission. After a few comments with Chairman Para regarding french fries, Mr. Tolley stated I just want to go over a couple of questions regarding an alternative renewable energy project. Today makes 530 days and counting, we toss \$30,000 a day in the revenue stream, we're out \$16 million, we're still trying to work our way forward and I want to try to get an update tonight where we're possibly going because I hear that you folks are going to meet with the wonderful folks on the other side of the street. While I'm on that subject, and if I can get clarification and then go back to the renewable energy side, I got a call today that this meeting's taking place between the CC and the UC and I believe it's Thursday, and its going to be about the developer's agreement, if I've got that right. I mean there's all sorts of scuttlebutt out there, just grab onto what you want. I was kind of led to believe the last time I was in here or the time before that the Utilities had hired an attorney who was going to handle that issue, am I right.

Chairman Para stated well, what we did was we gave permission to our CEO to retain somebody should we have need of that individual.

(3-a.) Request to Appear – Bob Tolley RE: Alternative Renewable Energy Status (cont.):

Mr. Tolley stated so do we have this attorney.

Chairman Para stated I think Mr. Rodi can speak for himself.

Mr. Rodi stated the answer is yes.

Mr. Tolley stated so if we have this attorney and there is the potential that if this thing can't be ironed out in some way that they're possibly going to litigate, do we even want to go ahead and have this meeting in the first place instead of it going directly to the attorney.

Chairman Para stated well I think your public participation was on alternative renewables. I think we're probably going to discuss the other under business later. Chairman Para confirmed that with Mr. Rodi and then commented to Mr. Tolley rather than sliding sideways into this and letting you moderate I'll think we'll stick with what you've got on the agenda.

Mr. Tolley stated all right then I'm going to ask you guys to give me an update on renewable energy, where we are.

Mr. Rodi answered when we get to Tim Beyrle's part of the presentation, and then added we've just begun the process. As I had mentioned before, last meeting, we had hired R. W. Beck to assist us. I might as well discuss that issue now because Mr. Beyrle's report is going to be brief (regarding item 4-b - Status Report of R.W. Beck Power Supply RFI/RFP – T. Beyrle). I thought I was clear that there are two aspects that we're pursuing with R. W. Beck, one of them is for purchased power options off the grid, and the second relates to potential partnerships, alternative energy, plants that may be located within our jurisdiction or close enough that we may be interconnected with them, with the transmission line. I looked at the minutes and the reason why I wanted to bring it up is to make sure I was clear enough on that point because when I looked at the R.W. Beck task assignment it wasn't as clear as I just stated it. So if you were looking at the task assignment and you put it with the words that I was putting out there, I didn't want any confusion because there aren't any tricks here. What we're intending to do is modify that task assignment and if there is some issue we will bring it back here.

Mr. Rodi then confirmed with Mr. Beyrle and Mr. Rodi continued with the status report. He stated we had a preliminary meeting last week with R.W. Beck, just to start to define the scope and the next steps are to start to put together some subject detail. We're probably going to use an RFI first, a request for information, to draw out the kinds of opportunity. I know when Gainesville did that, I think they ended up with nineteen different potential applications for their needs with an RFI. Then we'll pursue the RFP after that, based upon some evaluation; so that's where we are.

Chairman Para stated so we're beginning the process with R.W. Beck and that's my understanding as one Commissioner that's kind of what we would allow, the point of the development around that agreement.

(3) Public Participation (cont.):

Mr. Tolley stated on the other issue, can I make comment later on, after as you say, slide into it.

Chairman Para commented you slide away.

Mr. Tolley stated so that's okay, I can come back up.

Chairman Para stated I have no problems with it, it's up to my colleagues, but I don't have any problems with you coming back up a little later on.

Mr. Ken Taylor then addressed the Commission and stated I was recently informed of a rumor which greatly distressed others with whom I spoke and me. The rumor is that within Florida Power & Light there is no question as to whether they will take over New Smyrna Beach electric utility but when. Therefore I ask you Commissioners, Mr. Rodi, Mr. Preston, any and all other U.C. staff, or any other utility employee, if there are, have been, or plan to be discussions with Florida Power & Light, or any other utility regarding the intent to sell, lease, or otherwise dispose of the electric utility. I would like the courtesy of a public response and if you want to wait until I end my comments, that's fine. Furthermore, I also notice on your website that the Utilities Commission is going green, I'd like to ask what that means exactly and how will this policy improve the efficiency and cost effective operation of the Utilities Commission and lower the costs of utilities to ratepayers. Perhaps if you would direct me to the specific business plan that justifies this new policy, I could read it and be more convinced you have taken a sound decision that is in the best interests of the citizens of New Smyrna Beach. And finally, notwithstanding Mr. Rodi's previous presentations, other than to hire consultants, what business plan has the Commission developed and adopted that specifically identifies the action items that you have or will initiate to resolve the myriad of problems currently facing the U.C. and the ratepayers, and how can one get a copy of it.

Chairman Para stated I'll start first with the Florida Power & Light, I can tell anyone unequivocally that I've never spoke with anyone and I don't know if we need to go through a fire drill. If anyone has spoke with Florida Power & Light, raise their hand, other than the transmission station; I beat you to qualify on that comment. Beyond that, I don't think that anyone's been speaking to them.

Commissioner Diesen stated not only that, it was vetted at one of our meetings with the City Commission.

Chairman Para stated correct. I don't deal with rumors and innuendos, I generally find that they're false and inaccurate and they end up hurting people. Second is green, I think that many of us have been advocating that for a number of years and I think it's a good way to go. I don't know that anyone's got a silver bullet or a blueprint on exactly what to do and how to do it definitely; it's a work in progress. To coin a phrase a few months ago, it's sort of like the early days of the wild west and the gold rush, there's lots of stuff happening very rapidly, or at the beginning of the era of flight, which is a little bit more organized and systematic to coincide to what we do. We're in a very exciting time and I think R.W. Beck is the perfect company, we wouldn't have chose them had they not been the perfect company to begin to get definition to

(3) Public Participation (cont.):

this and begin to help us through the RFI's and get this information to us to begin the process. It is a lengthy and cumbersome process but we're up for the challenge. And as I look at my colleagues, I see the excitement and enthusiasm in them as well as myself. So the last thing is the plan, I think we've got some good plans. I looked at the financial numbers this last month and all I'm saying is well done, so beyond that I don't know if I can help any further. He then asked is there any other public participation?

Mr. Rodi stated the strategic initiatives that were up on this wall for over a year, have action items, assignments, task dates, and we have been following them. That specific plan was what initiated the studies, and it also represents the actionable items within the organization including the model for developing the organization to meet future needs. So it's readily on the website, it's been there and you can certainly download a copy.

Chairman Para stated and I'll just say this, Mr. Rodi has done a wonderful job on methodically following that plan. I've been watching that and I'm very impressed with that and that's what you want to see in your CEO, somebody who has a step by step process and program in progress with what they do; so well done. He then asked if there was any further public participation and there being none, closed public participation.

(4) General Manager's Report

(4-a) Financial Status December, 2006:

Ms. Klinkenberg stated for the month ending December 2006 our change in net assets is \$172,720 for the combined system. Our forecast reports reflect an almost \$2 million favorable variance compared to budget.

Ms. Klinkenberg then stated to each of the Commissioners I handed a graph out, just showing our operating margin. This is a new measure and its one of operating efficiency. The graph represents the margin of operating revenues versus operating expenses averaged by accounts for each division. We're currently operating at \$38.21 for the combined system but please keep in mind that this measure does not take into account non-operating income and expenses, debt service reserves, or R&R requirements.

Ms. Klinkenberg stated our current ratio continues to improve and I would like to introduce our Controller/Budget Supervisor to the Commission – Claudia Roberts. Ms. Roberts started with the U.C. approximately a month ago and she'll explain a little bit about what her plans are going forward.

Ms. Claudia Roberts addressed the Commission.

Chairman Para welcomed her and added glad you're with us.

Ms. Roberts stated she appreciates the opportunity she's been given to be the new Controller/Budget Supervisor for the Utilities Commission. I'd like to begin by just telling you a little bit

(4-a) Financial Status December, 2006 (cont.):

about myself, I'm a native of Volusia County and plan to be a life long resident. I have my Bachelor's in Accounting from the University of Central Florida. Before joining the UC team I worked for Brown & Brown, Inc., they are a publicly traded insurance intermediary and I was an accountant in their corporate headquarters in Daytona Beach.

Ms. Roberts stated I'm currently, in the last four weeks, familiarizing myself with the U.C., getting to know everyone, getting to know how things are done, and as Controller/Budget Supervisor one of my biggest tasks will be implementing policies and procedures. These will be based on our strategic initiatives that will enhance our commitment to a strong fiscal operation which is dedicated to serving the utility needs of the citizens of New Smyrna. As my duties unfold as Controller/Budget Supervisor, I'll be closely involved in budget preparations and will be monitoring spending across the entire organization. And as beginning with the Customer Service Division, as I implement policies and procedures, I will also be basically setting up internal controls we deem necessary. She reiterated I appreciate the opportunity, I look forward to working with everyone and thank you for listening.

Chairman Para confirmed there were no questions for Ms. Roberts.

Commissioner Spangler then asked Ms. Klinkenberg about the margin per account, .51 or 51% represents what divided by what?

Ms. Klinkenberg stated if you take the operating expenses and operating revenues off the change in net assets reports for electric, you come up with the \$19.43. By taking the number of accounts that we have, not customers because there's multiple customers, so you take that average accounts, approximately, I don't remember the numbers off the top of my head, about 27,000 electric customers. And then the 51% is over the whole combined system, it's just electric's portion of the whole system.

Mr. Rodi asked Ms. Klinkenberg what does the word margin represent, I think that's maybe what he's asking.

Commissioner Spangler stated yes, I'm not sure 51% of what, I'm still not real clear.

Ms. Klinkenberg stated the \$19.43 margin means your profit margin, if you were in the public sector it would be profit margin, so if we were to think of us as profitable business, that's how much money we're making on every customers' account. The percentage part is just, if the whole Commission is 100%, 51% of the \$38 margin is electric, sorry the other way around, 51% is wastewater.

Commissioner Spangler then stated I understand.

Commissioner Allen commented that will float back and forth, it changes.

Chairman Para then confirmed that was the conclusion of the General Manager's Report.

(4-b) Status Report of R.W. Beck Power Supply RFI/RFP – T. Beyrle:

Chairman Para stated to Mr. Rodi, and you've already given us the update on R.W. Beck, we don't need to go through that again do we.

Mr. Rodi stated no.

(5) Commission Counsel's Report:

Mr. Preston stated I wanted to address the upcoming special meeting between the City and the Utilities Commission for March 1. I went on line and saw no agenda for that meeting. There is rumor that the meeting is going to deal with the developer's addendum. I called and spoke with each of you and I wanted to get clear direction from you in regards to this upcoming meeting. I wanted you to know that there is no authority granted to the City to compel any attendance at such a meeting, any special meeting, but I've heard from each of you indication as to whether or not you would like to or not like to attend such a meeting. And so I just want to get clarification tonight from you as a body as to whether or not you wish to attend such a meeting to discuss the addendum. In doing so, that discussion, should we attend such a meeting, my recommendation is that we deal with the generics of the addendum itself and not with specifics of any particular developer who may have concern with or question regarding the addendum, unless such developer wish to appear before us as a Commission and present such questions to us, which I believe to be the appropriate forum to do. So basically I'm putting it back to you, to just to give me clear direction regarding whether or not you wish to attend such a meeting with the City.

Chairman Para requested Commissioner Spangler to start this off.

Commissioner Spangler stated I was reading on the minutes of the last meeting when Mr. Preston said that this was not an appropriate forum for discussion, etc., etc., etc. He gave a bunch of reasons but basically we were advised that this was not appropriate so that's my first comment.

Commissioner Allen stated it was discussed it wasn't appropriate but why does the City want to meet? There's one thing about meeting and understanding what they want to meet for, it is in place and functioning, it should be functioning, to go back and change it, anybody who has a question should be coming here.

Commissioner Diesen stated I had a statement, I had sent a memo back to everyone saying I was not going to be available Thursday night and I had a statement I had planned to read into the record at the time for Commission but I think since it seems appropriate, I'm going to do it now and so I'd like to have that opportunity.

Chairman Para stated please do.

Commissioner Diesen commenced reading of her prepared statement. She stated I believe that we as a body have done what is right in adopting this addendum. We properly noticed and vetted it. I believe we all voted for it because it is a good, equitable and right business practice and is in the best interests of the citizens of the City of New Smyrna Beach. I have thought long and hard

(5) Commission Counsel's Report (cont.):

on this issue – and even though I will not be at the meeting Thursday – I wanted to make my position very clear. Even if I were to be in town at that time I could not participate because you see after I peeled away the layers of politics and asked all of those political questions – the realization was as a member of this Commission it is not my place to get into the politics of the issue and so in the end it boiled down to one thing and one thing only for me – my own personal code of ethics - which incidentally coincides with the UC code of ethics adopted by this Commission.

We did what we believe is the best way to handle the costs in an equitable manner. Could it change in the future? Certainly and we have that contingency covered by the true up in the addendum. I personally could not be a party to any effort that would in essence “un-even” the playing field – especially since it would not be in the best interests of the residents of NSB.

The most important point about this addendum is that everyone is treated in the same manner – there are no side or separate deals – and any attempt to change the manner in which this is applied would be, to me personally, unethical and immoral and could do harm to the very people we are here to represent – the citizens of our City. Thank you.

Commissioner Hall stated I just need to say a couple of things, one, it was not voted upon by all Commissioners, unfortunately in July when the vote was taken I was on vacation so it was a 4-0 vote and the minutes reflect that. Secondly, I have no problem going to the meeting and I don't think I would be unethical or immoral in doing so. I want to hear what the other side, excuse me, what the City Commission has to say and I think we need to get away from this talking about the other side, and this side, and that side, because we're all in the same boat in this community. If indeed we are facing a law suit from the developers, that has been a rumor which I usually do not repeat, then I think counsel would advise us to be very careful in what we would say. In fact, that was the counsel that was given when I received a phone call and I knew that it was going to be that way. If there is something to be said from the City Commission, we need to hear it, and they do appoint us, we are not an independent, a fully independent organization, we're not an elected body, we are appointed by the City Commission and we serve at their pleasure. I think that it would behoove us to attend this meeting and again we don't have to say anything. We can let our CEO speak for us, we can let our attorney speak for us, and I understand Commissioner Diesen's position but I for one plan to be there if it's still held.

Chairman Para stated I would have to say that Commissioner Diesen makes some very valid discussion points, I don't know that we've gotten that far down the road, so I guess I'm probably leaning toward Commissioner Hall's point of view and that is these people are my boss and if they say show up, I am not the Mayor, Jim Vandergriff is the Mayor, and if he asks me to show up in a meeting, I will show up at the meeting. Again, it doesn't predicate what I'm going to say, or agree or disagree with, but if the Mayor and City Commission asks me to show up somewhere, I will be there if my schedule allows for it.

Commissioner Diesen interjected wait a minute, you said the Mayor and the City Commission, to my knowledge that was never voted on at a City Commission meeting.

(5) Commission Counsel's Report (cont.):

Chairman Para stated I think the Mayor has the authority to call for a meeting.

Commissioner Diesen stated I don't know if that extends to us.

Commissioner Spangler stated he does but I don't know that he represents the whole Commission, I mean he certainly wants to have the meeting.

Chairman Para stated well my personal protocol is that he's the Mayor, I'm not, and if he says we're going to have a meeting, unless the City folks say that they don't want to have the meeting, I'm going to show up because I think people do better when they sit down in a room and they talk and listen to each other. Doesn't say we're going to agree but I think these are valid points and good points in discussion, and as I told Mr. Preston earlier today, I don't want us to get back into that same digressive cycle that we went through I guess two years ago or whatever and its which side of the street are we going to show up on and is it going to be a round table or a square table; that's a bunch of nonsense. So if my schedule allows for it I will be there, but if there's not a quorum, there's not a quorum; so I'll be there.

Commissioner Hall stated I went back and looked at the minutes, and I think Commissioner Spangler said he looked at the minutes, we actually started talking about this situation, I went back to January, beginning with the January 2007 (sic 2006) minutes, that's where the discussion began. And if you look at the minutes, I believe it's March and April, there was some heavy discussion amongst us concerning the addendum. Then we had our preliminary hearing, actually we had our "pre-preliminary" hearing in January and we went through the right steps and the public was noticed through The Observer. And certainly if anyone reads the newspapers they would have seen what was going on, and I can't believe that the City Commissioners do not read the newspapers, did not talk to somebody on staff or with somebody up here or whatever, about the addendum. It was no secret, it was public knowledge.

Chairman Para stated and I agree and we had all these comments and I spoke very candidly with City Commissioner Hathaway about this, the time to talk about this was before it got passed. Again, I have no problems in saying that Thursday so if we're going to discuss whether we're going to show up or not, that's not a discussion for me. What we'll say when we get there I think is largely a matter of previous conversations, so if there's anyone else who has anything to add, we'll add it.

Commissioner Spangler stated I sure do. First of all we don't, I guess we're saying we know its about the addendum even though no one has said its about the addendum. Has it officially been said this meeting is to discuss the addendum and will there be any developers there or are we going to just explain the addendum to the City Commission. Or are the developers going to come in there and say they think its too much and they want to plead their case before a higher body than we are, what's going to happen, because if that's what it is, I don't want any part of it. If the City Commission is saying we would like to understand what you're doing so that we can talk to the developers, even though they don't deal with them, they deal with us. Otherwise, I still go right back to what Mr. Preston said, I don't think it's the right forum, and the last thing I

(5) Commission Counsel's Report (cont.):

want to do is not cooperate with the City Commission but I haven't gotten the sense that there's too many Commissioners that want to do this, but then I could be wrong.

Chairman Para stated yes, and we all want to be careful about how we do that.

Commissioner Spangler stated if the City Commission wants to meet with us, what are they going to ask us. They're going to ask us to explain the calculus of this formula that we use, that Mr. White only in the world practically can understand every bit of it. We're not going to be able to testify as to how he does that.

Commissioner Diesen stated he spent what, about an hour one night doing that.

Commissioner Spangler stated it didn't do any good did it.

Commissioner Diesen stated again I say to you I don't know what it's about either and I don't think that this is not about a level playing field if in fact the developers are going to be there and I believe Mr. Rodi probably has information that indicates they do plan to be there, do you not.

Mr. Rodi indicated yes.

Commissioner Diesen stated and this is something that's already been passed by this body whether it was a 4-0, a 4-1, or whatever Commissioner Hall, it was passed on a majority vote. We're making great progress with the City on generation and we're moving forward. This seems so inappropriate for us to try to deal with individual developers, defeats the whole purpose of what we have done, and that to me is the unethical part of it.

Chairman Para stated and I think those comments, you rightly read them into the record, and they can be read at that time.

Commissioner Diesen stated it has nothing to do with our ability to sit down and talk with the City Commission. This is an apparent attempt, we don't know, who knows the agenda could change, but we know it's not going to be about the capital projects, and we know its not going to be about generation, so hey what else is out there. I mean I think by deduction we can come forward and figure that's what it's going to be about, but to allow developers to come in and try to present their case again when we've already moved past that, to me is inappropriate. She added I'm not going to be there anyway so it doesn't matter.

Chairman Para stated all right, rather than ricocheting around two to three times, can we say in principle if your boss calls you to the front office, you go to the front office, it doesn't predicate what you're going to say when you get there.

Commissioner Diesen stated I think you can say that but I don't want you speaking for me on that behalf.

(5) Commission Counsel's Report (cont.):

Chairman Para stated I don't intend to speak for you because you won't be there and I'll speak for myself but I intend to be there if they ask me to be there. So unless there is something substantive, do you want to put it into the form of a motion that we don't want to go, then let's do that, but let's do one thing or the other. All right, hearing nothing, we'll move on.

Mr. Preston stated I was just wondering before you move on from my report to thank you for the discussion, you've made a wise decision. I think that I would recommend, however, that we obtain a court reporter to record the meeting on Thursday night with the City so that we can preserve, in addition to the minutes that are taken, preserve whatever testimony is provided there should it be needed later, if you are all in agreement.

Commissioner Diesen asked Mr. Preston would it be your recommendation for those members who will be here and be in town, that show up, that they remain somewhat silent on the subject.

Chairman Para stated to Commissioner Diesen I'm not going to be silenced or sanctioned by anybody to say what I will or won't say when I get there as far as a Commission, I don't intend to do that.

Commissioner Hall stated this is at least the second time a special meeting has been called between the two groups where we were not aware of the agenda. I think we need to get the message across that we need to know the agenda before the date is set or as the date is set. I don't like going to a meeting and not really knowing exactly what the agenda is going to be. I've been to many in my life in another role but in this role it should haven't to be that way.

Commissioner Diesen stated and we weren't asked about whether that time was appropriate for us, if we were all going to be available.

Commissioner Hall stated and we weren't.

Commissioner Diesen stated you can say whatever you want Chairman Para, but I think we need to take the advice of our attorney and if this looks like its going to go to litigation, anything that is said could be detrimental.

Commissioner Spangler stated this thing started at a City Commission meeting when the attorney said a lot of unpleasant things about what we're doing with the developers money and as far as I'm concerned that was the end of that right there. I don't want to hear it myself so I guess I would say since they don't want to tell us what it's about, and even though we know, then I'd be willing to go and if that's what it's about it I'd leave.

Chairman Para then asked if there was further discussion.

Mr. Preston stated if I may comment, this is one of those I guess unfortunate circumstances where we've not been sued because should we be in litigation then we would have a clearer mandate by the Sunshine Law as to what it is that we can and can not do. My recommendation is that if the City wishes to learn more about the addendum, so be it. There is no problem with

(5) Commission Counsel's Report (cont.):

education at this meeting. Should this become a forum, however, for developers to argue their case prior to and without the limitations of civil procedure, I have a little concern. What you say and don't say is your choice, that's my concern. So whatever is said at that meeting I wish to have preserved by a court reporter at that point so that we can then, if we are faced with a law suit at any time in the future, we can at least take what has been said in the preparation of our defense or offense for that matter.

Chairman Para commented wisdom and asked would it be appropriate and reasonable to prepare for the City, and I agree with Commissioner Hall, rather than not having an agenda if we were to submit all public participation, public comments regarding the addendum from the beginning to the end to our folks on the City side for their review and preparation for this meeting, or has that already been done.

Mr. Rodi stated I've continued to work through legal counsel so I'll point that way.

Commissioner Diesen asked Mr. Preston at what point does the discussion take on the possibility of individual liability for the Commissioners.

Mr. Preston confirmed she stated individual liability, and answered I believe that there is little fear of individual liability. I think that the actions taken by you as a body in the development, understanding, and passage of the addendum is what is looked to in regards to your feausance and your position and I would argue strongly that there has been no malfeausance on behalf of any of you as Commissioners in that regard.

Commissioner Diesen stated what if we should be contacted individually by developers, that takes it into a different realm, right.

Mr. Preston stated contacted individually by developers and asked questions in that regard, my recommendation is you refer them to an open meeting by the Utilities Commission and they can raise those issues at an open meeting.

Chairman Para stated fair enough, let's go down the line, Commissioner Spangler have you been contacted by any developers.

Commissioner Spangler answered no. Commissioner Allen answered no. Commissioner Diesen answered no. Commissioner Hall stated yes.

Chairman Para stated I have been also and I referred them to our CEO, would not meet with anyone. So now that's been dispensed with, let's press on. As far as public comments, we are a public company, what we do here we do here in the public so we could provide everything that has been said to this point as we have progressed along this journey to our folks in the City for the purposes of edification, would that not be reasonable.

Mr. Preston stated not only reasonable, it's been offered.

(5) Commission Counsel's Report (cont.):

Chairman Para stated good, then we're 90% home. So really the sticking point happens to be the agenda, how about, would you prefer or I'll be glad to do it, but I don't want to jump ahead here and get in trouble so whatever works best we'll try to clarify an agenda; would that help.

Mr. Rodi stated I believe the agenda is set by the City if they're calling the meeting and we've had inquiries and we referred them to the City Clerk.

Chairman Para stated so that's at the point we're at, so its up to you guys, if ya'll make a motion that we collectively don't go, then we'll have a vote on it, if not, again as one Commissioner I intend to show up and listen.

Commissioner Spangler stated well the mechanics of this thing make it difficult because first of all you're not going to start talking about generics without getting into the particular if there are developers there. The second thing is we haven't been given an agenda and we're not given a whole lot of time. We can say we want to know what the agenda is to make sure its something that's not political, that its legitimate and its not something we've already done a resolution on, but they're not going to give us the agenda and they're not giving us enough time so it would be my inclination to say what is this specifically going to be about and then we can say whether we want to go or not. But it's been set up in such a way as it's not going to be very easy to do that time wise either, otherwise we would have to meet again before Thursday even if they decided to tell us about what it was about; so I don't like it anyway.

Chairman Para stated okay, further comments.

Commissioner Diesen asked is that a motion?

Commissioner Spangler stated you can make the motion.

Commissioner Allen stated the thing is, if it goes in the wrong direction is there not a means to say that is out of order because the addendum is controlled over here and the people need to be coming before the Utilities Commission. If you're going to discuss and understand this meeting is suppose to be between the City and the Utilities Commission and if there's other parties there and they want to get into particulars and particular developers or what somebody may have an agenda on, that shouldn't be the purpose of that meeting. There's an addendum that's put into practice, it's functioning, it's been put in place, it has been discussed and that's where it is. Anytime somebody wants to manipulate that, play games with it, out of order.

Mr. Preston stated in response, we as the Utilities Commission are created by and governed by Chapter 15 of the City Charter and that chapter of the City Charter grants the Utilities Commission exclusive power and authority to prescribe rates, rules and regulations, as well as exclusive power and authority to bill and collect the prescribed fees and charges. My argument is that the addendum does that, if we are provided that authority then it is my opinion that the City cannot unilaterally make changes to what it is that we have passed, in particular the addendum. So in regards to that meeting, I would say that would be out of order for there to be

(5) Commission Counsel's Report (cont.):

some particular prescribed changes or proposed changes to the addendum. If there is discussion regarding the addendum that is sufficient, but as far as making changes to, I would argue that is out of order.

Chairman Para stated I think its clear than none of us intend to go over and negotiate. I think it's clear also that we don't, at least this Commissioner, doesn't want to be seen as uncooperative. I'll be glad to go over and stand behind you Counselor Preston as you make that statement, and you've done it very well. He commented you can take the first blow, I'll take the second. Anyway, I'll support that as a very well stated comment. He then asked if there was any further discussion.

Commissioner Spangler stated so have we reached a conclusion here Chairman Para, we're all going to go over there and if it turns out to be that the particular attorneys that we know are going to start arguing about it, then we're going to stand behind the attorney and he's going to say this is inappropriate.

Chairman Para stated I think it would be wise.

Commissioner Spangler stated I don't want to create the appearance, certainly at this point where we're working well with the City Commission, that we're being difficult, but I think somebody put us in a difficult position and I don't know how it happened, there's been no, I mean I have heard rumors, but I just don't think its right under this situation to put us in this position when we're trying to work with the City Commission, for them to do that. I don't like that, I think that's not a good idea, and I don't even know whether legally anybody can ask any City Commissioners whether they know anything about it either, I don't know.

Chairman Para stated well I think that's good and appropriate that we say that right to them when we see them on Thursday.

Commissioner Diesen stated there's a meeting tomorrow night.

Commissioner Spangler then asked is there one tomorrow night?

Commissioner Diesen answered a City Commission meeting.

Commissioner Spangler then asked Mr. Rodi or Mr. Preston, are we allowed to ask what this is about on Tuesday night.

Mr. Preston stated as a citizen, absolutely.

Commissioner Spangler reiterated as a citizen, and can that influence whether we go on Thursday or not.

Commissioner Diesen stated it could influence the time and place of the meeting.

(5) Commission Counsel's Report (cont.):

Commissioner Spangler stated maybe they won't want to have the meeting, to make it easy.

Chairman Para then stated it's still open if you all want to make a motion or whatever, if not we're moving on.

Commissioner Diesen stated to Chairman Para, Mr. Tolley has his hand up and you said he could speak.

Chairman Para stated okay, press forward Mr. Tolley.

Mr. Tolley addressed Chairman Para and stated I bet you \$50 I can give you word for word what's going to go on at this Thursday meeting and you folks are all smart enough to know what this is all about; this is a bushwhack meeting. Now what I want to get from you guys tonight because that man up there is your attorney, and he recommended that you don't go. At the very least I want a promise, a vote from you guys, that he will be the one doing the talking because if you show any dissension whatsoever amongst you at this meeting it's going to open the door for the developers. I'm telling you and Mr. Rodi knows it, I know each one of you, Chairman Para I know you, as soon as you open your mouth he's going to walk right through it, the developers will go after any words you say. That's the guy (Mr. Preston) that should be doing the speaking for everybody, you want to go, go, but I want a vote that he's the one that does all the talking. If not, you're going to sell out every ratepayer at this meeting. So do I get a vote?

Chairman Para stated that opportunity has been offered to the colleagues and that's to be offered now again if they would like to make a motion for any kind of an action.

Commissioner Spangler stated well I think we know what we need to do and since we don't even know what's going to happen at this meeting it would really be hard to act accordingly. But I think we know what it's probably going to be and I think that basically we've had counsel and we will stand by counsel.

Chairman Para then asked if there were any further comments or public participation. There being none, he moved on to Old Business.

(6) Committee Meeting Reports:

After a couple of comments, Chairman Para asked if there were any committee meeting reports at this time.

Commissioner Allen distributed a report to the Commissioners entitled "Net Metering and Green Power Marketing". He stated as I spent a little time looking at this task Chairman Para had given me, he asked me to look at our net metering policy as with others in the industry and if we need to make some changes. And also look at the marketing for green power and how best to serve ourselves and as a marketplace for our customers and other markets. Basically as I began looking at this, the first thing I have to say is some things as I began searching out and moving forward and seeing some things out there, a lot of things come to the surface, this isn't just a

(6) Committee Meeting Reports (cont.):

simple thing that you pull, you do, and as you look at it, it may look simple. The things that I noticed is every system is different, the locations in a different area, impacts that complexity of their system, types of customers, even the makeup of the utility customer database, even the size of the utility system, and also the support staff that the utility has. As we talked over time, there's no silver bullet that makes everything work and as we look and think about the least way to say is the complexity of the process that you have to walk through to address these two items, it's very complex.

Commissioner Allen stated I'd like to share a couple of things as I went through this and looked at our system and looked at several areas and information. We have twelve photovoltaic systems operating on our electric system, sized from 1.2 to 4 KW, with one of them receiving some reimbursement through net metering occasionally. It seems like these individuals have minimal impact on our system at this time and these systems help individuals offset their electrical consumption during daylight hours and they're dependent upon the utility themselves when their PV's are not producing energy. I believe within myself as I look at things net metering is not the idea for the future and it's not ideal for the future needs. There needs to be a more expanded thought process on net metering concepts and as we look and you think about the future of renewables and green energy as it moves forward and people start buying into it and as people may even build larger, newer homes and start integrating PV systems and even larger systems into their build outs. Also small generation resources that may show up on our system in the future as individuals may want to be innovative, and that will drive the need for developing proper metering schemes and a rate that would be equitable. There needs to be a metering of the energy flows that flow in and out, and then also really look at on and off peak flows, and even possibly hourly flowing of energy resources. If the energy resource, if it's of any size, there's going to be a need to understand the capacity of what that resource puts out. We have a max capacity on our system right now of 10 KW for a customer to have for a PV system. I believe if we actually had customers that had a 10 KW system they would be producing enough excess where it would actually go into our grid.

Commissioner Allen stated so as we look forward there are some needs to look at proper metering of these renewable resources that may come on our system. We think about small distributed generation, those sources can be as small as 10 KW all the way up to 15 MW in size and they can impact your electric system greatly. We think about the complexity of this to work through, interconnection agreements, safety requirements and needs, financial impacting along with communication for those systems when they go along, thinking about the availability and how they may impact one system, and even looking at dispatching if they're a 24 hour operation. When you look at these systems you get complex, you need to have an energy management system, looking at managing and to regulate, with understanding real time costing. And of course these systems require manpower to operate and keep them up to date, to be able to be equitable in the costing of the resource for the individual and also for the utility customer.

Commissioner Allen stated green power marketing for our system and our customers, it is not feasible because there isn't any dispatchable green energy resources interconnected with our electric system. Then if there were, we would have to look and think about the customer, would they be open to the option of purchasing green energy at an additional premium cost because

(6) Committee Meeting Reports (cont.):

most green energy does cost more than what the resource is on the utility. But as I looked at this and the conclusion that I came up with is there is a future need for the Commission at some time to look at a rate schedule for distributed generation. Whether it be a 5 KW PV system, might be a fuel cell, might be a 10 MW micro-turbine or any other renewable resource that is there, and it needs to have accurate management of this energy and the capacity that is there and the flows to provide proper metering and data acquisition for it.

Commissioner Allen stated PV systems are a major investment, the folks that I've talked to that have invested into it, they did it mainly because of their conscientiousness of trying to conserve, to be energy conscious. Even with the tax incentives it's a considerable lengthy time period to get any return on that investment and as we look and we see to properly meter it and even looking at capacity of those PV systems if they're of any size, will help on return of that investment also. But as we look here and I think about this whole aspect, it brought up another thought in my mind, was real time energy costing as a rate. Rate studies are very methodical, as looking at rates and looking at distributed generation and being able to meter that, there may be individuals out there, especially if they have a PV system, they wouldn't mind paying a real time energy cost because of the PV they've got, in the middle of the night when the energy costs three cents versus maybe during the middle of the day it's eighteen or twenty cents, and they're running then on their PV's.

Commissioner Allen stated so we see there's a lot to this but through all the looking at this and seeing, the one thing that comes to the forefront again as I looked at this was the subject of energy conservation, being aware of how to conserve, how to be energy wise. We have started that as a Commission here, if the customer alone will buy into energy conservation and do some things and work at it in their homes, they can save at least 20% on consumption. I think it would be a surprise to them and when we look at the capacity we would save in the energy conservation area if people would do that and just move forward from there as we go in this particular area.

Chairman Para thanked Commissioner Allen and stated that's a tremendous report.

Commissioner Diesen stated we are doing energy audits now, right.

Mr. Rodi stated yes we are, and added I wanted to complement some of the activities that Commissioner Allen's involved in with some internal information. I've speaking with Mr. Beyrle because the key element is we are not staffed for the kinds of positions we will need to execute demand side management programs, the technical aspects of conservation, real time pricing, and the use of real time metering. As a result I've approached Mr. Beyrle about putting into this year's budget a demand side management conservation rate engineer and I feel its appropriate because he has to handle both sides, whether it's the supply side by getting generation off the grid or in the future a partner who may have an actual asset on the ground here, as well as to look at the payback mechanisms with regard not only to conservation but demand side systems. So that is going on now and Mr. Beyrle has just begun that and I'm sure that it will require more than a person. Commissioner Allen from my perspective said several important things and one of them is that the answers are really tailored to the individual customer and that requires a great deal of expertise and time in order to execute those properly. So that on

(6) Committee Meeting Reports (cont.):

a going forward basis, internally, we've started to look at maybe a rate rider for distributed generation, the concept there is to look at displaced energy costs during peak. There are a lot of aspects with this that need to be developed and until such time as we make a decision then we really can't put together a plan. So the first thing to do is to start to get our arms around what it is that we're seeking. This Commission has charged us with pursuing conservation demand side systems, so part of that step is to begin to place those kinds of people, in addition to the good quality employees we currently have, to help to develop this. So that's just some additional information that we've been working on inside.

Chairman Para stated great, so we're actually in the process of ramping up to this, simultaneous to this fine report. He stated to Commissioner Allen, I like the premise that you undertook in your conclusion, that you're looking at the innovation of individuals in our community. From my perspective at least, is that we have some really unique people in our community that have already stepped forward and stepped up and provided some of these very unique solutions and I'm just glad to hear, and I'm not seeing any shaking of the head here, that we're not interested in embracing and getting arms around people that are trying to be innovative. I think that's the point there, that you have a trigger there so when these people come forward we're going to work with them and interface with them, regardless whether its photovoltaic or whatever it is.

Commissioner Spangler stated I would like to make one point too that doesn't seem so obvious until you think about it, its pretty expensive to go out and buy 5 or 10 MW's of new generation, but you can save 5 or 10 MW's just with conservation and the investment is very small.

Chairman Para stated not to put anybody on the spot but I'll say for our house I went through the house last night and found three more bulbs that were incandescent bulbs, the last three bulbs I think. My friend teases me saying he's going to "rat" me out, you're yacking away about energy conservation, so I got the last three out of my house last night and I encourage us all so that we can step up to the plate and say for our house we're doing that.

Commissioner Diesen stated a neighbor of hers had approached her and asked her what her utility bill was last month and she responded I don't know, \$158 and something. Her neighbor said are you kidding me, mine was \$500, and I said I'm thinking you need an energy audit, what are you keeping the heat on 85 and the air on 60. She said no, no, and I said well then you might want to have an energy audit, must be a lot of leaks there. I think most people don't realize that for the cost of an energy audit it's going to save them so much, just adding a little bit of insulation. There's so many little things that you can do that don't cost very much that are so cost effective and I think that's part of education, getting that out to everybody, they don't necessarily look on the website unfortunately.

Chairman Para said thank you again Commissioner Allen, and added that triggered a lot of conversation. He started to go to the next item stating now that we're done with Committee Reports, but then recognized Mr. Taylor for additional public participation.

Mr. Taylor addressed the Commission and stated I think I need to make two or three points just to make sure everybody heard what Commissioner Allen said. What Commissioner Allen said

(6) Committee Meeting Reports (cont.):

was that most alternative energy proposals and techniques today must be subsidized by somebody before they're even close to economically feasible; and that's a fact. So you can talk about squeezing a kilowatt here and maybe a kilowatt out there, but it's going to take a while before it happens. Secondly, I have heard that even though your website says that your policy is to go green, there has not been a vote by this Commission that says your policy is to go green and you're going to move toward that goal. Now if I'm incorrect, straighten me out. The second thing is photovoltaic is passé, it's very expensive, and doesn't produce very much energy. There's a new technique out there, has a lot of promise, and the cost is coming down rapidly, so those kinds of techniques will be available. But finally, even though you want to measure on a house by house basis the load, you have to have a means of doing that, doesn't matter whether you have a big computer or six guys sitting out there, if you can't get your information from the meter or the sensor back to the computer, it's no good. Right now you don't have that capability, and there are three techniques out there. One is, and it's come a long way in the last 40 years, is using the power line itself, but we don't have that system. Two, you can have a fiber optic system throughout the town, and you can get anything you want. And three, you can have a wireless system, you mostly abandoned the wireless system and you're not pursuing the fiber optic system, so hopefully salvation's going to be the power system. But if you don't get that, you can give Mr. Beyrle all the people you want to, but he's not going to be able to get the information, at least from the residents.

Chairman Para stated thanked Mr. Taylor for his brief comments, and then started to move ahead as Committee Reports were finished.

Commissioner Diesen then asked Mr. Rodi if he had any reply, or do you feel it's not necessary.

Mr. Rodi stated generally renewable energy technology has not been able to compete with central generation technology. There are a number of new techniques that are coming forward and they obviously have a lot of subsidy with them. Regardless of that, the approach that we have taken, as I'm understanding, is that individuals who choose to invest in those renewable sources. Part of the RFI and then RFP is to see what larger plant sizes might be available and what product pricing we'll eventually get for those megawatts. And we don't know what that is right now, we may get nothing, or we may have some rather creative opportunity there. From a standpoint of the metering, there's some new sophisticated meters that have storage capacity, whether or not you send someone through there to retrieve the data, usually the data that you need is so extensive it doesn't have enough memory capacity and so you need some type of a connection. We're still looking at signals over the power lines, they're limited in their bandwidth. We haven't abandoned the fiber opportunity, that's why we hung on to that part of the communication asset, and intend first to use, much like the Leesburg model, where we extend the fiber to take care of connections to municipal facilities where they're ours or the City, and from there extend out opportunities to businesses'. Now most of the demand side might apply to certain kinds of commercial businesses however most of the profile, and we have to do some load studies with commercials, the investment is in lighting and that's a tremendous cost for commercial businesses. We don't have the large types of commercial businesses in New Smyrna Beach that may be elsewhere and there are some that are very data dependent so we'll have to develop a mix of using wireless that really does work, aside from the 5G that didn't work, and

(6) Committee Meeting Reports (cont.):

try to build. But the first step is to get the efficiencies out of the municipal systems to improve ourselves and then expand it from there; so we're still working on pushing the fiber out there.

Chairman Para then stated to Mr. Rodi, thank you for your indulgence to repeat that, I know you've said it before in the past, so I appreciate you going through that again. Okay with that, we'll go to Old Business.

(7) Old Business

(7-a) Approval of Payment for Venetian Bay of NSB, LLC Memorandum of Understanding (MOU):

Mr. Rodi stated part of the preliminary comment that I wanted to make is since we had this item on the agenda we wanted to make sure that Venetian Bay NSB, LLC was aware that we would have this on the agenda for today and we communicated that on Friday, I believe was when it occurred. This morning we had a request to defer this item. So before I speak about the item the request basically said since there's going to be a meeting on March 1st, and I'm paraphrasing this is not a quote, involving the developer's addendum, that they would like for us to defer this item to talk about it later. Now we've had one request for appearance that was cancelled for January, we had a request for appearance that was cancelled in February, and I felt obligated to present this item with regard to the Memorandum of Understanding that we had. So you understand the status, the water and reuse lines were installed along S.R. 44 and their terminus is near the named Williamson Boulevard roadway that terminates on S.R. 44 by the Fire Station and our Wastewater Plant. The assets were signed over to us so there was a bill of sale conveying the value of those assets to the U.C. Now understand that the development did have a fire flow issue and we think that even what we've done may marginally resolve it because essentially it connects to the same 12" line that supplies from the other side. However both of those lines have been activated and part of the concern that I had was we had assets that were put in the ground, there is that issue and so everything that was in our control was to activate those lines, especially when the bill of sale was conveyed to us. Consequently, I believe that there's also an obligation on the other side of the MOU to tender payment for what we believe we owe as a part of the Memorandum of Understanding and I'm separating that from the Developer Agreement and the Addendum. That remains to be a separate item, so far there has not been any sign off on the Addendum, in some cases the Developer Agreement was signed and the Addendum was not, and so that remains to be a separate standing issue. So I wanted to bring this before you and I feel that's the right thing to do and we do have control of those assets and we do have them activated.

Commissioner Diesen stated so it's your recommendation that we go forward and make those payments.

Mr. Rodi stated that's what I'm recommending, yes.

Commissioner Allen stated I make a motion that we make payment on this addendum (sic Memorandum of Understanding), the motion was to approve the payment of \$544,233.62 to

(7-a) Approval of Payment for Venetian Bay of NSB, LLC Memorandum of Understanding (MOU) (cont.):

Venetian Bay of NSB, LLC in accordance with the Memorandum of Understanding dated September 18, 2006 and Infrastructure Fee Reconciliation dated December 22, 2006, and providing utility services remain subject to U.C. approved developer and addendum agreements. (The payment for these accepted assets are to be paid from the U.C.'s Addendum Escrow Account.) Commissioners Hall and Diesen seconded this motion and it passed unanimously on a roll call vote.

(7-b) Status of Alternative Water Development/Implementation:

Chairman Para stated the title of this item and added this was Dave Hoover. He asked if Mr. Hoover was in attendance.

Mr. Rodi stated Mr. Hoover is here, and added he's been rather busy with some water line breaks and a number of other things. Mr. Rodi stated what I thought appropriate is just to gather a brief status. Mr. Hoover provided a summary which is included in the agenda item but I thought it very appropriate for you to hear from Mr. Hoover as to what his perspective is on the alternative water development.

Mr. Hoover addressed the Commission and confirmed the Commissioners had read the attachment. He stated basically it puts together a whole lot of things that we've studied, investigated, evaluated, and looked at every way but Sunday as to our water system, the status of the operations now, where the improvements need to be made, and that includes water supply as delivered by Quentin Hampton here several months ago, the wastewater system and this same general analyses. Of course we know from St. Johns that even though we've gotten additional 1.75 MGD as far as additional allocation for our potable system, as our CEO delivered to us at the last joint session on the water-wise presentation, that will carry us through perhaps the next five to nine years. For our potable water demand we have that much cushion and that is keeping in mind that we're going to have to build this central wellfield which we are progressing on now with Mr. White's help.

Mr. Hoover stated but as another part of the issue now, inextricably linked are reuse demand features to our potable equation. So within the next two to three years with the western service area growing and then meeting reclaimed water for residential irrigation, we need to get moving now and also develop alternative source development from probably horizontal wells or a deep well into the lower Floridan. As I shared with you all last time, Daytona Beach just completed a 1,200' deep well and Port Orange is putting in more horizontal wells as we speak. Today Jim White and I met with Brad Blais from Quentin Hampton and sort of went over this with him and we're ready to pursue the next step and that is basically, as Ms. Klinkenberg said, we need to look at grant monies. Senate Bill 444 had \$50 million last year for these types of projects but until you get one to the state of development that you can present it and have a hearing and see if its worthy for them to provide funding, which is a great asset when you're pursuing these costly ventures, you're not getting anywhere. I think that's where we bring ourselves to in the conclusion of this report, that we need to get the Commission's blessing to now engage consultants to help us develop these alternative sources. What Mr. Blais shared today was sort of

(7-b) Status of Alternative Water Development/Implementation (cont.):

exciting, one city that he's been working with, by coupling the potable portion with reuse augmentation, you have a much better chance for higher percentage of funding from these grants. He has a city that he's been working with and the first phase was developing reuse augmentation but that then becomes potable augmentation when the additional equipment is built, membrane treatment, and you sort of move along pretty good with sequential steps that will give you reuse supply in this two to three year window and then potable supply possibly as well by the time we need it in five to nine years.

Mr. Hoover stated so these are things that basically every time I see us work on projects, let's talk about the wastewater plant itself, it took about four to five years to actually get that new plant built and in operation. Well fields often take three to four years between the time you start planning and getting the budget going, and then design, bidding, construction; the clock's ticking. So if we want to have water in two to three years, as Mr. Rodi says, we need to move.

Mr. Rodi stated there's a fortunate aspect of the down turn in the housing market in that the build rate is not anywhere near as it was but our expectation is that it will pick up again and there are a number of starts that are out there from previously approved subdivisions so one of the important aspects is we understand what our reserve is and we understand how to measure its depletion rate. So we can maybe have a little more time but I do think with our requirement to provide to St. Johns an alternative water supply, and Mr. Hoover has filed that already, that is due this coming May but he has already filed that with St. Johns, and then starting to look at the potential for harvesting water, to go through some testing methodology and development, becomes important to prove this out to know where we're getting our water source from.

Mr. Hoover then stated I think you all made a very wise decision to set aside this 800 acres for resource management at the last meeting because buying property elsewhere would be expensive, the capital cost to extend there so we could then bring it back to either the water plant or the wastewater plant would be very expensive, and then operation costs to pump backwards and forwards, its just not wise, the place to do it is right adjacent to the wastewater plant which soon will have transmission mains to the water treatment plant with those new wells. So these are good steps that we're taking to try to efficiently go into the future. One of the most encouraging things I found from my research, and the City had plenty of good questions about this because it's a big venture, but we do have research into deeper wells. We had a 1,000 ft. brine well at the old water treatment plant, at Smith Street for regenerating the old zelite softeners, that was put in back in the 50's and is now a USGS monitoring site, there's a lot of data there on water levels. There's an 1,100 ft. deep well at the old wastewater treatment plant that was put in 1981 as part of a hypochlorite generating system. What was really a piece of data that was invaluable here for us, that came from Engineering, was in 1981 when we put in our most recent wells, the S.R. 44, the western well field we call it, at the intersection of Pioneer Trail and S.R. 44, we were required as part of that initial, I think exploratory work, to put down a 750 ft. deep well that would then be back plugged to 260 ft. to draw water as a production well out of the upper Floridan. The reason being that St. John's, even 15 years ago, was looking at the future and that we all would have to go deeper and protect the upper Floridan. So they said we're going to have you go down 750 ft. and take chloride or the saltiness content on your way down and we want you to find the isochlor, this is the point where the chlorides are going to

(7-b) Status of Alternative Water Development/Implementation (cont.):

extremely jump up. We never found it, actually the chlorides decreased, started out at around 90 and decreased down to 27 by the time we got to 740 ft.; which is quite encouraging. What Mr. Missimer had shared with us was he thought the lower Floridan and the upper portion of this lower Floridan had much lower chlorides than previously believed and that data there seems to indicate this could be the case. This is why we don't want to go forward with this Swoope site desal plant, we're looking at 30,000 parts per million for sea water, plus sea water varies quite a bit in quality and that wreaks havoc on designing a plant. So this deep well is really something that we need to pursue and we can do it at that site and the horizontal wells for surficial aquifer harvesting, quite doable; so looking at grant monies for that is the next step to go.

Chairman Para stated to Mrs. Klinkenberg that there is a CBIRS (Community Budget Issue Requests), are you familiar with that, that you can do and there's a whole section on water issues and stuff and I've participated in that now two years in a row. So I'll provide a copy and Representative Hukill is very proactive and does a great job so maybe she can help us out.

Mr. Hoover then asked if there were any questions.

Chairman Para thanked Mr. Hoover and stated by the way a very good, very comprehensive report.

Mr. Hoover stated commented you've seen it all before.

Chairman Para stated I told my wife, he can not only talk well but he can write well.

Mr. Hoover thanked Chairman Para.

Commissioner Diesen stated to Mr. Hoover I think you talk well.

Chairman Para then added and write well.

Commissioner Diesen stated this said information only but Mr. Hoover suggested he is going to need a motion to be able to bring in consultants, so is that an action item.

Mr. Rodi stated we would request that, yes.

Commissioner Diesen stated okay, so I'll make a motion that Mr. Hoover be allowed to bring in the consultants to do the job (to help develop these alternative water sources). Commissioner Hall seconded this motion and it passed unanimously on a roll call vote.

(8) New Business

(8-a) Capital Improvement Plan (CIP) Financing – Financial Advisor and Bond Counsel:

Chairman Para read the title of this item and directed this to Ms. Klinkenberg.

(8-a) Capital Improvement Plan (CIP) Financing – Financial Advisor and Bond Counsel (cont.):

Ms. Klinkenberg stated over the past several months I have been researching and meeting with financial advisors and bond counsels trying to find the best fit for the Utilities Commission. I'd like to recommend the selection of Toby Wagner of Southeastern Investment Securities for our financial advisor and Peter Dame of Akermann and Senterfitt for our bond counsel, to work with us for our financing needs on our CIP. Both gentlemen come highly recommended and have served many local municipalities, including the utility industry. In the packet you had the retainer agreements and the engagement letter. On the retainer agreement we had one change that our counsel had recommended which was to change the venue from Osceola County to Volusia County; I wanted to point that out. She then stated I would like to introduce Mr. Wagner and then asked him to give a brief overview of our financing options.

Mr. Toby Wagner addressed the Commission and stated he was President of Southeastern Investment Securities in Winter Park, and added I appreciate the opportunity to be here this evening before you. He stated we've had an opportunity to review your financials and Ms. Klinkenberg has been very candid with us and forthright in terms of some of your past history and where you are headed in terms of your capital improvement program. It's nothing unlike what we've seen before with a lot of other clients that we represent similar to you and we look forward to the opportunity to work with you and work with your staff. He stated there are a myriad of financing opportunities out there for you, of which Mr. Hoover was talking about the grant monies. That's always an excellent approach to start with and capital markets is another one certainly, but that ought to be augmented with quite a few other opportunities that you have. The main thing that we stress in terms of any financing plan is flexibility, we listen very carefully to what the clients' needs are, not taking into consideration what our needs are, it's what the clients' needs are and what best serves the ratepayers of our clients; that's a philosophy that's worked well for us over the last 35 years. He stated I'll be glad to answer any questions you may have at this point.

Chairman Para confirmed there were no questions for Mr. Wagner and then thanked Mr. Wagner for his presentation.

Commissioner Diesen stated I have a question for Ms. Klinkenberg, what other firms were under consideration.

Ms. Klinkenberg stated the three that I actually met with, because I checked quite a few others, but the three that I actually preferred to take the time to face one on one, to meet with, was Dunlap and Associates, I believe PFMG...

Commissioner Diesen interjected that would have been Craig Dunlap who represented us in the past.

Ms. Klinkenberg stated yes, and then the other one was Hal Canary and I think it's PFMG (Preferred Financial Management Group), they're like the largest financial advisors in the area.

Commissioner Diesen then asked and on what basis did you decide this was the firm.

(8-a) Capital Improvement Plan (CIP) Financing – Financial Advisor and Bond Counsel (cont.):

Ms. Klinkenberg stated I wanted them to give me their ideas, I wanted some new ideas, not just bonds, I wanted fresh ideas, I wanted them to review our financials, give me their take on them, see if they kind of fit with me, and I didn't want someone who was going to fight me. I also wanted someone who was going to give us a lot of options and work with us to do the best for the Utilities Commission. She stated I reviewed some old bond issuances and other documents and I wasn't as thrilled, I wanted somebody that I thought would work the best for us.

Chairman Para stated I like those comments, it's fresh. He stated this gentleman hit it right on the head, you have a very forthright personality, I like that.

Ms. Klinkenberg added I believe he did.

Chairman Para then confirmed there were no further questions and asked for a motion on this item.

Commissioner Allen stated I make a motion we approve, authorize and execute this agenda item, a motion to approve and authorize execution of the Financial Advisor and Bond Counsel agreements and authorization to proceed with an RFP to seek long term financing. Commissioner Spangler seconded this motion and it passed unanimously on a roll call vote.

(8-b) Resolution of Appreciation – Orlando Utilities Commission – Proposed UC Resolution No. 3-07:

Mr. Rodi stated obviously in addition to the superlative performance of our own utility, and that goes to all the aspects of the utility, the line personnel were up front and it was very personal from them and they're especially to be thanked, but there were many other employees from water/wastewater, and internal staff. It took many people to perform so well, particularly Ray Mitchum and Tim Beyrle who did a lot of the coordinating. He stated more than just protocol, the Orlando Utilities Commission responded very quickly, they sent us a very needed resource. He stated and I think a compliment to Ray Mitchum, usually for persons who have those primary responsibilities there's a hesitancy to face the need for additional help, especially from the outside, it means a lot of extra work. Mr. Mitchum made that call very quickly, without any prompting, it was just very marvelous. He then stated this particular item is an official recognition of the Orlando Utilities Commission for their assistance and it's just that simple.

Chairman Para stated I just want to say all the feedback I got from the whole effort was very positive and good information flowed from you all as your internal core team as well as people in the community responding. I did see the OUC trucks running through town and commented to Mr. Mitchum I thought that was cool, well done. I like people that think on their feet and for themselves; that's well done. He then asked if there was a motion to approve this resolution.

Commissioner Spangler made a motion to approve the resolution of appreciation attached to this agenda item to the Orlando Utilities Commission. Commissioner Diesen seconded this motion and it passed unanimously on a roll call vote. Upon approval, this resolution was numbered 3-07 and became effective immediately.

(9) Possible Other Business – Time for Commissioners:

Commissioner Allen stated again, knowing from the tornado and all that went on there and the work that went into it, the professionalism and then also the dedication of all the employees as they put forth that effort in that trying time to give up, to be out there and see things come together, working together. He stated the general public doesn't realize and understand the coordination and the many aspects of different people working to see things come together in a proper manner and a safe manner. He said having been there and been on the other side and worked it, many times the stresses that people feel, I can just say thank you and I appreciate it.

Commissioner Allen stated another thing I kind of got concerned about was reading in the paper about the little power to a trailer. It's kind of sad when someone gets a proper understanding of a process you have to walk through and yet the news media really doesn't follow through and gives you some bad PR when they could actually give you some good PR and even help the general public understand there is a process you go through and if you walk through that process things get done in a timely manner. Our people are out there, responsive, as soon as the stuff comes through, you don't circumvent a process and it needs to be understood and it's just sad that if someone tries to circumvent it and you go to the newspaper instead of following through and then it gets publicized like you're a bad person. It's kind of sad those things can happen like that but as you read the news and so often you get a lot of negative comments from that and you have to get over that.

Commissioner Allen stated then the other thing is as we move forward with energy conservation and awareness for our customers, I thank staff for doing that and working towards that and look for how that will impact our peak in the future. He concluded by stating that's all I've got.

Chairman Para thanked Commissioner Allen, added hear, hear, well said.

Commissioner Diesen stated we had a couple of employees that were involved in the tornado too and had some damage and I think the response was very well handled and very quickly taking care of our own. I think that's something, if we don't have that policy in place we need to certainly get one in place so that happens. I don't see a problem with it happening as long as Mr. Rodi is here but it's still a good thing to have it in place because we do need to take care of our own; I was glad to see the quick response. She stated I've heard nothing but good things that happened.

Commissioner Diesen stated on the incident with Rags, we did get some, unfortunately, some folks were emailing and I was the recipient of one of them and we handled it very carefully and very quickly. He came back and sent a note of apology, he did not realize it had already been taken care of, so those things happen. She stated it was handled by the time it hit the newspaper was my understanding.

Mr. Rodi answered that's correct.

Commissioner Hall stated I want to take somewhat of a little different approach to what we've done tonight. We all know that the Florida State Legislature begins meeting next week, in the "circus", and right now there are several bills that have been introduced that will cap the

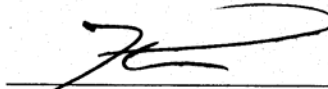
(9) Possible Other Business – Time for Commissioners (cont.):

spending of local governments and I'm going to assume that will probably affect this body if it passed in its current form. But we all know that, and Commissioner Diesen probably knows this better than anybody since she used to work for the community college system up in Tallahassee for several years, that at the last minute a lot of deals are made behind closed doors that we don't know about. But in my travels around the state of Florida I don't know of any cities other than Deland and New Smyrna Beach who have supported their school systems as well as these two cities have and if what has been proposed by the Speaker of the House and others passes, we're going to see some tremendous cutbacks. He is not talking about cutting back money for the school districts, you need to understand that the money that is in the budgets for the school districts is what's called categorical money. The Superintendents and School Boards can't spend it except in certain ways, and so it's the old mirror game, smoke and mirrors game that have been played by the Democrats and the Republicans. I wish I had an answer for the taxing situation and the insurance situation but I don't, if I did I would write a book real fast and retire a billionaire. Something has to be done but we all need to understand that the City of New Smyrna Beach has been a tremendous proponent of the schools within the corporate boundaries of New Smyrna Beach and Samsula, and even though their budgets are not affected by pending legislation, if local caps are put on our local governments we're going to be in one "mill of a hiss".

Chairman Para stated I will be even briefer than that, gentlemen thank you sitting through a long evening, we had some good lively discussion and that's the way public business ought to be done. Thank you all, is there a motion for adjournment?

There being no further business to come before the Commission, Commissioner Diesen made a motion to adjourn and Chairman Para closed the regular U.C. meeting at 7:38 p.m.

APPROVED:



CHAIRMAN

ATTEST:



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their March 19,
2007 meeting.