

## AGENDA ITEM 2-a

MINUTES OF PRELIMINARY PUBLIC HEARINGS (TWO) AND A REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, JULY 21, 2008, AT 6:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

(1) Preliminary Public Hearing RE: The Revision of Street Light Rates:

Chairman Allen stated we have a couple of preliminary public hearings to attend to and the first one would be regarding the revisions of the street light rates. He then requested for a roll call to be taken and a majority of the Commissioners were in attendance as follows:

Commissioner William H. Reynolds  
Commissioner Oscar Zeller  
Chairman Walter Allen III  
Commissioner Jeanne K. Diesen  
Commissioner William E. Hall (ABSENT)

Others in attendance were as follows: R. Rodi, General Manager/ CEO; L. Klinkenberg, Director of Finance; T. Beyrle, Director of System Operations & Generation; R. Mitchum, Director of Electric Operations; J. White, Director of Engineering; R. Lemoine, Director of I.T.; B. Bilinski, Controller/Budget Supervisor; E. Mahle, Public Information Manager; D. Wood, Customer Service Manager; D. Zorge, Customer Service Supervisor; D. Simmons, Executive Asst./Recording Secretary; B. Preston, Interim U.C. Legal Counsel; Dan Raymond, IBEW Business Mgr., and Larry Masterangelo, Asst. IBEW Business Mgr.; Peggy Comardo, Bob Tolley, Ben Ling, and approximately five other unidentified members of the public.

Chairman Allen then requested Mr. Preston to read the notice of public hearing and proposed resolution.

Mr. Preston stated for the record this preliminary public hearing was authorized by the Utilities Commission during their June 16, 2008, Regular U.C. Meeting and notices appeared in THE OBSERVER at least ten days prior to this date. Notices were also placed on the bulletin board at the Utilities Commission office at 200 Canal Street and City Hall at 210 Sams Avenue. Proof of publication of advertisement of this hearing will become a part of the minutes. Mr. Preston then proceeded to read the proposed resolution by title only.

Chairman Allen stated okay, we're opening this up for comments, for or opposed to the resolution for the street light rates.

Mr. Preston then requested to make a clarification, a modification. He stated the notification was actually in the NEWS JOURNAL, not in THE OBSERVER as read.

Chairman Allen then reiterated if anyone would like to speak for or opposed. There being no comments, Chairman Allen closed the preliminary hearing at 6:02 p.m.

(2) Preliminary Public Hearing RE: An Interim Net Metering Rate Policy:

Chairman Allen then opened the second public hearing regarding the interim net metering rate policy. He requested for roll call to be taken and there were the same in attendance as shown above in the first public hearing.

Chairman Allen requested Mr. Preston to read the notice of public hearing and proposed resolution.

Mr. Preston stated for the record this preliminary public hearing was authorized by the Utilities Commission during their June 16, 2008, Regular U.C. Meeting and notices appeared in THE NEWS JOURNAL at least ten days prior to this date. Notices were also placed on the bulletin board at the Utilities Commission office at 200 Canal Street and City Hall at 210 Sams Avenue. Proof of publication of advertisement for this hearing will become a part of the minutes. Mr. Preston then proceeded to read the proposed resolution by title only.

Chairman Allen stated this is now open for comments, for or opposed to the interim net metering rate policy. There being no comments, Chairman Allen closed the preliminary hearing at 6:04 p.m.

REGULAR UC MEETING –

Chairman Allen then opened the Regular UC Meeting and proceeded with an invocation and requested Commissioner Reynolds to lead in the Pledge of Allegiance immediately following. A roll call for the regular meeting was taken and the same attendees as listed previously in the first preliminary public hearing were in attendance.

(1) Agenda Changes, Additions and Deletions:

Chairman Allen stated as we look at the first item on our agenda are there any changes, additions or deletions to the agenda.

Mr. Rodi stated I just have several topical items when it comes to Commissioner time, just to bring to your attention at that point.

Chairman Allen stated okay and confirmed there were no other items.

(2) Approval of Consent Items:

Chairman Allen then proceeded to the approval of consent items and verbally listed the items.

Commissioner Reynolds made a motion to approve the consent items, item 2-a. Minutes of Regular U.C. Meeting Held 6-16-08, and item 2-b. Minutes of Joint UC/CC Workshop Held 6-19-08, to approve both as submitted; item 2-c. Developer's Agreement and Addendum – Griswold Industrial Park (DEG Properties, LLC), approve as submitted and authorize GM/CEO to execute on behalf of the Commission, and item 2-d. Declaration of U.C.'s Direction Regarding PURPA Requirements – UC Resolution No. 2-08, approve the resolution and declaration of the Utilities Commission's direction regarding PURPA standards. (Upon approval the resolution was numbered 2-08 and

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

became effective immediately.) Commissioner Diesen seconded the motion and it passed unanimously on a roll call vote.

(3) Public Participation:

Chairman Allen then opened the floor for public participation.

A woman addressed the Commission and stated good evening everyone. My name is Peggy Comardo, I am the principal of Reading Edge Academy and Samsula Academy. We are the Charter School that is opening Samsula Elementary in just a few weeks. I live at 919 South Glencoe Road in New Smyrna. Ms. Comardo stated the Samsula Academy is here and we would like to respectfully request the Utilities Commission to consider bringing water and sewer to the school located at 248 North Samsula Drive. The water and sewer treatment plant at the school is a very large operating expense which will always be there unless we can get water and sewer from the Utilities Commission. We're willing to sit down with the Commission to negotiate making payments towards the cost of doing so. Water and sewer is already out to Venetian Bay, it isn't that much further to the school from there. With our students' best interests in mind, having water and sewer utilities instead of a treatment plant would be safer. We understand that there are others on S.R. 44, businesses, that are also interested in having water and sewer available. We hope that the Commission will begin thinking about bringing water and sewer out to Samsula, especially to Samsula Academy, the new Charter School. Thank you.

Chairman Allen stated okay, I believe that would go to staff to look at, correct. He then asked if there was other public participation.

Mr. Dan Raymond addressed the Commission and stated I'm the Business Manager for IBEW, the Union that represents your workers here in the city. I wanted this opportunity, I've never stood before you and actually formally introduced myself, but things are getting a little more busy here and in other locations as well. The reason I'm coming forward now is to let you know I've put on an Assistant Business Manager and I wanted to make an official announcement so that you understand I have that other individual as well. His name is Larry Masterangelo, he brings with him 38 years of human resource or labor management background. So I'm hoping that between his background and my background, and the two of us available that we can hopefully resolve some of the issues that may be ongoing and have more of an availability so that we can make these employees here, as well as the local community, have better service from us and from the Utilities Commission. He reiterated but I wanted to make an official announcement that I do have an assistant now and that we, you know, can forward with other issues more in a timely manner, we hope.

Chairman Allen stated okay, thank you, and then recognized the next public participant.

Mr. Ben Ling addressed the Commission and stated he was the minister of the former New Smyrna Beach Christian Church on S.R. 44. We sold that property and we bought new property on 3838 S.R. 44 and we're in the same position as the Samsula Academy. We would like to see if there's any way possible that we could get water. We're just down the street from Samsula Drive, less than a mile or so from them on S.R. 44 and if there's any way possible. I'm just making this

(3) Public Participation (cont.):

announcement so you know that there's somebody else beside them and it's very important to us to get water.

Chairman Allen thanked Mr. Ling and asked if there was any further public participation. There being no further public participation, Chairman Allen moved on to item four.

(4) General Manager's Report:

Chairman Allen stated the next item is the General Manager's Report and financial status.

(4-a) Financial Status June 2008:

Ms. Klinkenberg stated for the month ending June 2008, our change in net assets was \$1.6 million for the combined system, with the year to date total of \$4.7 million. Our forecast reports reflect a \$595,000 favorable balance for the month. She stated just before the Commission meeting I handed each of you a graph and I thought it represented our O&M savings compared to budget so far for the year, until June 30<sup>th</sup>. The total that we're under budget is \$2.3 million by all divisions and you can see by the graph that all divisions are doing well. Even the Internet, who normally wasn't doing so great, but their spending has been decreased by \$59,000 from what we planned on in the budget. We didn't over budget, this is definitely due to each department's effort in cutting costs and reevaluating everything in order to save funds. I thought that was a nice graphical representation for you, it does exclude fuel and purchased power though.

Chairman Allen commented of course.

Mr. Rodi stated I wanted to put something in perspective, in fact a few things. Last meeting I complimented staff on what it has taken to do this. If you look at fuel and purchase power expense, we're up \$2.7 million from prior year. Just like everyone else trying to wrestle with \$4.00 a gallon gasoline, we were seeing last week forty cent a kilowatt hour wholesale power, that's just staggering. In our own generators right now with the cost of oil for them being above \$4.00, we're looking at about fifty-two, fifty-four cents per kilowatt hour. So you just can't afford to do that when you're charging those rates, not that that is the best thing. But you noticed Ms. Klinkenberg said we offset about \$2.3 million and to put that into perspective, if you take the average wage and benefits of the U.C. employees, to make up for that it would cost 30 employees their jobs. I'm just saying that as a point of reference, that means nothing other than a point of reference, we have wonderful employees. But it shows the degree of the impacts that we're wrestling with. In the media recently, a low cost provider, Orlando Utilities announced a 7% increase with another 7% coming in January of this upcoming year. JEA, another low cost provider, a 15% increase. FPL went for 15% just on fuel and purchased power, got half of it, the other half is coming in January. It is really a frightening time. On top of all of that, because there hasn't been a lot of generation built in Florida, wholesale supplies are extremely tight. A number of plants are down that normally would be producing power, for environmental upgrades, to meet the clean air act. I'm painting this picture because the employees that we have, have really worked very hard to provide a service and provide a perspective on the value of the community. I think that's important to state because we are really self funded, there are no tax dollars here, and we have no profit line. We don't receive tax money from the City, we're not supplemented, and we're not supplemented by others. So what that

(4-a) Financial Status June 2008 (cont.):

amounts to is every year we provide willingly and favorably \$3.6 to \$3.8 million to the City in our 6%. To give some perspective with that, I just recently read that Port Orange settled with Florida Power & Light for a 30 year franchise agreement and the franchise percentage was 5.9% and it translates to \$3 million a year. Now, Port Orange is at least double in load of the U.C.'s size, so that when you have \$3 million, versus our \$3.6, and that's not even addressing the 9% tax fee that goes on top of that which is another \$1.6 million. In these times those are very favorable contributions to our community, especially when we're dealing with the heavy fuel and purchased power cost increases that we're staring at. I know that Tim Beyrle gets tired of my calls about where are we today, what did you do, where is it going, and how many transmission constraints did we have, but those are all a part of that business at the current time.

Mr. Rodi stated coming up a week from today, we have a Special Meeting that will start at 10:00 a.m. and it's about one of our R&D projects. Clean Generation Energy will be making a public presentation about a very new technology that can get on the ground for New Smyrna. Now we think there's potential, but it's still an R&D project, there's still the business definition that has to be worked out, but this technology is so different that it promises to really revolutionize the industry. It's a small scale system, it's often been beneficial for distributed generation applications, and it is extremely flexible. It not only can produce electrical energy, but it can produce fuel grade fuels for vehicles. So there's just a tremendous application for this in the future. Very, very different technology and that's where cutting edge differences really are important.

Mr. Rodi stated so I wanted to convey a couple of messages, over the last several years it's been a very challenging time. We have worked our way, I think, out of many, many difficult issues. We've avoided extreme cost impacts. We're putting the system back together again. The new growth is funding itself which means that we as ratepayers don't have to fund that. And we're talking about substantial amounts of money, as much as our current debt, that's the magnitude of what we're talking about. Which means, in a few years, that's going to be very positive for our ratepayers and ourselves. So I wanted to piggyback off of this chart because it, like anything else, you either view employees as the problem or the solution, and I view them as the solution and always have. So I wanted to get that plug in, since Dan introduced himself. He added welcome.

Ms. Klinkenberg stated she would like to talk a little bit about Enquesta if the Commissioners didn't mind. I'm sure you all know that we went live July 1<sup>st</sup> on the new customer service software. It was a year and a half in the works and a lot of planning and reviewing our business processes went into it. We had a core team of very dedicated people and if you'll indulge me I'd like to list their names because they have really put everything into this, and if it wasn't for their commitment to excellence and their dedication this wouldn't have been possible. The core team members were Rhonda D'Alessio, Laurie LaFranca, Phyllis Washington, Brian Bilinski, Maurica Bixby, Danielle Wood, Jeannie Santrock, Bob Emrich, Donna Reinsmith, Connie Hodges and myself. Also through all of this process we had input from every division. In Engineering we had Randy Walter for his expertise on the new sites, Pam Duncan with A/C loans, Gregg Goldsworthy for street lights. We had water and wastewater input for things like backflow devices. We had electric for the emergency response on the life support for customers. We had Ellen Fisher, Chantel Buck, they helped with our Webconnect portion of it. H.R. had their hands in it helping us with phones. I.T., of course, for all of software and hardware support. And all of the Customer Service Reps. and the Cashiers, they hit the floor with very minimal training on Tuesday morning, they hit the floor

(4-a) Financial Status June 2008 (cont.):

running and haven't stopped since. It has been incredible, it's been teamwork like I don't think has ever happened at the U.C. before, and they all deserve a huge hand, they were great.

Mr. Rodi stated I had asked Ms. Klinkenberg to give a plug because when you convert big systems, and this is the second large system conversion, to have it go so well, and finally, eventually to have credit card payments. That's coming yet but these are big major changes and they weren't just substituting numbers, it was looking at all of the processes about how work is done and trying to make the system support what the process needs as opposed to having it drive the process, and in some cases that was true. He then stated to Ms. Klinkenberg, again, thank you very much.

Ms. Klinkenberg commented thank everybody, and added it was a lot of work.

Chairman Allen stated good to see things move well. He stated just one comment I'd like to make, in looking at the financials, I always go to your statistical comparison on your sales. Everything kind of lines up somewhat, but again as we come to those summer months, as Mr. Rodi said, with the cost of fuel, we come back to that aspect of understanding and there's that point of during the heat of the day of just conservation. A little bit of conservation on our parts to just raise the thermostat up a few degrees will make a world of difference on that peak demand and help Mr. Beyrle and his crew out there to try to meet that demand. It's so important and so often we don't think too much about it but just a few degrees makes a lot of difference and it's amazing. I'm sure everybody would appreciate it when they look at their utility bill and see that savings on their utilities at the same time, if we just put a little bit of effort into it. He then asked for any comments on the financials.

Mr. Rodi then stated I just wanted to make one point too, from a relative standpoint, like right now, you don't get a billing for 30 days. So it's hard to remember back to what was happening when you do get that bill. So these are the very expensive months for us and because there's such a shortage out on the wholesale market right now, my word is people are taking advantage of that situation more so ever than before. So please whatever you can tell your friends and neighbors, it does make a difference as difficult as that is; I realize it's not easy.

(5) Commission Counsel's Report:

Mr. Preston stated I have no report.

(6) Committee Meeting Reports

Chairman Allen then confirmed there were no committee meeting reports.

(7) Old Business

Chairman Allen confirmed there was no old business to consider.

(8) New Business

Chairman Allen also confirmed there were no new business items to consider at this time.

(9) Possible Other Business – Time for Commissioners:

Chairman Allen then asked Mr. Rodi if he wanted to begin.

Mr. Rodi stated if I may, you may recall when we were implementing the addendum to the Developer's Agreement that we used the word equitable and there was a lot of conversation back then about what that really meant. There's a subdivision named Smyrna South, which was one of the first subdivisions that were involved in the addendum. I guess a couple of months ago one of the owners had approached someone in Engineering and had asked if they could have a return on their addendum amount. At that time the question was asked of me and I said no because they have a valid PUD. You know if you're able to build then it's just not a refund opportunity because that is then carried by ratepayers.

Mr. Rodi said a couple of weeks ago we learned that there was other partners to this subdivision, that was somewhat of a surprise to us, and that partner then asked if we could consider refunding the developer agreement money. We did some research and what we found was the PUD agreement had expired, that the likelihood of the parcel being sold was probably not very good even with the infrastructure there, and this morning Counselor Preston and I met with the four partners and had very clearly said that we would be willing, out of equity, to return this because the U.C. did not spend the money on the infrastructure. The subdivision didn't move forward, unlike others that have moved forward and we spent portions of our investment on that. But we wanted them to be aware that there would be no CUP supply, no water, no sewer, those were important elements. That any of their advertising would have to change because they previously advertised the property as having paid the infrastructure fees. This particular subdivision had also an offset to the infrastructure fees because of a force main impact due to the 10<sup>th</sup> Street widening, and this Commission had given approval to offset that, and that deal goes away.

Mr. Rodi stated and we covered all of the aspects so that going forward whoever would own that parcel, buy it, would have to make a new deal with the U.C. if they wanted to develop in other than just a straight zoning application. I said that I would recommend to the Commission that we would return their money, and we're talking I think around \$156,000, so it's a significant amount of money in these times. There would be an agreement that would be signed by all the partners and that I would place that agreement, assuming that it would be completed this week, on the consent agenda for our Special Meeting coming up Monday and if any of the Commissioners chose to have it removed, you're certainly welcome to do so.

Mr. Rodi stated but I bring this to you tonight because I do think it's a sense of equity. This is the only one that we're aware of, all of the others have been developing their developments. What this does is sort of resets the clock for them. I wanted to make you aware of the meeting, what I had done, and I thought it was an important item to bring forth. So that was one of the items I wanted to talk about. He then asked if he could move on to another item. He asked if there were any questions on that item before he moved on.

Commissioner Reynolds stated I presume that redeveloping this they would have to start from scratch and therefore they don't hold us liable for any of the previous. They would start over again with Engineering, etc.

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

Mr. Rodi stated yes, it's just a clean slate. He added someone could develop, they don't have to form a PUD. I mean they could develop under the existing zoning rules but they would then still have to come to us for utility infrastructure in which case there would be a developer agreement and an addendum based upon whatever was applicable at the time. Every year we upgrade our rates and projects so we would be doing that every year, so what would be in effect then is what we would apply.

Mr. Rodi then stated he wanted to talk a little bit about net metering. That looks really pretty innocent but I think it's important because in offering this what we're actually doing is allowing self-generation on the system. And with that are a lot of complications for an AC system like we have because most of these renewable sources are DC with inverters to convert to AC, they don't have battery system back-ups. There are a lot of different issues with it but part of the structure of this is it allows someone to generate for themselves. And you notice we use renewable, we didn't use the phrase like solar, because we're trying to encourage a distributed generation approach. But then when it got to the payout aspects because there's some who might, for example, want to have a biomass type facility to generate, and so you're able then to generate around the clock. So in order to honor UC Resolution 28-78 and the Charter, the pay outs would come only once a year and/or upon termination of the account. And depending upon the size of the unit, then we are withdrawing the incentive for profit out of that because we're basically a cost operation and we can't, for example, include our six percent payment to the City and the R&R that's required under Resolution 28-78 into someone's renewable generation portfolio.

Mr. Rodi stated so what would happen month by month is that if they produce more onto the system than what they used, that month would get a credit to be applied to the next month and there wouldn't be any true up until one time each year. And then in that case, depending upon the size of the unit, because you saw in that some were a 2 MW size, that's pretty big for our system. What we're trying to do is honor what the state's trying to do, encourage renewable generation and parallel that, but within the parameters of our best support for our own customer base. So this provides essentially an offset, for example the peak demands, that we would be seeing this time of the year, if they're there then that helps to keep us out of the peak. So I wanted to talk about that a little bit because it's very complicated.

Mr. Rodi stated I wrote it as an interim principally because once this step starts there are a lot of other steps to go with it, and we've talked about this before, and one of them is revenue decoupling. If everyone put on their own generation, and were allowed to have up to 80% just under this net generation, and I use this just as a talking point, then what happens is you still have to keep all the system up - the wires, having the right capacity, all of the flows, in case they don't have it. So this has been recognized finally at the state level where the PSC is having public hearings on revenue decoupling, which essentially says okay, we're going to disconnect your rate structure from asset base and base it upon what you need to operate the system. The discussions are just beginning, and most of this has occurred with natural gas. You know when they deregulated, some states did it at the retail level and others didn't. So revenue decoupling is a very complex and contentious issue. All of this gets connected to what started off as a very important recognition that we really need to get away from the control of foreign oil and our dependency on it and the value of free fuel, to where it's headed now. But I thought it important to talk about that a little bit so that the structure of it is maybe a little bit clearer.

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

Commissioner Reynolds requested to ask a question, and then added two questions. One, have we developed or are we considering the engineering standards that are necessary for someone. In other words, I go out and buy this whiz bang system, it's examined, and you say well it doesn't meet certain criteria. Are we working on that aspect?

Mr. Rodi stated yes, that's a part of the requirement. There are a number of IEEE and other standards that apply, not only for renewable, whether it's an inverter based system or a straight AC system. So that's all a part of this and there must be approval. We have also left the option with ourselves that if it causes some unforeseen problem, we're going to disconnect it, or if it has an unforeseen financial consequence. I'll give you an example of the entrepreneurs that are out there. We had a request about maybe two months ago, I'm losing track of time frame, where someone wanted to know if we would lease space on our poles. We said no, if you're a telecom company we're obligated to provide certain space, but not to anyone. What that was all about was this is a solar company, and they figured if they could lease space on poles, and then put little small solar arrays on poles, you could imagine the fun the linemen would have with this you know. And then start to connect it into the grid, and where do you put the inverters, and it's just my gosh, but what they had in mind was that if it's PURPA based, they're allowed, we have to let them. They take use of our own assets, we get minimal compensation, they're selling us power at this high elevated amount and it's turned into a money making machine for them. So there are others who have very different views of how to use this approach, like anyone else does, and then obviously we're cognizant of these things. But you know, you take a well intentioned thing and it sort of cascades, and it's like any other thing. So yes, the standards are there, engineers have the sign off rights, and that's important from the standpoint of the system's performance too.

Commissioner Reynolds stated my second question, as you described net metering and the examples out there, it seems to me that you sort of went from me putting a solar system on my current, meeting your engineering and IEEE stuff, versus some guy that buys some property out there and sticks a 5 MW generator on it; you're including all of that.

Mr. Rodi stated no, I'm not, that's where they want to go. There's some folks, and that's why the PURPA provision was very important, up to 80 MW's you can have that kind of person come in and say well under PURPA you must allow me access and I'm going to put this on your system, etc. And the motive is for profit, and that's why we limited the net metering to 80% of the gross load capability of that facility because what we're trying to do is not allow for that. It's solely intended for self generation for that site. The next step, once you have net metering is we're going to have to push for well, why can't I put a 5 MW plant out there, you need energy, I want money, I can do it cheaper than you can do it, and all those other arguments. But what that does is it gives up the consequence to the ratepayer, we end up carrying the risk, they're free. So that's why the first draft that you saw on this had onsite generation for those people if they had a 5 MW load and they want to put a 10 MW machine. Five MW for the customer, 5 MW they're going to sell out on the grid and use your system, well, I don't think so. Those are things that we can negotiate with a private entity, maybe just like the R&D projects that we have, but then that's a give and take. So I wanted, one, by having the first draft that included all the big stuff. Okay, this interim brings it back to the renewable category, the 80% rule, you know being able to work with the system and take it in steps, we get the energy credits. There's going to be a lot more evolution on this, I think Commissioner Zeller had the opportunity to hear some of the things going on in the state of Florida right now and

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

it's pretty upside down. It's very challenging, not only from a power demand standpoint but where the future is. So, that's where we are.

Commissioner Reynolds stated I guess in one respect the downturn in home construction has really been a blessing in disguise for utilities around the state.

Mr. Rodi stated at the moment yes, because what that's done is it's given a little bit of breathing room for trying to find new capacity and putting in efficiency measures. That's why we're pushing as hard as we are on efficiency. And the home energy audits don't sound like much but they're having a pretty dramatic effect and what that does is that takes off the peak period and the customer wins and we win, so those are good deals. So it's somewhat of a reprieve but everything is really being stressed right now.

Chairman Allen stated one of the things as far as the interim net metering rate that goes in, that's going to be an ever evolving piece of work over the next five years anyway I think.

Mr. Rodi stated right.

Chairman Allen stated there are opportunities for it to be very beneficial as far as for the whole community and for whoever is setting it up.

Mr. Rodi stated no, it's wonderful, and it means dramatic changes for how the system operates and also means new equipment that we'll have to get on the system once there's enough of this out there; so we're preparing for that. Again, within the confines of that net metering rider I have asked that staff have the authority to deal with the technical changes that are required as we discover things and the definition of what's really a renewable, not rate, you know how much you pay for the application, not any of that, it's more the technical side of this. Mr. White just grimaces when I say that and added jokingly, he likes that.

Chairman Allen stated probably one of the biggest things that concerns me is when we look at a 2 MW unit, is the person that is trying to develop something like that even on a commercial site, it's a whole lot more complex than even what they realize. Because they're not sitting on a transmission line, they're sitting on a distribution line, so the relaying complexity to protect their equipment and even if a line relays, then that piece of equipment has to isolate the facility. So it can be very complex and it can be very expensive to set it up.

Mr. Rodi commented especially when the relaying doesn't work. He then stated if I may I wanted to talk a little bit more about the R&D project. I think it's important to talk about it because the way we have followed the lead of the Commission is that we as the U.C. aren't intending to invest our dollars up front. This is a sort of, I'm from Missouri show me, and what we're trying to do is pay for product that we receive and make sure the quality of the product is acceptable. I think that's important for the consideration of starting with something and then being able to transition to ownership. I don't know how many of you have dealt with start-ups before but it's sort of a challenging time. They never have enough in the way of investor money, they don't have enough time, and they may have a wonderful idea and a product, and it's usually tied to just an absolutely brilliant person who has this idea and has gotten it to this form of development. What you hope for

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

is that the process is repeatable enough that the idea can become institutionalized and then it grows, and then usually somebody tries to buy it up; that's sort of the cycle with these. But part of what we're trying to do is have an option with this so that we presume it's going to work, it will move forward, and that we then can have an option because we're also working with them for the development of this. So there are a lot of intellectual property right ideas that I know I've contributed already to the process, not only with this R&D but with others. And I think that becomes important because one of our motivations is to try to land higher tech positions here. I know that Dan and others, they deal with very high tech employees of other companies and those become very important in times like we're facing right now. So that high school students can see they might have an opportunity to have a position with the U.C. or be part of this in the future. So it's a very slow process, a very tedious one, can get derailed pretty easily, but I thought it important enough to talk about it at this stage. Noting what's happening in the state and also what opportunities it may present for us, so that's why I'm doing it at this time. Mr. Rodi concluded by saying those were the comments he wanted to add, and thanked the Chairman and Commissioners for the time.

Commission Zeller then stated the meeting (FMPA/FMEA Annual Conference) down in Ft. Myers was very informative. I took from there three basic problems that loomed at me, population explosion, transmission lines, and power plants. We have too many people moving in, not enough transmission lines to put the electricity out, and not enough power plants producing. He stated I mean we could see ourselves in rotating brown outs. The City of Tallahassee is taking down one big unit that's 35 years old, decommissioning it, and as these power plants age they're going to come off line. The only thing that was talked about was five new nuclear plants which are 14 to 18 years away and the baby boomers will hit us before then. They had one speaker that said we're going to have, in 2030, 400 million people in the United States and 40% of them are going to be in the six southeastern states. We're it and we have a very unique problem coming up. Where do we put them, how do we service them, and can we give them power. So we're behind the eight ball now and I'm glad this, I'm going to call it an experimental power station, is coming into our sights so maybe we can get going doing something. I know it's frustrating for Mr. Rodi to sit here and everybody complain about not enough power and we don't have the finances to do it alone, but with partnering I think we can do it and I think he's on the right track of getting a solution, partial solution to it.

Commissioner Reynolds then stated bear with me, I have five or six items here, I'll try to be brief. I also would like to thank all of the Utilities Commission workers, what Ms. Klinkenberg said about how you work together is just wonderful. I'm going to recommend that we continue to elevate that cooperation among ourselves, among City employees, see if we can do something better with less people, cheaper, or with people producing more in terms of real quality products and work. I also had an opportunity to speak with Mr. Rodi about a performance incentive program that he is working hard to see if he can develop, and there's a lot of complex issues there. But for example, if we had that in place now, for people working on Ms. Klinkenberg's project that she was in charge of, would probably be getting some cash bonuses for that good work. So the metering of performance is going to be really important and as you know when things are bad, and the economy's bad, the money's not there, in fact, crisis like this really promotes incentives and promotes ideas. So there's some good parts about that, so I hope you all look hard at that incentive program because I think it's the way that modern companies go. You know the point of providing

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

for everybody the same way, you know so much a year, so much of this, really doesn't reward the people that are willing to work hard. That includes Union people as well as non-Union people, it's all of us together in a group. So keep that in mind and then if you have some good ideas I'm sure Mr. Rodi would be appreciative of hearing them. He stated I think also when we talk about that, remember we are part of the City and we have to cooperate, and they have to cooperate with us, coming up with construction and cost efficient systems. I really want that to be from the Commissioners here, Mr. Rodi, and everybody from the top, and I think that we need to work hard on that.

Commissioner Reynolds stated I talked to Mr. Rodi and it's really sort of frightening when you think that two newspapers that are serving our community have basically closed up. And the news now, I can give you an example at the golf course, the rumors and innuendos have taken place with them trying to struggle to figure out how to pay for the golf course, has just got everybody up in arms because there's no way of disseminating information. I've suggested that Mr. Rodi consider hiring a person like Melanie, a reporter that provide UP wires and announcements about what we're doing here and how the public can help. I hope that we march forward on that and I think that, in the long run, will help us. Like the escalating energy costs, explaining that. Also I think the City Commission has a good plan of when they record their meetings here, they put it on their website. When I was in North Carolina I wished that we had it here because I at least listened to three hours of the City, but it was interesting and you really get the innuendos and really what people are trying to say pretty well there.

Commissioner Reynolds stated I'm wondering if we don't need to think about putting a RFP out and seeing if there are other audit facilities and companies out there. When I was in business we constantly changed our auditors about every three years in order to ensure that we were working right. I just want to bring that up for everyone's consideration, I think we need to do something there. Whether the other person that's currently doing it, the company that's doing it that's fine, but it sort of one, works to bring costs down, and two, there may be some firms out there or not, we'll find that out.

Commissioner Diesen stated the U.C. went out for an RFP.

Ms. Klinkenberg and Mr. Rodi affirmed that statement.

Commissioner Reynolds stated I know, but I'm saying that was last year, right?

Ms. Klinkenberg stated no two years ago, this is our third year of the contract we have with them.

Commissioner Reynolds stated well again, I think that we need to consider that.

Commissioner Reynolds stated the last thing, or second to the last thing, a safety net for customers who may find this escalation of rates, and they have no recourse but for us to shut off the power. I wonder if we couldn't form some voluntary capability here where some of us that wish to contribute to that, for those justifiable cases, you or your committee could determine whether they need that or not.

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

Mr. Rodi stated yes, I think we have a current program where people can make contributions.

Ms. Klinkenberg stated yes, “We Care”.

Commissioner Reynolds stated do you.

Ms. Klinkenberg restated “We Care”, it’s on your bill. You can check a box and you can donate any amount you want, and I believe the funds go to Volusia County.

Mr. Rodi interjected yes.

Ms. Klinkenberg restated the funds go to Volusia County and then they’re given to citizens.

Mr. Rodi stated they administer from there.

Commissioner Reynolds then stated he apologizes for not reading that. He stated the last thing he had was I think we’re sort of in the midst of our five and ten year plans to get things done and move along very smartly and we have a great start. I would like for the Commission to consider Mr. Rodi’s contract for a period of time so that we are sure this work is completed. He then concluded by saying that’s all I have to say Mr. Chairman.

Commissioner Diesen stated I’ll just pick right up on that and I would like the Commission to appoint me to negotiate with Mr. Rodi and bring back to you what we think would be a good contract. We need to keep him here, all the things that we have just talked about that have happened, what this means to the City. We have a strategic plan in place, you wouldn’t even be able to be talking about performance incentive plans if you didn’t have a strategic plan so you could get the metrics; that all came about because of Bob Rodi. The money’s that’s been saved on the developer’s agreement, I mean I could go on all night just telling you what this man’s done since he’s been here. Because we won’t all negotiate, I did negotiate last time, and I’d like to have that opportunity again if I could.

Commissioner Reynolds asked if we can make a motion on that.

Mr. Preston indicated yes.

Commissioner Reynolds stated I will make a motion that we permit Commissioner Diesen to negotiate with Mr. Rodi. Commissioner Zeller seconded the motion and it passed unanimously on a roll call vote.

Chairman Allen stated to Commissioner Diesen, you’ve got the task.

Commissioner Diesen stated thank you. She stated I’ve got a couple of other things, that was at the top of my list. I have a couple of other things too just in passing. I would like to thank the Union for being here, the word Union is not a pejorative term in my vocabulary, and I would like to thank you for being here and hope that we will have a good relationship with you continuing throughout the years.

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

Commissioner Diesen stated I also would like to thank Mr. Lemoine, he's been so gracious. I've had internet problems, wireless internet problems, and have probably caused him more headaches, but I want to thank him and his department. You've been most gracious and you've taken care of everything, and I think that any good deed should not go unnoticed so I wanted to make that public.

Commissioner Diesen stated I wanted to say one other thing, we were talking about Port Orange and what's happened when they renegotiated their deal with Florida Power & Light. They had to drop down from 6% to 5.9%. They also gave up any opportunity for 30 years to buy out that contract and have their own utility. So there were a couple of things that I thought were important in that and also, again to reiterate, what comes to the City from having our own utility is the 6% and the 9%. That total amount is a great deal and I think that we make a wonderful contribution to the community and you always hear people say well we ought to sell to FP&L; well, not so much, I don't think so. And if you look at it really hard, and on top of that you add all the things that we've just seen, the things that are happening internally, and the savings that we're seeing that are actually cut backs, and people are being very frugal, that's most appreciated. She stated and I just wanted to reiterate those points.

Chairman Allen stated thank you, and I just want to express my appreciation for the employees. In trying times, and especially a lot of times in the governmental side when you're operating on a tax base, folks look at salaries and look at cutting employment. But we have to understand the Utilities Commission is service based and as we strive to meet that service, often and continuing as in the past, we're probably going to hear and try to compare employees and it's not comparing apples with apples and oranges with oranges. One of the things I commend our employees with as they serve and as they're proficient they have to meet a standard. We have quality employees that have many times specialized education to be able to perform the duties. It's a hard thing to take and try to compare employees across between the Utilities Commission and the City Commission. And I have some real concerns a lot of times when you discuss with individuals and they're trying to label or compare and rate people. But I constantly say when you look at employees, you strive to do the very best you can for them in those period of times and provide. I think the incentive plan, to rewarding individuals looking at productivity going forward, is a real way to do it. And then also when you look at those employees you do comparatively for the particular task, for particular utility type, and even size. That's where the comparisons need to be done as we look and I believe anybody that will sit down and take an honest look of utilities our size, the voltage levels or even the different resources that we have and where individuals work, will find that we're very competitively right in the mid-range and some of the rates that individuals are receiving may be a little lower. But then there also you need to take into consideration some of the benefit and also the community. I think we have some grand employees and I appreciate them and the work that they do. As I move about the City quite a bit, I notice a lot of storm hardening and getting ready in preparation and that's something that didn't happen in the past and it's good to see that coming about and as everybody makes ready, because we never know when we may have a storm.

Commissioner Diesen stated we're not going to have a storm this year. I just put in all hurricane impact windows and doors, trust me.

Chairman Allen commented I appreciate that.

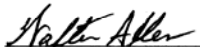
(9) Possible Other Business – Time for Commissioners (cont.):

Chairman Allen stated okay, if there are no other comments and no other business, do we have a motion to adjourn.

There being no further business to come before the Commission, Commissioner Diesen made a motion to adjourn and Commissioner Reynolds seconded the motion. Chairman Allen closed the regular U.C. meeting at 6:57 p.m.

APPROVED:

ATTEST:

  
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CHAIRMAN

  
\_\_\_\_\_  
SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their August 21, 2008 meeting.