

MINUTES OF FINAL PUBLIC HEARING AND REORGANIZATIONAL/ REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, SEPTEMBER 20, 2010, AT 6:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

Prior to opening the final public hearing, Chairman Allen proceeded with an invocation and Commissioner Diesen led the Pledge of Allegiance immediately following.

(1) Final Public Hearing RE: Revisions to the Utilities Commission's Potable Water Irrigation/Supplemental Services Rate Schedule:

Chairman Allen called the final public hearing of the Utilities Commission to order, to publicly discuss and consider revisions to the Utilities Commission potable water irrigation/supplemental services rate schedule. He then requested for a roll call to be taken and all of the Commissioners were in attendance as follows:

Chairman Walter Allen
Commissioner Jeanne K. Diesen
Commissioner William E. Hall
Commissioner William H. Reynolds
Commissioner Oscar Zeller

Others in attendance were as follows: R. Mitchum, General Manager/ CEO; T. Beyrle, Director of System Ops. & Generation; J. White, Director of Engineering; D. Hoover, Director of Water Resources; R. Lemoine, Director of I.T; L. Klinkenberg, Director of Finance; P. Di Chiara, Director of H.R.; M. Rodriguez, Director of Electric Ops.; B. Bilinski, Controller/Budget Supervisor; M. Lynch, Materials Manager; E. Fisher, Public Information Manager; D. Wood, Customer Service Manager; D. Wood, Customer Service Supervisor; D. Zorge, Customer Service Supervisor; B. Keehn, Administrative Support Specialist; D. Mallegol; Senior Network Analyst; B. Pitcher, Payroll & Benefits Specialist; D. Simmons, Exec. Adm. Offices Mgr./Recording Secretary; W. Preston, U.C. Legal Counsel; City Commissioner Reiker; Bob Tolley, Grey Wilson, Mark Rakowski, David Swentor, and approximately six unidentified members of the public.

Chairman Allen then requested Mr. Preston to read the notice of final public hearing and proposed resolution, by title only.

Mr. Preston stated this final public hearing was authorized by the Utilities Commission during their July 19, 2010, Regular U.C. Meeting, and notices appeared in the Orlando Sentinel 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 part of the minutes. He stated this is a resolution containing the water rate schedules for all classes of customers utilizing the water system of the Utilities Commission, City of New Smyrna Beach, Florida, and increasing the potable water irrigation/supplemental rates schedule,

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(1) Preliminary Public Hearing RE: Revisions to the Utilities Commission's Potable Water Irrigation/Supplemental Services Rate Schedule (cont.):

rescinding Resolution 8-06, and all resolutions or portions thereof in conflict herewith, and providing for an effective date. (Notice requirements in Florida Statute Chapter 180.136 were complied with via notice statements on some August utility billings, a mass mailing letter, and an insert in the September utility billing. All customers were notified of this proposed revision/increase and final public hearing date at least 10 days in advance.)

Chairman Allen stated sorry for the technical delay, but as we've opened up this meeting to the public for any comments, for or opposed to the revisions to the Utilities Commission's potable water/irrigation supplemental services rate schedule. He stated anybody that would like to address this please step to the microphone and state your name and address.

A gentleman addressed the Commission and stated yes, my name is Grey Wilson. I live at 6112 South Atlantic. He stated was this meeting, I just got a letter in our insert the last billing cycle saying that there was a public meeting on this subject on the August 16, 2010, is that right, and that one was noticed as well.

Chairman Allen stated yes, that is correct.

Mr. Wilson stated I missed that one so I just want to comment, the way that I was reading the information that was directed to you folks from the St. Johns Management District was two things. They want to motivate this area to reclaimed water, and secondly to reduce the folks that are using potable water for irrigation, and I guess the motivation would be to raise the rates. I want to take notice that if you're trying to motivate an irrigation reduction, I'm not sure why you're raising the meter rate. If I am using 2,000 gallons a month and I reduce down to a zero, now I'm getting penalized. I think a better way would be to lower the meter rate on the irrigation and to raise, substantially, your first tiers of usage, that way you are motivated to go to xeriscape, and every now and then you use irrigation down in our area. I don't know how you're going to get your reclaimed water down to Bethune, I don't know if that's in the plan to get it down to us. So what's you're doing to the folks down in our area is that you're not giving us much choice. I mean it's really not, to dig a well, I had a discussion with Commissioner Reynolds before, to dig a well to use it for irrigation, I think for the number of homes that are down there, I don't know how well that's going to work. I don't think that's a real good solution.

Mr. Wilson stated I guess my other question is since you are raising fees coming in for this, are you putting them directly into a solution, what is the purpose of raising the rates to motivate people not to use the water and irrigation, and you're supposed to bringing down the reclaimed water to different sites. Are you taking this fund, these extra funds that you're raising and putting them towards a solution, Mr. Chairman.

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(1) Preliminary Public Hearing RE: Revisions to the Utilities Commission's Potable Water Irrigation/Supplemental Services Rate Schedule (cont.):

Chairman Allen stated I leave that for staff.

Mr. Mitchum stated yes, it's not being put directly towards that, it is to reduce usage of it, like you said from St. Johns wanting us to get away from using potable water for irrigation. He added so in the future the main goal is to completely dispose of the irrigation meters from the potable source.

Mr. Wilson stated okay, well I guess I read that the overall, the top direction to you folks from St. John's Water Management District was to bring the reclaimed water in kind of a secondary, okay, you can do this kind of instead or in addition to, would be to raise the rates. That doesn't address what the St. John's Water Management District is telling this board to do, and I would feel a lot better if I saw an identifiable project, something that's identified, that you were taking these extra funds and putting it towards a solution that the St. John's Water Management District has directed you to do. I'm not seeing that, I would like to get the water down towards our area, at least in other areas of your district, and I'm just seeing it going into other funds and other solutions, it's not being directed in what they are telling you to do; that's kind of the exception that I take.

Mr. Wilson stated and two things I'd like to see, if I'm motivated to go down to zero, and I have months, I have spent money on xeriscaping, I've got a 50 ft. by 100 ft. lot, a lot of months I'm going down to zero, some months I'm up at 2,000 gallons, sometimes I've got to put a little water in my pool, and I have to use that spigot. But if I'm going down to zero, I don't understand why the direction is that you're raising the meter rate, because I think you should be, if you want to motivate people, motivate them by increasing substantially the rate on the first couple of tiers, and then reduce the basic meter rate a lot. I think you're going in the wrong direction, I don't think it's a solution, and I don't think you're putting the money towards where it needs to go once you get the extra money. I think that you need to work towards the solution, so I take an exception to it, thank you.

Chairman Allen thanked Mr. Wilson and then confirmed there were no further comments or public participation regarding revisions to the U.C.'s potable water irrigation/supplemental services rate schedule. Chairman Allen then closed this final public hearing; the hearing closed at 6:12 p.m.

(I) Reorganizational Matters

Chairman Allen then opened the regular U.C. meeting with a roll call. The same persons were in attendance as shown previously above for the final public hearing.

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(I-a) Election of Officers:

Chairman Allen stated okay our first item we have to undertake is the reorganization, election of officers for this next coming year.

Commissioner Diesen stated Mr. Chairman, given that we've had a number of changes this year, and we're, I think, moving in a forward and a good direction, I would recommend that we stay with the same slate that we have had this past year.

Commissioner Zeller seconded that motion.

Commissioner Diesen's motion then passed unanimously on a roll call vote. The current slate of officers for the U.C. were, and are now, for the upcoming fiscal year as follows: Chairman Walter Allen, Vice Chairman William Hall, Secretary- Treasurer William Reynolds, Assistant Secretary-Treasurer Oscar Zeller and Commissioner Jeanne Diesen.

Regular U.C. Meeting :

(1) Agenda Changes, Additions and Deletions:

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

Mr. Mitchum stated no.

(2) Approval of Consent Items:

Chairman Allen then stated item 2., approval of the consent items, there are nine items, and asked do we have a motion to approve.

Commissioner Reynolds then made a motion to approve the consent items: 2-a. Minutes of Regular U.C. Meeting held 8-17-10, approve as submitted; item 2-c. Developers Agreement and Addendum – Heath's Natural Foods, Inc., a motion to approve the Developer's Agreement and Addendum for Heath's Natural Foods, Inc. and authorize the General Manager/CEO to execute the documents; item 2-d. Bid No. 08-10 – Water and Wastewater Chemicals, a motion to award P.O. No. 9345 for \$56,425 to Carmeuse Lime & Stone, P.O. No. 9348 for \$338,550 to Carmeuse Lime & Stone, P.O. No. 9340 for \$62,850 to Jones Chemicals, P.O. No. 9347 for \$37,710 to Jones Chemicals, P.O. No. 9341 for \$16,450 to Allied Universal Corp., P.O. No. 9346 for \$23,400 to Airgas Specialty Products, P.O. Box No. 9343 for \$38,700 to Thatcher Chemical of Florida, P.O. No. 9377 for \$7,197 to Thatcher Chemical of Florida and P.O. No 9344 for \$4,250 to Odyssey Manufacturing Co; for a total amount awarded of \$585,532.00 under ITB 08-10 for our annual supply of water and waste water chemicals; item 2-e. Bid No. 10-10 – Four (4) Galvanized Radiators for Substation Transformer – Furnish and Install, a motion to award Purchase Order No. 9388, in the total amount of \$49,700.00 to CE Power Solutions, the low responsive and responsible bidder to furnish and install (4) galvanized

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

radiators for the transformer at the Airport Substation; item 2-f. Property/Casualty Insurance for 2010-2011, a motion to award the property/casualty insurance for 2010-2011 to Florida League of Cities in the amount of \$160,368.38 and to Arthur J. Gallagher Risk Management Services, Inc. in the amount of \$ 167,966.00 for a total amount of \$328,334.38; item 2-g. Renewal of Interlocal Agreements for Potable Water and Reclaimed Water Interconnections – City of Port Orange, a motion to approve the extension of the Interlocal Agreements for Potable Water and Reclaimed Water with the City of Port Orange for an additional four years with an expiration date of September 9, 2014, and authorize the Director of Engineering to so notify the City of Port Orange of this approved extension by letter; item 2-h. 30” Force Main Aerial Crossing Near Otter Boulevard- Structural Analysis by ECT, No action; information /explanation only regarding the associated and executed Task Authorization Form for a structural analysis of a 30” force main aerial crossing; item 2-i. Utilities Cost Agreement and Developer’s Agreement and Addendum – HIHO – New Smyrna, LLC, a motion to approve the Developer’s Agreement and Addendum and Utilities Cost Agreement for HIHO – New Smyrna, LLC as submitted and authorize the General Manager/CEO to execute these documents. Commissioner Hall seconded this motion and it passed unanimously on a roll call vote.

(3-a) Request to Appear – Robert Tolley dba Green Coast Energy Inc. – Alternative Energy Project:

Chairman Allen then opened the floor for public participation. He stated under this item this is your opportunity to participate before the Utilities Commission this evening and added you’ll have to state your name and address as you come to the podium. He then stated we have one person that requested appearing and that’s Robert Tolley; if you’ll step up.

Mr. Tolley addressed the Commission and stated Bob Tolley, 803 Fairway Drive. He then stated welcome back Commissioner Zeller and Commissioner Diesen, and commented they tell me I’ve got nine lives, you put me to shame. He stated a lot of things have happened in the last couple of weeks since I came back here and discussed the, shall we refer to the spinach program. I have to keep referring to it that way because it’s the way we’ve got to do it. We’ve met with several equipment manufactures that want to be involved with the program. We’ve talked to several people who have substantial holdings property wise, right on the border of the city and of course going out to the County. So that acreage that I originally discussed with you is in fact available, but I knew that the last time, or I wouldn’t have come and presented it to you.

Mr. Tolley stated to get approximately 25 MW out of this spinach program, we need approximately 1,500 acres of land, which I’m pretty sure you all know is out there. So we’ve got several folks that we’ll commit to the program, they’ll even do the harvesting, because it’s a project for them, it will put money in their pockets rather than their

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(3-a) Request to Appear – Robert Tolley dba Green Coast Energy Inc. – Alternative Energy Project (cont.):

property just sitting there as they are now. So with the equipment manufacturers that showed an interest, with the land folks that have showed an interest, and the supplemental equipment manufacturers that we will require to do this, because you have to harvest the spinach, for a lack of a better word. I know I keep going back to the spinach, but we have to harvest it, and then it has to be dried, processed, and then brought to the site, where ever that may be. Now I've discussed with you previously, 142 acres of the U.C.'s 800 acres could work there, we could go more if you folks decided to do that, that's up to staff, and of course this Commission. So at the end of the day I'm not sure what face it will have, I mean we can put the plant down the road, just pipe in the juice or we can put it out on the 800 acres, so there are numerous options that we have.

Mr. Tolley stated the other primary reason for me to come back to you tonight, staff wanted me to come back to them but before I waste anymore of staff's time, my time, your time, we've come to that fork in the road, and it's money time. And as you know nothing can keep going without the money, so what I am asking on this project is I'm requesting simply a Letter of Interest (LOI), from the Utilities Commission. In fact ,the Utilities interest and to continue a dialogue on this opportunity. If we get to that point of course, as counsel will tell you, we then can go further in with a Memorandum of Understanding (MOU). But right now I've come to that fork where I need to get everybody cranked up on the financial side, because without that we're all just sitting here spinning our wheels, listen to me talk to you.

Mr. Tolley stated in addition to that, about five years ago, I came before you in this room and we talked about the title program, and I think as well, as most of you know, that there's an opportunity here, even beyond solar, for us to get all the power requirements that we need, and some day that Volusia County needs. The holdup has been somebody willing to step up to the plate and say I've got a turbine I'm willing to sell you, I got a turbine that I'll be responsible for, I'll warrant, I'll insure it. Well, we've got several of those now, this year has really bought a break now in that technology, so the turbines have now become somewhat available. So I've come here also now to say, even though I haven't discussed it with Mr. Mitchum or staff, I want to immediately jump in there and say well, we're going to do an LOI on this side. We've discussed the tidal program, I think at length in the last five years, now I think it's time, let's see who's going to put the money up, let's see if the three or four million's there. I don't think it's going to be that much eventually but it's going to be a whole bunch of figures, and in this economy, there are some folks that will do it, but of course I have to go back and say, is the Utilities Commission interested, do they want to keep moving forward in discussions with this. So I'm looking for two separate LOI's from you tonight, to keep these two initiatives going, so that we can make it more feasible to bring them here. He then stated I will wait for comments or questions.

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(3-a) Request to Appear – Robert Tolley dba Green Coast Energy Inc. – Alternative Energy Project (cont.):

Chairman Allen stated the first thing I'd like to say, you need to get with staff and Mr. Mitchum so we can have a good understanding on this end from what the total concept of the project is, that's where I'm coming from. He then asked if there were any other comments.

Mr. Mitchum commented we were waiting for some information from Mr. Tolley that we requested.

Mr., Tolley stated that's what I'm bringing before you tonight, as much as I can, I mean I can meet with staff independently, I can also meet with you all independently. I wish I could give you a packet of information, even though we have a confidentiality signed, you know how the rules are. If I put it on the table everybody can make a copy, so I'm trying to protect it as much as I can. As far as the meeting with staff, I think we discussed anywhere from 2.5 MW to 25 MW's on the spinach program, if I remember when I met with Mr. White and Mr. Beyrle. That's all there, those variables as I mentioned have already been discussed the last couple of months, but again I don't want to come back to them, or to yourself, or to this Commission, without knowing the money's there. Without the money what am I doing, what are we doing, I mean staff and I can sit down there in the conference room and talk about this thing as long as you want us to talk about it, at the end of the day the money has to be on the table or we can't make a go of it. So I'd like you to reconsider that answer for a second, because I'll meet with them if you want, but they're going to tell me to come back before you again at the next meeting and say, what are we going to do. I've got to go after the funding, yes sir.

Commissioner Zeller commented the chicken or the egg.

Mr. Tolley answered that's where we're at.

Commissioner Zeller stated so you're going to grow your spinach, you're going to dry it, and it's going to be fuel. And then we're going to sell it, or buy it, but we don't have a generating of bio-fuel, generating plant yet, so.

Mr. Tolley stated you're not going to buy it, at the end of the day the way this is laid out, just like the tidal program or any other program, we're going to come to you and we're going to say, we, whoever that we is, is going to have X amount of MW available to you, Anywhere between 2.5 MW and 25 MW's, now that's on the spinach program, on the tidal, the cut off was 25 MW, on Mr. Rodi's program.

Mr. Mitchum stated I'm not sure I'd have to check.

Mr. Tolley stated I think, with that I would like to ask the Commission to possibly think about 50 MW. He stated this is one of those issues where larger is not always better. By

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(3-a) Request to Appear – Robert Tolley dba Green Coast Energy Inc. – Alternative Energy Project (cont.):

that I mean if we're going to start at 25 MW's and it's going to cost us two or three million dollars, not us, the investors, and we then want to double it, because it works so well, you're not going to get that second MW's for the same amount of money. So what you try to do up front, is you try to implement like I am with the spinach program. The U.C. asked for 2.5 MW or we discussed 2.5 MW, but it will cost me just as much money to put a 2.5 MW unit out there as it will 25 MW at the end of the day. He asked are you with me, you know where I'm coming from, more so with the tidal. He stated at the end of the day when all this is factored in, the company comes to staff, comes to the Commission and says look, we've met with this company, this company professes to sell us electricity over a period of how many years, at whatever rate per kWh hour. Then the Utilities makes a decision, do they want to do a deal at that price which is already been negotiated with staff and counsel, that's about the extent of it. The U.C. doesn't put any money equity into it, all you're doing is buying the final product at a given guaranteed rate by contract, am I with, Mr. Mitchum isn't that where we're at. So I hope that answers your question, whoever it may be, me or anybody else, that's the way it's supposed to be.

Commissioner Reynolds stated Mr. Tolley, I would be interested in either of those programs, if it would come up similar to what we had with Horizon and others where we have a presentation, they have funding or approval, or approval of funding, but they have a patented process to do with this with, so that we can get our fingers around the specifics of that. And I think if you had a plan in writing with, here's this company that's going to do X, Y, & Z, and then we'll go out for the funding. But we would like from you a Letter of Interest so I can go to whoever the investor might be to say their intent in this, but when I think about a 25 MW plant and it's going to require three or four million dollars to bring that on board, I'm thinking as an investor, I'm going to have to sell electricity many, many years to recoup my initial investment.

Mr. Tolley stated 20, 25, maybe more. He added you won't get a contract today sir, without at least a 20 year contract with a partner.

Commissioner Reynolds stated well, I'm just saying, I think we need more substance of detail in some formal plan so that we could be in the process I assume of creating a MOU, as we've done with a couple of others, so that we can get on with it. I'm enthusiastic about the process, but we need to have something more formal, you know, to talk about.

Mr. Tolley stated I go back to Commissioner Zeller's chicken before the egg, that's exactly where we're stuck. I hear you loud and clear, I don't have a problem sitting down, going over any of the particulars with any of the program with you. The problem that I have is putting together a cohesive package and laying it all on your desk, that's where we run into a hassle because even the investors are going to want to keep a

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(3-a) Request to Appear – Robert Tolley dba Green Coast Energy Inc. – Alternative Energy Project (cont.):

confidentiality. As counsel will tell you, we do have a confidentiality in hand, but it only goes so far and there's no patented technology in this, there's no protection other than what we've been working with the Utilities the last five years. Believe me, I'm not trying to be argumentative, I'm just trying to work this out.

Commissioner Diesen stated I think we might be more comfortable if you went through this process in greater detail with staff and then staff came back with a recommendation to the Commission on this.

Mr. Tolley stated is that what you want.

Commissioner Diesen added because all I was aware of is this was a request to appear, it was not an action item. And I think that maybe where we're all coming from, we want to know more, and so in order to protect you, probably the process should work through staff, with staff coming back with a recommendation.

Mr. Tolley stated and I'll work with both programs, not just the water, I can do both, I mean we can walk and chew gum at the same time.

Commissioner Diesen stated whatever four, five, bring them on.

Commissioner Hall stated I agree with my colleagues up here, but I have a question Mr. Tolley. If this does not have a patent on it, what keeps us from going out and talking to others who might underbid you.

Mr. Tolley answered attorneys.

Commissioner Hall stated well, I love attorneys, and I see Mr. Storch back there, but seriously.

Mr. Tolley stated the RFP was put out by the Utilities back in 2007, we responded to the Utilities, I think with some other folks, regarding tidal, biomass, I don't remember all at the time, 2007 is like a blur now. So we were the first ones to respond, now if you want to go and invite others you're going to have to put out another RFQ. So, is there any protection, that's why I'm sitting up here with empty hands, Gimbel's does not tell Macy's how to play the game.

Commissioner Hall stated well, it looks to me like you're going to have to flip a coin and decide what you're going to do.

Mr. Tolley stated well, that's why I have to do this a certain way.

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(3-a) Request to Appear – Robert Tolley dba Green Coast Energy Inc. – Alternative Energy Project (cont.):

Commissioner Hall stated we're not in a position right now to make an educated opinion for you, I mean I want to hear more about it.

Commissioner Diesen stated if you feel uncomfortable, and I well understand that for proprietary reasons, then I think the route is to go through staff and have them go through us.

Mr. Tolley stated so I understand, I'll meet with staff, and then I'll request to appear before you.

Commissioner Diesen stated well, it would come back as an item from staff, and you would be here to answer questions I would think.

Commissioner Reynolds stated staff can sign a confidentiality agreement.

Mr. Tolley stated we have that.

Commissioner Reynolds stated well, you can develop with them the process. What we don't want to do is expose your confidentiality in an open session, which we have to be in, but staff can say to us we believe that this is a tried and true process, and we would like to continue to go.

Mr. Tolley stated I will see you next month if we can get done with staff, thank you.

(3) Public Participation (cont.):

Another person then addressed the Commission and stated his name, David Swentor, Charleston, South Carolina. He stated I was actually on the consent agreement earlier. Aside from that item, I wanted to actually thank staff and in particular Bill Preston for helping try to organize our documents and get this through. Actually my dad passed away a few weeks ago and Mrs. Simmons was very helpful in scheduling and rescheduling and making sure that fit. I know that Mr. Mitchum and Mr. Preston, you guys had to work with your schedules to try to help me out with that, and your kind words afterward were very much appreciated, so thank you.

Chairman Allen then confirmed there was no further public participation and stated we'll move on to item 4., General Manager's Report, Financial Status for August 2010.

(4) General Manager's Report

(4-a) Financial Status – August 2010:

Ms. Klinkenberg stated good evening, for the month ending August 2010, our change in net assets is a gain of just over \$1 million (combined system). And our forecast reports are, budget versus actual, a favorable variance of \$1,051,605. The balance of our fuel and purchased power cost adjustment is \$1.8 million (over-recovered) so far. As you know we're coming to the end of the fiscal year and the audit preparation work is already underway, our preliminary compliance audit has already begun, and we will be very busy this next month and into November compiling all the documentation necessary for the auditors. And once again, we're using Brent Millikan & Company, they're on their second year of their contract.

Ms. Klinkenberg stated with the bill print, I want to let you know, we sent the email out letting you know about the little "blip" that happened. I want to explain to you why, and I hope no other ones come up, but I want to explain why that happened and why, hopefully, we'll catch anything before it happens again. When they originally wrote the bill print for us they wrote it, it's kind of technical, but they use these views and when they use the views it's very, very slow. It takes several hours to process, like 1,500, 1,600 bills, it takes several hours for the computer to run through it, and it also causes a timing issue where data might not be available in the view when we need it in the bill print. So we're having it rewritten in Sequel stored procedures in the bill print because they run much quicker. We tested it out and a batch of bills, 1,500, 1,600 bills processed in approximately 20 minutes versus several hours. So they are rewriting, basically, the program, and it's suppose to, I don't know all the technical details but once it's in the views, it's suppose to be easy to put in the stored procedure. I don't know of that, but that's what happened when we tried to switch over to the stored procedure, it caused that glitch that the one little table didn't print. We're hoping we won't have anything like that again but that's still what we're going through, they're rewriting all the different procedures for it so it will run much quicker. But other than that I'm not aware of any other issues with the bill print, so if anybody else knows of them please let us know.

Commissioner Diesen commented I haven't heard and I would be the first, one of the first.

Ms. Klinkenberg stated okay and then asked if there were any questions about the financials or anything else.

Commissioner Reynolds stated I do, if I may. On your financials, we show a total restricted fund liability of \$14,864,000 versus last year which is a million and a half roughly more. And I just wondered what that million and a half liabilities were.

Ms. Klinkenberg confirmed he meant restricted fund liabilities, and stated that's mostly our debt service. Right above it you can see it's customer deposits on hand, it's the infrastructure monies that we hold for the developers, the Crystal River Nuclear Plant Decommissioning. The pieces in there, the revenue certificates, that's all of our debt

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(4-a) Financial Status – August 2010 (cont.):

service payments but you'll see that's where the million dollar reduction is, it's our debt service.

Commissioner Reynolds stated yes, I saw that long term debt went up to so I just wanted to just check to make sure there was no alarm clock in there.

Ms. Klinkenberg stated no, no alarm clock and we have quite a few debt service payments coming due at the end of this month and we have all the money put aside to pay them so we will be in compliance with everything.

Commissioner Reynolds stated second question is on the electric, on the charts, from what I can see is that our budget versus actual, we're over budget, and I just wondered how we're going to mitigate that.

Ms. Klinkenberg confirmed it was on the charts in the back of the financials, and then stated it should actually come in line towards the end of the year. The way electric charges, because those are based on the forecast reports, so you have overhead included in those. It's not really just electric operations but you also have your accounting, you have customer service, engineering, all the different departments are accounted for in there. It should come in, as long as we get the divisions in balance that's all we're required to, we don't have to do line item balancing like the City for instance.

Commissioner Reynolds stated I just saw the red line was higher than the black line.

Ms. Klinkenberg stated most of that is the cost of fuel, if you look at the detail of our budget versus actual. If you take fuel and purchased power out of there, which when I look at the electric system, I always pull that out because that's something we really don't have control over and you're really forecasting it out, so far out.

Commissioner Reynolds stated that's why, the reason the yellow flag went up because we just decreased the fuel adjustment rate and that tells me that's creeping up a little.

Ms. Klinkenberg stated we're still okay because we have \$1.8 million over-recovered, so those monies are sitting there so if they do creep up a little it will just reduce our over-recovery. As long as we don't get into a huge under-recovery issue again we'll be in good shape.

Commissioner Reynolds stated okay, appreciate that.

Ms. Klinkenberg stated you're welcome and asked if there were any other questions.

Chairman Allen stated yes, the other thing we have to remember is you're basically one month in arrears on the fuel as you bill and use.

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(4-a) Financial Status – August 2010 (cont.):

Commissioner Reynolds concurred.

Chairman Allen stated so you've used it but lots of time you don't get it for four to six weeks later.

Ms. Klinkenberg stated well, because we have to do the matching principle in accounting we use an estimate, and Mr. Beyrle's real close usually on estimates, but occasionally his estimates are higher than, usually they're higher than, not below. His estimates are usually higher than what our actual costs are so those don't true up until the following month. So we do have the purchased power costs for August and August financials, but they're based on Mr. Beyrle's estimates not actuals.

Chairman Allen stated yes, and the other thing I think is kind of notable if you've looked at some of the statistical highlights, it's been a pretty good year because of somewhat of a drier year compared to the last two years. I noticed water consumption's up and reuse appears to be way up for some reason.

Ms. Klinkenberg indicated I'm going to look into that for you. (It was determined the excessive reuse consumption was due to a mitigated flow adjustment and variance between wet/dry years.)

Chairman Allen stated and also the electric consumption is up compared to the last two or three years, so it looks like we're fairly solid.

Ms. Klinkenberg then added I think we're going to have a really good ending year. I'm really looking forward to closing this year, I think we're going to be in really good shape. Probably the best year since I've been here because you know we've been in that mode of recovering for several years now and I think this will probably be the best one we've had.

Commissioner Diesen commented a hot summer helped.

(4-b) Additional U.C. Information Opportunity:

Chairman Allen stated okay, our next item is Additional U.C. Information Opportunities, and stated Mrs. Fisher.

Mrs. Fisher addressed the Commission and stated thank you. I just wanted to let you know, you probably read your email about us taking the spots out on WSBB, which was an idea from one of our Commissioners (Commissioner Reynolds) and a very good one. So I met with the President over there, I wasn't aware of this but they changed hands a couple of years ago and so they are a family organization now. They're real great to work with, so we've done it on a temporary basis right now. We have three spots running from now until the end of the month right now and what's called a liner. I'm not

(4-b) Additional U.C. Information Opportunity (cont.):

versed in radio but apparently this liner goes right before the music starts. So we've recorded that and we have three ads that are running based on our September bill inserts. Right now the plan is to run these radio ads with them (WSBB), based on the month's bill inserts or what the pertinent message is for each month. So the message that gets to our customers is consistent, they see it in the bill, they heard it on the radio. It's a much better investment for our dollar than doing print ads, it's about double that to take out one ad that runs once. The monthly investment right now is about \$567, so I think we're getting our money's worth. I would appreciate any feedback that you all hear from ratepayers as far as are they hearing them and they understand the ads. It's a local radio station as you know, so there's a high likelihood that the target audience is going to be receiving these ads.

Mrs. Fisher stated the other opportunity that we have with them is to do what's called a pre-taped interview. The radio personality, Skip Diegel is his name, and he would be interviewing a person for about two minutes and it's taped and it's scripted so you're not set up or anything funny like that. But right now we have an idea for having a couple of staff members doing these interviews based on pertinent topics but there's also the opportunity for you all if you're at all interested, Commissioner Reynolds, to talk about ideas that are very important to you all. We could talk about your water wise gardens or if there is an energy savings or that sort of thing that you'd like to talk about, then the microphone over there is open for anybody who would like to speak to the ratepayers as far as important messages we need to get across. So I want to extend that invitation to all of you and I will be contacting you after this meeting to see if there is an interest.

Commissioner Diesen asked who did the voice over, is it someone from the station.

Mrs. Fisher stated no, it's not, the good news is the gentleman who owns the station now is from, oh goodness I want to say Chicago, but he's had radio experience for 40 years so he has contacts all over the country. So what I understand is they just pay a flat fee every month and they have access to all different voices all over the country. So he called up somebody he knows in New York and he said would you read this script for us and record the 30 second ad; so it's a radio personality out of New York.

Commissioner Diesen stated it's very effective.

Mrs. Fisher stated that's what he liked about doing it that way, that you have access to lots of different voices, so you know different messages we need to get across at different times so he can pull the voices from almost anybody that he has access to rather than have the same voice each time delivering the message. She confirmed that Commissioner Diesen had heard the message. She then added so please, it's our first foray into the radio world as far as trying to get our message across to the ratepayers and I think it's an important way. I think we do need to expand it, so I would appreciate any feedback to make sure we're hitting the right target audience and that people are

(4-b) Additional U.C. Information Opportunity (cont.):

interested in wanting to know more, and it's not coming back in a negative way in anyway that you hear of.

Chairman Allen stated it sounds good.

Commissioner Diesen commented I don't know who suggested it on the Commission but whoever it was, thank you because I think it was a great idea.

(5) Commission Counsel's Report:

Chairman Allen stated okay moving on, the Commission Counsel's Report.

Mr. Preston stated I thank you, and added I have no report.

(6) Old Business

(6-a) Revisions to the U.C.'s Potable Water Irrigation/Supplemental Rate Schedule
Proposed U.C. Resolution No. 3-10:

Chairman Allen stated okay, on to item 6. Old Business, and then stated the "title" of item 6-a. as shown above.

Ms. Klinkenberg addressed the Commission and stated as you know we've come before you with a rate change and it has a lot to do with the St. John's (St. Johns River Water Management District) requirements. As far as I know they're not mandated yet but it is something we need to work towards, to reduce the use of potable water for irrigation purposes. In the budget we originally budgeted tripling the base rate, staff has gotten together since the budget was approved by you and sent over to the City and thought we preferred another avenue instead of hitting triple the base because that wouldn't promote conservation as much. So we tried to look at a combination of rate and tiers in order to not hit any one particular type of rate or any one particular tier or type of customer unjustly. So what we had come up with was that 30% / 40% increase and it actually, we ran quite a few different scenarios, and it actually works out that almost all customer bases get hit at the same level. So it will be approximately a 47% increase to all customers. Instead of, for instance if you hit the tiers, and we hit them with 100% of the rate increase, then anybody who hits those tiers, because if you have a 2 inch meter you're going to hit higher and quicker, you're going to hit the tiers because you're using a lot more water, they would take the brunt of the increase. So we tried to make it as level as possible across all the different customer types. So that's why we're asking for your approval of that, so we can balance our budget, we did plan on some increased revenues there and decreased revenues in other places in order to compensate for this, and we need the increase in order to meet our budget for the year. She then asked if there were any questions.

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(6-a) Revisions to the U.C.'s Potable Water Irrigation/Supplemental Rate Schedule
Proposed U.C. Resolution No. 3-10 (cont.):

Commissioner Hall indicated he had a couple of questions. We're talking about customers who use potable water to irrigate their lawns by a meter.

Ms. Klinkenberg stated correct.

Commissioner Hall stated and we're talking about 1,000 customers, am I correct.

Ms. Klinkenberg answered 1,600.

Commissioner Hall stated and to address Mr. Wilson's comment about reclaimed water, it is my understanding that we don't have the means to expand our reclaimed water much, we're kind of stuck in cyber space.

Mr. Mitchum stated well, it goes along with development, of course, we are looking at expanding the reclaimed.

Commissioner Hall stated tremendously or just a little bit.

Mr. Mitchum stated that's going to be a little bit at a time. It's not planned out completely and added Mr. Hoover may be able to address that a little better.

Mr. Hoover addressed the Commission and stated I'll be glad to, then stated his name and title, Water Resources Department Director. He stated for the last 24 months there's only been two months that we've had any reuse that went the way it used to, as disposed of in the Indian River. We've been at 100% reuse utilization so there's really not a whole lot to go around. It takes roughly four normal customers to create enough reclaim for one additional customer. Our strategy, since we went into this after the 1990 Indian River Lagoon Act, was to try to put in the minimal reuse system that would get us to 100% usage so that the existing ratepayers would not be impacted by the cost to develop this new product. And of course it's aimed at conserving the fresh water resource rather than letting it go out into the estuary. So our strategy was to try to first put in a backbone to pick up the City Golf Course and a couple of large commercial customers. In the process we picked up Quay Assisi where there were quite a lot of supplemental meter users. So we did convert them but they were so close to the plant that it was practical. We learned very quickly that going into the fully developed areas and try to put another piping system in is the most expensive equation you can go to. So our strategy became trying to get every developer that was close to the transmission corridor to tie on and to pay for the expense of putting in a reclaimed system to their residential users. And that strategy has now gotten us, by the year 2000 we had the new plant open, the new advanced tertiary plant, and we had 100% reuse production. We were at about 65% of our product being used and we probably had about 400 customers. At this point now we have 900 customers, seven golf courses and the Sportsplex, and every bit of it is being used. We

(6-a) Revisions to the U.C.'s Potable Water Irrigation/Supplemental Rate Schedule
Proposed U.C. Resolution No. 3-10 (cont.):

still want to expand some but it's going to be difficult as the new developments come on, there may be an opportunity for some of that but not a whole lot now to go around. Last year we averaged 4.1 MGD, millions of gallons per day, of reclaimed going to customers compared to 4.6 million gallons of potable water going out to our customers. So that tells us that the demand on our good aquifer water would have almost been doubled if we hadn't done what we did with reclaimed, which is a real good investment for our customers.

Commissioner Diesen stated we never did hook up Buena Vista did we.

Mr. Hoover stated no, we didn't, and again that Quay Assisi experience was very difficult, it is so slow going, so much restoration costs to the sidewalks, the driveways, the asphalt, the things that you hit because of all the other utilities that are already there. It's just way better for the new developments to put it in as they build it.

Commissioner Diesen added and I know you're not coming across the river.

Mr. Hoover stated well we did come over to Bouchelle Island and the golf course there, the little mini golf course, but that was because we had a formerly used water main that got replaced and it was already in the river bed there. But one thing I'd like to have the opportunity to say is we've got almost 25,000 regular potable meter connections out there. This 1,600 of people that have a second meter next to their water meter, it's an old policy that was sort of like well we're not going to charge you the sewer rates on that to sort of catch you a break, you'll have two meters and you'll be paying two monthly base rate charges. So the St. Johns, for quite a many years, has now been saying you know utilities you need to do away with that, it's not a good practice. It's sort of like having a common meter and everybody's sort of more wasteful than they would be otherwise. So that's where we're going, we're trying to embrace everything that St. Johns has said and we've started first with conservation, then with developing reuse customers, and now we're in our third phase of it, developing an alternative water resource from brackish water supply, deep down. And in every way, shape, or form, we're a model of what St. Johns wants.

Commissioner Diesen stated we believe you do that.

Commissioner Reynolds stated to Mr. Hoover we really appreciate that. Us people that live beachside, as our man back there says, it puts us in a situation where we really need to look for alternatives. He stated and I'll bring it up again, we took three samples out to your lab and your chemical people did a survey on it and it really turns out that water is not bad from those three locations.

Mr. Hoover stated true.

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(6-a) Revisions to the U.C.'s Potable Water Irrigation/Supplemental Rate Schedule
Proposed U.C. Resolution No. 3-10 (cont.):

Commissioner Reynolds stated and I think maybe a program where we talk about shallow wells, particularly beachside, is one way that people can number one, conserve good drinking water and number two, have unlimited water for their plants and yard.

Mr. Hoover stated true and our customers are doing a real good job conserving, our education efforts have come a long way, and we're now at 195 gallons per day per connection with 2.2 people estimated per connection. That's about 88 gallons per day per customer, which when I was looking at the WAV figures, attending those meetings up in Daytona two years ago, that would have made us the lowest on the usage of any utility in the County, and that's a real impressive statistic.

Commissioner Reynolds stated I think it's good, has St. Johns given us credit for that.

Mr. Hoover stated they are, when we have the meetings with them the first question is what are you doing with reclaimed, how far along are you. We say we're 100%, we've been there for two years, except for May and June last year when we had 30 inches of rain in 15 days. And they said really, well you're doing great, what about this, what about that, what's your usage per connection, what's your usage per capita. And in every way they come back with you're doing the job.

Commissioner Reynolds stated you know one question that brings up if I may, Edgewater and Port Orange, if they have excessive reuse water is it a possibility we could have them pump it into our facility.

Mr. Hoover stated we had plans for an interconnect with the reclaimed system for Port Orange on Pioneer Trail. And when that sod farm, that was formerly Noland Sod, turns into development, which it's already been purchased and that's the long term plan, our infrastructure will be right across the street and we'll have an interconnect just like further westward we have for the potable; so we will have that. I don't see it coming for Edgewater as soon because their northern development of reclaimed isn't as extensive as the Florida Shores where they really went to work. And then they had such a large customer base for reclaimed they had to go to rationing and it was a headache for them, a really big headache. If you have more customers on that than you can supply then you have to go to sort of rotating supply. Port Orange has motorized valves in different sections of their City so they can do that, it becomes quite expensive. And the last thing I'd like to add to that is we've been talking about doing something with the reclaimed meters, I mean the supplemental potable meters for a few years, it's something we've really wrestled with, and we know it's not a popular decision but it's something that had to be done.

Chairman Allen stated thank you to Mr. Hoover. He then stated okay do we have a motion on this.

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(6-a) Revisions to the U.C.'s Potable Water Irrigation/Supplemental Rate Schedule
Proposed U.C. Resolution No. 3-10 (cont.):

Commissioner Diesen stated I'll move for approval.

Commissioner Zeller stated I'll second it.

Chairman Allen stated okay, Commissioner Diesen has made the motion to approve the attached resolution (to the agenda item) regarding revisions to the Utilities Commission's potable water irrigation/supplemental rate schedules as submitted. Upon the approval of this resolution, it will be numbered 3-10, and become effective with the first billing cycle in October 2010. He added Commissioner Zeller seconds it, and then asked if there were any other questions, comments. He stated one comment I'd like to make on the resolution itself, I don't know who does the alignment for that, but some of the blocking, I think the actual document would be easier to read if the block costs were lined up with the blocks, and I'll pass that on to somebody so they'll have it. He then asked for a roll call vote to be taken on the motion.

Commissioner Diesen's previous motion to approve U.C. Resolution No. 3-10 then passed unanimously on a roll call vote.

(7) New Business

(7-a) DeBerry Room Use:

Chairman Allen stated okay as we move on, with no other Old Business, to New Business. He stated one item is DeBerry Room Use and directed this item to Mr. Mitchum.

Mr. Mitchum stated like the item says, there's been a recent request for opening up (DeBerry Room) to public use again and we're looking for your direction on how you would like to proceed with this. As to whether we open it up to public use only, not for any private use.

Commissioner Hall stated well I'm going to strongly suggest that we open up to public use. I was at Bert Fish today and they're holding a meeting on September 27th and right now it's scheduled for the Regional Library. They're going to have to have a series of meetings on what they want to do but the Regional Library is booked for the month of October and I was asked if this room was available. I know it's going to be available from now on and I think this would be a perfect place for them to hold, and a neutral place as a matter of fact, to hold the meetings they're going to have to hold about what's happening with it. So I'm in favor of this.

Commissioner Diesen stated yes, it was open before and I mean that was the original intent of the DeBerry Room, so I think we need to honor that original idea when it was

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(7-a) DeBerry Room Use (cont.):

the bank. I see no reason as long as there's, you know, no conflict. She then asked Mr. Mitchum if he or staff had any objection to that.

Mr. Mitchum stated no, we don't, it had been stopped before when the City was over here, they were constantly using it all the time. So whatever your direction there, that can be done.

Commissioner Diesen stated I'd like to see it open, back the way it was.

Commissioner Zeller stated I'd like to see us be more proactive in the community and it is a public room and I'd like to see us offer it to the hospital with the rules that are attached (to the agenda item).

Chairman Allen stated I think we need to go back as we previously did, it worked well. The only concern I have, and I talked with Mr. Mitchum a little bit about it, I would like for staff to look at security wise for the second floor, so that somebody can't just accidentally get off and roam where they shouldn't be.

Commissioner Diesen stated well that door is locked most of the time isn't it, on the second floor to get in.

Mr. Mitchum answered yes.

Commissioner Zeller asked can't you block out the elevator.

Mr. Mitchum stated that's what we're going to check on, I think we can block off the second floor, we're going to check on that so the elevator cannot stop there.

Commissioner Zeller stated I'd like to make a motion that we open the DeBerry Room for public purposes, specifically for the Bert Fish meeting (utilizing the previous policies – copy attached to the agenda item). Commissioner Hall seconded this motion.

Commissioner Zeller's motion then passed unanimously on a roll call vote.

(8) Possible Other Business – Time for Commissioners:

Chairman Allen stated as we come to item 8., other possible business and time for Commissioners. He confirmed Mr. Mitchum had nothing further and then recognized Commissioner Hall.

Commissioner Hall stated I just want to welcome back Dr. Diesen. I probably have known her longer than anybody else in the room. After a couple of comments, he added it is good to have her back.

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

Commissioner Diesen thanked Commissioner Hall and added she wanted to thank all for their support, she appreciates it and looks forward to working with all again for the next three years.

Commissioner Reynolds stated I thought it was brought up, a good point, where does the money go with increased fees for potable water. I thought that was a very good point brought up, because it could go into a general fund I presume and be sort of lost in terms of track-ability or whether we need to put it towards some water project that will feed the general public. He added just a thought since my money's going toward that.

Commissioner Diesen then asked does anybody have a figure, since you brought it up, that would be generated. I mean just an average that might be generated.

Ms. Klinkenberg answered half a million for the year.

Commissioner Hall confirmed for the year.

Commissioner Zeller stated that's from 1,600 meters, an additional half million.

Ms. Klinkenberg indicated yes.

Commissioner Hall stated I would suggest that maybe staff come back with some recommendations to us at the next meeting.

Ms. Klinkenberg addressed the Commission and stated if you'll take a look at the financials you'll see that water hasn't been supporting itself for quite a few years. It will help to support the water division, water and wastewater are always negative, they are the most costly that doesn't bring enough money. So they really need that money to keep their operations going and another thing we need to implement, Mr. Hoover started to make a comment and then changed it to irrigation but reuse, we're not metering every reuse meter out there. We need to move forward doing that because that has a huge impact on the wastewater revenues because they're not all metered. So these are all things we just need to get in the positive with the water and wastewater department, it's not just a lot of extra money that's going to just fly in and we're going to have a windfall. That's not like an over-recovery like the fuel and purchased power, it's to cover operations.

Commissioner Diesen stated to Mr. Hoover, I know those chemicals are expensive. Well, we've talked about that, the increased costs there.

Mr. Hoover indicated Ms. Klinkenberg was right on target and added we're right on time, we still have adequate time to enact something other than a flat rate for reclaimed water because we just got to 100% usage in the last two years. The first thing you do when you

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

install meters and go to a metered rate is they're going to conserve and then we'll have more than we need again, and that's when probably, we'll have some more to give out and extend a little bit in some other targeted areas that won't be too costly to install it.

Commissioner Hall then asked Mr. Hoover how deep is the well (deep well /brackish water – alternative water supply project).

Mr. Hoover stated he thought Mr. White might know that one.

Mr. White stated it's about 650 ft. today.

Commissioner Zeller stated so half way there.

Mr. Hoover stated yes, and one thing we did was we grabbed the sample at 180 ft. which is where our potable wells will be, and got a better sample than we did from well 24 that's been completed so that holds good promise for our central wellfields water quality going in there soon too.

Commissioner Reynolds asked what kind of rock are you hitting down there, other than limestone.

Mr. Hoover answered hard rock, solid. It's been a little slower going because they (driller) say their bits been binding. It's a hard formation, I've heard that from them.

Ms. Klinkenberg stated one more thing, I want to make sure you guys understand 8% of two years ago revenues are required by Resolution 28-78, I believe it is, per bond covenants, they get reinvested into our infrastructure. So 8% of our water revenues from two years ago gets put into our water and it's always kept separated even though we're one enterprise fund, we do keep it separated. Eight percent (8%) gets reinvested into projects and that's what Mr. Hoover uses when he needs to replace a pump or when Mr. Hoover needs to, what was that little thing that they're having problems at the end of cul-de-sac with the water ending. So they changed the flow of it and that's an improvement to the system. So we're constantly reinvesting in our infrastructure. So please, I didn't want you to think that this extra money is just out there, we're constantly reinvesting in our infrastructure all the time, in each division.

Chairman Allen stated okay, thank you. He then stated I'd like to welcome, and it's a late welcome, for City Commissioner Judy Reiker. It's good to have you with us at our meeting and the other public that was in here earlier and as we're going on in the meeting. I'd like to just again say again, we had our meeting, joint meeting with the City. It was good dialogue and I know it has been awhile since we did that and had that dialogue back and forth, but as we move forward in the future hopefully we can keep that dialogue open. The one thing that as we had discussion there, I thought about possibly is

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

there is a level of responsibility on our part to have due diligence in our planning as long as the City works through and has certain criteria they have to meet. But as we do our planning there may be a possibility of if there is not in-house expertise on their side to complete their planning process, if there is dialogue with staff to know that we're going out and if we have to go out to find a consultant for our work, and they know and understand that they have a certain criteria that they need to come up with, and if they need additional help with that, possibly there may be an opportunity there that as we're having our work done that they can get theirs done. To me, rather than going backward, try to pull the information that while they're walking through that there could be some way that's set up in that process they could have possibly be able to have some of their information put in a way that means they could have it. And that may save a lot of heartburn and heartache in the future so as we move forward and work toward that there may be an opportunity for us to look at. But as we move forward it's good to have Commissioner Diesen back with us and Commissioner Zeller, we look forward to another great year. And then even with looking at the renewable resources and working toward that, look forward to Mr. Tolley getting with staff and working through that so we can be able to make a reasonable decision as recommended by staff up here. With that I have no other comments. He added it's good to see another year getting ready to get started.

There being no further business to come before the Commission, Chairman Allen adjourned the meeting, the Regular U.C. meeting closed at 7:07 p.m.

APPROVED:


CHAIRMAN

ATTEST:


SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their
October 18, 2010 meeting.