

**AGENDA ITEM 2-a**

**MINUTES OF REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, MAY 21, 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 the Pledge of Allegiance. Chairman Para then asked for roll call to be taken with all of the Commissioners present as follows:

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

Others in attendance were as follows: R. Rodi, General Manager/ CEO; R. Mitchum, Director of Electric Operations; T. Beyrle, Director of System Ops. & Generation; J. White, Director of Engineering; D. Hoover, Director of Water/ Wastewater; C. Montgomery, Director of I.T.; P. Perez, Director of H.R., C. Roberts, Budget Supervisor/Controller; E. Mahle, Public Information Manager; D. Simmons, Executive Asst./Recording Secretary; B. Preston, Interim U.C. Legal Counsel; City Commissioner Grasty (at 7:05 pm); Melanie Stawicki-Azam, Reporter for the NEWS JOURNAL; Robert Thurlow, Esquire, Barbara Whitey, and Timothy Kates, representing Sunrise Condominium; Mark Hall, Esquire, John McKeating, and Dennis Reeser, representing Sugar Mill Partners, and Jeff Gove their consulting planner with ECT; Jerry Johnson and Dipak Jobalia, representing Venetian Bay of NSB, LLC; Steve Garthe, Esq., representative of Smith, Hood, Perkins; Peter Heebner, Esq., Jamie Adley and two other partners, representing Venetian Palms, Inc. and a court reporter; Wayne Darling, Jerry Ford, and Laurie Chalmers, representatives from Systems & Software, Inc.; Steve Stein and Bob Davis, representatives from R.W. Beck, Inc.; Sally Mackay; Bob Tolley, Ken Taylor, Charlie Meyer, Bob McEvoy, and a few unidentified men and women, members of the public.

(1) Agenda Changes, Additions and Deletions:

Chairman Para confirmed there were no agenda changes, additions or deletions at this point.

(2) Approval of Consent Items:

Commissioner Hall then made a motion to approve the consent items as follows: item 2-a. Minutes of Regular UC Meeting Held 4-16-07, approve as submitted; item 2-b. SB 444 Water Supply Plan Development and Grant Assistance Services – Quentin L. Hampton Associates, approve task authorization for Quentin L. Hampton Assoc., Inc. to provide SB 444 water supply plan development and grant assistance services for a lump sum amount of \$24,390.00 and authorize the General Manager/CEO to execute all documents associated with this matter; item 2-c. UC Public Records Policy and Procedure, ratified the policy and procedures as submitted; item 2-d. Bid No. 11-07 – Manhole Rehabilitation for Water Dept., based upon the evaluation of the bids received an award was made to Altair Environmental Group Inc. in the amount of \$28,835.89, this award was under the bid threshold of \$50,000 and was submitted for information and reporting purposes only; item 2-e. 1.0 MG Substandard Effluent Storage Tank

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

Addition Change Order Number 1 – The Crom Corporation, approve Change Order Number 1 for the 1.0 MG Substandard Effluent Storage Tank Addition project as submitted by The Crom Corporation in the amount of \$24, 535.00 and authorize the General Manager/CEO to execute all documents associated with this award. Commissioner Spangler seconded this motion and it passed unanimously on a roll call vote.

(3) Public Participation:

(3-a) Sunrise Condominium Request to Appear – Robert Thurlow, P.A.:

Chairman Para stated first up we have Mr. Thurlow, please step to the podium, good to see you this evening sir. He then stated just as a note while Mr. Thurlow's making his way to the podium, if you would like to participate in discussion on a later item that appears on the agenda, I would ask that you simply state that to the podium at any time during open participation. The purpose of that is for us to gauge an idea of who'd like to participate later and make sure we all have free access to do that and we don't end up with a bunch of jack-in-the-box pop ups along the way; unless it's something that you just absolutely have to comment on. So Mr. Thurlow, please press on.

Mr. Thurlow addressed the Commission and stated okay thanks, I don't know if you've got the three minute limit on me or not.

Chairman Para stated no as long as you're cordial and kind as I know you are...

Mr. Thurlow interjected and I'll try not to be too windy. I'm here on behalf of the Sunrise Condominium today which is one of the great beachside condominiums over on South Atlantic Avenue. I've got with me here today the manager and the maintenance man for that condominium and they'll get a chance hopefully just for a moment after I'm done just to give you their insight. I'm not here to argue legal issues with you, the things we're going to talk about tonight are really just factual things. So why is there a lawyer here? Basically because in this case my client and your ratepayer felt she really couldn't get serious attention from someone who would really listen and evaluate her problem over a long period of time. She made phone calls and letters and they did result in some reviews at the staff level but I think she'd tell you that the answers in her opinion were somewhat cut and dried and once somebody knew that a meter test had been run it was kind of a slam dunk, you know the ratepayer had to be wrong on this one, uh, she must have a leak.

Mr. Thurlow stated your role as I would see it tonight is much like a judge or a jury at trial, you're fact finders and so I want to give you some facts if I could. We have a condominium here with almost 80 units in it and the problem involves a \$1,500 problem that occurred March of 2006. I would only ask you that this not be a summary proceeding, that you give all the facts equal weight and look at them thoroughly. I would submit this should not be a slam dunk that the ratepayer is wrong because your meter test crew said hey that meter's all right, because there's contrary evidence as well. There is some confusion in all this and you've seen I included a lot of stuff in your package and I hope you had time to read it all. You will notice that the bills

(3-a) Sunrise Condominium Request to Appear – Robert Thurlow, P.A. (cont.):

for May and June have some numbers in the irrigation area that might fool you a little bit. I tell you when I sat where you're sitting I never understood two things, one is why we read the meters twice in some months and not in other months, and second, why when the meters were read twice in one month the software for the bills couldn't make the numbers come out right. I hope that you can find the answers to that, they're not key to tonight but I would ask you to look at them.

Mr. Thurlow stated I have with me an experienced, full time manager who's been at this condominium 23 years, so she knows the system and if you've ever been out to look at the Sunrise, it's an immaculate place, they take a great bit of pride in it and they look at it all the time, every day all day. She has a full time maintenance man with her who's been there for three years and they're constantly watchful on the premises. The manager's going to speak to Dave Hoover's observations and as much respect as I have for Dave, I tell you these observations are wrong. Throughout all of this there was no contact by anyone at the supervisory level with the condo manager about any of this, and there was never an on-site visit by anybody at any level with the manager to look into this problem. It was all basically a desk review, other than the two guys who came out to pull the meter. I was told and Debbie Simmons was very helpful in gathering information here and putting it in perspective that current policy is that there will be no irrigation adjustments. I don't know if this is written policy, I don't know what the reason is, whether it's because it's an open system and you figure hey if there's a leak the customer's got to benefit. I'm going to ask you to review and reconsider this policy regardless of your decision on the \$1,500 that my client is concerned about.

Mr. Thurlow stated the conclusions of the ratepayers are first that the delay in checking out the meter precluded her from doing the same. The original bill came out on the 7<sup>th</sup> of April, she complained promptly, she even got a professional leak testing service out on the site at the recommendation of the U.C., and had that done by May 5<sup>th</sup>, but oddly enough the meter wasn't tested until May 18<sup>th</sup>. Also oddly enough it was immediately thereafter replaced with a different kind of meter. So she couldn't really have her own independent test of this meter, but we all know machinery sometimes functions intermittently. I submit that the meter test only tells us the meter was working on May 18<sup>th</sup> when it was tested. There is contrary evidence, for one the amount of water that was used that month would fill the swimming pool out there ten times, and they have a humongous pool for 80 units, let me tell you. You're going to hear the testimony of two credible persons, the manager and the maintenance person who would have seen a leak if it occurred. I provided you with documents that a leak test was done and no leak in the system was found and I submit that this evidence balances your meter test. Debbie Simmons is right, a meter test has been taken into evidence in court before, but so is testimony and so is a leak test. So I don't think that there should be a presumption that the ratepayer is wrong.

Mr. Thurlow stated now the employees who went out there initially and looked at the meter I guess suggested there was a pool leak but what they didn't know is you know the pool is on the potable water system not the irrigation system so that really wouldn't matter and in any case there wasn't a pool leak, that was determined. So the bottom line is, in our opinion, we think you should consider changing the no adjustment policy regarding irrigation water because it

(3-a) Sunrise Condominium Request to Appear – Robert Thurlow, P.A. (cont.):

doesn't admit the possibility that the U.C. or anyone in it could ever be wrong, and I think that's just flat out wrong. I think you should establish a threshold for complaints be it the number of complaints you receive, maybe a dollar value, whatever, that would trigger an on-site visit by Utilities Commission personnel from the Water Department, not merely a paper review by the billing folks. Somebody that would contact the ratepayer on-site, I think you owe the ratepayer the courtesy and the thoroughness to do that. So I ask you to evaluate all the evidence, what's on site, not just at the desk, don't assume that meter test is conclusive, you can't explain what happened any more than the ratepayer can at this point, the evidence is equal. And maybe in a case like this the tie should go to the runner and I say that's the ratepayer. He stated now I'm going to ask Mrs. Whitey to just tell you her thoughts for a moment.

Chairman Para thanked Mr. Thurlow for his comments.

Mrs. Barbara Whitey addressed the Commission and stated I'm a resident manager at Sunrise Condominium for 23 years. I am in full control of where lines go, what they do, what water goes to what, contrary to what some thoughts are on that issue, so is my maintenance man. Mr. Thurlow told you the potable water is what fills my swimming pool, what he didn't tell you that during that time we were also building a sea wall. Three sides of my irrigation were shut down, the north, south and east side because that property was in use for materials for the sea wall. The only zones running were the west side towards the road. I don't see how it could even be possible that that amount of water number one could go through my system because ten swimming pools full of water would wash out the entire property being its sand, and number two, nothing was running but two zones of irrigation. So therefore when I received this bill I was stunned.

Mr. Whitey stated I was even a little more stunned when I received a copy of something that came out stating that your two employees went out, they checked it, they told my maintenance man that there was probably a pool leak. It states here that when he fixed it the bills were reduced to more historical levels. It also states that that's about all they knew, their experience with condos is often finding they have interconnected between service, irrigation, materials and management, water supply meters that have taken place over the years by various plumbers, and often don't have a clue how water is actually being used in their complex. I really take exception to that. This includes pool water as well, then when a pool leak or irrigation leak or whatever is the cause of their high bills, they look to anything to invalidate them, the sad fact is that they used water and we need to charge for it even when they can't manage their sites well. I don't believe we used the water or I never would have questioned it. I went back for years through my bills there was never anything even close to that and I guess that's all I have to say; thank you.

Chairman Para stated before you leave you had mentioned some construction that had taken place, was this construction...

Mrs. Whitey stated on the beach.

Chairman Para stated and it was happening simultaneous to this water problem correct.

(3-a) Sunrise Condominium Request to Appear — Robert Thurlow, P.A. (cont.):

Mrs. Whitey stated it was.

Chairman Para stated so there's a coincidence or circumstance where this activity was taking place at the same time as this water anomaly.

Mrs. White stated but the zones of the irrigation or the area where the construction was taken down were totally shut down and removed because all new irrigation equipment was put in after that.

Chairman Para stated okay I'll wait and visit with your maintenance man about some of those questions. Thank you ma'am for participating tonight and understand if you ever want to come visit with us you don't need to bring the law with you, and added just kidding the lawyer.

Mr. Timothy Kates addressed the Commission (the maintenance man for Sunrise Condo) and stated when the guys came out and checked the meter, you know, they pulled the meter and they said in that letter that they told me there was a pool leak and that never happened. I was never told by nobody from the Utilities Commission that we had a leak and we already had the American Detection out to check for leaks before they even came out, so I don't know.

Chairman Para stated what's the mechanical side of how you terminated service to your zones, was it a...

Mr. Kates stated it was shut off, they were shut off right at the solenoid cans.

Chairman Para stated electronically.

Mr. Kates stated no, with a, it's like a plunger valve that will kill the water before it disburse through, and they were all shut down, and they were capped or they were cut.

Chairman Para stated okay, and again just for the record this work took place at the same time as this anomaly in your water bill; all right, thank you.

Commissioner Diesen stated it was the sea wall?

Chairman Para stated the sea wall, apparently the construction took place out by the sea wall on the beach. He then asked and confirmed with Mr. Thurlow that was the end of his presentation and thanked him. He then stated to Mr. Preston maybe we'll begin with you in that we sort of have a legal flavor to this evening.

Mr. Preston commented we should try this case shouldn't we, all right. Mr. Thurlow and I, and I appreciate his position and his presentation tonight, had opportunity to negotiate and look at the history of the Sunrise Condominium, in particular this year and also in prior years as well. I think on thing that is importantly factually for you all to consider is there has been a history of some excessive use of irrigation water by the Sunrise Condominium to my knowledge prior to

(3-a) Sunrise Condominium Request to Appear – Robert Thurlow, P.A. (cont.):

this event as well. To my knowledge I think there have been one or more times in the past there had been some excessive period of use of this irrigation water. Also I'm under the impression that Debbie Simmons did not, nor is it a policy of the U.C. not to adjust irrigation rates. In this particular case the irrigation water passed through the meter, it was a reading given by the meter, it wasn't an issue prior to the actual use, and because there's use there is a need for payment by a ratepayer so obviously we apply that payment to the ratepayer who owns the meter and monitors the meter. But short of that I think that you have the facts in this particular regard and you should consider what to do.

Chairman Para asked Mr. Rodi if he would mind if he asked a question of Mr. Hoover.

Mr. Rodi answered please.

Chairman Para stated to Mr. Hoover, would you mind, just one quick question for the sake of discussion, I think I know the answer but the meter is a mechanical device, correct?

Mr. Hoover answered correct.

Chairman Para and it's a pretty straightforward mechanism tested and tried and perfected for many, many years to give a pretty reliable and accurate reading is it not.

Mr. Hoover stated correct, we have a meter technician who's got 32 years experience in bench tests, he flow tested it at a low rate of speed and at a high rate and then has a formula. It tested out, both meters the domestic and the irrigation meter were tested and found to be right within accuracy ranges.

Chairman Para said thank you and your technicians that went out in the field were not trying to make an observation as far as pool leakage but maybe just trying to be friendly and suggest some things, is that kind of the story here.

Mr. Hoover stated this thing really wasn't cut and dried, when these things, these issues come up we look at them real closely. We normally get a request from the Finance Department that there's been a complaint about a high bill and to test the meters thoroughly and see if there's anything else we might add. When our technicians went out there they looked at the meter, the one meter was running even though the irrigation wasn't and they suggested you need to look around for an open valve that might be going straight to a drain and very hard to detect such as in a swimming pool situation. We've seen that in the past from the condos and these condos are very challenging units to manage, there's several factors built into them. There's a separate water supply for domestic water service, often times in the older condos which I heard this one's 23 years old, there's fire tanks and valve for that, there's irrigation systems. Our experience has been on many times some of the condos don't even have prints on what's happened or modifications that have happened along the lines and a valve would get inadvertently opened, there would be a high reading and then later on it gets found and shut and those things have happened. I'm not sure what the case was on this one but when the readings are high and we've

(3-a) Sunrise Condominium Request to Appear — Robert Thurlow, P.A. (cont.):

gone ahead and delivered the service, normally we sort of network this together with Finance, we put our heads together and we felt the bill should stand.

Chairman Para stated thank you and in all your years of experience you feel that we followed proper protocol and that everything we presumed to be billable has been billable and it should be billable, correct.

Mr. Hoover stated correct and we also thought this was a resolved issue so it's a surprise for me to see it come up again tonight.

Commissioner Diesen stated you probably can answer this, I'm a little bit puzzled by the idea that there was a sea wall going in simultaneously when this was going on. I'm on the beach everyday, I've seen a lot of sea walls go in and a lot a times there's water that is used in the building of that sea wall depending on the kind of sea wall; I'm curious.

Chairman Para stated yes, and of course without permission from the maintenance person or access to that vault, I don't know that they would have been able to gain access to it. The only thing that I'm thinking and it happens quite often, if a construction delivery vehicle happens to knock off a head or something, again it's not for us to presume what all scenarios could have took place although it's a very accurate question, that's the immediate thing that struck my attention, but to follow our procedures and that is to make sure that our meter is working and that the delivery was made to the site and it was the billable amount. I'm sorry from my perspective Mr. Thurlow that test has been made and it's conclusive and I wish we could do something else but this happens quite often and unless we support the staff and their position we would have a very difficult time of managing this place. He then asked if there were any further comments from the Commissioners.

Commissioner Spangler stated yes, there's a couple of issues I'd like to address. Can you tell me when they went out to check the meter was it running or was it still?

Mr. Hoover stated it was running.

Commissioner Spangler stated it was running, even though the irrigation system was mostly turned off

Mr. Hoover stated that's the report back that I got.

Commissioner Spangler stated you got a report that it was, and was Anthony able to determine, I presume it was him, how much water was sort of running through there, he has a feel for that. Was it like one irrigation pipe was running or was there a leak or what was the deal, did he say?

Mr. Hoover stated it's been quite some time now so I can't recall exactly but it was significant flow.

(3-a) Sunrise Condominium Request to Appear — Robert Thurlow, P.A. (cont.):

Commissioner Spangler stated okay, so there was flow when the technician came and then the other thing is that the high reading was not an anomaly which we weren't aware of and didn't mention, only the billing records would show that. And what that would indicate is either there were other periods of high use or the meter malfunctioned and then corrected itself in between the two times of high use, is that right?

Mr. Hoover stated we normally get a print out from Finance to look at the historic uses and when we saw those other times of high flows we factored that into our evaluation and what we thought as a conclusion to it, that it hadn't been an isolated incident.

Commissioner Spangler stated okay, well it sounded like it was an isolated incident the way it was presented but...

Mr. Whitey stated I'm not aware of another incident, I'd like to know when it was.

Commissioner Spangler stated billing records would indicate that I'm sure.

Mr. Thurlow stated your history is put in there and there's no other time when the reading's anywhere close to 500 KG.

Commissioner Spangler stated I only saw five months.

Chairman Para stated well Mr. Preston you had made the statement. Well, we'll consider that and Mrs. Whitey we'll get back to you. Do any other Commissioners have any questions and we'll follow up.

Commissioner Hall stated yes, Mr. Hoover on your email to Mr. Preston it says when he fixed it, I assume he means the maintenance man, the bills reduced to more historical levels. Did our staff come back and tell you or tell anyone that he admitted that there was water flowing? He stood up and said no, that he had not talked to anybody; I know this happened a year ago.

Mr. Hoover stated this might be a little controversial part of this whole thing but their account was and there were two employees from the Water Field Operations crews that went out there, said the meter was turning, they showed it to the maintenance worker, he took note of it, said let me look into it, next time it was fixed. But then at the workshop that was held downstairs he denied that ever took place.

Commissioner Hall stated okay.

Mr. Hoover stated now I was out of town when that meeting took place, I had Bill Dean there the Superintendent, Anthony and another worker that accompanied him to the site. So that's the best I can give it to you and these are credible men, they're long time employees.

Commissioner Hall stated one other question, Mr. Rodi how many complaints during a month do

(3-a) Sunrise Condominium Request to Appear – Robert Thurlow, P.A. (cont.):

we get about meters.

Mr. Rodi stated electric or water meters?

Commissioner Hall stated this was a water meter.

Mr. Rodi stated very few, we might average one every other month, every three months. Am I right about that Mr. Hoover?

Mr. Hoover stated that's true, we only get probably, I don't know, on the small residential meters we might get five or ten a year and on the larger meters maybe two.

Chairman Para then recognized Commissioner Allen for comment.

Commissioner Allen stated one question I had was I understand the pool was on the potable water and that's the way you have it.

Mrs. Whitey stated that's the way it's always been.

Commissioner Allen reiterated that's the way it's always been, and just looking at your history, if you're sprinkling with four or five zones that ought to be somewhat consistent in usage and I see about seven deviations.

Mrs. Whitey stated it depends on the weather.

Commissioner Allen stated it shouldn't depend on the weather if you're sprinkling a given amount of hours as where to control our systems.

Mrs. Whitey stated if we've had a rainy season I don't water at all.

Commissioner Allen stated but there should be some consistency. I mean if you go down and look there should be a fairly decent consistency in a sprinkling system on the number, on a basic when you look month by month when we think about Florida it should be fairly consistent, floating right around 150,000 a month and you get into the winter months it may be a little lower, but then you see it bounces back up to 307, 246, 229. So you look and there's that larger deviation.

Mrs. Whitey stated I've never had anything like this one.

Commissioner Allen stated and then the one, and then there could have been a meter reading error because in February it was 15,000, which is way low, so combined with the high one, so that there may be some inconsistencies in reading that the reports coming out in the meter readings should show an irregularity and low readings. That should flag someone I would hope to go out and check that meter again to read it or if it's a high reading to reread it again. Where

(3-a) Sunrise Condominium Request to Appear – Robert Thurlow, P.A. (cont.):

if that meter reader is there and that thing is spinning like crazy they make a note of it that somebody would check or call the customer. That's one of the things that I see here and that needs to be addressed.

Mrs. Whitey stated I was never informed by anyone in your organization of anything. They never came to my office to discuss anything with me.

Commissioner Allen stated I understand with a water meter and what I've dealt with the few times I've dealt with them is when they go bad, they're bad.

Mrs. Whitey stated I did request an independent test and they told me that the meter was gone and they were upgrading all my equipment and putting new meters in.

Commissioner Allen stated normally when those meters go bad it may instead of rolling 100 gallons it rolls 1,000 but it will be consistent in doing that, it doesn't do it one time and wait for another year or some other time to do it again. But it appears the water did flow through the meter but I do see some inconsistencies looking at the history that should throw some flags.

Commissioner Spangler stated I found history too and the water you know it jumps up, I don't think there's anything unusual about the water use in 2006, in May and June, because in the summer every year that's actually lower than the other, but in the irrigation side this 539 is extremely high and the month before 15 is extremely low. If you take the two together you come up more with 250 which is what it is in April and sort of what it is in May and what it was in 2004. But still overall there are noticeably higher no matter how you cut it if it's averaging 225 to 250 in 2006 for those three months, there's no other period like that, but there are some that are fairly close. But I don't see any other record back to 2004 where there was any leak as big as the one that occurred in 2006, I'll just comment on that.

Chairman Para asked if there were any further comments and then thanked Mr. Hoover. All right without any motions or actions, we'll go on to the next public participant. He then added to the participants of this item thank you all for being here this evening.

(3-b) Sugar Mill Partners, Inc. Request to Appear – Mark R. Hall, P.A.:

Chairman Para then stated Mr. Hall are you next, Sugar Mill, Mr. Hall.

Mr. Hall stated yes, good evening, and stated hopefully this one's more of a mutual benefit than a zero sum gain, that's a tough case you just heard. He then addressed the Commission and stated my name is Mark Hall, I represent Sugar Mill Partners who own approximately 100 acres south and east of the Sugar Mill Water Treatment Plant property. What's being passed out to you is a color reduction of this aerial photograph that I have to my right. The purpose of us requesting to appear is to open a dialogue to look into the feasibility of co-locating wet weather detention facilities on the 100 or so acres that my client owns and also to discuss possible shared access from Clubhouse Boulevard to the 100 acres that's owned by Sugar Mill Partners. With

(3-b) Sugar Mill Partners, Inc. Request to Appear – Mark R. Hall, P.A. (cont.):

me this evening are John McKeating and Dennis Reeser who are Directors of Sugar Mill Partners and then Jeff Gove who's the consulting planner with ECT on this project.

Mr. Hall pointed to the photograph and stated just so we can get oriented, this is Clubhouse coming in, the guard shack is in this location here, just below the yellow outline of your property is the guard shack into Sugar Mill Country Club, and then outlined in yellow or white on my aerial is the former Water Treatment package plant that was purchased by the Utilities Commission several years ago. My clients picked up in the newspapers that the Utilities Commission was interested in wet weather detention. We all understand hopefully that the river needs to be protected and fresh water pollution of the river with stormwater is something that has been a continuing concern of this community and the Water Management District for almost the 20 years that I've been here. I don't pretend to be a technical person when it comes to that but when Mr. McKeating picked this up in the paper that perhaps instead of using these kinds of using these kinds of storage treatment tanks for wet weather detention, as we're developing this property, maybe we can have this kind of detention pond, which is shown on the aerial, be not only serving the water management needs of our community, proposed, but also Utilities Commission's needs to store in wet times instead of discharging into the river. So that's one piece of why we're here in front of you.

Mr. Hall stated the other is that when Mr. Gove designed his sketch plat and I think you have a reduction of a portion of that in your package, one option was to have access through that parcel owned by the Utilities Commission. There are other options but this one is preferred not only by the Sugar Mill Homeowners Association but also the Club. The idea would be that this 100 acres could be annexed so to speak into Sugar Mill Country Club. It's what originally was the fourth nine, this portion was what was going to be the fourth nine but that was never completed.

Mr. Hall stated so that's why we're here, not really to have a decision be made but to see whether you'd be interested in having staff explore the technical aspects of this acre feet of water and all that sort of thing, conditions natural versus conditions after development, pre and post, etc., and have them sit down with Mr. Gove and our engineers way out front. This property is not slated for development at this point but three to five years down the road it may make sense and so that's why we're here.

Mr. Hall stated there are compatibility issues also with leaving those tanks in place I understand because if you look at your aerial there are homes hard up against those tanks just west of them. And so perhaps there's mutual benefit in us developing wet weather detention for you and also some sort of shared access. So that's pretty much it, you may want to query Mr. McKeating, there may be some things he'd like to say, or Mr. Gove, but that's why we've just requested to appear.

Chairman Para stated thank you Mr. Hall for your presentation, I won't speak for my colleagues, they can speak for themselves, but I'm very content with our current position and that is we have many things in the offing here shortly and I would hate to enter into or begin the process or even alluding to there being an opportunity for your folks without knowing what's coming down the

(3-b) Sugar Mill Partners, Inc. Request to Appear – Mark R. Hall, P.A. (cont.):

road. Our real estate needs to be at our disposal personally I think and I've taken that position before several months ago when this property came up, that this property needs to be used for whatever purposes we might have in the future given the dramatic shift in water and energy needs. Now if down the road those two needs can co-exist, I for one would be willing to entertain that but at this point I for one would rather stay away from any discussion; then I'll let my colleagues speak.

Commissioner Spangler stated well I can say something in general, what we're talking about is potential benefits to either party and what the Chair is saying is that it's very difficult for us to imagine potential benefits so if you're proposing that there could be some benefit to us I guess the burden would be on you to do a little engineering and say this is what the benefit could be to you in exchange for us having the benefit of what we know you want. So it's a little up in the air right now, right now we don't want to part with properties but one thing that makes a property value is what we might do with it in the way of benefits with other properties. So I'm not going to say to you, or my opinion, that we won't even consider, I'm saying that the burden's on you to show us something more valuable than what we have.

Mr. Hall stated and Mr. McKeating is shaking, nodding his head yes so that makes sense and it may be that we need to have our engineers look at that in terms of storage. I mean that's the issue, here we are in the middle of a drought, one of the most historic droughts since I've been in town but sooner or later we'll be back on the other end of the rain game.

Chairman Para stated it's always better when we work together and we're always interested in doing that but again you heard from us, or at least from the two of us that I'm reluctant and maybe Commissioner Spangler's reluctant to do anything and he said so rightly the burden's on you when that begins to evolve whether that's going to be an opportunity for you all to work with us on something.

Commissioner Allen stated I'm in agreement.

Commissioner Diesen stated yes.

Chairman Para stated okay, no further discussion, thank you Mr. Hall.

(3-c) Venetian Bay of NSB, LLC Request to Appear – Jerry S. Johnson, Sr.:

Chairman Para recognized Mr. Johnson to speak.

Mr. Johnson addressed the Commission and stated I didn't quite understand what that said because I'm not here to look for an increase of \$300 to \$400 for the reclaimed water fee but what I'm here for is to ask you all to consider a policy that I think that Mr. Rodi and the staff agree needs to be made. There are some things that you're charging for that are unfair for example and my point tonight is we have 78 units in the condo area for we have paid for all the reclaimed water for all the parts and all the streetscape and everything around it and we have inside the

(3-c) Venetian Bay of NSB, LLC Request to Appear – Jerry S. Johnson, Sr. (cont.):

courtyard a usage that would not be equal to four normal homes and yet technically we're suppose to pay 78 for the number of units times the fee for really what we're getting less than four homes for. We're asking you to consider changing that because we feel that's an unfair burden that's just unnecessary.

Mr. Johnson stated on the other side of that coin, there are areas that the Director and staff knows that there are medians out there that have no meter that should be metered and what we're saying is that we would like you to direct your staff to look at both of those items, and there might be other ones too, but they are the two that I'm aware of. So that we don't get charged unfairly for something that we could never use the capacities that we would be paying for and I think that we have had our engineer do the documentation for the staff and I think they're in agreement with what we say; I think Derek Wainscott and Mr. White have worked together on that. And also we're in agreement to put meters where there aren't but really should be as well. He concluded by stating I guess that's what we're asking, the consideration.

Chairman Para thanked Mr. Johnson and added I think the matter comes up under item 8-a. and if you'd like to speak later on I guess you are more than welcome to do that if you would like to reserve that right now.

Mr. Johnson stated thank you sir.

(3) Public Participation (cont.):

Chairman Para recognized Mr. Taylor to speak.

Mr. Ken Taylor, a resident at 11A Country Club Drive, addressed the Commission and stated I see that you all have survived without my brilliant comments over the last several months but with regard to items 9-a. and 9-b. I will probably like to speak when we reach those items.

Chairman Para stated all right, very good.

Mr. Taylor stated secondly, I will raise an old issue, I continue to be amazed that I see Commissioners and staff drinking from water bottles that do not say Utilities Commission water. I have made this known and I cannot understand why you guys do not make an effort to do this.

Chairman Para stated you're referring to us bottling water like Daytona?

Mr. Taylor stated exactly. The City does the same thing, when you go to a City meeting, the cooler's there and they've got bottles from everywhere but the Utilities Commission.

Chairman Para interjected the City's got bottles that say New Smyrna on them?

Mr. Taylor stated no, they do not have, they say Publix on them and they should say Utilities Commission, City of New Smyrna Beach. Why you guys are not doing that, you're missing out

(3) Public Participation (cont.):

on an enterprise opportunity.

Chairman Para commented we're waiting on Mr. Hoover to submit a business plan on it.

Mr. Taylor stated well if you're waiting for a business plan on it, you'll be forever getting it done. If you went out and did it, you wouldn't be.

Chairman Para stated that was our old policy, it's still our policy.

Mr. Taylor stated well then get somebody on it and do it, it'll take you about five minutes to go to the computer and have one spit out. But I'm embarrassed when I see you guys pull bottles of water out that say other than Utilities Commission, City of New Smyrna Beach. It'd say a profit center not a cost center to do that. He concluded by saying thank you, I'll be back.

There being no further public participation at this time, Chairman Para closed public participation.

(4) General Manager's Report (4-

a) Financial Status March 2007:

Ms. Klinkenberg stated for the month ending March 2007 our change in net assets is \$561,701 for the combined system. Our forecast reports reflect a \$3.6 million year to date favorable variance compared to budget. She then offered to answer any questions.

Chairman Para confirmed there were no questions at this point in time.

(5) Commission Counsel's Report

(5-a) Payment Agreement — Addendum to Developer's Agreement Addendum — Zone 1 Venetian Bay, South Village (LandMar):

Mr. Preston stated you have in your packet an agreement that has been in the process of being developed now for some time and ultimately what I ask that you do is to consider approval of that agreement in general, inasmuch as there has been some recent developments even as of today that make us want to look at this agreement somewhat more though not materially. In particular we have if you noticed two parties to this agreement other than the Utilities Commission as signatories, they including the development that is owned by and known as LandMar, owned by Jim Cullis to the south of S.R. 44 and that development project by Mr. Johnson, owned by Mr. Johnson to the north. There are other parties who are affected by the agreement but these are the two parties we are negotiating with in terms of infrastructure development for what is now known as zone 1, the western zone area of the three zones.

Mr. Preston stated we have I think a good agreement, I believe it to be a good agreement, all the

(5-a) Payment Agreement — Addendum to Developer's Agreement Addendum — Zone 1 Venetian Bay, South Village (LandMar) (cont.):

terms are terms that benefit both sides, that being the Utilities Commission and the two developers I mentioned, as well as not affecting and potentially benefiting significantly other development in that same zone. The issue that came today is that we most likely will want to bifurcate that agreement so that the agreement is executed in one part by Mr. Johnson's development to the north and then the other part by Mr. Cullis' to the south. They each have unique issues and so it would be easier to actually agree with each one individually though conceptually all the parties would be doing the same. So I ask for your consideration of the agreement.

Chairman Para thanked Mr. Preston and asked if there was discussion and/or a motion on this item.

Mr. Rodi stated may I interject a point, currently that is one zone we refer to as zone 1. In the course of bifurcating this, my guess is we would turn that into two zones and so that one to the north and one to the south. So essentially what I think that would do would be support the terms of this agreement as well as recognizing individual issues that are involved; so I wanted to make that part clear.

Commissioner Diesen stated so it appears at this time that this is going to be acceptable.

Mr. Preston stated until the signatures are on the page you never know but I believe we are at that point and if we are giving some general latitude with the continued negotiation drafting that will give us the ability to put together these agreements without material change then it is likely that we will come to agreement, signed agreement.

Chairman Para stated well I think that's kind of a two part thing.

Commissioner Spangler stated yes, that's what I was going to say, are we going to ultimately sign two similar agreements with two different parties or is that to be determined.

Mr. Preston stated well technically that's to be determined but that's the idea.

Commissioner Spangler reiterated that's the idea.

Mr. Preston stated correct.

Commissioner Diesen stated that's the direction we're going, to bifurcate.

Mr. Preston stated correct.

Commissioner Spangler stated so each party has slightly different situation and the agreements would be slightly different but we would agree with both if it works out.

(5-a) Payment Agreement – Addendum to Developer's Agreement Addendum – Zone 1 Venetian Bay, South Village (LandMar) (cont.):

Commissioner Diesen commented different but the same.

Chairman Para stated material as he said, right Mr. Preston.

Mr. Preston stated materially the concept is the same between both. Each are in different phases of development, each have different and unique ownership issues as well so there are some unique issues to both the north and the south.

Chairman Para commented understandably, so all right, and if the Commission were to make the motion and approve it you're comfortable with that being in here currently, there's no modifications to the motion based on what you recommended or what's been recommended.

Mr. Preston stated if I understand your question I believe you are to say am I comfortable with you allowing some non-material changes, am I comfortable with that, and I am.

Chairman Para stated right, so we make this motion as stated here because you mentioned earlier situations have changed even today, that they gives you the latitude you need to work without changing the language of this motion.

Mr. Preston stated I would ask that you would in fact broaden this motion.

Chairman Para stated all right that's were I was going.

Mr. Preston added for more than just the acceptance of this particular agreement submitted to your packet but to broaden it.

Chairman Para stated I'm sorry to be...

Mr. Preston stated I didn't understand your question.

Chairman Para added well sometimes I'm confusing.

Commissioner Hall then asked Mr. Preston, do you have language for us to consider?

Mr. Preston stated I would suggest that you make a motion that, now I won't go so far as to give your legal counsel carte blanche, but I would suggest a motion that you approve the terms of the agreement as presented in the packet conceptually and that you permit continued negotiation such that the items resulting in agreement will be non-material change to what you've reviewed.

Commissioner Hall stated I make that motion and Commissioner Spangler seconded the motion. The motion then passed unanimously on a roll call vote.

(7) Old Business

(7-a) Consideration of U.C.'s Proposed Budget Estimate – FY2008:

Ms. Laurie Klinkenberg addressed the Commission and stated to the Commissioners, you all have in your packets the revised budget that reflects the oversight of leaving out that one employee, the correction is in there. She asked if they had any additional questions regarding the budget.

Chairman Para stated I will check with my colleagues.

Commissioner Spangler stated most of these things I now understand and I think it was a great job staff did. I was a little disturbed by the fact that we had bonds and other financing sources and there were some large numbers. If they were bonds we'd also be having some a little bit smaller but large numbers for interest and there was no item for that so it was explained to me that the other financing sources are what we're leaning on right now and that's why we're not concerned about interest costs in the future at this point. I was a little concerned about the electrical usage and how they extrapolated 2008 but Mr. Beyrle explained that to me and that sounds good. And there's the issue of the increase in salaries due to an unanticipated incentive pay program and the question is would these incentives be paid for increased productivity and will that increased productivity be worth a half million dollars, or is this a method to reward and retain qualified personnel. I know there's a problem keeping good people and the issue to me is I think it's wonderful that we can have productivity rewards but whether their rewards are going to equal the pay raises I don't know but if we need a little bit more money to keep them, I'm for it. He concluded by stating to make a short statement.

Ms. Klinkenberg stated to answer your question about the half a million on the increased salaries, I have dug into that today, very much so as it was brought to my attention. There have been a couple of little things that came to light, an additional couple of positions that should not have been in there. It has to do with we are bringing an Apprentice I, an Apprentice II, and an Apprentice III. When an Apprentice I moves to an Apprentice II, the Apprentice I doesn't get replaced, they just become an Apprentice II. Well some of those additional positions are still in there, we won't fill them obviously, they won't be necessary but the salary is in there. Also because of the Union negotiations are still ongoing right now, which is a lot longer than normal, they're normally concluded prior to the budget preparation, we did a worse case scenario on those incentives. We included as much as possible into the pay structure to cover us because we don't know what's going to happen, so that's a lot of it, it's the majority of it.

Commissioner Diesen asked how many are in the bargaining unit?

Ms. Klinkenberg stated how many employees, I don't know, does Ms. Perez know.

Mr. Rodi stated I think there are about 105 positions that are represented and there are 40 some dues paying members, so there's a difference between dues paying represented positions and represented positions.

(7-a) Consideration of U.C.'s Proposed Budget Estimate – FY2008 (cont.):

Commissioner Diesen stated but represented positions still...

Mr. Rodi stated are covered by the agreement yes.

Commissioner Diesen stated they still share the largesse as it were.

Mr. Rodi stated I'd like to make a couple of comments, on the issue of any kind of incentive system, that system will be driven by a new financial management system and it's customer support plug-in, part of which you'll hear later on tonight. Obviously this would be an item that would also have to be negotiated with the Union and it is based upon what we call gates. The U.C. as a whole must be able to improve its efficiency sufficiently to pay for all of this. So that, and we're talking about something that is significant but it is self funded. So it isn't one of those items that you know we're just going to have incentives and we'll give you money. I've asked Ms. Perez to do this and I think she's done it well this year. We believe that employees should be paid well, employees should have good benefits and that they should be very productive to serve our customers and in that combination of a fair day's pay for a fair day's work this incentive concept only pays once the thresholds are met. It's a line of sight issue where there are overall U.C. objectives, then there are division objectives, down to the section to the individual, and the individuals as a group must win as a team in order to have it pay out. So that's a brief description of what its intent is.

Chairman Para stated and the details of that are to come after further discussion.

Mr. Rodi stated yes, and that's just a conceptual obviously, that I have not discussed this with the Union and it would be the same thing for non-represented employees, it's the same advantage.

Chairman Para stated to Ms. Klinkenberg, you're of a financial mind which I've always admired people that have got that talent, you would probably put the national economy on somewhat of an inflationary tract would you not.

Ms. Klinkenberg stated yes.

Chairman Para stated and because of escalating costs of the fuel and everything else those costs of living expenses are going to go up as well, correct.

Ms. Klinkenberg stated definitely.

Chairman Para then asked if there were any further comments or discussion from the Commissioners, there being none he asked if there was a motion.

Commissioner Diesen stated so move, a motion approving and adopting the proposed Budget Estimate for Fiscal Year Ending September 30, 2008, pending City Commission approval, and authorizing staff to forward same to the City Commission for their approval. Commissioner Spangler seconded this motion and it passed unanimously on a roll call vote.

(7-b) Presentation of Draft RFP — Generation/Renewable Energy — R.W. Beck, Inc.:

Mr. Tim Beyrle addressed the Commission and stated I want to introduce our guests here, Steve Stein to our left and Bob Davis, both with R.W. Beck, Inc., and we're here to answer any questions about the draft, take any comments, any suggestions to improve it to make sure its going where you wanted it to go as far as the renewable aspects go and with that I guess we'll just open up for questions.

Chairman Para commented I want everybody else to go first.

Commissioner Diesen stated how about giving us an overview.

Mr. Beyrle stated okay, basically what we're looking for in this is generation capacity that we can point to as essentially ours for capacity sake to meet our planning reserves that we can call on at our need between 1 and 25 megawatts. We have a fairly tight list of allowable fuel types in order to keep it renewable in our eyes. We have a proposed starting date of no later than April 1, 2011. It's spelled our very clearly in there that there must be available transmission to us so that we won't run into the problems we had two years ago with the hurricanes and problems we're having right now with transmission issues in the center of the state. It needs to be, if not local, in New Smyrna, local enough that transmission won't be an issue. It is fairly flexible in that we don't specify the size that it needs to be, we can accommodate different sizes. At this point we haven't specifically laid out what our percentage take may be, we're still working on those numbers. Before the final draft goes out it will say that we will state 70% or 80% or what portion we will need to take of it.

Commissioner Hall stated does it make us independent of the grid.

Mr. Beyrle stated no.

Commissioner Hall stated and there is no desire to do that.

Mr. Beyrle stated no.

Commissioner Hall added and why not.

Mr. Beyrle stated generally speaking in order to be independent of the grid it would have to be 100 MW's, and a 100 MW renewable site is not going to be cost effective for us. Right now we've got nuclear in our mix, we've got long term purchase with Progress Energy in our mix, it works off their system average price. And if we were going to try to make ourselves independent just off of this unit, we would be tied into that one fuel source and that pricing of that fuel source. With us being on the grid it gives us a greater latitude for economy purchases for contracts in addition to this. It will make us more independent, but it won't make us completely independent.

Commissioner Diesen stated Commissioner Allen gave us a really good answer one night and I'd like him to repeat that about being on the grid is not a bad thing.

(7-b) Presentation of Draft RFP – Generation/Renewable Energy – R.W. Beck, Inc. (cont.):

Commissioner Allen stated being on the grid isn't a bad thing but when we look at, I had some concerns just going through this proposal and knowing that this proposal's looking at coming on line no later than April 2011. I enjoyed reading the history of the current of where we're at today but my concern is when we turn this out and somebody has to sit down and go through some of these numbers here and do a lot of scratching and figuring to look at and we state that we need, we'll take 20, our minimum is 22 currently. But the concern is if somebody picks up this package and they begin looking and seeing 22 is our current minimum loading that we have, we have to run, and is what we call a must take. And with that, and we're looking at 2011 of this coming on line, so you have to extrapolate and start calculating, well what is going to be the minimum around 2010 and 2011, and if you don't do that. And then we say the max is going to be 25 MW, well I have some real concerns, and I believe R.W. Beck did our last power supply study, and doing the power supply study you should know our units, and the way I calculate our must take in around the 2010 time period as it stands right now it's going to be 12 MW instead of and somebody starts looking at 22 at the current.

Commissioner Allen stated then to think about our older units, we have basically 18 MW of diesel which is small units, you have to call people out to man them, the majority of them to get them running. We have it looks like the Progress Energy power supply is probably going away late 2007 which I believe is probably December which is 15 MW, it's dropping off line, and if I remember correctly that should be firm energy and the TECO Energy's dropping off in 2008 which is probably December of 2008, that's another 10 MW. So you basically lost 25 more MW's of firm energy before you get to the 2009, 2010 time period. I know you're looking at some short term supply, that short term supply needs to have capacity with it and basically when I look at this and start drawing some conclusions, as we look at resources, generating resources/renewable, I see us needing more than 25 MW if we look and think about planning for 2010 and 2011 forward.

Commissioner Allen stated and the thing that really popped out at me and concerned me is I read on page 5 right on the top that UCNSB is requesting proposals for up to a max of 25 MW of renewable capacity and energy or energy only resources. My understanding when you're running and somebody flips that light switch on back there, there has to be capacity to handle that. So to me to put out and ask for energy only, if you're getting energy only you need to have capacity available as per the 18 MW of diesel sitting there to back up that capacity because if that capacity falls off line immediately and somebody calls you up and say pick it up, what do you do if you don't have it. So I see a great need to look at and think about that as I look at it.

Commissioner Allen stated the other thing is as I read this it appears to be built more, the total RFP's built clear around renewables, am I correct in that. There's no option at looking at the possibility of even multiple type processes, whether along with generation, possible water production as we look at a water need, or even other processes that may be a part of this proposal as you look at it. It's almost to me if somebody sat down and thought well through the process that I'm going to develop the electricity with I could also do some processing for water or processing pollution control or whatever it is, so all you're looking for is a generator, I need not waste my time even looking at this package.

(7-b) Presentation of Draft RFP – Generation/Renewable Energy – R.W. Beck, Inc. (cont.):

Mr. Beyrle stated there is a section in the non-price criteria for value added.

Commissioner Allen stated yes, but that's really not the body is it.

Mr. Stein stated it's actually part of the RFP that you would consider, that you would give additional interest in. Your primary purpose of the RFP is to try to get just renewables for this particular RFP. The City will need additional capacity and energy, like you mentioned there are several contracts that are coming due at the end of 2007 and 2008 and as an electric utility you will have to have capacity and energy to meet your total peak demand. What this RFP is only looking at one segment of your, if you will, your overall portfolio. You'll have a portfolio of resources that right now include purchases, diesel units, and nuclear resources. And what this is intended to do is its very specific to try to focus on renewables at this time, at this period of time. That doesn't mean between now and 2011 that you're not going to have to do, build other resources or purchase additional resources. Like for instance I know that the Utilities Commission is currently having discussions with other utilities, and I think we mentioned that in this RFP, that you are having discussions with other utilities to replace some of the resources, some of the purchases that are terminating in 2007 and 2008 like you mentioned. Once again, this is intended to help you build quote a portfolio, a mix of different types of resources, and this one is just focusing on renewables.

Mr. Stein stated there are two ways to look at the renewables, the way we proposed it is we're trying to keep it as broad and as not confining if you will so people will be creative in some of their proposals and their alternatives. There may be a capacity resource that has capacity and energy that would help meet your peak demand requirements. There also may be a very efficient what we call energy only, somebody may say I don't really care about in meeting your capacity requirements but I have a real low cost energy resource that could help solve your energy requirements. So what we're trying to do is keep it as broad as possible to consider any alternative someone may come up with to help you meet your total energy requirements. I don't know if that helps answer, you threw out a lot of questions and maybe we could answer more.

Commissioner Allen stated I think that maybe it needs to be looked at a little bit closer because what you're talking about, the 25 MW of resources going away by the end of 2008, and looking at some short term things to get us through to that period, my understanding was that the short term looking at taking care of the contracts going away in 2007 and 2008, there was a short term process of meeting that need for this RFP, as this came on line we could meet that need and this should help circumvent the short term.

Mr. Stein stated I think there's a coincidence between the 25 MW that add up for the two purchases, the 10 MW and the 15 MW purchase from Progress Energy and from TECO. I think that's just a coincidence that that matches the 25 MW of the capacities from renewables, they just happen to be the same numbers but they have nothing to do actually with each other, they were derived independent. The idea is that I think having a portfolio or a mix of different types of resources, like if you look at page four right now you have a whole portfolio of different types of resources, diverse energy resources from diverse fuel supply types and small increments of

(7-b) Presentation of Draft RFP – Generation/Renewable Energy – R.W. Beck, Inc. (cont.):

different types and what happens is that gives you fuel diversity, it gives you resource diversity to help meet your reserves, so you don't have all your capacity tied up in one unit in case there's an outage. There are a lot of different considerations as part of this RFP, this package, that we've taken into consideration.

Commissioner Allen stated so I understand you're saying we're going to be coming back with another RFP for the future, because I see a need for 43, for 40 MW at least, for the future.

Mr. Stein stated right, you're having discussions right now, you've already started discussions to try to replace the 10 MW piece that comes due in 2008 and the 15 MW that comes due in 2007 right now and you're having discussions with several utilities about filling that gap. The staff is probably going to come back to you several times to talk about what I would call short term and maybe long term alternatives because I think its in your best interests to have and I'll refer back to this portfolio concept. Having sort of like a stock investment portfolio, where you have resources that are on for a certain amount, a certain MW increment, and then also for a certain duration. And that way not every thing comes due at one time and you're always turning over your resources.

Commissioner Allen stated I understand that but I have some concerns from the way I read this, I just have some real concerns and especially there's a real concern about capacity because capacity is real and there needs to be a sensitivity as we move forward that understands the need for that capacity to meet the peak because as we start pulling capacity away from this and you start looking we're going to go from 103 MW. Basically we have 103 MW of firm right now, and as you start pulling the 25 MW away you drop down to 88 MW of firm capacity and what's your peak going to be. Are you going to come up short on capacity wise? We can meet loading by short term purchases from other utilities whether its an independent power producer or another utility because we have capacity available but as those capacity's move away and as you purchase energy off whatever that short term energy may be, as we purchase that we need to be sensitive about capacity and make sure we'll be covered.

Mr. Stein stated and we agree 100% with that, that your demand will probably continue to grow between now and 2011, and you will need more and more capacity, and every year you're going to have to have enough capacity resources to meet your peak demand.

Mr. Davis stated right, absolutely.

Commissioner Hall then asked Commissioner Allen, are you saying revise it now, revise the proposal now?

Commissioner Allen stated I would like to see it revised personally.

Commissioner Hall stated I agree with you.

(7-b) Presentation of Draft RFP – Generation/Renewable Energy – R.W. Beck, Inc. (cont.):

Commissioner Allen stated and I believe there's a need as we grow and I would hope as this RFP goes out and as people respond to this that it wouldn't be out on the transmission system somewhere because I'll guarantee you there's going to be a constraint I don't care where its at, somewhere along the line you're going to lose that resource unless its sitting up in Daytona Beach. And if it's sitting on the other side and you've got it transmitted in and there's a constraint you're going to lose it unless you're going to pay for firm capacity. To me as you build a resource and as this RFP goes out if someone comes with an innovative generator that can produce and it can regulate with, it is more power to us because along with the Progress Energy purchase that we have, we have a regulation service with that. There is an opportunity if there is a unit built on this system, or multiple units, you can regulate and do your own regulation.

Chairman Para stated in connection with your conversation Commissioner Allen, one of the thoughts that I had as I was going through this presentation, and Mr. Stein good to see you again as I visited with you in the past at the seminars and meetings that we would have, I thought about a 10 MW increment for mini-contracts. The Federal Government does this because of the nature, and I understand why you drafted the document the way it is with very high thresholds of financial solvency and credibility and all the rest, but it really kind of cuts out and precludes, you might want to say the home grown type person, being able to be a part of this mix. I think if I've heard anything about renewables and I'd just like to stop the conversation here and say really the alternatives, and Mr. Beyrle correct me if I'm wrong, is either clean coal which I don't think anyone is ready to throw their body under the bus on that one, or natural gas, and right now we're limited with the feet of natural gas although there's possible opportunities for some smaller plant. So that's kind of has gotten us to the point where we're at with renewables and we don't know what Congress is going to do with the issue of CO2 emissions and all the rest. So again being that what it is my thought is if we could culture out of this document some sort of a mechanism where mini-contracts could be issued for as little as 500 KW up to the 10 MW and these mini-contracts could be garnered to folks who come up with innovative techniques for instance if they wanted to put something out in the tidal basin, put something out in the ocean, a wind generator, they could then be able to sell back to us and up to the 10 MW that would give another. And what I hear you saying, and it's a good sensible approach, balancing your portfolio, and I hear Commissioner Allen saying we've got to make sure we have enough capacity. If we have enough feeders coming into this, chances are we're not going to lose everything at once, and that's what we got into two years ago when a hurricane struck. Because a lot of the generation was natural gas because of the necessity of air pollutants and all the rest our industry loaded itself heavily with natural gas generation. So all that to say that I like the approach and I think it just needs to be tweaked a little bit, but I really would love to see there to be some mechanism in this, as we're framing this thing very loosely and very openly, for a small company to be able to make it into this market place and be able to interface with us, not getting too large if we lost them or a series of them, but we we'd have an opportunity for those folks to exist.

Chairman Para stated the other thing I want to discuss as I mentioned to Mr. Rodi earlier today is our diesel generators and Mr. Beyrle has been very kind in letting me have access to the facility

(7-b) Presentation of Draft RFP – Generation/Renewable Energy – R.W. Beck, Inc. (cont.):

down at Smith Street. You know we need to keep our big behemoths out at Field Street because they're sort of the fastest on line. I don't know that Smith Street could come up with a week's worth of work or maybe then. But all that to say if again with this mini-contract concept, we've got all these resources and this stuff is great, a lot of its boiler plate because its industry standard but we're living in a completely different era. This ought to be an opportunity for us to examine our assets that we've naturally come this way with and say okay we've got these generators, there's 10,12, or 13 MW over there, if we could farm out just one generator to a group and say that's your generator, we'll take a proposal, have set up with committee; and I'm not writing this I'm just suggesting these things. And then have a group take over one generator and make that generator profitable and that could be a profit center or a market center then we could interface with. Again you're allowing that magical aspect of the American culture, the entrepreneurial ship shine through and our community is at the forefront with those kinds of people and I would like to encourage those kinds of people.

Commissioner Diesen stated I hate to see us put a cap on anything because it is a different time and place now and we may be closing out some folks. I thought there was going to be more of a menu to the RFP and maybe that is your intent but I think when you cap something at 25, you limit the people who might be interested. As Chairman Para was saying I think that can all be, that can be a part of it, you may have somebody come in that wants to 50, 60 or 75 or whatever the break might be that we would want a subcontract. That's the kind of flexibility that I'd like to see in the RFP, I do think we're in a different time, I do think there's a lot of money out there that people are willing to invest in this kind of operation now and I don't want to see us close ourselves off from any opportunity that we might have.

Mr. Stein stated I think the cap of 25 MW which turns out to be 25% of your peak demand, I think you peak demand's right around 100 MW, that's probably one of the most aggressive in the state of Florida.

Mr. Davis stated that's one of the most aggressive in the country if you were to adopt even more than that. Currently the state of California's about 20% by I believe its 2012, Minnesota's 25% of their energy requirements by 2020, 2025; 25 MW in New Smyrna Beach would produce somewhere in the neighborhood of 40% of your total energy.

Chairman Para interjected I'm sorry, what was that?

Mr. Davis reiterated about 40% of your total energy if it was a base loaded asset like a municipal solid waste burner or something along those lines. It is a significant component of your total energy requirements and you just need to consider the reliability issues. You would not from any regard, whether it's a traditional resource or renewable resource, want to put all your future capacity and energy purchases into a single asset; you just have to be careful.

Commissioner Diesen stated that's right but is it not true that you might have someone who would want to put in two or three different kinds.

(7-b) Presentation of Draft RFP – Generation/Renewable Energy – R.W. Beck, Inc. (cont.):

Commissioner Allen interjected four different blocks of 10's.

Mr. Davis stated absolutely.

Commissioner Diesen stated so you're cutting them, you're limiting them then, when you cap it at 25. We're in a changing time, what you're telling me today and giving me the statistics probably will be invalidated within two to three years. You know your business, I don't but I read a lot and I'm a researcher by trade, so I think that what we're saying is basically we don't want to box anybody out and that's what I feel like we're doing, those are my comments.

Chairman Para stated right, we don't want to box out the small entrepreneur, we don't want to box out the big one...

Commissioner Diesen interjected or the combination.

Chairman Para stated exactly and I think this is consistent with what you're saying and we don't want to sound like we're beating you up.

Mr. Davis stated no, maybe the issue here would be to limit the size on any individual resource itself in order to maintain reliability for a utility the size of New Smyrna.

Chairman Para stated to Commissioner Allen, that makes sense doesn't it.

Commissioner Allen stated that makes sense.

Chairman Para confirmed that with Mr. Beyrle too and stated to Mr. Davis and you guys make a good point that you want to not have everything, and that's what we're saying up here, and we saw that, we came so close to being burned by that, we don't want that to happen.

Mr. Beyrle stated we don't want to preclude someone from building a 50 MW unit, we just don't want them to bid us 50 MW.

Commissioner Diesen stated right.

Chairman Para stated exactly, and if it's green, correct me if I'm wrong Mr. Rodi, they're not going to have any problems in selling that, particularly if some changes are made as far as north and south wheeling. City Commissioner Grasty knows more about that, he gave me an education one night about that.

Mr. Stein stated one other comment that I mentioned, this may not be your last RFP that you would issue for renewables, this is a learning process for whoever they are out there and for ya'll also, for all of us, because renewables, there have not been a lot of RFP's, have not been a lot of interest in the state of Florida for renewables. There are some resources in the state of Florida that are renewables but I think this is an education process for you all to go through and this

(7-b) Presentation of Draft RFP – Generation/Renewable Energy – R.W. Beck, Inc. (cont.):

community to go through. So once again this may not be your last RFP to do this, if you find something that's great you know you might do more than you ever thought about doing but you know you want to be sure that it makes business sense and that you can keep your reliability as high as it has been in the past and that you want to keep your costs reasonable in comparison to other utilities and keep the rates competitive for your customers. He added we'll take all those things into consideration.

Commissioner Spangler stated well I don't think that we're total pioneers in New Smyrna Beach, the whole state and the whole country may be in a pioneering mode relative to renewables but I don't think we need to debate whether that's the direction we want to go, so these proposals are going to go out there and it's not like we're going to get proposals from people who have never offered a proposal anywhere else in the world. This thing here says they already have to have one operating, so you're not going to find people that have 10 or 15 generating facilities out there coming in with these proposals because it's new, but you have said you have to have one out there at least I believe that works. So every single person, every community in the state and in the country that's going for renewables for the obvious reasons is in the same situation we are. All we're trying to do is find out what's out there, what's available, and based on what is offered to us, how we can do a reliable mix. Because I think ultimately when you start talking 2013 and 2015, I don't think natural gas is necessarily going to be a reliable mix either. So we just need to see what's there and start working it in and we have people like Mr. Beyrle and Commissioner Allen who are going to make sure that we always have electricity barring some problem that everyone's going to have; we're not in any situation that everyone else isn't in.

Chairman Para confirmed there weren't further comments from Commissioners and then asked Mr. Rodi if he had some comments.

Mr. Rodi stated just a couple of overview comments. Currently the PSC is looking very seriously at renewable portfolio standards, seeing that Florida does not have any mandatory amount, and there's a recent study and if you'd like to see it, it's 175 pages long of every state and what they're requiring. Part of this process is driven and it should be by a necessity about a policy and it ties back in to something that you've discussed here before about transitioning so that we have a sustainable source of energy and it's environmentally sensitive. Frankly right now there's a foot race in Florida to obtain renewables, especially something with biomass because that's one of the strengths that Florida obviously has in addition to lots of heat. So I do know there are a number of other utilities that are poised to go out for RFP's, we skipped the RFI step, and currently it's very difficult to buy a long term contract, a firm contract. It's the same now and when it was that competition was coming to Florida. So there's a great deal of caution being expressed by energy providers about committing to anything long term because they're wanting to see what would happen as far as CO2 payments, what control are they going to have, what will the state mandate, and what direction is it taking. And as you notice, any of the clean coal plants are having to rejustify their position.

Mr. Rodi stated so I think there's an opportunity for us to pick something of this size because it fits, the capacity fits with our overall demand, but it would not preclude a larger plant being built

(7-b) Presentation of Draft RFP – Generation/Renewable Energy – R.W. Beck, Inc. (cont.):

here and in the course of the negotiation to have options for increasing the take. This gets to be so complicated, we have units that are at Swoope that we seldom run, they're the most efficient units that we have as far as heat rates on them but yet we're also facing some environmental issues where in a few months we'll have to declare what we do with those units or spend three quarters of a million dollars, not just for those but those and the ones at Smith Street, and also Field Street, for oil containment, from the transformers and things that are there. So all of this starts to play into our conversation as to whether or not we can even retain the capacity that's there at Swoope and yet at the same time we have to start moving more to a renewable source but not exclude the opportunities that we might find out on the grid. So it's this big mix of issues and that's what we attempted to contain in our generation strategy and also our water strategy, so that there are units where we may receive some inquiry that will do both and there are just some phenomenal technologies that are now becoming more reliable even though the individual components assembled may not be totally understood. I think that everyone, I know Mr. Stein and Mr. Davis have heard the comments, and I know Mr. Beyrle certainly did and we'll tune this up some more, but that was the purpose of having the public discussion. I think our world is going to become more complicated and of course if we had a lot of cash then we would be in a better position to negotiate but we're trying to use leverage here so that we can take whatever steps we are able to take.

Chairman Para stated in just a closing comment, what Commissioner Allen had said and he made a valid point, is that we're really needing something in between when this bigger plant comes on line. And you're correct, the landscape will change, even by the time this thing comes out in June. I'm wondering if again that 10 MW or could go up or down on that block for something with an adjunct RFP to utilize our existing assets in some mechanism that would be installed in this RFP that would culture that kind of discussion with folks because again we've got some assets and what you're saying is true, that they're going to become obsolete very quickly if we don't find a purpose for them and a purpose behind them. I personally think there is opportunity there and I'd like to see someone maybe pursue that. That would be the most immediate opportunity that we have.

Mr. Rodi stated and I think perhaps what we're hearing is we could put some incremental blocks for alternatives. Here's a base request, here's some alternatives that others might consider including some type of repowering if you want to term it that.

Chairman Para then stated no action's requested, thank you for the information.

Mr. Stein and Mr. Davis thanked the Commission.

Chairman Para added we appreciate you all being here and listening to us.

Mr. Rodi stated now I have to get some next steps because we'll make these changes but we need to get on the street with this so that what we'll do is if we become confused interpreting we'll call you back in here otherwise I think we have a pretty good sense of where you want to go.

(7-c) Consideration of Tabled Item – Developer's Agreement and Addendum – The Palms:

Attorney Peter Heebner, 523 North Halifax, Daytona Beach, Florida, with the firm of Heebner, Baggett and Upchurch, addressed the Commission and stated he was representing the company known as Venetian Palms, Inc. He stated the three partners are with me tonight as they have been throughout the workshops and the various meetings patiently waiting the approval of their development agreement. They are one of the impacted companies by your agenda item 5., which was the payment agreement that's been so ably negotiated by Mr. Preston and others, and we are impacted by that. We had kind of hoped that agreements would have come to fruition and approved tonight so we would know what the ERU is going to be if it is going to be lower. That could not take place for very good reasons but at the same time my clients are anxious to get moving and as they have been for a large number of months.

Mr. Heebner stated what we'd like to do is ask you, before you is the developer's agreement which has the original ERU number in it. We presented an agreement to Mr. Preston and as part of your agenda package is a developer's agreement very similar to what was originally proposed and originally approved back in July, it has the ERU numbers blank, we just didn't know what it was, and two we had some other modifications to the agreement we think more clearly states the understandings of the parties. That is not that we have any sense of bad faith on either side but all deals are good when they're made, when the deal goes south is when they turn to the lawyers and say why isn't that language in there, why didn't you protect us. That's why we have to go through these machinations, if everybody does what they're suppose to do it doesn't make any difference, so we're just being prudent because there is a significant amount of money and those phases may change on both side of the table over the years.

Mr. Heebner stated to that end this is what we would propose and ask you to do. We would like you, as you did with Mr. Johnson, if you would conditionally approve the agreement as it has now been presented to you, leaving us only to fill in the ERU when it's calculated which we understand may take only a couple of weeks, and that ERU would then be placed in the document. We do understand that the language modifications that we have recommended to are matters that are going to be taken up in June by your annual review of that agreement. He stated finally, the major issue to us is the review of our construction documents because that's a timely process and our ability to move forward and pull our permits is contingent upon that in terms of the FDEP permits as well as the permits from the City of New Smyrna Beach.

Mr. Heebner stated accordingly our proposal to you is this, one a conditional approval leaving save only the ERU blank, that you allow us to participate subsequently in your modifications to the agreement so that our agreement can be modified consistent with what may take place in June. I think Mr. Preston will tell you some of the language we have suggested will probably improve the clarity of the document if you will. And finally that you authorize and request the staff to complete the review, the engineering technical review of our construction plans so that we can go ahead and move forward at the time the ERU's are ready, and then we can pay our money and go forward; that's our request for you this evening.

Mr. Preston stated Mr. Heebner's correct, we have been negotiating and during that negotiation his client has been patient in the consideration of the developer's agreement inasmuch as they

(7-c) Consideration of Tabled Item – Developer's Agreement and Addendum – The Palms (cont):

don't have significant interest in executing the developer's agreement at the higher ERU levels, submitting those monies and then seeking reimbursement later should this agreement come to fruition between the other two developers in the western region. We will consider, it is the plan at least, to consider the language of our current addendum at subsequent meetings and that would be the opportunity, if there is to be any modification, change, tweaking, or otherwise of that agreement to do so. I would not recommend that be done prior to that period as a body.

Mr. Preston stated other than that I think what Mr. Heebner is suggesting in regards to conditional approval of this addendum subject to a revision of the ERU amount which would take place because of the agreement with Venetian Bay and Landmar sounds reasonable to me. It would be the acceptance and the confirmation of the developer's agreement and addendum as we have in place without modifications.

Chairman Para asked is that what's found in the exhibits following this.

Mr. Preston stated I'll have to double check that.

Chairman Para then asked Mr. Heebner can you help us just off the cuff, is this the same or something you've drafted.

Mr. Heebner stated what we have done and is part of your packet is that we have provided your developer's agreement and addendum to the developer's agreement we have redlined proposed changes. Mr. Preston advised me that he feels that is inappropriate for you to do that at this juncture but rather when you go through your review in June, you have a mandatory review of the language, and to consider our language as part of that process. We're simply asking for a conditional approval tonight with the language that exists in your addendum and then that we participate in a potential modification to that agreement in June when you go through your normal process.

Mr. Preston stated I'll believe what you'll find in your packet is our developer's agreement and addendum at the front of that particular package and then following Mr. Heebner's letter you'll find suggested changes.

Mr. Heebner stated we're not suggesting you make those changes tonight because Mr. Preston has told me he would not advise you to do that, that you would do that as part of your normal review in June. We simply ask again the conditional approval tonight, insert the ERU's be involved in that process of modifying our agreement consistent with what your collective wisdoms are, and we begin today or tomorrow the review of our construction plans; that's vital to us in terms of timing.

Chairman Para stated all right, as I understand it this language in the back is what you would like discussed in our later process but for tonight you are comfortable with signing or proposing that we agree to our original developer's agreement less the values of the ERU's, and Mr. Preston

(7-c) Consideration of Tabled Item – Developer's Agreement and Addendum – The Palms (cont.):

you're saying that legally that's fine.

Mr. Preston stated no, I didn't quite follow where you went on that. What I am suggesting that we do is that the developer's agreement and its addendum that you find with the ERU's, that you find that is ours that had not been modified, be approved as is. Now to let you know what that is, those ERU's are calculated as if there is not going to be an agreement between the Utilities Commission and Venetian Bay, it is the full ERU amount.

Chairman Para stated oh I see, and that's where Mr. Heebner's saying he wants to leave that blank right now until this agreement gets un-inked because you don't want to wait another month for us to go through this process.

Mr. Heebner stated precisely, and as you did with Mr. Johnson just do it conditionally, the agreement remains basically the same except for the ERU numbers and when those are calculated insert those in the agreement, then we're done.

Chairman Para stated let's listen to our CEO.

Mr. Rodi stated I agree with things in concept, and just for looking forward, in June we will come to you with a request for public hearings in July and August as it would regard the addendum and we would also then entertain during that period whatever modifications and I think a number of the comments Mr. Heebner has included are certainly appropriate at that time. What I'd like to do here is I think we also have the issue of financial security with regard to moving forward and Mr. Heebner and his clients need to get moving with this so that it would be with the understanding that we would either have some kind of a letter of credit or something that can be held because what will happen once we execute the previously discussed agreement with Venetian Bay at all is that there will be a reduction of the ERU amounts that will go between as you saw exhibit A and exhibit B. So I think we can move forward and we can begin to look at the prints in order that we don't lose time, but I do think we have to deal with the issue of the financial security part of this.

Mr. Heebner stated let me comment on that, I heard that for the first time today and that's okay, the problem is that first of all going out and getting a letter of credit for \$3 million, you buy the letter of credit it's good for a year so you pay the fee up front and no matter what it is, it is. We're talking about a matter of weeks as we understand it in which the ERU's going to be reduced so as a practical matter we're going to agree to sign the agreement with the ERU number not in it and when it's inserted then we'll go ahead and pay our money and go forward. So it didn't seem right, it seemed a little unreasonable to do a letter of credit for a matter of its going to take maybe a month.

Chairman Para asked Mr. Preston if he felt the bifurcation of the two previous agreements can all get accomplished in a month's time.

(7-c) Consideration of Tabled Item – Developer's Agreement and Addendum – The Palms (cont):

Mr. Preston stated you have no agreement until the parties sign and there can be no guarantee that there will be an agreement. We have moved along, progressed to the point where I have every expectation of an agreement, but there can be no promise that there will be an agreement. My understanding as well Mr. Heebner and I may have misunderstood you tonight in your request, my understanding was that you were going to execute the developer's agreement and its addendum with the full ERU calculation and that's what you in fact would agree to tonight subject to a modification of that if there is such an agreement that is entered into subsequently.

Mr. Heebner stated no, I think it was our request after having heard the presentation of the development agreement and hearing the last minute status that we would ask that we be allowed to enter into the agreement, the ERU's are left blank at this point in time until such time in the next several weeks as I understand it, Venetian Bay as I understand it is very close to culmination and their principals have advised us that its going to take place and that's what directly impacts our ERU's. So if that takes place, whatever that ERU number is inserted in the blank and that's what we pay. If it doesn't happen, if that doesn't happen with Venetian Bay or Landmar we all go back to square one, I mean I understand that.

Chairman Para stated and I think the big question is the if question, if it happens and I think we need some sort of assurance that if the if doesn't happen, that we haven't given you carte blanche or given you a leg up compared to others.

Commissioner Spangler stated let's talk about what square one is, square one is the original developer's agreement that we were using and have been using and are still using until such time as the addendum to the addendum is agreed upon. So basically I don't know if I'm looking at two or three different agreements but we already have a developer's agreement and you're saying you're willing to sign that but what you don't want to do is put an ERU figure in until the future bifurcated agreement comes up with a different number and I think that's probably the problem here. If you sign the original agreement then you have to sign the whole agreement and not sign all but part you hope will be changed so if you're saying that you're in a hurry and you want to sign the original agreement then the only issue is the ERU cost, so I would say well if you want to have that modified, if it becomes modified with the negotiations that will be in June and July, probably we don't have any problem with that. But what I would have a problem with is leaving it blank now, if you want to sign the existing developer's agreement, sign it, sign it with the numbers that have been used, and then when the new addendum to the addendum comes up and those numbers can be reduced then I think we would probably be willing to reduce them but I don't particularly want to sign an agreement that isn't complete based on something that hasn't happened yet.

Mr. Heebner stated but we thought that was pretty much the same thing that you did with Mr. Johnson so we assumed that it's all conditioned on him that you'd do the same for us. We'd have a conditional developer's agreement, it's all conditioned on what happens over here if that doesn't happen.

(7-c) Consideration of Tabled Item — Developer's Agreement and Addendum — The Palms (cont.):

Commissioner Spangler then asked have we signed a developer's agreement with Mr. Johnson other than a regular developer's agreement.

Mr. Preston stated no.

Mr. Heebner stated you've agreed to it in principle.

Commissioner Spangler stated we're agreeing in principle with you too but there's a difference with agreeing in principle and signing a document; that's all I'm going to say.

Chairman Para stated that's well said, all right. While we're discussing this are there any other comments.

Commissioner Diesen stated if he agrees in principle, we can do the same thing for Mr. Heebner's clients that we did for Mr. Johnson.

Mr. Heebner stated that's really all we're asking for at this point in time. If their deal doesn't happen, our deal doesn't happen basically, we understand that, but we're just trying to move forward to get the construction plans resolved.

Mr. Rodi stated if I can add just a little more to this, what Mr. Johnson was proposing was the installation of infrastructure on behalf of a number of developments in the western region. He wasn't proposing an addendum for himself, for Venetian Bay. So that what we're trying to do is end up with if you will this master agreement that affords certain benefits to you and your clients as well as others. So without that we can't determine, we can give a number as to what the new ERU's might be but what you're asking for is somewhat different in that you want to move ahead with your development and that's different than what Mr. Johnson and Mr. Cullis were here for. So what we're trying to do is find a way because one of the things that I'm trying to be supportive of is for you to be able to move forward and for us to also have the security because what we have right now is the existing developer agreement and the addendum; that's where we are technically.

Chairman Para stated yes, and I don't see that you know with the short span of time even if we had to wait one more month that we're really going to cause any irreparable damage to the developer for us to wait that additional month.

Mr. Preston stated I think its important to understand as Mr. Rodi says, we're talking apples and oranges here. If Mr. Heebner's client wishes to move forward with their development they can do so tonight, they can do so by executing what it is that we currently have in place as our policy tonight, and that is the developer's agreement, its addendum, based on the ERU calculation that we have used throughout this process. So it's very simple that way, I understand the dilemma for his clients if in fact because he's a beneficiary of another product that is not yet complete and he would like to have that benefit while also moving forward without that being in place, I just

(7-c) Consideration of Tabled Item — Developer's Agreement and Addendum — The Palms (cont.):

don't see how that can be done. The changes that we would make based on something that we project to happen in the future is something that I wouldn't recommend doing at this point.

Commissioner Spangler stated I would think this would be a business decision for them as to whether they want to go to the, as they say awkward expense for a letter of credit for a short period of time or whether they want to go to the expense of paying bills while they wait. That's a business decision, that's not for us to do.

Chairman Para stated yes.

Mr. Jamie Adley then addressed the Commission and stated I'm representing our group (Venetian Palms, Inc.). My understanding of the concept is that simply we would, you would approve as a board the developer's agreement as it stands with the understanding that the ERU would be blank, it wouldn't be executed by either party until that ERU number is known in two weeks and then we would move forward. I understand that that's been done like with Sugar Mill in the past when the number wasn't known very early on and before the calculations were done initially and that's all we're asking.

Chairman Para stated no.

Mr. Preston stated if I may though, we've approved the developer's agreement and its addendum in blank a year ago, that is what we use as our tool in negotiating the terms and bringing the terms forward to this board and executing the terms of that is what results in the final agreement. What you are saying is that you would hope that we would approve again the form in blank and be able to sign it without the board's final approval.

Mr. Adley stated no, the only thing that would be blank would was the ERU number.

Chairman Para stated and we're saying, at least what I'm hearing from my colleagues, that's a business decision that you have to make with regards to an existing policy and we're going, as I hear everyone, we're going to adhere to our existing policy, it's up to you whether you want to embark on that. The other side of it is to wait one month, that's your decision.

Mr. Adley stated we're okay with that.

Chairman Para stated yes, I wouldn't press this any further. I think we're comfortable with everything the way it is but Counselor Preston is actually correct in that we, there's an if out there and until we get this document inked and the apples and oranges scenario does make sense.

Commissioner Spangler stated hopefully the if will make you whole.

Mr. Heebner then addressed the Commission again and stated I can smell the breeze as well as anybody, and so accordingly we would move to table this matter for another 30 days and

(7-c) Consideration of Tabled Item – Developer's Agreement and Addendum – The Palms (cont.):

hopefully all those matters will be reconciled. I would ask this though, if you can instruct staff to go ahead and move forward on reviewing our construction plans so at least, that's the key issue right now is getting those things resolved while we're waiting for those technicalities to be resolved; we understand.

Chairman Para then asked Mr. Rodi if this was a policy matter.

Mr. Rodi stated yes, I think we do have some policy commitments but we can begin to review the plans and it would be in everyone's interests to move forward with this as quickly as we can.

Mr. Heebner stated with that caveat we're please to move to table for another 30 days.

Chairman Para stated well thank you, as you can see we struggle hard here to make sure that everything is equitable that has been said; thank you.

Mr. Heebner stated thank you for the consideration and added you do need to move to table the item.

Chairman Para stated yes, we're going to get to that as soon as somebody makes a motion.

Mr. Rodi stated there was one other clarification item, when we're saying review that means we aren't moving forward with providing for the permits and that kind of thing, we're going to be looking at the actual maps.

Mr. Heebner stated we understand, we don't get the permit until he pays the money.

Chairman Para stated you all are ramping up towards it.

Commissioner Diesen then made a motion to table this item to the June meeting. Commissioner Hall seconded that motion and it passed unanimously on a roll call vote.

Chairman Para then stated thank you all for coming this evening and then announced a recess of the meeting at 7:53 p.m. Chairman Para then reconvened the regular U.C. meeting at 8:00 p.m.

(8) New Business

(8-a) Proposed Reclaimed Water Capacity Fees – Scheduling of Public Hearings:

Mr. White stated he was disappointed that Mr. Jerry Johnson had left the meeting but he went on to explain staff's recommendation. He stated the current reclaimed water capacity fees schedule of rates and fees were locked or tied into ERU's and when looking at use by a commercial, condominium or multi-family and landscape areas the use was not tied to the actual capacity

(8-a) Proposed Reclaimed Water Capacity Fees — Scheduling of Public Hearings (cont.):

demand on the system. For instance a condominium under the existing rate structure would be charged per unit, say in the order of 100 units, and the actual reclaimed water use would be two, three or four times that of a single family residence. Staff's recommendation is for the reclaimed water capacity fees to be tied to the meter size, it's an industry standard used for in various areas all over the nation for both water, wastewater and reclaimed, and the irrigation also; so it's not something we're breaking ground on. But the concept is you have a basic fee for a standard, normal average size meter which is your ERU, your standard average household, and you call that 3/4" equivalent and you escalate everything larger based on a multiplier which is essentially a function of the cross sectional area of the larger pipe size for a 1", 1.5", 2", 3", 4" and 6" meter and that's what I have done here. That produces the schedule on the second page combined with the caveat that we suggest and are recommending that at this time when you're opening capacity fees for reclaim and we're looking in the face of the big costs for reclaim going forward with small revenues because we're really not recovering our costs, anywhere near our costs in reclaimed, that we make a step forward in that as was recommended in the Black & Veatch cost of service study which they recommended going to \$970 from our \$500 basic rate now. In doing both of those produces the schedule you see on the next page 5/8", 1", 1.5", 2", 3", 4" and 6". He concluded by stating now I'll just answer any questions you have, best I can.

Commissioner Diesen stated so this is what Mr. Johnson is talking about and he is in agreement, I mean you all came together and discussed this.

Mr. White stated yes we have, he's very much in support of the concept of decoupling with the ERU. He's not quite as enthusiastic about the base rate jump.

Commissioner Diesen stated well okay, well it is what it is.

Mr. White commented half a loaf, three quarters of a loaf, nine tenths of a loaf maybe, but it's a situation by which we'll both benefit going forward I think.

Commissioner Spangler stated otherwise he has a lot of condos and not too many medians, so he's going to benefit that way.

Mr. White stated he's got several medians looking backwards.

Commissioner Spangler stated well I guess the only question I have here is are we agreeable to changing this ERU thing and the other thing is, is our revenue going to stay the same.

Mr. White stated I think that the net increase long term is our revenue will increase and it will be more rationally defensible in that its coupled to a piece of reality rather than the ERU in that case is a fictional concept.

Commissioner Spangler stated so this is one of the few little ERU tweaks that we are going to do because it's a very rationale one.

(8-a) Proposed Reclaimed Water Capacity Fees — Scheduling of Public Hearings (cont.):

Mr. White stated I believe, we're recommending it, and we think it makes sense. We won't be recommending that anyone who has come past this gate before come back through here and collect a couple hundred bucks and go home, but we're recommending it going forward only. Now Mr. Johnson did volunteer that all the services he's put in without a meter, without a capacity fee for median things, and I expect we'll be waiting for a list of those from him.

Chairman Para confirmed no further comments from the Commissioners and then stated he would entertain a motion.

Commissioner Spangler made a motion to approve, authorizing the scheduling of two public hearings for the proposed reclaimed water capacity fees for June 18, 2007 and July 16, 2007, preliminary and final respectively, at 6:00 p.m., prior to the regular U.C. meetings on those dates. Commissioner Hall seconded this motion and it passed unanimously on a roll call vote.

Chairman Para stated with that we'll move on, and he then thanked Mr. White.

Commissioner Diesen clarified that the motion was for the two meetings right, the two hearings.

(8-b) Computer Upgrade Project — Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status:

Chairman Para stated the subject and then stated Ms. Klinkenberg this would be you.

Ms. Klinkenberg stated we talked a lot about this at the workshop and as a promise we were going to have Systems & Software here to give a short demonstration for you to show you what they can really do for us.

Chairman Para commented they have been very patient back there and not nodding off.

Ms. Klinkenberg stated yes, and we have Wayne Darling, Jerry Ford, and Laurie Chalmers, all here from Systems & Software. They're going to show us just a little bit of enQuesta and how much it can do for our customers.

Chairman Para stated very good, hopefully our hardware will work for you.

Mr. Ford stated we did a trial run earlier so hopefully it will. He stated first of all Mr. Chairman and Commissioners we really appreciate your time tonight to get in front of you. My name is Jerry Ford, I'm the Chief Executive Officer of Systems & Software and our time that we spent over the last bunch of months working with members of your Commission throughout the utility, we were very impressed by the commitment to customer service and that's just deeply aligned with our mission. So what we wanted to do tonight is show you some specific pieces of the software that we think are going to bring some exciting items to your population and to the customers you so deeply care about and try to serve. So with that I'll turn it over to my business consultant/vice president, Mr. Wayne Darling.

(8-b) Computer Upgrade Project – Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont.):

Mr. Darling stated I'm just going to go through, there's not a ton of slides here but hopefully you'll have enough to give you what you might be seeing. He stated what we thought we would do is just have one slide up here to show you some of our web connect benefits, as we're going down through this list I believe you're looking for most if not all of these items. A customer self service 24x7 availability, look and feel consistent with your current web presence, real time access to CIS information so they can get their account balances and information about their bills, identical business rules for all the end users so whatever you put in there everybody gets access to the same kind of business logic, highly secure so it's safe, scalable controllable, a limited number of access points and designed for minimal administrative overhead. I believe those are all components you're looking for in this new system. Some of the benefits for that are reduced customer care costing structure, real time revenue realization and reduction of paper bill generation costs, and electronic payments are truly managed through arms length third party services as well avoiding any potential infringement. We've done a lot of research, especially in the past year with some litigation, also patents that there are out there in the industry right now on offering up a bill and a payment from the same provider. There's a patent out there right now and I'm sure you're aware of it a little bit and this, the lawyers have approved this, this goes through that and will actually protect you from that patent.

Mr. Darling stated we took one of our current customers that actually had an announcement out there and I wanted to show you Montgomery Water Works in Alabama and some of the highlights that they had mentioned with the web connect product. Montgomery received 128 online credit card payments within the first month of availability. The number of payments increased over 1,000%, to 1,857 within four months and continues to show dramatic increases, and Montgomery's credit card revenues increased by 57%. Now Montgomery, the size of their utility is about 85,000 customers is what they have, but just to show you some numbers of what they saw when they put the product out there.

Mr. Darling stated also I'll get into what some of your screens may look like. So what this is here is there's two here, one on the left, one on the right, this is an email you may receive as a customer from the utility saying here is, you've received a bill. The first one on the left gives very little information but has a link on it right there, its hard to see its small writing, there's a link you click there. The second one has some summary information on it and has the same kind of a link. Okay so they get notification they have a bill and they would click on that link and that would bring them to a web site where they would be asked to log in. It has the standard log in features, forget your user name and forget your password you have key questions, all of those types of things when you set up your account, I'm sure most of you have done that with some other services, it will be very similar to that. Once they log in, then they would get the company account summary page, this account summary page is real time, it's the same information anybody here in the building would see as far as numbers and real dollar amounts. So if someone paid their bill ten seconds ago and they click here, it would show that. On here is a standard we use for a lot of accounts, service premise address, mailing address, different services; we haven't gotten far enough in the project to define what they're all going to be but we tried to take a guess at what we know at this point. What you would show for services, total

(8-b) Computer Upgrade Project – Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont.):

balances, their due date, last payment date, information like that; so it would be real time access to the data.

Mr. Darling stated over here on the left we have some sample options that they have, that we're assuming you are going to have at this point, the first one I want to bring you to is they would go to the billing manager. When they click on that, what they can see here is the same basic information we showed on the prior screen so we know who they are and then their bills that they've had on the system. Obviously this would start with the bills that come out of the new system, not necessarily the prior bills that happened from the pre-existing system. And in here what you'd see is a view icon, it kind of washes it out on the overhead a little bit, but there's a view icon there and a pay icon. So if you take the last bill and they click on view they can see an image of their bill. This doesn't have to be the exact bill you use but we have shown staff some prototypes of what's available and they've asked to have the graphs on there which is pretty standard these days, to have the graphs on consumption information. Customers love that, they can see their spikes and their drops. And then any information about the meters, meter exchanges, usage, your flat fees, whether they have internet, almost anything you want to put on there; so they can see an image of their bill. They could then go over to the pay icon and then they can pay their bill. This is what took the eight months of research that we did to not infringe upon the patent. They actually let a patent go through on a company that won't let you pay and see your bill on the same web site, so this is actually going to another website, and the user will not know that, it will be transparent to them. They can pay with debit cards, credits cards, however they want to pay their bill.

Mr. Darling stated another icon over here, let me show you some other screens that I think you'll be able to see for additional information beyond, you'll be able to do that, consumption history, this is showing them what their consumption was and this graph of what their consumption was, similar to what's on the bill but this is more of a consumption history and the lines will show a lot more information. One thing that it will be able to do, this can show more than a bill will show, a bill might show the last 12 or 13 months, this can go back further than that. The other option that they'll have on here is right here this icon says to export data to Excel. They can actually click on that and it'll start Excel if they have it on their PC, they have to have it, and actually import all that data onto Excel and then if they want to play with some numbers and do some analyses themselves they can. That's an option, a big requirement of some of the larger users to be able to do that. Another option that we're thinking you're going to be using right now is to be able to change their address and their email address.

Mr. Darling stated so we tried to take a lot of the things, there was a study done internally on what the biggest complaints were for your customers, they shared that with us. That's how we worked out part of the statement of work for this, to figure what options would be needed and we believe we satisfied almost all of the ones that were customer service related and/or web related with your existing client base. He stated that's end of the demonstration, it was just an idea to show you some of the existing screens we have.

(8-b) Computer Upgrade Project – Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont):

Mr. Ford stated and one thing that we would like to add as well is something that Commissioner Spangler mentioned earlier when you were having a discussion about staffing. What we've tried to do in constructing this software is not just make it customer friendly but also make it user friendly so that the support of it back here can result in increased efficiencies. So part of what you mentioned about incentive programs for promoting your efficiencies, you know we can look at individual metrics by CSR and make sure that they're able to use the system in an easy manner to achieve what they currently do today and reduce a lot of their work effort that goes into providing this.

Chairman Para stated and I think this will provide an enormous amount of source information for Ms. Mahle when she's working through some of our, sort of heads up to see what's out in the future by where we've been, she can begin to curry off that information and provide it to our CEO and to us as well if I understand this correctly. One of the things that I would like to see as a consumer, I know on my CPU managing the amount, and I am not a computer guy so I'm very basic, but there's a little icon that tells me how much ram or whatever is being used or whatever, something similar to that kind of an icon. Commissioner Spangler mentioned quite some time ago, part of the discussion you heard earlier is that we're very cognizant of energy usage and conservation because an equal component to renewable energies has got to be conservation and making our customers aware of their energy usage and costs. Now as a Commissioner I've been talking to my wife some time about her getting up at 2:00 a.m. in the morning and doing the laundry, but she's still saying no.

Mr. Rodi commented so you're doing the laundry now right.

Chairman Para stated I do, I get up late at night, I'll get her to leave the last load and I'll go down at 11:00 p.m., 11:30 p.m., and put a load in the dryer. But my point is if there was some sort of a way that our customers could literally see the cost break so that they could visualize, wow, those dials are going way up and my cost is way up, my usage is up, my costs is up versus if I use the same kind of use later in the evening, I would get a break.

Mr. Ford stated conservation and renewable energy are very hot topics in our industry obviously and Mr. Darling can explain to you something, I think exactly what you're asking for that our software achieves, called time of use billing.

Mr. Darling stated we have a time of use, both for electric and water that we currently have inside the billing system, you have customers already using it.

Chairman Para stated great.

Mr. Darling stated so a rate down, we actually have one, electric can be the most complicated of the two, water's still pretty much like peak, in peak and off peak, where electric goes to like every 15 minute or 30 minute intervals. Like the City of Chattanooga's EPB was on the list they cost us like 1,440 readings a month, they have interruptible power supply, they have real time

(8-b) Computer Upgrade Project – Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont.):

rate structures which they can apply to it. So we have a lot of that available, my understanding is you don't have that running yet, our system does that when you get to the point where you start with your meter reading system and when you start with the infrastructure for getting those rates, those have to come from some engineering department. For EPB it's TVA, they're the ones that generate the interruptible schedule and the rates. So whoever provides that, there will have to be an interface developed with them, we would like to use web service (unintelligible) with you and that will integrate with our billing engine which would allow us to bill those particular services on an account.

Chairman Para stated Commissioner Spangler didn't you suggest that, that there was some discussion that people could sign up for a reduction of their power supply during the day time for a cheaper rate, wasn't that you who explained that.

Commissioner Spangler stated no, that wasn't me but I know that's been done.

Chairman Para stated Commissioner Allen?

Commissioner Spangler stated I was more ambitious and more expensive in my idea. My idea was to show people what they're paying when they're buying peak power and having some way of having their bill reduced if they don't use power during peak time. But that requires a lot of metering too, but this would be a part of making them aware of it.

Chairman Para stated I think it was Commissioner Allen, as Commissioner Diesen pointed out.

Commissioner Allen stated well the concept takes a couple of pieces that will interface with your product through the real time metering, looking at real time costing, and all that comes into play. So there are a lot of mechanisms that come into play to make that work.

Mr. Darling stated yes, from the T&D, your infrastructure, there's a piece coming from them, there's like three or four components that will be needed to display on the web page. We can if we have that data come to us, we can help export it to here, and you also have some ability to do it yourself. One of the things on the left hand side, I pulled this back up so you can view it. There's a bunch of things down here that also may be linked to other places you may want them to go to in your website. Something you may develop yourself, like top ten questions, those types of things, that you just want them to be able to link them. There may be staff, another change, may be an integration into other systems like you're speaking of, whether that be a meter reading system, whether that would be your T&D or wherever you're coming from. EPB's that's the TVA integration, an actual integration into the TVA's system where they get info., and what's their power usage now. What's the customer's power now, you could actually get really cool for your industrial type customers, there's a web modem using rate now which will load on the system, how close are you saying of them getting that phone call saying we need you to turn down your power a little bit. You could actually have that be a real time display on the web page, you're just getting into more advanced interfaces and maybe some hardware that may be

(8-b) Computer Upgrade Project – Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont.):

needed to support those interfaces technically-wise.

Chairman Para stated and I think the call that us Commissioners get so often is that one on the top of your list, the electrical outages, and as I understand staff will be able to man and manage that much easier so that we've got a real time type explanation if an underground grounding occurs in Sugar Mill or wherever, obviously if there's not electricity they're not going to be on their computer, but generally speaking the first people that my wife will call will be like her mom or somebody else around town.

Mr. Darling stated when you publish outages and an advanced feature when you're looking forward in time and I talked to Ms. Klinkenberg and Mr. Montgomery about this when we were talking about where do you guys want to go. Really the most advanced way to get is with a GIS system with your infrastructure, to have this system speaking with the GIS system and when you have a power outage happen because it's on the map, whatever part of the grid is going down or a transformer goes down, those types of things, you would actually know all of the customers that were impacted. You actually could get pro-active with it, tie that to an outbound IVR system, we haven't got into IVR yet with this system, but you actually start calling them in advance saying the power is down, we're aware of it. So there's a couple of ways to be active in display, and you have to get pro-active and start calling them and let them know, it's a combination.

Chairman Para stated to Mr. Rodi, not to blur the lines but wouldn't this be advantageous for us to incorporate this in our June and July discussions when we review what we discussed earlier for new construction in that they would then help us foot some of this cost of this infrastructure so that these new systems could be integrated and there's some incentivization there that would let this hardware be a part of that construction.

Mr. Rodi stated well I think that's possible. What we really need is the infrastructure, we have a part of it with our fiber system. Where we start to run into issues is deploying the fiber system from a standpoint of financing and that's frankly what's holding us back at this point. There are a number of ways to do this and our concept so far is to build the municipal fiber system and then either hang on to the end of that wireless or use the power line to carry the last mile, but until such time as we can actually get the fiber deployed.

Commissioner Diesen asked about costs.

Ms. Klinkenberg stated for the whole thing or just the S&S piece or...

Commissioner Diesen stated just break it down for me, I'll hear the bad news.

Ms. Klinkenberg stated S&S we had estimated around with all costs, they're going to be onsite with us, it seems like its going to be about a year, holding our hands through the whole process, it's going to be around \$600,000 which is the \$22.72 per customer that we talked about at the

(8-b) Computer Upgrade Project – Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont.):

workshop.

Commissioner Diesen stated so if we add all these bells and whistles we're looking up there about doubling that right?

Mr. Darling stated well I don't know, we would have to talk about what bells and whistles. A lot of that is going to be in your other costs, the infrastructure costs, the GIS system, a lot of it is these other systems. We have done that with enQuesta, we've integrated them with those types of systems, and we have customers that are using those types of advanced techniques now but a lot of that is the investment into the other systems and infrastructures that you want to tie in with. This system that you're buying, the important part is the enQuesta system that you're buying from Systems & Software has the ability to do the interfacing when the existing situation you have right now with your more legacy system is that you can't grow it, you can't get more modern, you can't tie in this system or develop toward your future. The important part is we have done that already, we are looking to the future, we're an upgradeable system. You buy our software once, so an upgrade in a couple of years, as we've done in a couple of other places as we've enhanced it, if you want to get upgraded you don't buy the software again, you already own the software. You can get upgraded and take advantage of the latest features that have come so it just keeps getting better, better, and better. We do not do a one (unintelligible) for any of our clients, everything is core systems to us, so you will be running the exact same system that all of our other utilities run, it will just be configured to run the way you need it to run for your business. So that's a little bit different picture than maybe you're doing with your existing software vendor. A great example is Y2K, when our clients had to have the Y2K upgrade they did not have to go out and buy another CIS system or buy our CIS system again, they had already bought it once, they just got the upgrade for the Y2K; as an example of how that works.

Mr. Rodi stated this has the capability built into it for real time metering, all of the architecture is there, what has to happen is the other end. It's just like in our budget one of the things we've asked for are, and you've been gracious again, is to put additional people into our T&D area for substations and metering. Part of what has to happen there is we've got to begin to prepare for integrating these other systems. Similarly, Mr. Beyrle has a person to deal with demand side management so that on certain accounts we may put a sophisticated meter with an either wireless or fiber connection because of what can be done with it but a lot of that depends upon not just this system but also on the communications path and the electronic gear that interfaces with the customer.

Commissioner Diesen stated on the personnel matter by losing Mr. Montgomery, is that going to delay us or are we going to be able to fill that gap pretty easily.

Mr. Rodi stated we are saddened to lose Mr. Montgomery and I think that what will happen is, and I wanted to make you aware of that and that's why I sent out the email, but we intend to, there's some tweaking issues to deal with the contracts but we intend to keep moving forward with this because our base system, Great Plains, we must get that in. There are some deficiencies

(8-b) Computer Upgrade Project – Great Plains Financial Software, Customer Service Software Component Upgrade, and Document Imaging Software Status (cont.):

even though that system is running, there are deficiencies where we can't get certain management reports and performance information on the 7.5, we'll get it with the 9.0. But every bit as important is this customer plug in that will allow us to provide better customer information but also for online payments which is a big want, if you will, from our customer base and we also then are away from our current legacy system which becomes difficult to work with and it is not going to be supported in the future for 7.5 anyhow.

Chairman Para stated very good, any questions.

Commissioner Allen stated he had a couple of questions for Mrs. Klinkenberg, as you work towards this and communicate and I know your billing system, I just heard the customer has the ability to change addresses and I'm sure you'll talk through that and I don't think addresses need to be changed in billing systems. I understand maybe somebody's email might change and they may want to put a new email in there. And then the other thing, does this impact the customer service end as a representative sits down there, will they be looking at different screens or newer screens.

Ms. Klinkenberg stated it will be completely different, it will not look like Great Plains at all because right now what we're running Cogsdale, looks seamless like Great Plains, this will not be. It will be much easier, we've seen the customer service side of it, we saw a really in depth demos and it's very, very user friendly. You click on it and you get the customer's information, updating information, it does service order, it just queues everything, it's just very user friendly.

Commissioner Allen stated and hopefully user friendly from the customers' side, I would hope that some of our dual residents that are north and south, as they're up north they can get on line and drop you an email to let you know they need cut-in at a certain time and they can have that responded to without having a conversation on a phone and this would improve our customer response to them.

Ms. Klinkenberg stated definitely.

Chairman Para stated in essence I think this is what we were promised two, three years ago, we started on this quest with a different generation and I think we're arriving in a more logical manner because previous to this a lot of the generation or I should say the architecture of what was planned was done internally and I think that was the bottleneck at that time because we were looking to staff too much. Whereas I think we've got some expertise here now that has experience and up and running systems that we can plug and play, and let us do the job that we do best and that is to provide excellent services to our customers. Our customers want this and I believe they're willing to spend the money to have this kind of a system in place because that's who they're becoming, they're much more technologically astute in this area. I'm learning too, I'm low on the curve but I'm learning along with them the value of being able to interface with a system like this; I'm anticipating this.

(8-b) Computer Upgrade Project – Great Plains. Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont.):

Commissioner Allen stated I had one more question as far as looking at the cost of getting into the piece of software but as you look at upgrades, as far as an upgrading a system that you may want to upgrade, do you have some kind of physical estimate as far as a percentage difference from the investment and as upgrades come in, are those upgrades say 10% of the fixed investment.

Mr. Ford stated what you usually do is number one you buy the license once for our term and that gives you the right Commissioner Allen to receive updates and new versions, so you'll never buy the license again as long as you're under a maintenance agreement and keep that going forward. What you will buy is a subset of services that you'd want to help you with an upgrade perhaps to train and perhaps to help you augment new features. So it's really quite variable, on average what the range is, it's approximately 10% to 20% of your initial implementation. And our cycle for upgrades, usually what we see is about every two to three years.

Commissioner Allen stated right, that was one of my concerns because one of the things I think we seem to get into, just like the Great Plains, we're three years behind the eight ball and we're behind in trying to get to where you need to be. I mean there's a lot of long hours, there's a lot of headaches, there's a lot of hair pulling in trying to find out and get things operating and make sure they're functioning so its important to keep up with and keep this system current and we need to be aware of that.

Mr. Darling stated and what Mr. Ford said the average was two to three years, we have some customers that like to be on the leading edge all of the time and upgrade more often. Every so often they have a situation where maybe something comes out on our system or you have a new addition that you need to take place and the newest product has whatever you need to do whatever job has come out in the future and we can only guess what that's going to be in the next five years, and you may decide that you know we upgraded a year ago but this new feature you really want to have in place here and want to upgrade to your new release now and not wait for two or three years. But we do support products for a while, we don't like you to get five, six, seven years because then you are on many releases older, even if you did that if you still bought the license, you would not have to buy the licensing again, just your costs of service may go up a little bit more because you have more retraining to do and more new features that you would want to start implementing into the new system.

Mr. Ford stated and also what we do is we use Six Sigma, if you've heard about it before, we use Six Sigma proven implementation and upgrade methodologies to ensure that we make it as seamless as possible because if the upgrade is hard on you I'm not doing my organization or myself any favors either. So we need to make sure its as seamless as possible and the transition from one version to another, you know it doesn't impact your day to day users of the system or your customers.

Mr. Darling stated we live the pain with you as it were, we don't just drop off the software and leave, we're projecting five or six of us on site for two or three weeks and just the go live time, doesn't include the go live and simulation prior to that. So it's quite an investment for us, both

(8-b) Computer Upgrade Project — Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont.):

the personnel and the time.

Commissioner Spangler stated I get the feeling that Ms. Klinkenberg is not going to feel as much pain, she looks pretty happy about this.

Ms. Klinkenberg stated I'll tell you we talked with a lot of different companies, Mr. Montgomery had found out quite a bit of information, and this is the one company, and I've been petrified of this, I'm not exaggerating, I've been petrified of thinking of going through this upgrade, I've heard the horror stories from years ago, this company has put me totally at ease. They know so much about this and they're holding our hands already, I have been on the phone with these people, it's got to amount to six or seven hours of conferencing just in the last couple of weeks. They know everything, they anticipate everything imaginable that we could need. They really know their business, they have very much impressed me and I really feel comfortable that they're going to hold our hands and our whole staff feels that way. I've talked to our Customer Service Managers, the CSR's, everybody that's had any contact with them has said the same thing.

Commissioner Spangler stated very enthusiastic.

Ms. Klinkenberg stated I'm very comfortable with them, I am.

Commissioner Diesen stated do you have consultants then that will come, or are they part of your company.

Mr. Ford stated we do it all internally, just to give you a little background, we've been in existence since 1973, we focus specifically and solely on the utilities space.

Commissioner Diesen stated I checked on you, I know you're telling me the truth.

Mr. Ford stated and we do not believe in bringing in third parties from a consulting perspective or anything else, it's home grown.

Commissioner Diesen stated so some member of your firm will actually be on site.

Mr. Ford stated members of our firm, yes.

Ms. Klinkenberg interjected a lot of them.

Mr. Ford stated we believe one of our biggest differentiators is our employees and much like mimicking a lot of Ms. Klinkenberg's words right back to your organization, we were very impressed, we choose our partners very carefully and we make sure there's a commitment because the market perception that we have is if we choose a customer who isn't aligned with our vision and our core competencies of really promoting customer service, we want to stay

(8-b) Computer Upgrade Project – Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont.):

away from that, what we found in your organization is to the 9's.

Commissioner Diesen stated we need to treat our customers well, we have a captive audience and so we need to take care of them, so this looks like a good opportunity to do that and implement some things that they want and they've been asking for.

Chairman Para stated well I have to ask the question before you get the motion up here, the lady, your function with the company is?

Ms. Chalmers stated she was the Vice President of Implementation so I oversee the team that would be down here doing your implementation over the next few months.

Chairman Para stated so you will be working with Ms. Klinkenberg.

Ms. Chalmers stated absolutely.

Ms. Klinkenberg stated and the team lead will be Jarrel, Jarrel's already been down here, she will be the actual project manager I believe.

Commissioner Diesen commented sure they all want to come to the beach.

Mr. Darling commented there's been no problem with people raising their hands for this one, hasn't been an issue.

Mr. Ford added Jarrel is based in Florida.

Mr. Darling stated she's been an employee with us for quite a few years, I believe nine years.

Commissioner Spangler stated I make a motion to approve, a motion to approve the upgrade of Great Plains financial software in a not-to-exceed amount of \$110,000.00 and authorize the General Manager/CEO to execute a contract with Templeton Consulting and all associated documents required to accomplish this upgrade; and to approve the upgrade to Systems & Software enQuesta in a not-to-exceed amount of \$600,000.00 and authorize the General Manager/CEO to execute a contract with Systems & Software, Inc. and all associated documents required to accomplish this upgrade. Commissioner Allen seconded this motion.

Commissioner Diesen stated no wait a minute, what are you approving, the whole thing?

Commissioner Spangler stated the whole thing.

Commissioner Diesen stated the not-to-exceed amount of \$110,000.00 for the upgrade of Great Plains and the not-to-exceed amount of \$600,000.00.

(8-b) Computer Upgrade Project — Great Plains Financial Software, Customer Service Software Component Change/Upgrade, and Document Imaging Software Status (cont.):

Commissioner Spangler stated as written.

Commissioner Diesen stated okay.

Chairman Para confirmed there was no further discussion and then requested a roll call on the motion.

Commissioner Spangler's previous motion then passed unanimously on a roll call vote by the four Commissioners present. (Commissioner Hall left meeting about 8:30 p.m. and was not present for this vote).

Mr. Ford stated Mr. Chairman and Commissioners we appreciate your time.

Chairman Para stated I appreciate your enthusiasm and willingness to come down here in Florida and work with us.

(9) Possible Other Business — Time for Commissioners:

(9-a) Water Authority of Volusia (WAV) — City of New Smyrna Beach FY2006/2007 Membership Assessment:

Chairman Para announced this item and then commented to Commissioner Allen, you had stated this was going to be quick, why the silence here.

Commissioner Allen stated give it back to the City.

Chairman Para commented it's going to be very quick, and then asked if any staff member wanted to speak before we get started. He then asked if someone could give him an explanation, I thought that we had kind of discussed this once many moons ago and we decided not to participate and we were gone.

Commissioner Spangler stated I don't think we've discussed it in a long time but it keeps popping up in an envelope, there's a bill that keeps getting mailed in an envelope and they don't know what to do with it so they send it to us and we keep telling them that we don't want it; so we haven't changed have we. He added and I don't understand why even if the City's being billed if we're officially out of it, is it a retro-active bill?

Commissioner Diesen stated this was for the year that the negotiation to get out of it was apparently taking place. There are a couple of issues, one of them is because this organization as it was is no longer, and so if you looked at their budget which we all got a copy of, it appears that they might have some funds that they haven't expended, that it would seem prudent if we waited until they determined what they were going to do with those monies. I think some of them may have been encumbered for studies, the studies now will probably not take place, so it would

(9-a) Water Authority of Volusia (WAV) — City of New Smyrna Beach FY2006/2007  
Membership Assessment (cont.):

appear that there might be an opportunity to get some money back.

Commissioner Spangler stated I think the City should pursue that.

Chairman Para stated barring any advice to the City, I would simply say that our position in the past has been that we're not paying any WAV bills, we agreed to pay for hardware that we had ordered but I think we were very clear and resolute the last time we discussed this at a joint meeting and I don't see any sense in going back over the same ground again. It's a done deal, we have agreed to disagree with the concepts of WAV and find ourselves our own way to go. So unless there's a motion otherwise, I think its kind of a dead issue.

Commissioner Allen stated my understanding of this bill is for fiscal year 2007, it's an ongoing.

Commissioner Diesen stated no, it hasn't been paid. We didn't pay last year I don't believe.

Commissioner Allen stated this is an ongoing spreadsheet that gets sent to you in an email.

Chairman Para stated yes because we told them we weren't going to pay the bill last year.

Commissioner Diesen stated yes, a year ago, I think it was October wasn't it. I can't remember but I know one year we did pay it under duress.

Chairman Para stated but we paid it with the understanding it was still at a point where there was information and reports due out that were going to be beneficial and yes it was duress from the standpoint that we really didn't feel comfortable with it.

Commissioner Diesen stated well it was taxation without representation.

Chairman Para stated fair enough.

Commissioner Diesen stated we were paying a bill that we were not representatives on the WAV and that was from the get go, it wasn't anything to do personally, that's the way it was just set up among the County partners. But that was really kind of I think the feeling of the Commission at that time so it's out there, it's just hanging.

Chairman Para stated yes and we made it very clear at that time that this wasn't going to be an ongoing thing. So Mr. Taylor, unless there is something that you can add to the direction that we're heading in clearly.

Mr. Taylor asked are you saying that you don't want me to speak?

Chairman Para stated sir you are welcome to speak, I simply said unless you can add to the direction, so.

(9-a) Water Authority of Volusia (WAV) — City of New Smyrna Beach FY2006/2007  
Membership Assessment (cont.):

Mr. Taylor stated well maybe I can refresh your memory just a little bit and Commissioner Diesen just did. Commissioner Spangler is correct, this thing keeps rolling around, it's in a loop. You guys have said it's not my bill, I'm not going to pay it and you're right, but it gets over to the City and for some reason they don't want to pay the bill and so they want to send it back to you. It is not your bill, it's even got to the point of obfuscation because at the last meeting someone tried to say that this bill is really not the dues bill, this is the bill to pay for the interconnection with Port Orange; remember that?

Chairman Para commented we've already paid for that.

Mr. Rodi stated yes.

Mr. Taylor stated I'm telling you that was the discussion, I think Mr. Rodi was there at the time.

Mr. Rodi stated correct.

Mr. Taylor stated and it isn't, it's the dues bill that has not been paid by the City.

Chairman Para stated yes, we agreed not to do that.

Mr. Taylor stated I totally agree with the direction you're going but I will call your attention to the fact Ordinance 19-05 is in effect, and that comes up next which I'll speak to so I'm not going to dwell on that. So if the City wants to lean on you to pay it, then you've got to figure out what you're going to do, but if it was me I think you should pursue your direction and if necessary have Mr. Rodi clearly tell the City Manager that is their bill and you're not going to pay it unless they direct you to do so under Ordinance 19-05.

Chairman Para stated I don't think we could be any more direct than we were in that joint meeting in which we said we want out of WAV, we're out of WAV and we're not paying the bill.

Mr. Taylor said if you don't give them a piece of paper saying that it's going to go around in a circle again, because that's what they did, well talk to the Utilities Commission, Mr. Rodi; Mr. Rodi has to say something.

Chairman Para interjected well somebody has to direct before we write a check, I don't hear anybody telling where to write a check.

Commissioner Diesen stated one year ago.

Mr. Taylor interjected I'm finished.

Commissioner Diesen stated it was a year ago May, that we were over at the Brannon Center in

(9-a) Water Authority of Volusia (WAV) — City of New Smyrna Beach FY2006/2007 Membership Assessment (cont.):

the small room and the motion was made by the City Commission and it was a 5-0 that they wanted out of WAV then. So hello, what part of that didn't we hear.

Commissioner Spangler stated I think that they made, this is another business decision that isn't ours, the decision was made that WAV would probably go away so why spend money litigating to get out of it and it just took WAV a long time to go away so I mean that, whichever was the lowest cost on that bill, I guess is the result, but it didn't have anything to do with us.

Chairman Para stated yes, again, that's the other side of the street.

Commissioner Spangler stated so do we have to make a motion saying that we don't want the bill or we don't have to say anything, take no action.

Commissioner Diesen stated we don't have to do anything.

Commissioner Spangler stated so no action is appropriate action.

Chairman Para stated what we've already done, to me it's not right to go back and re-address a decision that we've already made, we've made the decision, I personally want to stand by our previous decision, it's a non-issue for us, we've already said our position.

Commissioner Spangler stated so appropriate action is no action.

Chairman Para stated we've already made our decision and that should be that.

(9-b) Discussion Regarding City Ordinance No. 19-05:

Chairman Para asked if anyone would like to speak to this. For purposes, not to draw you into this Mr. Rodi, but for purposes of just beginning a dialogue, this surfaced because, and as I read the transcription from the City Commission meeting, it was discussed at the City Commission meeting, so if you could give us a blow by blow review and then kind of get us to where we are right now.

Mr. Rodi stated as I recall, and Counselor Preston I think was present with me at that meeting, during the public participation portion of that meeting, the issue of 19-05 was raised and there was a lot of dialogue that started to occur with various Commissioners making comments about 19-05. One of them was that perhaps that should be a topic of a joint meeting and after hearing the range of discussion I thought it would be best to have that as a discussion item here first. As you may recall we had a series of joint workshops and those proceeded to a point and then stopped. And there was also some discussion about what kind of subject or agenda should be included with 19-05 as opposed to other more important topical items one of which I think you heard tonight with regard to the RFP. If I've misstated that, Counselor?

(9-b) Discussion Regarding City Ordinance No. 19-05 (cont.):

Mr. Preston stated I believe you're right there.

Chairman Para stated well I think that this is a half-sided conversation, we would be talking to ourselves this evening and I think that Commissioner Allen said it best a while back, you know this is a discussion that needs to occur at the City level and with us participating in that.

Commissioner Spangler stated but I think one thing we need to bear in mind, because I was at that Commission meeting too, is a comment was made what did we ever need it for, what was the purpose of it, why did we do that, why don't we just change it back. So that was brought up and if we get down to really discussing it somebody is liable to say you know what was the intent? You know naively I can say well the intent was the U.C. had a lot of problems and they were trying to get control over us in case we continued to do foolish things. But the question is going to be whether that method of control is actually legal or not, and whether we care, we don't care unless we litigate.

Chairman Para stated yes, and I think it really comes down to how do we get past this sort of a tenuous discussion and how do we get to a more amicable relationship between the two bodies. I think we've done a lot, and to you all's credit, this current Commission, in being less adversarial and more congenial and I think we ought to continue that. So I believe that it ought to be one of those items agendaed on the upcoming joint meeting that we're going to have with the City Commission because I think that 19-05 personally was unnecessary if we're all doing our job.

Commissioner Spangler stated but if they want to get rid of it, that's okay with us.

Chairman Para stated I think that's...

Commissioner Diesen interjected whatever they choose.

Chairman Para stated we can't talk to them, we can simply be a part of a discussion but I think it would be a different discussion had we sit down and talk through this rather than everybody posturing themselves for warfare, so that would be my position. He stated so without action, or whatever you want to do.

Commissioner Diesen stated I don't know why we're talking about it.

Chairman Para stated fair enough. With that we'll have...

Mr. Taylor then stated Mr. Chairman, you're not going to allow me to speak.

Chairman Para stated yes, Mr. Taylor please make your way up there.

Mr. Taylor stated let me see if I can answer Commissioner Spangler's question about what can we do without getting into a long discussion of 19-05 of which I have intimate knowledge, as well as City Commissioner Grasty who is in the chamber this evening. What you could do, you

(9-b) Discussion Regarding City Ordinance No. 19-05 (cont.):

chose not to do several years ago at the time it was passed. A majority of the Commission at that time requested that the court give a declaratory judgment of it towards its legality, and when you folks took over, you chose to stop that and not seek a court clarification. So what you could do is you could ask the court to clarify it for you and again ask for a declaratory judgment and/or you could ask the City Commission to do the same thing. That's what you could do, and of course you could do nothing.

Chairman Para stated or we could have a conversation with them at the upcoming joint meeting and see what we could do there.

Mr. Taylor stated and you could, yes sir you could.

Chairman Para stated it might get resolved through good conversation as opposed to lawyers.

Mr. Taylor stated it might but Commissioner Spangler said what can we do and I'm responding to what Commissioner Spangler said. And if you do have that meeting, you can be assured that I will be there.

Chairman Para stated we'll look forward to your words of wisdom.

Mr. Taylor thanked the Commission.

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

Chairman Para stated all right without further discussions, we'll go for time for Commissioners and staffers any comments?

Mr. Rodi stated I just wanted to make you aware that we are as the U.C. participating in a survey that will query our customers on their desire for solar energy as a part of the whole renewable examination and this is with a Professor from the University of Central Florida and some local grants where they are paying for that. The great value to us is it will help to give us customer demographics which we can also use.

Commissioner Diesen stated good.

Chairman Para stated we'll look forward to that; Commissioner Spangler?

Commissioner Spangler stated that's my topic any way and I'm really glad to hear that. Conservation is a big issue with me but it's a policy matter and I think we've discussed that's the way we want to go and we're going that way in a reasonable fashion. I know Mr. Taylor wanted to know exactly what we were doing but we are as a policy pursuing conservation and renewable energy.

Chairman Para commented I like it, then Commissioner Allen?

(9) Possible Other Business — Time for Commissioners (cont):

Commissioner Allen stated question on Mr. Rodi's comment, this particular Professor, is he going to come in and communicate with customers or provide some documents.

Mr. Rodi stated I think what they'll do is have a questionnaire that will be used with a representative sampling and then provide what their inclinations are as well as what they would like to see for the future with regard to the future of renewable energy, specifically solar voltaic, I think that's their focus.

Commissioner Diesen asked is that part of the Solar Energy Institute?

Mr. Rodi stated yes, it's linked with the Solar Energy Center as well as the University and I think the Boardman Foundation out of Daytona Beach.

Chairman Para stated that young lady, what's her name, Heather Squires, is she part of this?

Mr. Rodi stated she's a part of this too.

Chairman Para stated great because she has a lot of enthusiasm and wanted to help.

Mr. Rodi stated yes, and I think she's doing part of her Master's.

Chairman Para stated yes, that's good.

Commissioner Allen stated probably the other side of that coin is we look at renewables and we look at energy conservation, that there needs to some initiative not only on our part but even on the City's side and some type of discussion to look at building, setting up some type of standard for energy efficient homes and being able to develop that because it's a big, broad area that we really need to cover being that we're here. I think about the RFP that we're looking at and the resources we're needing and solar fits part of that. If you just got 200 customers on our system to put a 10 KW system in, you've got a chunk of power on peak.

Mr. Rodi stated yes.

Commissioner Allen stated and it's turned off on off peak because there's no sun to make it run and you don't need it then.

Mr. Rodi stated just as an adjunct comment, we have a tariff that we have in draft form that would be supportive of that and its meant to even go beyond the net metering concept, it's meant to be real time application so that there would be reward that's appropriate for what's happening out on the system at that point in time. There are a number of other approaches that we're quietly working on but like anything else we're just taking these a step at a time to put them into place and make sure that there's some opportunity for us to move forward with it.

Commissioner Diesen stated I do think we need to have some green standards developed by the

(9) Possible Other Business — Time for Commissioners (cont):

City and we need to move in that direction. I'm not suggesting that everybody put up a windmill in their yard but we need to have some things for building and they're way ahead of us in other areas. In Sunday you saw the article, I think the one that's over in the Panhandle that's going totally green.

Mr. Rodi stated yes, the new city, but I'd like to make you aware of something because it would seem to be very much common sense that you could improve your building codes and then move forward but as I understand it in Florida the State building code is controlling so that a City cannot have a code more stringent than the State. I think that causes a great deal of frustration for cities that would like to move forward and have requirements. So that essentially means that working, as it stands now anyhow, at the State level and some of this may change with regards to all of the renewable initiatives going on but I just wanted to make you aware of that. He added I think I'm correct on that Counselor.

Counselor Preston indicated yes.

Commissioner Diesen stated well the State develops some things, I think in the area of sustainability and they've done some pilot projects, so I think they are getting on track.

Chairman Para stated Representative Littlefield's comments, when I was attending a conference over a year ago, was to incentivise people to go in this direction and I think that's the conversations that we've been having with Commissioner Spangler, that through our ERU's and through the building impact fees we can turn this around and we don't have to mandate or legislate. We can say to them, look if you'll build a home that's lower emissions we're going to give you credit for that. Any person with business sense recognizes the value in that investment, they'll probably want to do it anyway but this is just an adjunct step, so as that comes forward I think its going to be great.

Commissioner Spangler stated yes, I think the only problem we can run into is if your incentives are too strong then the State may say you know you're circumventing us, but it'd be nice to be that strong that they'd say that.

Chairman Para stated yes, there's some neat things that we can do. With that I just have a couple of comments, one is that Representative Hukill has done some wonderful work in Tallahassee in developing some grant money which you're already aware of and you and I have spoke about that and are working on that, but those programs would be great and I think that's where you're going so I'm glad that's all happening. The only other comment that I had is I got an email from the folks over at the pharmacy wanting to have their..., what say you Ms. Klinkenberg.

Ms. Klinkenberg stated I called them back, I think it was two weeks ago they had contacted Mr. Rodi and Mrs. Simmons passed the call down to me. They charge a fee to us, why would we pay them anything to collect our bills when they are almost directly across the street.

Chairman Para stated fair enough, you answered the question, thank you.

(9) Possible Other Business — Time for Commissioners (cont):

Ms. Klinkenberg added I just don't see the purpose in it.


Commissioner Allen added we have the new software coming on board.

Chairman Para stated Commissioner Allen is correct. With no further discussion, can we stand in adjournment, is everyone in agreement?

Commissioner Diesen commented amen.

There being no further business to come before the Commission, Chairman Para closed the regular U.C. meeting at 9:01 p.m.

APPROVED:



CHAIRMAN

ATTEST:



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their June 18,  
2007 meeting.