

AGENDA ITEM 2-b

MINUTES OF A REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, NOVEMBER 17, 2008, AT 6:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

Chairman Allen opened the Regular UC Meeting and proceeded with an invocation and requested Commissioner Diesen to lead in the Pledge of Allegiance immediately following. A roll call was taken and all of the Commissioners were in attendance as follows:

Commissioner William H. Reynolds
Commissioner Oscar Zeller
Chairman 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; R. Mitchum, Director of Electric Operations; T. Beyrle, Director of System Ops. & Generation; J. White, Director of Engineering; R. Lemoine, Director of I.T.; P. Di Chiara, Director of H.R.; D. Hoover, Director of Water/Water Reclamation; B. Bilinski, Controller/Budget Supervisor; E. Fisher, Public Information Manager; D. Wood, Customer Service Manager; D. Zorge, Customer Service Supervisor; D. Simmons, Executive Asst./Recording Secretary; B. Preston, Interim U.C. Legal Counsel; Nancy Davis, Reporter for The Observer; and Bob Tolley, a member of the public.

(1) Agenda Changes, Additions and Deletions:

Chairman Allen then asked if there were any agenda changes, additions or deletions.

Mr. Rodi indicated there were none.

(2) Approval of Consent Items:

Chairman Allen then stated approval of consent items.

Commissioner Hall made a motion to approve the consent items, item 2-a. Minutes of Regular UC Meeting Held 10-20-08, approve as submitted; item 2-b. Developer's Agreement and Addendum – Taco Bell of America, Inc., approve the Developer's Agreement and Addendum for Taco Bell as submitted and authorize the General Manager/CEO to execute; and item 2-c. New PURPA Standards Requiring Consideration, schedule two public hearings for December 15, 2008 and January 26, 2009, preliminary and final respectively, at 6:00 p.m., prior to the UC meetings on those dates, to publicly discuss and consider the Utilities Commission's direction regarding the four additional PURPA standards and the fifth non-PURPA standard.

Commissioner Reynolds seconded the motion and it passed unanimously on a roll call vote.

(3) Public Participation:

There was no public participation at this time.

(4) R. Rodi - General Manager's Report:

Mr. Rodi stated I have just a few items to draw your attention to. An update on enQuesta, we are continuing to make progress, however slowly, but we are. He added on the time out issue, and what that amounts to is the computer goes to sleep, and that was becoming quite a severe problem for the customer service representatives. Due to IT staff, our own internal IT staff, I think the solution has been found and we're very close to that. So it turned out to be a good team effort. He stated some of our reporting issues are slowly being cleared up and we are building Plan B, just to make sure as we move down the road for this. But day by day it's imperceptibly slow, but it does seem as though we're gaining ground on it, so I think that's a good sign.

Mr. Rodi stated just for information, shortly after October 1st, I think around there, we made our usual customary bond and loan payments this year, which was about \$3.3 million. He stated that's a very aggressive pay down schedule on our debt, so that has gone through. But I also wanted to draw attention in the General Manager's report, you saw a comment about FMPA and FMPA is into a major refinancing. Much of the debt was very variable and we have seen some cascading variable debt to the UC. I know that Ms. Klinkenberg has spoken with, was it Mark at FMPA, their CFO.

Ms. Klinkenberg stated Steve.

Mr. Rodi then continued and stated with trying to get a sense of what's happening and in this financial crisis that everyone's involved in, there's not a real clear answer to that. So part of what we are considering at this point is making installment payments to transfer now, since our bank return on the \$1.9 million that we had received for the land, is now under what is being charged by FMPA. So as we end up with the recovery from Fuel and Purchased Power, we'll keep our cash flow even, and then make payments until that \$1.9 million has now been paid off on the land. So we wanted to make you aware of that, and added it's really hard to tell where the market's going to go. He confirmed with Ms. Klinkenberg he had not left anything off, and Ms. Klinkenberg commented that FMPA had indicated to her that they were not sure about how the rate structure's (interest rates) actually going to play out. Mr. Rodi added and it's substantial refinancing they're going through now, so an important point.

Mr. Rodi stated with that, I don't have any other comments on the general manager's report. He stated the October combined financial results, I had asked since we're still closing year end books, and you have preliminary in front of you for September, that we take a little extra time and make sure that we don't state something until we're sure what we have with the year end close, so you'll be getting them later this week.

Chairman Allen stated I had just one question as far as FMPA. If they're going through refinancing, how's their rating standing up.

Mr. Rodi stated they have a ratings review going on right now, I don't know if it's Fitch or Standard and Poor's, has asked to visit with them, and that's usually a sign that you know you're in some sort of trouble. There's a pretty heavy debt structure there and there's a great deal of concern about what's happening with the All Requirements Project, which the UC is not a part of. So I think with an interim leader, it raises a question about whether or not FMPA will continue with their existing Interim General Manager who may become permanent, or if they're going out with a national

(4) R. Rodi - General Manager's Report (cont.):

Search, as they had indicated that they were doing and gearing up to do. So there's a lot of uncertainty and as you know the management of an organization has a great deal to do with the future ratings; so that's where it stands.

Mr. Rodi stated and just as one other aside, because of the interim still being with his regular employer, I mean he's a senior executive in another firm, the UC has stayed away from any relationships with that firm. I just don't want to convey any sense of question about doing business with that firm until that issue's cleared up.

(5) Commission Counsel's Report:

Chairman Allen stated okay, as we move on, Counsel's Report, any report?

Mr. Preston stated no real report, just to remind you that we are on the agenda for the City Commission Meeting which will be held next Tuesday, the 25th, seeking to get an answer to your request to them of the last meeting.

Chairman Allen stated thank you.

Mr. Rodi added and I'd make a request that if Chairman Allen can accommodate that schedule, that he be there, along with myself and counsel.

Chairman Allen stated I've already got it calendared.

(6) Committee Meeting Reports

There were no committee meeting reports.

(7) Old Business

There were no old business items to consider.

(8) New Business

There were no new business items to consider.

(9) Possible Other Business – Time for Commissioners:

Chairman Allen confirmed that Commissioners Reynolds and Hall had nothing to add at this point.

Commissioner Diesen stated I think we ought to, in passing at least, make note of the information Mr. Rodi sent out this morning, as to where the UC now stands, as far as our rates.

Mr. Rodi commented I send out a lot of information so I was scrambling to figure out what you meant.

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

Commissioner Diesen stated right, no, I pulled this one out of the reams that came out today.

Mr. Rodi stated there have been several reports of fuel adjustments being granted by the Florida Public Service Commission. And the most recent announcements shows that the UC is now, I won't say significantly, but a much lower cost than almost all of the IOUs. So I think that is a credit, obviously, to the staff, and actually the risk we took on behalf of our customers to hold the line assuming and guessing that the rates, fuel costs, were going to come back down, but those rates show that. And it also, in the comparison of the municipal systems in the reports from FMEA, it shows that we are in the lower third cost of municipal utilities. So I think that's an important transition that we've made over the last year.

Commissioner Diesen stated I think that's important that we note that, because I'd like to stick that in somebody's ear.

Commissioner Hall asked if there's any thought being given to somehow notifying our customers that this is the case. And I know when it goes the other way we don't want to do that necessarily but.

Mr. Rodi stated what that means for them is that there's been actually rate stability since May of 2007, when we lowered our fuel adjustment rate and it has remained the same. We expect that the lower fuel rates will probably continue for about a year, but then we think they're going to go back up again. And we would hope that at the end of that year's period that maybe our R&D project will start to be coming around which should be a good thing for the community. So we're still heavily working on that, and I participated in a legislative delegation of the Governor's office on the 12th in support of that project.

Commissioner Diesen thanked Mr. Rodi and added I just thought it needed to duly noted. She stated the only other thing she had was she hoped everybody has a nice, wonderful Thanksgiving.

Chairman Allen then confirmed Commissioner Zeller had nothing to add at this time.

Chairman Allen then stated the fuel dropping and the costs that are falling with the oil and the gas coming down, you know we look at possibly a year but you really never know. All it takes is one real bad upset over in the Middle East and we're back where we were, so.

Mr. Rodi stated sure.

Chairman Allen added and it kind of shows the leadership that we have here at the Utilities Commission. We took a little flack with the recuperation that we did back in early 2007 with bringing the fuel adjustment up so we could recover and along with it, then we were able to bring it down a little bit for the summer, and stayed with that same rate to this point. And we'll recover and get back to somewhere close to zero, or at least on the positive side, before things really change much. And we need to be aware that it takes leadership to see that and to take those actions even when they're not popular actions to take. We can see where a lot of the other companies kind of sat and went forward and they came to a point where they have to make that move so, it all kind of

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


levels out in the end. So we have the opportunities, hopefully, as the R&D projects will move forward and we can have that come to fruition for us.

Mr. Rodi stated and just right now, we're at about \$4.2 million that we're under recovered, meaning that we paid out \$4.2 million more than what we have collected, so that's the burden we've carried over this period. It was up to \$4.7 million, and last month we recovered a half million roughly, not quite that.

Chairman Allen then asked if there was a motion to adjourn.

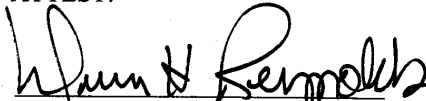
There being no further business to come before the Commission, Commissioner Diesen made a motion to adjourn. Chairman Allen closed the regular U.C. meeting at 6:10 p.m.

APPROVED:



CHAIRMAN

ATTEST:



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their December 15, 2008 meeting.