

AGENDA ITEM 2-a

MINUTES OF WORKSHOP MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, MAY 14, 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 a majority of the Commissioners present as follows:

Chairman Kevin J. Para
Commissioner Richard L. Spangler (ABSENT – Out of Town)
Commissioner Walter Allen III
Commissioner Jeanne K. Diesen
Commissioner William E. Hall

Others in attendance were as follows: R. Rodi, General Manager/ CEO; L. Klinkenberg, Director of Finance; C. Roberts, Controller/Budget Supervisor; T. Beyrle, Director of System Ops. & Generation; J. White, Director of Engineering; C. Montgomery, Director of I.T.; P. Perez, Director of H.R., E. Mahle, Public Information Manager; D. Simmons, Executive Assistant/ Recording Secretary; B. Preston, Interim U.C. Legal Counsel; Melanie Stawicki-Azam, Reporter for the NEWS JOURNAL; Joel Addington, Report for THE OBSERVER; and Bob Tolley, Mr. and Mrs. Gaskell, all members of the public.

(1) Presentation and Discussion of U.C.'s Budget – FY2008:

Chairman Para stated we're going to have the presentation and discussion of the U.C.'s budget and that's for fiscal year 2008. He then added, Mr. Rodi, I'll hand it off to you.

Mr. Rodi thanked Chairman Para and stated as a preliminary introduction to some of the items that we'll be talking about tonight that are in the budget, I've asked Ellen Mahle to give us an overview of some of the conservation activities and some of the customer opinions that we've been monitoring. He then asked Ms. Mahle to start up her presentation.

Ms. Mahle addressed the Commission and stated we're presenting this tonight to give you an idea, some information about how our pilot conservation programs ran, that were approved in the January meeting this year. And to also give you some information about some other conservation education opportunities that we've taken advantage of such as the energy audit and some consumer feedback that we've been collecting over the past six months.

Ms. Mahle stated so this was the goal of the conservation pilot program that we discussed in January, to educate our customers about reducing electric usage in their homes and businesses. It can mean lower individual monthly utility bills and also reduce the total demand for energy within our community so we're able to keep the cost of buying electricity lower.

Mr. Mahle stated there were three elements of the pilot program that we implemented. The first were rebates, the second the CFL buy down program at Wal-Mart, and the third were the energy conservation seminars. We also looked at the demand of energy audits as a conservation initiative.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Ms. Mahle stated so with that we'll begin with the energy audits. Most of you are familiar with what these are, a energy rater is what they're called, goes into an individual's home and analyzes it for where improvements can be made to reduce the cost of using electricity in the home. For the most part that talks about AC and refrigerator, hot water heater and the big ticket items. They are not new, they're in our current service portfolio, and we did do some slightly heavier program promotion. We charged the customers \$25 and the UC picked up \$25 for a total cost of \$50. We were able to utilize one of our former employees, Don Lloyd who is a certified energy rater, to conduct these energy audits. He is still doing them but demand is limited, we've only done maybe one to two per week for the past two months, and the total that we've done since February is 19. So the total UC expenditure since that time is about \$475.

Ms. Mahle stated there are some benefits to the energy audits, the customers receive a personalized review of their home's energy usage. We have an opportunity to educate and impress our customers. There's a \$25 co-pay which means that only the customers who are serious about reducing their energy usage in their homes receive the audits. The drawbacks are that demand isn't high enough to have a full time energy auditor on staff and the cost is too high for us to bear alone. The resources for the program are not locked in, Mr. Lloyd is not our full time employee and we really can't afford that at this point. So we would have a recommendation to shift the audit responsibility to certified contractors who are experts in their fields and continue to offer self administered energy audits through the UCNSB website.

Ms. Mahle stated now going to the actual pilot conservation initiatives that we undertook beginning at the end of January. There were three types, the first of the types we're going to talk about are the rebates, the refrigerator rebate, the AC maintenance, and the insulation. The total dollars that we distributed was \$9,901.58. The maximum distribution amount approved was \$14,000. The rebates were the most popular of all the conservation initiatives and of them the AC maintenance was the most popular rebate.

Ms. Mahle stated so the AC maintenance rebates, they were the first available, they were the first to run out. We had up to \$55 available for maintenance, the average amount distributed was \$47.83, and the total amount distributed was \$2,391.60. It allowed customers to pay for maintenance to ensure the efficiency in the biggest user of electric during the summer months, their AC unit. The drawback was that we were paying for something people might have done anyway. So our recommendation for future would be to continue the program for the next fiscal year to ensure the maintenance is performed but to limit the rebate to income qualifying individuals, people who could not afford to do this on their own, increase number available to 150, and limit the time allowance to 60 days.

Ms. Mahle stated the refrigerator rebate, there were 50 available, we had a \$75 buy back rebate to customers who unplugged and disposed of the old units. The goal was to have customers remove the old refrigerators from use, not put them in the garage. It was the second most popular rebate and the total amount distributed was \$3,750.00. The problem was it was difficult to prove actual removal, that they didn't give it to their neighbor or that they didn't put it in their garage. So our recommendation would be to continue the education about the energy and efficiency of older refrigerators, they're huge users of electricity, especially in un-air conditioned spaces; but that we don't offer this particular rebate in the future.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Ms. Mahle stated the third rebate we offered was the added insulation rebate and it works to improve AC efficiency by keeping the cold air in and the hot air out. It's a good rebate incentive and a strong benefit for the customer. The total number available that we offered was 20, there was \$375 available, the average was \$197 that we gave out, and the total amount distributed was \$3,759.00. We recommend to do this rebate again, limit one per customer per five years. I don't think that we'd even have that problem, people aren't real eager to lay insulation, but to allow everybody to take advantage of the program, and to increase the number available to 50, and limit the time allowance to 30 days.

Ms. Mahle stated another one of our pilot conservation initiatives was the CFL buy down program and our goal was to increase the awareness and use of CFL's in homes, compact fluorescent light bulbs. UC customers received a dollar off when they purchased them at Wal-Mart during the month of April. There was a General Electric rep on site one weekend to educate and make customers aware of the benefits of CFL's. It really wasn't as popular as it required expenditure, people had to put some money up, and the initiative by the customer, they actually had to need a light bulb and go to Wal-Mart. We sold 412 light bulbs and so we paid \$412, and there was \$4,500 budgeted for the program. Wal-Mart was very helpful and other stores have expressed a lot of initiative to help us do these sorts of things in the future. So we would recommend to pair with several area stores for different conservation measures and education in the future. And another opportunity for CFL's would be to buy them and utilize local schools, youths, and church groups to install them in low income residences. We can work with churches and some social organizations within the community to identify the customers who might need that.

Ms. Mahle stated the final pilot conservation initiative that we undertook this spring was the conservation seminars. We had two at the Babe James Center, we had a gentleman by the name of Sean Spriggs from OUC come and make the presentation, it was about an hour. He was very knowledgeable, he was one of OUC's energy raters so he had a lot of hands on experience, about 20 years of doing energy audits. The first seminar had lower attendance but the second we had about 30 people on hand. We gave away conservation kits and there was good feedback, it was a one on one question and answer session, people were able to share their personal experiences, and we would recommend to continue with these. I don't know if we're going to be able to utilize OUC again but I have approached them about that, so if not we'll hopefully find somebody else and we'll keep going with this sort of thing. We do have some conservation kits still available too. Ms. Mahle's next slide depicted what was offered in the conservation kits. She stated the top item there was a refrigerator coil cleaning brush, then a door sweep, caulk and a caulking gun, a CFL, low flow shower head, AC filter whistle you install behind your filter so when it gets clogged it makes a shrieking sound and telling you to change it, paddings you put behind your outlets to keep it insulated, and a hot water card which tells you the temperature of your water heater.

Ms. Mahle stated so in addition to the recommendations that we just made, we would also offer to do some new demand side management initiatives. To add pilot rebates to repair leaky ducts. One of the items that Mr. Spriggs identified and that we've come to understand to be a huge consumer of air conditioned air, are leaky ducts. If you get in your ceilings and you have your duct work there, it just takes one or two cable guys or some other person up there fiddling around and you've missed that joint and you're basically air conditioning the outside world. So if we can get people to utilize duct repair, we'd offer \$375 available for professional duct leak repair.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

That would be, and has proven for sister utilities, to be a very popular initiative.

Ms. Mahle stated we should also hold some monthly customer connection meetings to have these types of energy meetings, talk about different things, understanding your utility bill, that sort of thing. She stated we could have local contractors come in and be UC certified, have them insure that they are certified through state and local agencies as they're required to be, make sure they don't have any Better Business Bureau claims against them and that they're in good standing within the community. And then when customers contact us and say what can I do to help myself reduce energy consumption in my home, then we can provide them the list.

Ms. Mahle stated we can also utilize programmable thermostats for load management, that's something that Austin Energy in Texas is using successfully. Then we should also start some pilot water conservation initiatives, rain sensors, low flow shower heads, drought resistant plants; things we've done in the past.

Ms. Mahle stated so people might say why continue to expand the programs, customers like it. Since mid-December 2006, we've tracked customer comments and the results are distributed internally every week to monitor our customer relations. The columns represent each month, the rows represent the comments that we receive, and the end total is over here. So you can see, despite my best efforts, people weren't commenting too much about the bill inserts in December, January, February, and then we get into March. What happened in March is we had the bill insert for the conservation initiatives. March and April very high and so that pushed it into the third overall comment for the entire six month period, so customers were responding to this, they were very interested in these alternatives for saving energy.

Ms. Mahle stated there's some other comments here and you're welcome to have a copy of this but it's very telling as far as what customers need and I think Ms. Klinkenberg and Ms. Roberts are going to go into this particular spreadsheet a little bit more. She stated the next page is lower, it's continued there, so the total comments we've received since December 22nd is about 2,000.

Ms. Mahle stated and then the second part would be why continue and expand the programs, because consumption is reduced. Now this is all else being equal and is not a scientific finding but we did analyze two months electric consumption after the conservation initiative and compared it to the same two months last year before the conservation initiative. For the AC rebate the total reduction in consumption was 3,171 KW, on average 144 KW per household, all else being equal. Insulation rebate customers, there was a total reduction in consumption of 1,405 KW, on average 140 KW fewer per household, all else being equal. Now you could have a lot of other variables in that but we thought we would bring that up because we did analyze that.

Ms. Mahle stated conservation programs improve with time, if our customers know that these things are out there, the opportunity is to save money, that the education if they pick up the phone and call us we've got the answers there, that compounds with time so that helps. People spread the word, consistency is important, if they know that, they can come here. They might be planning to buy insulation next month, they might be waiting for a check to come in, and they're going to use part of that for the insulation. If they can plan ahead and know these things in enough time then we might get more participation so consistency is important, and of course

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

education is key. We are continuing to refine the programs and measurements as we learn and that's why this has been in pilot mode. We have learned a lot about what works and what doesn't work, what customers like and what customers don't like, but for the most part we were able to find customers did appreciate the alternatives that they have to saving energy in their homes. Ms. Mahle then offered to answer any questions.

Chairman Para stated I'll let my colleagues go first, I've got several.

There being no other questions from the other Commissioners at this point, Chairman Para stated I just jotted a few notes and by the way, thank you, excellent presentation and I've heard nothing but positive things about your efforts and I commend you, they're on target. He stated I had spoken with Mr. Rodi before the meeting tonight, and not preempting what Commissioner Spangler's going to be working on, I would really like to see us kind of move ahead on a few fronts. One, possibly on next month's agenda, if we can adopt an internal policy, i.e. not buying any more incandescent bulbs and some of the other measures you spoke of Mr. Rodi. So again, not saying what we ought to talk about but I can speak for myself, I want to support you in this if you want to go to the next level. We'd like to have, or I would like for us to have a discussion on how we can support you at this next meeting. One of the things that I'd like to specifically support you on is the rebate initiatives that you had talked about for the energy audits and several of the other things, the air conditioning systems, and insulation. One of the things as you were talking I was thinking our contractual community might want to support us in this and wise to get folks certified and on board. We're not endorsing anyone.

Ms. Mahle interjected no, just having a list of people we feel comfortable with.

Chairman Para stated yes, and that way there's a review process, they have a standard of best practices miniaturized that we have them adhere to in order to participate, insurances and all the rest that you had mentioned. Energy seminars monthly, great idea, people begin to pick up on that. I as a Commissioner, I'll be glad to come and support you, I'm not going to talk but I'll support you as far as being here on a Saturday, if you're going to take a Saturday and be here, I'll be here with you. I apologize for missing the other ones but I think that's a great idea to continue those but have them on a month to month basis. We mentioned the electrical companies and the AC companies and stuff, getting their ideas and begin to get their feedback.

Chairman Para stated the other thing I'd like to talk about is hot water heaters. In Lakeland, Mr. Rodi you were a part of that process and everything, so maybe we can begin a conversation about that too. What did they say, it could reduce our national consumption by 11%, I think that's huge. And folks from the Florida Solar Energy Center will come up and help you with those audits as well.

Chairman Para stated the only other thing I had was on your questionnaire, if we could, in the previous questionnaire that I had saw, I think it was almost two years ago, you had some about renewable energy. I would like our customers to be heard if they were interested in solar and some of these other things and have those interests or like to weigh in on those things as well.

Commissioner Hall asked Ms. Mahle if there was an attempt to look at older homes in particular. You know homes built 30 ago, no matter what price, were built differently than homes of today.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Ms. Mahle stated that's right, Mr. Spriggs did talk about that a little bit. We weren't able to really get one on one too much with the customers except for through the energy conservation seminar and we did talk about some homes that were on the west side that were elevated, and forgive me I'm very far from being home savvy so I don't know the terms, but the old jalousie windows and things like that, and the air conditioning unit. So he did address a lot of things about what you can do in older homes, insulation, some window films, that sort of thing. So maybe one of the things that we could do separately from that is to identify some things for older homes that would be helpful, that are not your newer homes, customers that might really need some help.

Commissioner Hall stated a lot of what was presented here this evening I've heard for 25 years, actually after the first oil crisis back in 1974, and I think what we're dealing with is a change in psychological behavior of each person or each household, whatever you want to call it. I'm a consultant for an energy education company that does audits of K-12 school systems. They don't go in and put on any gadgets, they just make sure that the gadgets that are on are working and if people are doing what they're suppose to be doing. It takes about four years to get everyone or to get the majority of people to buy into it.

Ms. Mahle stated yes. One of the opportunities that we have with the programmable thermostats is to offer some troubleshooting initially once we go in, and we wouldn't go in we'd contract with somebody to go in there, but it offers some initial troubleshooting from that standpoint so there are a lot of little hidden benefits where customers are able to get some one on one feedback about their personal household situation. We as a utility and community benefit overall.

Commissioner Allen stated you can also do that in your public forum, your customer connection type thing, in a group setting to understand setting programmable thermostats. So the customer when he or she goes to their thermostat and time changes or seasons change or shifts in their work schedules, they can understand how to work through that. Then also as Commissioner Hall talked about the older homes, 30 years plus, we ought to be picking up a lot of that through energy audits and be able to provide education through that aspect if we do good energy audits and as that person goes in and sees the home and offers those suggestions. It's hard to pick them up in a group setting but as we do individual energy audits or if we have customer complaints and a person goes out to look at that complaint on higher energy usage or whatever is going on, that we can pick up on and be able to meet that customer's need through those personal contacts.

Commissioner Diesen stated I think we need to do something about water because I sent that article to you today Mr. Rodi about how much water is lost in leakages and that happened to be in the big cities basically because of the old pipes, but I think water is front and center everywhere. So it says we'll always have enough, it's just a matter of how much it's going to cost but we can cut way back on the demand and the need if we do a few of these things and make people aware of it. Sometimes your outside hoses don't always, the faucets don't always turn off, and you don't notice it because it takes a long time for that water to leach out of the hose and then it starts and you know it goes on and on; that wastes a lot. There are a lot of things in that manner that I think we need to really bring to people's attention because that's a huge. I couldn't believe the amount of water that is lost through basically infrastructure because most of it's 60 years old. But that's also true around the houses, especially the older homes. I'd like to see us look at the water issue as well.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Mr. Rodi stated if I may, just a couple of overview comments before we begin talking about the proposed budget and I think some of these items will return at certain points in the budget discussion. We really have to develop a more formalized approach to what we're doing with demand side management, energy and water efficiency, conservation measures. In order to do that it requires the ability to measure whether or not you're being effective. Part of the lessons learned with regard to energy audits in particular is that many times an individual will get some very good information and then not act on it. So what has been learned is if you can couple a very good energy audit with the ability to execute those recommendations with some help that translates into perhaps contractors that can be trusted, some rebates to help with for example insulation, duct sealing. A simple little thing but if someone changes their air conditioner to a much more efficient unit and then lose most of that gained efficiency because the ducts were never resealed, and that goes for even new homes. So there's some tremendous opportunity for everyone to win, our customers so that they're able to use what we offer more effectively, the contractors, ourselves. The long term for us is that it helps to avoid reinvestment in peaking capacity which all indications are will become more and more expensive. So we're facing much higher energy costs and water costs in the future and the way to combat that is to be much more effective because changing behaviors is very, very difficult, it takes a long time. So that if you can couple the technology with behavior changes and education and equip people with the capability to execute that in some reasonable fashion, then that's the direction we're headed in.

Mr. Rodi stated so I thought, in my thinking and talking about monitoring customer comments, as we proceeded over about the last six months, we've watched the effect of paying down our past fuel charges and watching what customers are saying about it. Of course there are some you speak with regularly so you get repeat comments, but it's also a way of keeping a pulse on what customers are really saying. So that's what we wanted to reveal tonight is that we've not done this just based upon an opinion, it's a customer opinion. So with that, he thanked Ms. Mahle and then asked Ms. Klinkenberg if she would start off with the next part of the discussion.

Ms. Klinkenberg stated before we get into the budget I wanted to explain a little bit on what Ms. Mahle was saying. The customer comments that she had put up, over 2,000 of them, 181 were positive and 100 don't apply to us, they're to do with City services that we bill for them. We're looking at about a 1.2% per month complaint which sounds a little better than the 2,000. She added we want to get that percentage down even so. Over the past several months we've been diligently working to answer the customers' comment and try to help them as much as possible. We started by extending the grace period for the cutouts for non-pay, we reviewed our policies and procedures and benchmarked them against public and private utilities, and we've been looking into alternate ways to accept payment but we have one major roadblock and that's our software. So our IT Department was tasked with helping us find a software solution. Our software is required to interact with Great Plains, that's our accounting software. Because of that we were limited to companies that are Great Plains approved, so IT worked and found as many possible companies. They reviewed them and only brought to Finance the top three companies that they felt could help us. We had a team with Finance, Customer Service, and IT, and all of us like this one particular software called enQuesta, it's offered by Systems & Software, Inc., this is the name of the company. This is the only software company that we saw that currently handles electric, water, wastewater, and City services. All the other companies had to have work arounds in order to handle electric. This software, enQuesta, can handle our current rate structure as well as our complicated tax structure. These features are already built into the software, they're not customized or a work around, it's there, and enQuesta can help solve a lot of these customer

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

service questions. The 467 people that want bill pay with credit cards, enQuesta could easily handle that. Our customers would be able to view their account on line through a secure website. The bill layout that they have, we had a team with Ms. Mahle that worked to come up with a new bill layout that was going to cost us a fortune to change right now, enQuesta's bill layout is almost identical to what the whole committee had come up with. It shows really nice graphs, charts, and gives all the information, and that's built right into the system too. And we can even do e-billing, which we got a comment today from Ms. Mahle on that. Internally, financially, it will give us better tracking of our accounts receivable, our capacity fees, and service orders. The list goes on and on as to what this software can do, it's as if they thought of everything imaginable that can ever come at us in the future, and all of that will make us more efficient. She stated like I said, Systems & Software (S&S) is the company that provides enQuesta, they are the leader in the utility industry for over 33 years. They're ranked number one in the utility market by Utilipoint International. Some representatives are going to be here on next Monday's meeting to give you a quick little shot of what enQuesta is, so you can see it yourself and see what a great product it is.

Ms. Klinkenberg stated part of the reason I'm bringing this is up is because at next Monday's meeting, we're going to be coming to you jointly with Mr. Montgomery to talk about our Great Plains software upgrade. I'm not sure if you all know the details of it but we're operating at version 7.5, 9.0 has been out for well over a year, and 10.0 is coming out next year, so we're pretty far behind on the curve there. We have to upgrade Great Plains first and then we can upgrade the customer service software. Our plan is to request that you'll approve the Great Plains upgrade at the next meeting, and then we would be able to go live with the Great Plains upgrade for October 1st, change of the fiscal year. And then continue with the customer service upgrade, and that would go live March or April of 2008. In order to meet those aggressive time lines, we need to start the process now. Now S&S has been in good faith working with us for months, teleconferences, coming in, meeting with IT, meeting with Finance, learning our business processes. Now we're at the point where they're going to have to actually start charging us for some of this and if we postpone it now then we could end up losing the slot, there's a time frame of getting it in and getting it completed. If we defer it, say to June, it could push the project into the summer of next year instead of our March or April timeline. So enQuesta knowing that we have to bring all this before you and you have to review it and give you time, they've come up with another possible option for us, instead of approving everything at one time, so you have time to absorb everything, they've come up with a Letter of Intent and the LOI is just for the period of time from now until June, the June 18th Commission meeting I believe it is. And it would be their cost, which is approximately \$46,000, for them to do some more discovery working with us, for some more trips here, just the cost for those, probably about six weeks I think it is. If we come to the Commission then in June and you say sorry we don't want to do it, we stand to lose nothing but the \$46,000. If we come to you and you say we love this software and we approve it, to go ahead, then they take the \$46,000 off the total bill. So we can come to you with whatever options you want, I was kind of looking for an idea of what you would prefer. The cost of the whole project is about \$22.72 per customer, I guess that would be the right, billable account.

Commissioner Diesen stated for a total of?

Chairman Para stated \$400,000.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Ms. Klinkenberg stated \$572,000. She commented it sounds better at \$22.72.

Mr. Rodi stated I had asked Ms. Klinkenberg, because the number one item that the customers were asking for was to be able to use electronic billing, be able to use web pay, and this company has also done a work around of some of the legal ramifications. So rather than just giving a short time frame to think about this, you've heard this tonight and then there will be other information that will be in your packet for the next meeting. So it's just based upon when you see the budget impacts, when you see this and some of the drivers that the customers want, it just gives you more time to reflect upon it, so that's why I asked her to bring it up.

Commissioner Diesen asked are there any utilities here in Florida that is currently using it.

Mr. Rodi directed that question to Ms. Klinkenberg who directed it to Mr. Montgomery.

Mr. Montgomery stated there are none in the state of Florida.

Commissioner Diesen then inquired how many nationwide are using it.

Mr. Montgomery stated I'm not sure, I'll be happy to find out.

Mr. Rodi stated we'll find out by the next meeting.

Mr. Montgomery then added a same size utility in Oregon with electric and water and Great Plains too, they've given us references.

Mr. Rodi stated an important point that we're stuck with here.

Commissioner Diesen stated it's Great Plains.

Mr. Rodi stated yes, this is another one of those difficult things to work through. Our Great Plains software was not clearly Microsoft based, the 7.5, Microsoft bought that product, continued to improve it into the version 9.0 and then 10.0. What happened here was an outside Canadian vendor, Cogsdale, came in and did the customer interface. This S&S is the customer interface and it only interfaces with 7.5. Cogsdale is not going to continue to support and in fact they have dropped most of the support for the customer service module so what we start to step into is not only do we have to change our Great Plains platform to get into something that works with the rest of our Microsoft software systems, but we also then have to have a bullet proof plug in that is certified by Microsoft, and S&S is I believe.

Ms. Klinkenberg stated yes.

Mr. Rodi stated and then allows us to have a consistent program, so these are some of the things that haven't been said but we're at the point where we have to do something with the Great Plains system and changing the whole platform doesn't make sense. It's sort of like you grab a hold of the thread and as you start pulling the rest of this comes along.

Commissioner Diesen stated what you say it doesn't make sense, so we're going to be stuck with Great Plains is what you're saying, I mean.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Mr. Rodi stated well when you say that, Great Plains is not a bad system, the 9.0, because it will allow us to do project tracking and get reports and measures, a lot of things we don't get right now; I'm not able to.

Commissioner Diesen stated it's a matter of not upgrading as we should have here.

Mr. Rodi stated that's correct, the upgrade should have occurred at least a year ago.

Ms. Klinkenberg stated and it's not really Great Plains that we've had the issues with, Great Plains itself is fine. It's the third parties that are interfaced with Great Plains that have been the problem.

Chairman Para stated Cogsdale?

Mr. Rodi confirmed it was Cogsdale.

Ms. Klinkenberg stated the project part is what we have a problem with, that's not Great Plains. Cogsdale is the customer service part that we have a problem with and that's not Great Plains.

Commissioner Diesen then asked how did we get into Cogsdale originally, refresh my memory, I think I know but I don't want to state incorrectly.

Mr. Rodi stated I couldn't tell you, all I know was the Great Plains was a part of it and this was something that was done, that was a system that was tailored for the Great Plains interface and the telecom stuff.

Commissioner Diesen stated bingo, thank you.

Chairman Para stated I was wondering when we would get to that.

Commissioner Allen stated so basically what we're saying is as we upgrade the Great Plains to version 10.0, the S&S is a nice smooth plug instead of a customer design.

Mr. Rodi stated yes.

Ms. Klinkenberg stated right, and currently the software program that we run is very customized for us and it is not as efficient, there's a lot of work arounds that we have to do to make it output, even correct taxes, it's not structured to do the calculation of taxes properly.

Chairman Para stated like you say, they're not going to support it anyway, so we're running fast down a dead end street.

Commissioner Diesen stated and S&S is?

Ms. Klinkenberg stated Systems and Software is the name of the company and the software they make is called enQuesta. And I have, if you want to take a look, huge booklets and information on it and they'll be here on Monday night.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Mr. Rodi stated and for those of you who want to research it we'll send you some detail, the web site and whatever so you can look around.

Commissioner Diesen stated I want to make sure, I've been down this road three or four or five times.

Mr. Rodi stated yes, and again appreciate that we're doing this now so that you just don't get the reaction, you have to think it through. We've been wrestling with this for some time and now we're reaching a decision point where we need to move on so the first thing to do is to make you aware. That's why we wanted to tie some of this together before we got into the budget discussion.

Commissioner Diesen stated we've got to do something to try to help our customers too.

Commissioner Allen stated I believe our customers want to see, they want to have some available information and it would be nice to move forward where we have secure information where they can go look at their personal account and see that history. The other thing is over the years, and I know several people that I've talked to is a transfer back and forth to their northern home, the ability to try to get a cut in down here and calling into customer service. There's the cry out there to be able to go on line and to send in a notice, that I'm going to be in town on such and such a date, I'd like to have my utilities cut on. So if we can move to that point, I know it would be a big adder and it would be a big help as far as customer service being able to handle that through a web and be more efficient as a utility.

Commissioner Diesen stated yes, we've got to get online in pay too. That's the one area I just get bombarded with and commented I dread to go anywhere there are more than two people together that aren't relatives.

Mr. Rodi stated that's part of the reason we brought it here tonight. I think it has addressed all of the issues we were working through, especially the legal issue where someone was able to copyright the ability to pay on line and had this individual company, Counselor Preston's been working with this, was able to successfully sue many companies who had online bill payments and pay millions of dollars in restitution. So we could not have that liability and I think we're at the point where this company can work through that with us.

Chairman Para stated I'll just finish up by saying I agree with my colleagues that this is something whose time has definitely come, I commend you and your colleagues for digging deep. Part of our job, thank you for allowing us to do that, is to ask these questions, but it seems like you all have got those answers. I too have heard over and over again with my fellow citizens the complaints. I went to the Sacramento municipal utility company's web site and I was playing there because they have some thing on methane gas and cow manure and stuff which interests me. But anyway, they had the whole thing on where the customers account or profile and I played around in there and it was so interesting in how intuitive it was. And as Commissioner Allen says if you can interface that reduces because most successful companies in today's market recognizes the value of minimizing the amount of interface on redundant type activities for people to interface with people. On redundant stuff, I mean we all want to be customer oriented but that stuff that can be done on line is very valuable. So thank you, I look forward to your report at the next meeting.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Ms. Klinkenberg stated is that it, okay let's go on to the fun stuff, the budget, my favorite area. I want to start with the assumptions and just kind of elaborate a little bit on them. The revenue projections we used were forecasted on expected uses in the current rate structure. Our general wage increase that we used in doing our projections was the anticipated 3.5% general wage increase across the board. Then our capital improvement plan, the approved CIP that was presented in March and transmitted to the City, is included in the back of your budget and we included the costs for that in this budget. Not included in the funding requirement this year is the projects that had to do with growth for the infrastructure. They amount to approximately \$43 million over the next ten years but we didn't include any of that this year in the budget. Included in the funding, but not included in the CIP are a couple of projects that came up after the CIP was presented and approved. Specifically we're talking about electric, the cost of transformers increased exponentially so we had to put an additional \$200,000 in there, some equipment for electric, about another \$50,000. The Crystal River nuclear plant has a very large capital improvement plan coming up, FMPA has negotiated for the non-operators the percentage that we should have to bear instead of the whole thing, but that's still going to be another \$400,000 for us for next year; so that was included. And obviously the cost of software, we're going to have to fund that through unrestricted R&R. All of those costs were included in the financial numbers but they're just not detailed in your CIP because I didn't change what was approved.

Ms. Klinkenberg stated we'll be coming to you, planning on June, to talk to you about a financing plan to get us through this year and 2008. We'll be working on making sure we have flexibility with that like we've talked about before. The other big change in the budget is our variance criteria, instead of providing all the detail and highlighting every single little item which I can if you have questions about, we used a threshold of \$100,000 for materiality level and we highlighted those for you in the back by each division so that you could see where any large change was and we explained what those large changes were due to.

Ms. Klinkenberg stated and this is the big thing I was going to mention, activity based, we changed our allocation, in the past it was 51% to electric, 26% to water and 23% to wastewater regardless of the support division, they all hit each profit center the same way. We decided to take a look at that and use more of an activity based costing model which is that we assign the cost based on cause and effect relationship. Using this approach expenses are not allocated but they're traced and assigned to the appropriate cost center. The percentages used for the O&M expenses in support Departments were based on different criterias depending on the Department itself. So some of the examples I've put up is that if for the Purchasing, it's how many purchase orders do they process per division, or how many bids, or how many RFI's. We used a combination of that because if they're doing 100 for electric and they are two for water, it's not fair for them to share the same responsibility. Other areas, like possibly HR, we used employees per division, because we felt they support the employees, it would cost them more. And otherwise the number of computers supported by a division, some of these are just examples not necessarily what we used, I do have the detail for all of them. With some places we used combinations of things to come up with the allocations.

Ms. Klinkenberg stated now to get into money, the total budget as you can see and this is in thousandths so that's \$50 million for electric, and all the way down you'll see the R&R as \$1.7 million for the year is what we expect to take in, that's through unrestricted and restricted funds. And then like the CIP had, it's approximately \$1.6 million of financing for 2008, brings us to a total revenue projection of \$75.5 million. She then asked if anyone had questions.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Commissioner Hall stated yes, having built budgets in the past, how much variance is there in that \$75 million.

Ms. Klinkenberg asked variance from what?

Commissioner Hall stated well, are we going to spend it or are we not going to spend it.

Ms. Klinkenberg stated the point is to spend it, we have O&M, we have debt service, and we have large capital projects.

Commissioner Hall then asked what's the reserve?

Ms. Klinkenberg stated I didn't reinstitute the Rate Stabilization Fund so the reserve was being transferred to R&R in an attempt to not have to borrow as much funding if there is a reserve.

Commissioner Hall stated okay. My concern about the budget workshop, I'm just going to throw it on the table, is that we have a special legislative session coming up in June. I know we have to send a budget to the City Commission by June 1st, am I correct, by law.

Ms. Klinkenberg stated correct.

Commissioner Hall stated we're kind of flying blind, we've got six months worth of data, we've had kind of a weird year in weather, it was interesting to see that we had x number of employees projected that we were going to hire for 2007 and yet we're 20 below that number as of the end of March, and yet for 2008 we're projecting adding 14.5 positions. Our budget still depends on the approval of the City Commissioners and now I played this game before. When you think your budget is going to get cut, personnel is the only place where you've got huge amounts of money unless you're going to stop all capital improvement projects. And with what we've learned about our system with the regular maintenance and operation being 30 to 50 years of age and we've got to do some replacement, well that's happening not just in New Smyrna Beach but all over the country. It's kind of like the interstate highway system, Eisenhower did a great thing when he signed that bill but he forgot about, or his successors forgot about, building in some mechanism to fund the renewal of the bridges and no one projected accurately how many people we were going to have, etc., etc., etc. Now I don't want to sound negative because again I've been here, but our budget to some degree is going to be impacted by what happens to the City. We mentioned a 3.5% increase in salaries, well they're talking about freezing their salaries, there's no way they're going to, I can't speak for them I can't say that, but I can remember in years past when one side or the other side got bigger pay raises and boy you didn't want to get in the middle of that fight because everybody felt they worked for the City of New Smyrna Beach, not necessarily the City Commission but the City as a whole. They're saying hey this group's getting this amount of a pay raise, why can't we get the same. He then commented my leg is hurting that's why I'm talking.

Mr. Rodi stated no, I think you're making sense, if I could just make a few comments when your finished, if you're finished.

Commissioner Hall stated I think I'm going to stop there.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Mr. Rodi stated let me start with the employees, and I think its important, I have said since I've been here that I will spend money if we need to spend money and just because I have an authorization to do something does not mean that I will do it. The doing of it depends upon really executing the need and I think my actions have shown that. So as a result we had anticipated because if you were to put a budget together the timing is very bad, this isn't the time to put a budget together. But we don't have any choice by Charter, it says that we must do this so you begin with information that isn't quite as current to help you define how much you're going to need. To my knowledge none of the Directors padded this thing expecting that they'll put more in so when they could cut back they'll have want they want, that isn't how this was structured. He then started with you heard Ms. Klinkenberg, but then recognized Commissioner Hall to speak.

Commissioner Hall asked was there a percentage put on each Director?

Mr. Rodi stated no.

Commissioner Hall stated so it was their individual.

Mr. Rodi stated it's activity based. An example of that, and I'll bring this up, Mr. Hoover wanted additional employees. He's not been given an allocation for next year although I think there's merit to his request, but what he was trying to do even with the amount of increases, if you look at his area are significant. They reflect more in accurate budgeting approach based upon activity. And the activity for example is using proper chemicals for the water plant or the wastewater plant, chemical costs are up significantly. The major cost for him is electricity for pumping costs, whether its for water or wastewater. So he had to absorb significant increases just like a lot of others have done. On top of that we don't compete with the City for positions, we're competing with either other enterprise funds or private industry and what's been happening to us is we're losing employees because we haven't kept pace at the salary level. We have with the benefits level, have taken a major step with the benefits and it is shown in the costs that we're paying for it this year, there's a significant jump in HR costs for benefits. So what we're wrestling with is even the 3.5%, and I don't know if one of the stewards is here, but they're upset because they're thinking that there should be much more based upon what others in similar positions are recently being given in order for those employees to stay in their positions. So we're into full negotiations right now, I don't know if you recall that but we have a full contract with wages and everything has been very honorable but in the world where we have been losing employees and we like others are facing a lot of upcoming retirements. It's a very difficult position to react to yet another inequitable situation that our friends across the street are caught in, it's just a terrible situation to for everyone. So what we've tried to do is be very straight forward with this budget, the increases in salaries for skilled positions is less than what many other areas have been given. I'm talking about whether its Progress Energy, Florida Power & Light, Tampa Electric, OUC, there are many of them that are trying to deal with the employee issue from the standpoint of equitable compensation. I can't give any comfort with that because it translates into higher costs and of course what we are trying to do with our aging infrastructure is use these employees to replace it. So we're caught with contractors doing it with the big jobs, our own employees with the smaller jobs, and having sufficient staff in order to do that; so that's bottom line of where we're coming from.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Commissioner Hall asked are we taking a real close look at comparing apples to apples, I mean Progress Energy may be giving a big pay raise to their employees but they're cutting back benefits.

Mr. Rodi stated no, they in fact if you look at, Ms. Perez if I'm out of line here straighten me out, in our analysis what we find is our employees have a defined contribution plan, most including our brethren have defined benefits plan. The defined contribution plans are very cost effective for employers and our benefits are excellent with the last approval that you graciously gave as a Commission. So that has been a very important satisfier for our own employees to in some fashion accept a little bit less in wages than what they feel they are entitled to. I think we're competitive with wages but we're still losing line personnel, losing water personnel, and we are supported by our employees who then support the community.

Commissioner Diesen stated I know where Commissioner Hall was going to go with this if he went to the next step, and that is as the City gets squeezed they look for their revenue stream to increase so I think they're going to come back and say whoa, whoa, whoa; where can you cut the budget so we get additional revenue out of the U.C.; that conversation's going to happen.

Mr. Rodi stated I'm sure it will and the revenue comes from the revenues we get so eliminating employees really won't increase the amount of revenue, gross revenue that counts for the 6%. What it will do is weaken our capability to respond to our customers and I think those are difficult situations for both the City and ourselves to be caught in.

Commissioner Diesen oh they are but there will not be that understanding and that's why we have to kind of be, I think ready to respond in kind, I think that's where you're going.

Mr. Rodi stated sure.

Chairman Para stated I think the difference between being sensitive and implicit with something like that is night and day, I believe everything you've said is accurate. We must remain competitive in the market that we deal in and in order to deliver high quality services to our customers, that's what we're charged to do, we're not a taxing district or vehicle for the City Commission or City. So we're all in this together, we recognize that the City has responsibilities ahead of them pending the outcome of the legislative session but that's not our concern, we uniquely are charged as I read through it again today with maintaining and operating these utilities, not the other side of the street. So I intend to stay affixed on this project and this responsibility regardless of what our colleagues would like to increase or decrease. So with that being said, Ms. Klinkenberg thank you and we can press on unless there's further comments or questions up here.

Ms. Klinkenberg stated on to the uses of funds, our total operating and maintenance budget is just over \$47 million, which is an 8.8% increase from 2007 budget forecast. All the Departments worked diligently for months to ensure that proper items are charged to the proper cost category which is similar to what Mr. Rodi was talking about. We revisited every area to ensure reflecting as close to actual costs as possible. In your booklet we provided the detail of our organizational structure and I thought I would just show you the overview here of how the U.C. is run. In each of your booklets you have the detail from each Division and Department because Electric and Finance, everybody is in there for you.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Ms. Klinkenberg stated this gets into the number of employees per Department and I want to highlight right now I was made aware of an oversight today, just before the meeting, in Electric, no in Electric Engineering we left out a draftsman. If you look in your book you'll see it shows four for 2007 and three for 2008, we're not letting anybody go it was a mistake. We will be adding that in and the dollars that are associated with that before we bring the final budget to you on Monday's meeting. So that will bring our grand total to 188.5 employees instead of 187. She added by the way the draftsman is already here working. It was an open position, it wasn't an added position, we had it filled and the person left and now we have somebody new.

Ms. Klinkenberg stated then the cost of our most valuable asset obviously is our employees. We just wanted to kind of give you a breakdown of the total salaries that it costs us for the year, it's almost \$8.6 million. The health insurance just over \$1 million and that's our cost of the health insurance, that is not what the employee is contributing. Worker's compensation is approximately \$175,000 for the year and then other benefits is \$2.2 million. So it costs us almost \$12 million a year for employees.

Ms. Klinkenberg stated here's the detail of what the other benefits are, the paid for performance which I believe until we have good performance measures then we haven't really been using that, that's Mr. Rodi's decision. We have the retirement plans, we have the 403B plan, the FRS, and the ICMA contribution down at the bottom, that's the 457K plan. We have group life insurance, we have tuition assistance, sick pay (sic personal leave time) bonuses, unemployment compensation, the U.C. share of FICA, and the U.C. share of health savings account.

Ms. Klinkenberg stated and then in the very back of your budget you have the five year budget projection and for that we used detailed projections for the revenue part which Mr. Beyrle forecasted what he expected the actual consumption to be for each month and then we used normal growth factor for the O&M expenses, and actuals on the financing needs, and the R&R right off our CIP that you have approved. The very end is your ten year CIP that you've approved. She then asked if there were any more questions.

Chairman Para thanked Ms. Klinkenberg and added you and your staff did a great job. I was commenting before the meeting started how I enjoyed the front section even though I've heard and been familiar with some of these definitions for years, this is really a concise way to reiterate this in a very easy to understand format, the graphs were good and I like how you converted everything to thousandths so that we don't have a lot of zeroes to deal with; but it was easy to interpret. So thanks again for a clear understanding. One more comment you mentioned about removing that fund that we had and bringing it back to the R&R Fund.

Commissioner Diesen interjected the Rate Stabilization Fund.

Chairman Para stated I like that because there's sort of a misnomer to that, it was always kind of hanging out there, I really like you bringing that back to the R&R, it's sounder, more conventional and I really think its wise to do that, so I want to commend you for doing that or Mr. Rodi, whoever did that, it was a good decision.

Mr. Rodi stated Ms. Klinkenberg did that.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Commissioner Hall stated for the future are we going to meet with the City Commission in another workshop to talk about becoming producers of energy to sell to other entities or is that a dead issue.

Mr. Rodi stated I really don't know, the last City Commission meeting that I attended there was some discussion about starting the joint meetings again, that's how the 19-05 issue came up again, and part of the discussion was energy supply and water. At our next Monday's regular U.C. meeting you'll have the draft of the RFP and you had said that you wanted to see that. We're at the point where it's almost a foot race in Florida for certain kinds of renewable energy, biomass being at the top of the list. What that will do is, I'm sure, prompt some discussion but the importance of that is to get it on the street so that we can actually get proposals that are definable and then we have something concrete to talk about. The proposals themselves are expected to indicate whether or not there is a financing or funding option because we certainly aren't in a position to be able to go out and buy one of x or one of y, but perhaps there are some partnership arrangements. I think those discussions will then lead to a joint discussion in the future once we start to see what the results are of the RFP. I need to emphasize again that on Monday you will see on the consent agenda a request for a grant in order for us to move forward with our water supply issue. That is absolutely by far much more critical even than the generation discussion and what we are pursuing is the irrigation water because very shortly we will use the capability that we're getting now from our wastewater plant and it will have to be supplemented. So this coming Monday will be a rather interesting session, we should have some conclusion with the western developers, we've been working very hard on those issues. I'd just like to extend to the Commissioners there's some proprietary application going inside the U.C. with regard to value platforms that we're adopting to execute the charges that you're making of us to provide solutions for customers and actually move forward with sustainable approaches to things that we do. So I think you might find there's a lot happening and I wanted to comment that not only that I think we'll be talking about energy again with the City Commission but all of these initiatives of replacing our infrastructure, etc., etc., are very critical; this is a critical juncture I think for the U.C. and the City at this point.

Commissioner Hall stated just one final question, can anyone tell me why the electricity went off the night before last out at Fairgreen.

Mr. Rodi stated I sent out an email, Mr. Beyrle put it together, but Airport Substation went off line because of some flashed insulators over by the recycling center on Turnbull Bay and I think that we're also looking to see if there wasn't some other event that caused that station to drop all of its supply.

Commissioner Hall asked did we ever put that second feed line into Fairgreen?

Mr. Rodi stated I don't think so.

Commissioner Hall stated that was on the budget the first year I was on the Commission.

Mr. Beyrle stated there are actually two feeds into there right now, we're looking to replace one in the CIP.

Mr. Rodi asked is that what you're talking about?

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Commissioner Hall stated yes, because every time I go swimming and every time I ride down Fairway Drive I get clobbered, actually they ask questions.

Chairman Para then recognized Mr. Tolley to speak.

Mr. Bob Tolley addressed the Commission and stated as you are all aware the 19-05 battle's on the forefront again. I'd really appreciate if you all come out Tuesday evening if you can, I think the issue is just going to heat up, no pun intended. I think it needs all the support, that the City Commissioners see my people sitting out in the audience, even if they don't say anything. I know Commissioner Diesen was there the last time, Mr. Rodi and Attorney Preston. So again I want them to see people looking out there, when they look out into the audience people are going to be there, because I look at it as you're not just Commissioners, you're also citizens. This 19-05 issue I think, even though the water's critically important, and the electric is critically important, there's a whole bunch of important issues, 19-05 has done more to hurt us and set us back than I think anything else in the last couple of years. I think with the battle on the forefront now, I think it would really be neat if you guys were there so I can see your faces when they throw me under the train; thanks.

Commissioner Diesen stated you don't mean tomorrow night, you're talking about a week from tomorrow.

Mr. Tolley stated next Tuesday.

Chairman Para stated and there was some other public participation; please join us.

Mrs. Andra Gaskell addressed the Commission and stated I am a resident of New Smyrna Beach, I live at 126 Spencer Avenue, which has a feed line similar to the Turnbull area because we were without power that night also. I'm here because there was a definite problem with our lines and throughout the community with needing to be repaired. I unfortunately had the incident of where it affected my household extremely great. On my husband's birthday on April 19th we had gone out, come home during lunch time, and I looked at the telephone to see if anybody had called to wish him Happy Birthday and I noticed the telephone wasn't working. Okay, so I turned the light on to see if maybe it was unplugged or something like that, no, no electricity there either. I go to the panel, it's breakers are tripped. My husband started checking around the house, finally realizes it's the power on the outside of the house coming into the house that's causing the problem. The lines on the outside of the house, one line had broken touched the other line and gave me 220 into my house. That 220 took out my refrigerator, my stove, anything electronically, TV's, VCR's, satellite dishes, all the light bulbs and fixtures and stuff; anything that had stuff in it took out on the one side of the panel. Anything on the other side of the panel thankfully didn't get hit because 220 has two leads coming in to give you 110 and 110, and only the one side got knocked out; so I didn't lose my sewing machine. We put the report in to get it repaired, they came out that night and repaired it. The gentleman cut off the bad wire, had to resplice it and then the next day they came out and put new wire in. I personally think that wire should have been replaced back in 2004 when the telephone pole wire broke, the telephone pole itself broke. Being on a dead end street down there, they replaced the pole after 16 days of not having electricity because the whole area was out, it was a bad time. We understood that, we suffered through out, they put the power back on, we figured okay they'll come back when they get time to replace the wires that got stretched from the pole breaking and we wouldn't have a

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

problem in the long run. Unfortunately they never came back to fix that wire, they're saying it was a squirrel that chewed through the wire. My answer back from the claims department was that she said from her information from George Markos that a squirrel had supposedly chewed through the line and that's why the wire broke. And that the oxidation on the line caused it to short out to the 220. They didn't find any negligence on their part, of the Utilities Commission, and the enclosed limits of the Utilities Commission liability so therefore they can't help us with our expenses, of over \$8,000 worth of damage. So I called back and said that's not good enough because usually when you call somebody for a claim they always put you off the first time so you've got to keep pestering them until you get the results that you feel you should be getting. Since this wire is part of the community's Utilities Commission responsibility, it's not mine, I think from the meter inside the house is mine, but if you give me more than I ask for, and it wasn't a surge it was short wire that wasn't maintained. Then I feel that you guys should be responsible for my loss. They said that the bare insulated wire was caused by the squirrel eating it, chewing the insulation, but if you realize when you have power come to the house you have three wires. One is bare already, all the time, and then the other two have the insulation on it to protect it from each other, so the oxidation would not have anything to do with it because it was bare because of lack of maintenance, it was because; that's why I'm here, I'm frustrated, totally frustrated.

Chairman Para stated maybe you could take a break for just a second and let's hear from Mr. Rodi.

Mr. Rodi stated for those of you who don't know, squirrels do like the insulation that is on those other two wires and unfortunately they do chew through that. Other rodents do the same thing in substations, they eat the insulation off the wires and once that insulation is chewed through and we've even had squirrels chew through the aluminum wire to sharpen their teeth and it's not often talked about and it's not a glamorous thing to talk about but in your case it had devastating consequences. That is, I think, the answer you were given was simply that we're responsible for the system and maintaining it when we're aware of situations that need to be addressed. We aren't responsible for what animals, an act of God, does. Now what I heard you say tonight was that there was a stretch on the wire that was from the hurricane, I had not heard that previously. So by your presence tonight I'll ask that our claims area and our electrical area review that again just to give you fair hearing.

Mrs. Gaskell stated well my husband wrote up another letter since he is an electrician from back in New York, he worked with electronic stuff, we worked on the railroad with voltages above 11,000 and he wrote a whole letter to explain what the electrical stuff because I understand that the claims agent she's not probably electrically inclined, Caroline Alteria, she's just a claims person processing paperwork and stuff so she has to go by what other information she's received and I truly don't believe that she had received knowledgeable information. I'd like to give this to you. When you've worked around electricity all your life you know a lot more than that and we've had squirrels come into power stations and thing like that. My property has plenty of food for the squirrels to eat, the tree was rubbing against the wire during the hurricane time which would cause it to stress out also and that's probably the reason the pole broke anyhow but I mean that's part of the maintenance, you know and it should have been taken care of after they put the pole in when they had time to do it. This was 2004, this is 2007, nobody's ever come to fix the wire.

(1) Presentation and Discussion of U.C.'s Budget – FY2008 (cont.):

Chairman Para thanked Mrs. Gaskell and stated I think what I'm hearing our staff say is we've heard fresh information, we thank you for taking the time out of your schedule to bring this before us because we don't know all of these details some times, we're a reasonably large and effective company unless they're brought to our attention. He thanked her again for doing that and added I think they're going to look into it and I trust we'll get a satisfactory answer to you.

Mrs. Gaskell stated I've got one more thing I want to tell you, education, being a teacher, being I work at the Middle School, we've have a lot of students out there having no direction of what jobs they need to take. If we need linemen to be educated, then get an apprentice program going in the high school to help us get linemen here at the apprentice level and then you work your way up through fields. It costs cheaper for an apprentice person than it's costing for regular and then they can work their way up and we can get community stuff we could use.

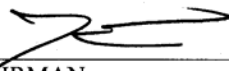
Mr. Rodi thanked Mrs. Gaskell for her comments and added we had contacted the high school about a year ago on that very point.

(2) Possible Other Business – Time for Commissioners:

Chairman Para stated yes, I appreciate the good comments, and asked if there was further discussion from the audience. There being none, he closed public participation, and stated back up here with Commissioners. With none of the other Commissioners commenting at this point, Chairman Para stated in response to your comments Commissioner Hall earlier, if you remember the last meeting I had touched the bars of the cage there, rattled the cage as it were, and got a good response from our CEO in the vernacular of the stepwise approach and I think as we move this ball along, that is the RFP and all the rest, is that we're looking to get something to chew on when the two bodies come together that has a head and a tail so we can kind of have some discussions. I think that's what we're talking about doing and giving us some good material to work with when the consultant comes through with the final report and the timing of that is important to us, as you know Mr. Rodi and myself. It couldn't happen soon enough from my standpoint, I support you in bringing that to the attention because I don't want to let that slip away. I brought along the Public Power Weekly and read through the Supreme Court decision again and these are important things, we need to be proactive. This is a perfect size company as I've said many times to be a part of the solution for the future. With that, I will entertain a motion for adjournment.

There being no further business to come before the Commission, Commissioner Hall made a motion to adjourn and Commissioner Diesen seconded the motion. Chairman Para closed the U.C. workshop meeting at 7:29 p.m.

APPROVED:



CHAIRMAN

ATTEST:



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their August 20,
2007 meeting.