

AGENDA ITEM 2-b

MINUTES OF A WORKSHOP MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD THURSDAY, JANUARY 4, 2007, AT 5:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

Chairman Para requested Mr. Rodi to lead in the Pledge of Allegiance and then requested roll call to be taken, all of the Commissioners were present as follows:

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

Others in attendance were as follows: R. Rodi, General Manager/ CEO; L. Klinkenberg, Director of Finance; R. Mitchum, Director of Electric Operations; T. Beyrle, Director of System Ops. & Generation; J. White, Director of Engineering; D. Hoover, Director of Water/ Wastewater; C. Montgomery, Acting Director of I.T.; E. Mahle, Public Information Manager; D. Simmons, Executive Asst./Recording Secretary; Bill Preston, Interim U.C. Legal Counsel; Vicky Koren, Reporter for the NEWS JOURNAL; Joel Addington, Reporter for THE OBSERVER; Bob Tolley, Jim Russell, and Sally Mackay, members of the public.

(1) Outlining Topics for Joint Workshop:

Chairman Para then requested Mr. Rodi to start.

Mr. Rodi thanked Chairman Para and stated to the Commissioners I appreciate you interrupting your schedule but as I began to think about the joint meeting coming up, I thought it important for us to have some time together just to have a bit of a focus as to what specifically about generation and supply would you like to speak about. He stated one of the things I've done as a talking vehicle, that's all this is, change it, do with it as you will, and then distributed to the Commissioners a one page document entitled "Draft January 11, 2007, Joint Meeting Outline".

Mr. Rodi continued by saying I've listened carefully as we've had a number of discussions primarily over the last year; it's been more specific during that period. One of the, I think important, things to begin to talk about is why our electrical energy costs are fluctuating and rising. I think that's very important. In the cover letter that I had sent to you and to the City Commission back in September, as you may recall we were experiencing the effects of Katrina. What it did as far as fuel supplies, generating supplies, how it affected units within the state, and I think there's some parallel, especially with current activities; so I think that would be a topic worth examining. The next item there is what's going to happen in the immediate future, maybe long term future, and I think those kinds of forecast discussions start to put some framework around where we may be headed. Obviously, then, we need to talk a little bit about what has been done so far and get some sense of where are we with regard to the strategies that we've been, at least I've been following. The next part of this is what options are available, as you can see from this list there are a number of options that really get to be extensive and you can see the options are very far ranging in their consequence. Obviously, the last part of it are next steps.

(1) Outlining Topics for Joint Workshop (cont.):

Mr. Rodi stated so I thought that seems to be a good vehicle for conversation, and what I am looking for is however this document needs to be changed, at the conclusion of this meeting I will then forward that to the City Commissioners and then they can choose as they also want to. So that's all this is, it isn't anything more mysterious than what you've just heard.

Chairman Para stated okay. He then asked Mr. Rodi, did you have a presentation you were going to make by chance.

Mr. Rodi stated no, what I am intending to do, is given your support with this kind of an agenda, is to put together some kind of a presentation for the meeting, again as a vehicle. As you can see from this agenda, I'm not predisposed to do anything other than what is best for the community and some of the topics are tough topics but I think it's honorable to talk about them so that we can get some hearing. Again, all through this a number of things that I have presented are things that weren't known and that's where I bring value, if I tell you things you already know it doesn't have a whole lot of value to you.

Mr. Rodi stated so the presentation part of it was, if you didn't or couldn't open your disk, the disk by the way is full of a lot of different kinds of information that depending upon what it is someone wishes to speak about, it gives some reference. And some of the ideas obviously are conflicting, some of them are supportive, but they do provide just a very, very broad and in some cases very specific reference to a number of the issues that we're trying to work our way through.

Chairman Para stated okay, very good. Commissioner Spangler let's start with you, some comments.

Commissioner Spangler stated the first thing that occurred to me when I heard that we were going to have this meeting was well, what about generation. What does the City Commission really want to talk about, why did we have this meeting. In the beginning we were going to have it, I think, to talk about renewables at Chairman Para's request, and somehow that got changed to generation. So my first question is what about generation and that would be my question to the City. And then I made a list of questions that they would ask us and I don't have the answers to, so I'll throw out one and go from there. First one was, and this is not where we want to go, but we're going to be asked this, given that the U.C. rates are higher than FP&L, what is the advantage to the ratepayers in not using FPL instead of the U.C.?

Commissioner Diesen stated we've kind of explored that and we do have some answers to that, Mr. Rodi has done the equivalent of a short white paper on that as a matter of fact.

Mr. Rodi stated I think part of what you get into with that question is what are the relative values that you can expect and what happens in pricing. For example, in looking at what's occurring now in forecasting the future, what normally happens if you track pricing is that it's an up and down activity. Where, for example, we're collecting now on fuel and purchased power, where during the period where gasoline prices were \$3.00 a gallon we did not go in and ask for it; so

(1) Outlining Topics for Joint Workshop (cont.):

we held off, others moved forward. So after we have the collection accomplished, then the expectation is we will reduce the price and part of that discussion goes to what kind of contracts are we going to have for the next period that we will experience with heavy loading; and that is another conversation in and of itself. By having the dialogue it starts to address what value is there in your public utility and it's just like someone who has the capability to come here and ask a question and get direct information from decision makers, that has a considerable value to a community. If you choose a different route, then your answers are more indirect, sometimes they're not satisfactory, sometimes they are. But this is all a part of what I think is fair game to talk about and it addresses the question, I think Commissioner Diesen you had raised at the last meeting, and that's on the agenda as part of the alternative; talk about what's in it for the citizenry.

Chairman Para then asked Commissioner Spangler if he had any other questions.

Commissioner Spangler stated well I got from that public accessibility of the utility, otherwise the community can come in and present. There are lots and lots of other advantages besides that I'm sure, it provides employment, all kinds of different reasons. But I think that where this is ultimately going to go is what are we going to do for generation and why, and the only reason that the City Commission cares is for the same reason the ratepayers care, there's that perception out there now that we're higher. I think that they probably want to know what we're going to do about that and I was wondering what we're going to tell them.

Chairman Para stated if I could say one thing that you started by saying the genesis of this conversation came out of a desire by me to talk about renewables. I think that, to kind of tie the whole thing up, part of the reason of converting to one of the vehicles to vegetable oil was to demonstrate success. It wasn't, how would you say, a marketing ploy or grandstanding. It was, and I'm a big proponent of you start very small, you take baby steps, and you verify and validate where you're going; particularly when you're dealing with the public trust issue. We have numerous generation currently fulfilling a role potentially in the future of large boat anchors in and around our community. With the current rate of fuel, no. 6, whatever you're going to use, makes those cost prohibitive on kilowatt hours. Commissioner Allen could speak a lot clearer to this than I can, but in conversations with Mr. Beyrle, it's just not feasible. Now if we fire it with a fuel that is essentially a third of the value, a third of the cost, well all of a sudden the numbers start switching around and they have potential; and again, if you started with one and worked up. But before we even headed in that direction my comments, and I didn't go back and read the minutes, but a number of months ago, we need permission from the City elected officials to even head in that direction because it really is functionally a change in how and what we're doing business. Concurrent with our Enabling, we have to go back to them and say this is something that we would like to do, is there a business model, is there a practical reason for us to do this, and we'd like permission to even head in that direction. So somebody across the street saying what are you guys doing now, so again walking openly that's what my thoughts were. Mr. Beyrle and I have had conversations, Mr. Rodi has put Mr. Beyrle in charge of that, made him project manager, and we had a single conversation, and he and I have had subsequent conversations. Just looking at BTU values, fuel costs, and which plant, and that sort of thing

(1) Outlining Topics for Joint Workshop (cont.):

preliminarily, but before that could even get to the next stage, this Commission and the City Commission needed to say yes, we can do that. Now, from that, as everything in New Smyrna Beach life, it has become infinitely more complicated, and I respect that because a lot of people are feeding into the conversation and saying hey, I've got something to add to this. So I think that's what kind of gets us to this point right now.

Commissioner Spangler asked Chairman Para, were you saying for instance the Field Street generators could be less expensive to operate if we had some bio-fuel, or are we just not going to go there.

Chairman Para stated well Field Street's a gold-plated boat anchor, I would say I would start with Smith Street. In conversations with Mr. Beyrle, and again not getting out of my field of expertise, one of the generators, one of the newer generators, either that or one up at Swoope, Smith Street's got some interesting possibilities. He then stated permission just to speak openly at this point because it's a workshop, if we were to team up with the hospital, let's say, the by-product, the secondary value to running a combustion system like that is your secondary generation. That doesn't necessarily have to be another form of generation, it could be chilling for air conditioning, it could be hot water. With a single source user, it's sort of like a huge sink, like the hospital sitting right next to you, that makes it really good. And it would be nice for the hospital to say, yes, we're buying green power, carbon neutral energy is giving us the power to keep the lights on and the operations.

Commissioner Spangler stated so we would run one of those machines with their wastes.

Chairman Para stated there could be some; no.

Commissioner Diesen stated you better think long and hard about that one.

Chairman Para stated waste oil from their fryers in their kitchen, not anything else.

Commissioner Spangler stated and old newspapers and prescriptions.

Commissioner Diesen stated no bio-hazard problems.

Chairman Para stated it would just be oil from their fryers and that's the single source of energy, of fuel, that I've looked into and I would say again, starting very small with one unit, and the suppliers that potentially are out there and the possibility to get the community signed up. Again, it's up there, when you get buy in from the community it starts building excitement. It could start there, but my thinking behind it was that, and even before we did that, we need to get permission to do that, to begin to walk that. Now, all the rest of this stuff is a great conversation but it might take place over six months and the single issue that I was hoping to get out of the joint meeting on the 11th was, if we were to do this and present a business plan, would you give us permission to do that, and if they said yes, then we would, Mr. Rodi, Mr. Beyrle and the rest of the good folks here could develop some sort of a business model. If it makes sense, we would

(1) Outlining Topics for Joint Workshop (cont.):

approve it, send it across the street. Again, I'm getting ahead of myself but then that would be something that we could do.

Commissioner Spangler stated right, but you're saying there's some feasibility of running one of those generators off of oil that we can get locally.

Chairman Para stated absolutely. The trained people that I met over there, just to give you an example, your efficiency per ton of your air conditioning units is like .7 something per kilowatt hour per ton, with this other system it's like .007, it's phenomenally reduced so to run this chiller unit. I'm not, the science behind it fascinates me, but I'm not saying I know all the physics behind it but it's really incredible and there's a college up in the northeast that runs by it and several other things. This would be something you could take like the hospital is a big user and they're right next to us.

Commissioner Spangler stated I understand that but is that what they want to ask us, are they going to ask us what we're going to do about generation in general or renewables, or are we going to ask them for permission to explore renewables. I mean didn't they call the meeting.

Chairman Para stated no, we did.

Commissioner Spangler stated we called the meeting, and it just got shuffled from what it was.

Chairman Para stated yes, and the way that New Smyrna works is that just kind of the snowball's gotten bigger, but the purpose, at least my conversation initially was, again, just to validate our permission to do the one. Over a six month period we can talk about, these are wonderful things and they're good things to talk about over that period of time but I would not like us to get into all of that but I'm just one guy.

Commissioner Spangler stated I guess in my mind I was thinking that this meeting had a little bit more overall significance as far as where we're headed generation-wise in the future. I mean if I were a City Commissioner I would say that's really a great idea and its one of those steps that we can take that people will recognize, but I would probably be asking us what are our generation plans, and when do we intend to implement them, and where are we going to do it, etc., etc. To me that's what generation is about, the fact that we want to go with whatever renewables that we can viably do, either just for show and tell or because it really makes a big difference, I think certainly that should be a part of our plan. I find it hard to believe that the City Commission wants to meet with us to talk about renewables. I think they have something more on their agenda and I didn't know whether anybody else had that feeling or not.

Commissioner Allen indicated he did and Commissioner Spangler asked Commissioner Allen if he would like to comment.

Commissioner Allen stated I would hope as we meet that, and these questions that Mr. Rodi handed out are some good questions, to be able to get us talking to understand where the energy

(1) Outlining Topics for Joint Workshop (cont.):

costs and why some of the costs rise and where we're at, and be able to bring us into an understanding of generation in itself and be able to, I think, more openly to understand generation and not strictly renewable or green, and there are many ways to be green. To be able to look at some feasibility to developing a full scope and a full understanding, not just for three months down the road but for the next ten to fifteen years for New Smyrna Beach. A look and be able to have an understanding of there's different ways to approach the generation, there are better ways and there are other ways that's not quite there yet, and as we get to a consensus to understand that some of the things that are there that we can do and that we need to do. From what I can see in just being here the last few months that I've been here, and looking at where we're at, we don't have a year to sit around. We need to start acting and have a whole plan laid out and a process that we're going to walk through in getting a business plan to move forward for the future for our city. Public power, there's some great advantages to it, and those things need to be understood, and we can be, from my understanding, we can be as competitive in the future with proper planning.

Commissioner Spangler stated well then probably one of the answers that we would have, other than to give the advantages of a locally owned utility which we can get and come up with and we have some here, would be what are we going to do in the future that's going to make us look good to everybody, meaning the ratepayer, and that has to come from, you know, the public's probably not aware of congestion problems and they're not aware of bulk power transfers back and forth and they're not probably thinking about an interruption in a natural gas supply. But I know here in this Commission, we're aware of the advantages of what they call distributed generation and when you talk about that then you're saying well, are we going to have some small machines, maybe renewable, to provide part of that power, are we going to partner with someone in a big generation plant, but what are we going to do to lower the costs and get off the main transmission grid. If I were a Commissioner, I'd be asking us that and I don't know if we have a simple answer for them, they're going to say what are you going to do and what's it going to cost and when are you going to do it.

Commissioner Diesen stated they need background, look at the CD.

Commissioner Spangler stated I don't think that they're necessarily going to look at it as much as we are, but I think they are going to ask these questions and I think they're going to look to us for some answers, and if we have credibility in giving the answers, then when Chairman Para says we want to do this and we want to do that, they're going to say go for it.

Chairman Para stated and what I'm hearing, and Commissioner Allen makes a good point, is that we, I think, have to develop together collectively two strategies. Any kind of a strategic plan's going to have those stair steps, the immediate's going to be very specific as it should be to transition from not doing anything ostensibly to doing something, and then as we progress or look to the future, these are our general long term ten-year objectives; just like our capital budget down the road. He then asked am I right in that?

Commissioner Spangler stated I think we are following the strategic initiative schedule fairly

(1) Outlining Topics for Joint Workshop (cont.):

well, I believe, but I'm not sure how many people have exactly read that.

Chairman Para stated well I think we're adding a component to it because I don't think the strategic plan that we had, the capital improvement plan over the next ten years, included any generation or anything.

Commissioner Spangler stated it did not, that was one of my questions.

Mr. Rodi stated the plan did not include generation. The evolution of it, if I can point to the wall again, we're working our way through the better access to the grid, we're examining at this point potential expansions of current ownership and new plant facilities, and what you're starting to talk about is the step where we may be ready for an RFQ to fill in part of this gap; what do we do with the base load and what do we do with our long term contracts. And that's where the conversation has led us to at this point. If you look at the CD, you'll see in there all of the past presenters. There's Our Green Coast, Green Energy, FRCAC is in there, and some of those presentations were premature from a standpoint when we didn't know how much money we had to work with; I think we do have a pretty good idea now. We didn't know what kind of condition our systems were in, we have a pretty good idea now. We didn't know what the effects were going to be on the some of the growth and who was going to pay for it, we have a better feeling now. So we've reached the point where some of the discussion, because we're on a parallel path here that's occurring right now, and you can see, and part of the reason to have this discussion is what drives costs. Does everyone still believe that the cost of energy in this country is going to be low; I think there's some doubts now about that. So that in examining that process, if the paradigm is that water is going to be inexpensive and energy is going to be inexpensive, and the reality may be very different than that, how do we best serve our community by having control of the decisions that are made. I might also add I have tried very hard to keep us from making spontaneous decisions; we have a history of bad consequence for that. So we need to understand how we got to where we are because part of that will help us take a better approach in the future. If we already had the answer, we wouldn't be sitting here talking about a joint meeting, and if it was easy, everyone would have had the answer by now.

Commissioner Allen stated I believe one other thing we need to look at, we're focused on generation, we put on blinders on and we're looking down the road at generation, but we need to look at the Utilities Commission. When you look at the CD and you begin to think about who we are and what we are, because we're in the wastewater control business, we're in the water business, and we're in the power business, and if you're looking at generation strictly, you may overlook some value of utilizing some resources together that will maximize on costs and production. So when you look at your CD and look at the information, kind of just think open and allow your thought processes, and it's one of the things I've been trying to grasp a hold of, and it's hard to really grab a hold and understand real costs because nobody wants to. You can't find any dollars or any kind of efficiency costing on a lot of this stuff until you go out for an RFQ but the technology is there to do a lot for a small city if we'll walk through that process and plan right. He reiterated it's important to look at the information and think openly a little bit.

(1) Outlining Topics for Joint Workshop (cont.):

Commissioner Spangler stated so we probably need to make sure that our other interests as a utility don't get pushed aside on this generation topic, for whatever reason, and basically, when we go to this meeting, in addition to being able to present ourselves as knowing where we're going and why, we don't want to be pushed in a direction that we don't really want to be in for some other reason. We need to know who we are and what we're going to do and what we stand for because like I say, I find it a little strange that we're going to meet on generation but I think it's an opportunity provided that the overall picture gets some consideration as Mr. Rodi and Commissioner Allen said, there's more to the utilities than just the electric, which probably subsidizes the others every now and then.

Chairman Para stated and I think that's part of the, again, going back to the purpose behind discussing generation, at some point in time the topic did need to be broached. If we voted, say and listen we're not going to do it, we're not going to do it, but currently we're two-legged out of a three-legged stool. We have the plant and the infrastructure for wastewater, we have the plant and infrastructure for water, but we're not autonomous when it comes to a plant and supplying generation and that was one of the drivers behind my interest in at least let's have an open conversation about, to see if it needs to be added to the plate. Mr. Rodi's summarization was good in that three months ago this would be an inappropriate time to discuss it because we were still wrapping up several things. So I think we're in a very good place, timing wise, and this is the right conversation to have, does generation play a role in it and how do we get from an absolute standstill with our 15 or 20 boat anchors to a point of actually getting up and running and getting ten years down the road to a long term plan.

Commissioner Spangler then commented well the good news, a lot of those anchors are paid for, and what has been paying for them will then be available for more positive expenditures. Okay, I don't know whether, from my point of view, I think probably all of us, if we don't now, by the time we've read some of that CD, we'll have a pretty good idea of why we want to have local generation and all of those things. I think the only other thing that could come up and it's on this list here, is the U.C. land, it wouldn't surprise me if someone said well are you guys going to use that land for generation or what are you going to do and what are your plans; I'm not sure. My understanding is that the water problem as far as supply is okay right now but the infrastructure is shaky and we have enough electric power right now but we're getting it from somewhere else and it's not reliable. I just kind of wonder if we're going to be asked about what we intend to do with the land, and if we're going to be asked to re-examine the value of that land versus other sites, and all the things that go into a generation facility. Getting fuel there now that land, which is large, is surrounded by a lot of fancy developments and the type of generation we would do, certainly wouldn't do windmills. I think a lot of those questions could be asked too and I think right now we're working on one of our more pressing problems relative to that land but I think we're going to maybe be asked what we intend to do about generation, and what would we say.

Commissioner Diesen stated I guess I'm maybe a little bit perplexed because I didn't foresee that we were going to be asked what we were going to do, I thought it was going to be a joint discussion in an effort, and come together and make some sound decisions by both bodies and agreement on how we would move forward. I do believe that the 800 acres will be a part of any

(1) Outlining Topics for Joint Workshop (cont.):

discussion because you can't, as all of you said, you can't just look at generation, we have to face the water issue front and center, and that property out there may hold a lot more value for water than it does generation given the things that have happened around that property since it was purchased. I'm hoping that what we're going to have is an honest and open discussion with the City Commissioners and that they would have, hopefully, some ideas of their own, which I'm sure they do. But that would culminate in a plan that we could then take forward and come back and present some more concrete things to them after we get their understanding of what it is we should all be doing in the best interests of the City. So I don't see this as just being one meeting where we're going to present a plan to them or we have an answer, or they're going to ask us these questions. I think this is absolutely going to be a time for open and honest discussion, wrapping it up at the end very carefully with okay these were the points that were discussed, here's where we need to go, and we will come back within a month or in three weeks. That was kind of where I was hoping this was going to go rather than it be this question and well, what are you going to do, what's your plan. Let's all talk about it and mix and mingle and get the dough going in the right direction. Then after there's some consensus, then we come back with some more definitive information. I hope, for my part, I hope that's the way it will go.

Commissioner Spangler stated that sounds good to me and my understanding is we have another meeting scheduled two weeks after that one, so maybe that's part of the intent of that meeting.

Commissioner Allen commented one week.

Commissioner Spangler stated one week after, we get a meeting in between right.

Commissioner Diesen stated our meeting is after.

Commissioner Spangler stated we have two meetings with the City Commission, on the 11th and one on the 18th.

Commissioner Diesen stated but they're both before our regular meeting because our regular meeting's bumped to the next week because of the Martin Luther King holiday.

Commissioner Spangler stated all right so we may, if we have a positive discussion, and I'm sure we will, then we will have to say are we going to have to come back with something a week later or will that be a separate subject; I don't really know.

Commissioner Hall stated I would like to propose that maybe Mr. Rodi needs to get with Mr. Hagood and suggest strongly that somebody give the City Commissioners a call, and that somebody probably needs to be the Mayor, to watch that CD. Because they appointed us to this Utilities Commission and they expect us to have some level of expertise based upon our General Manager and our Directors and if we go into that meeting next week and we're fumbling around and grasping in the air for answers to their questions, we're going to look stupid. I agree, I shouldn't say stupid, I'll say shaky, so I think that being open and honest is the key and my concern with government agencies is that many times they don't pull the trigger when they

(1) Outlining Topics for Joint Workshop (cont.):

should; they sit back and beat around the bush, talk in circles. I think we're going to have to be, I don't want to say blunt because being blunt sometimes turns people off, but we have to be aggressively tactful is the way I'll put it, in our belief system. And what I'm hearing here is we want to get off of complete reliance on the grid system, number one, am I correct.

Commissioner Diesen stated I don't think we can make that decision in a vacuum.

Commissioner Hall stated I'm talking individually, I'm not putting you on the spot.

Commissioner Spangler stated ideally, ideally that's what we would like to do, or that's what I would like to see us do.

Commissioner Hall stated and secondly, we want to control our own destiny in view of that and thirdly, can we afford to do it. I think we're going to be asked that question because every time we decide to do something, because of past situations, and again I don't want to dwell on the past, I think we're getting beyond that, but it may come up. We keep getting deeper and deeper into debt and they will ask, if I were a City Commissioner I would ask, how in the heck are we going to pay for this. Now they went to the roll back rate and my first response to that would be well that's great but you know the City of Daytona Beach went to the roll back rate seven years in a row and all of sudden they had a 27% increase in their tax base two years in a row to catch up. So there is a lot of devil in the details or whatever the saying is. I think it's incumbent upon us as Commissioners to look at that CD, however long it takes, and there's a lot of information on it to absorb, but I also think we're going to have more than two meetings and I think it's going to take probably three or four meetings. And time is of the essence because as our good friend Mr. Tolley keeps pointing out in his emails that we get, this is how much money we've lost today, or it's been x number of days since you've been on the Commission and you haven't done anything,..... when in fact we have done a lot of things. He stated to Mr. Tolley I'm not trying to put you on the spot but the emails have been direct and to the point. So my suggestion, as Commissioner Diesen stated, is that I'm looking for an open and honest discussion with the hopes that we don't step on too many toes, but we will step on some toes somewhere. He stated I had a phone call yesterday from a retired citizen who's a former electrician in town, and he wants to go with Florida Power & Light because of their "low rates". Well, in December or November we received the list of utilities that are owned by cities across the state of Florida and a comparison of the rates with the five investor-owned utilities operating in the state of Florida; I would like to get an update on that if possible because I'm sure it's changed. In fact, Commissioner Diesen, I think at the last meeting you had said it had changes, that some cities had raised their rates. I would like to know where we stand, but again my experience has always been you pay for what you get and if you go cheap it's going to be cheap, most of the time, not all of the time, but most of the time. Being number two in the state of Florida as far as price goes, if it's only a matter of cents, if you have quality and I think that our utility staff is full of quality and so is our General Manager, then that says a lot. I heard from somebody a couple of weeks ago that our utility workers had the fastest response in 2004 to all three hurricanes of any city in Volusia County or in Central Florida. That says a lot about a group of people who worked 24/7 for several days with an infrastructure system that nobody knew at the time was not

(1) Outlining Topics for Joint Workshop (cont.):

playing with a full deck. So I just hope that as a group we are willing to put on the table the things we need to put on the table and I strongly suggest that our General Manager contact Mr. Hagood and put into motion the thought in his eyes, or in his brain, that the City Commissioners need to watch that CD. They need to take a look at it, no matter how long it takes so they can have some fundamental knowledge of what we're going through.

Commissioner Diesen stated they got a copy of it didn't they?

Mr. Rodi stated they have a copy and so does Mr. Hagood. What I hope to do at the conclusion of this meeting is whatever changes you would like to this draft, we'll make them, and that will be conveyed and the draft when you look at it, obviously, promotes a number of thoughts. Some of those questions need to be researched individually from any individual perspective and that's the advantage of having that CD. Whether you agree or disagree with another person, there's information in there that will allow you to draw your own conclusions because it's very far reaching as you saw, I think, for just the preliminary stuff.

Commissioner Hall stated I have one question on the draft, the last bullet, next steps, we only have one idea under there, are there any other ideas we need to put under there.

Mr. Rodi stated when you look at RFP's, this is assuming that the item right above that, Commissioner Diesen mentioned that we really need to answer that question. If the answer to that question is yes, then we don't need to go after RFP's. The RFP's themselves cover ongoing needs. For example, we still have ownership in nuclear plants, they're not sitting out on S.R. 44, so we'll have to maintain some transmission access for a period of time unless in the course of this discussion the answer is we'll sell those generating assets to someone else and use the money then for building local assets and then just buy more off the grid with fixed plans to get more of your daily base. So these are the kinds of frank discussions, and that's just one little piece of it that we need to talk about. But in giving this list to the City Manager, he has a copy of the CD, he's very bright, he'll certainly coach to take a look at some of that because part of what I hope to do in a presentation that I would make, is to have some very significant charts that will prompt the kind of discussion that I think you're alluding to. The purpose is solely to have the discussion, it isn't that I may agree or disagree with what's up there, it's simply to promote that discussion and I think that will be very helpful.

Commissioner Allen stated I would like to say one thing from the conversation that was just taking place, we're looking at getting off the grid, looking at being independent; the grid is a good thing. It can be a positive you know and it has been good to us. Transmitting, it's there to transmit power as we move on in the future. If we have the resources, the availability of better resources may be there in the future and again we're going at looking openly to understand and try to be able to sustain a system. Hopefully in the future we'll have more than we need, but you have to think about the quality of the grid, it's for the betterment of everyone across the state of Florida. As you add generation you enhance the security of that grid in your area. We think about the loading of the grid and the population growth, and that's what gets a lot of the grid into trouble. Where you have constraints, because you can't move a load across a given area because

(1) Outlining Topics for Joint Workshop (cont.):

It's overloaded, trying to move it through, which drives costs up in trying to get resources like we've had problems with. But the grid is a positive thing that we need to, when we think and go through our process, understand the positive aspect of that grid that's there and as we work together and as we have resources that we can move around, it can be of great value.

Commissioner Diesen stated there's one question that I think might come up that maybe we could explore, are there any other possibilities, or what are the current possibilities for us owning just a piece of say any nuclear plant, more newer nuclear plants that are coming on or any of the newer ones coming on. I'm sure we've been approached and what are the possibilities, and I think that's one thing we need to look at as well.

Mr. Rodi stated yes, and that's a part of the discussion and as, again on the wall, it was looking at potential ownership in joint plants. One of the advantages, as you start to examine who will be building plants, initially part of their strategy is to sell part of the excess capacity that they have when a plant starts on line, and there are a number of plants that are in the making right now. We have been making those contacts and we've received very early, preliminary positives in some cases, in other cases not. But they're early stages and that becomes a part of the discussion, if the counsel is given we don't want to buy anything that's part of another area where we're having to rely upon the grid and we just want to grow more locally, then we need to entertain, well what does that mean; what's the consequence of that for us. Depending upon which way the discussion goes to support that direction, then there are different elements that need to be brought forward to support the direction the leadership wants to go in. So I've not made any presumptions other than we explored all of these items, we're following what has been the direction up to this point. There are some things to report on, other things we can take a completely different approach should that be the need, but we need to understand what we're dealing with today, what is the specific issue and then what are trying to solve.

Chairman Para stated in response to Commissioner Hall's statement about being prepared, I'm kind of the ilk that we're sort of going to have a very preliminary conversation. My thoughts as a single Commissioner is this will be a long term conversation and there will be much discussed, and there is wisdom in the multitude of counselors and that's what we get out of having a larger group like that; that we can wrestle with these as these are significant issues for this community. We began this conversation over a year ago and we've gathered good information. The 11th is going to be a good time to kick things off but I'm not going to go there presuming that we're going to discuss this, this, or this. We are appointed to review the gamut of that material and we're going to do that and have good information. A lot of it is familiar from my own investigations over the last couple of years, specifically the report Colleen Castille had made as part of that symposium that went to Tallahassee a year ago. I would pay particular attention to the comments from some of the more learned minds in the state of Florida; there was purpose behind that. The Governor called a special meeting and people from all over the state of Florida and nationally came and contributed to that and that report is rich with essential resource information that really was well distilled. Some of the recommendations are different but certainly worthy of discussing in part of that conversation and adjunct to what Commissioner Allen had said, we're not at war with the grid. What it is, we want to make it, and I think that's

(1) Outlining Topics for Joint Workshop (cont.):

perfect the way you characterized it, we just want to make it better. We don't want to be on the tail end of a long train that's empty and that's unfortunately where we've been in the past and we're going to turn that around hopefully, that would be my sentiments. I'm looking forward to this meeting as good stuff here, I don't know of anything I would like to add because again, this is actually more than I even thought we would get into, but its comprehensive and it would be good points of discussion to begin with.

Commissioner Diesen stated it can morph into something, into a whole different being but that's fine. I must say as much as we're suppose to learn and know and be experts, I always go back and rely on Mr. Rodi because that's why we have him and we know he has the wealth of information and he constantly, he's way ahead of everyone else, so I feel very comfortable when we get into these discussions. She stated to Mr. Rodi, and you're certainly not political and you give good information and it can be accepted that way and looked at and discussed. I think we're okay, then we just go into, hopefully some joint decisions that are in the best interests of the City.

Commissioner Spangler stated two comments, one about the transmission grid, we want to be one of the locomotives, whether we're at the tail end or the front of the train, we don't want to be the caboose. And as far as Commissioner Hall, when you get into those CD's, I hope you have a lot of time. One of the things that it said was, believe it or not, the public appreciates service and reliability even more than price, not by a big percentage but that's the number one.

Commissioner Diesen stated it's true.

Commissioner Hall stated I read that this afternoon.

Chairman Para then asked if there were any further discussions, comments, or questions.

Mr. Rodi stated I would like to make one further comment, when you're having one of those days there's one program in there called the simple life. It has volume and it's just somewhat nice, it was meant to be when it tightens you up, just turn it on.

Chairman Para then recognized Mr. Tolley who had his hand up.

Mr. Tolley asked are you taking questions.

Commissioner Diesen and Chairman Para stated it's a workshop so I think we're going to have ample time on the 11th for all that discussion.

Mr. Tolley stated you may find it very beneficial before the 11th.

Chairman Para then stated it's up to the Commissioners, if they would like to hear from you, I have no problems, and added it's entirely up to you all.

(1) Outlining Topics for Joint Workshop (cont.):

Commissioner Spangler asked did we get a newsletter today?

Chairman Para stated I don't know if we got the new math today or not.

Commissioner Spangler stated I mean from Mr. Tolley, we get one everyday.

Chairman Para stated I don't know if we did or not. He then stated, in fairness to him in that we've engaged him, Mr. Tolley, please step up to the microphone and make your statement if you'd like.

Mr. Bob Tolley, a resident of Fairway Drive, addressed the Commission. He stated things are not all right, they're going to have your lunch next week. I sit back there and I listen, I give everybody the benefit of the doubt. Let me tell you how I see the role of the City Commissioners as they look across the street to the Utilities Commissioners. You five people, in conjunction with your General Manager, discuss ideas, alternatives, remedies, whatever. You're supposed to come together as a cohesive group taking your plans and ideas back across the street, not versa versa. If you're waiting for them to show you folks, as Utilities Commissioners, the direction in which to go with this problem, we're going to be burning candles five years from now I've got to tell you. They don't have a clue, they're looking for you. That's why I said I think it's important that I come up and I speak with you. Now, whether you agree with me or not, you've got some major problems. Mr. Rodi has done a great job, I never argue or even debate with him because God only knows where we would be without him. But do I agree, no, you've got some major problems coming up on the 11th. We're still talking about issues that were raised last year, 470, 480 days ago, whatever it was. Chairman Para, I make fun of you about the "French fry" vehicle, I don't do that because it's you, but because it's that much of this of a problem, that's what I'm driving at. Let me give you a perfect example, right now we're taking about 800 tons of manure a day, this is what we're working on, to generate 117,000 gallons of bio-diesel fuel at seventy-five cents a gallon. Do you folks have any idea of that? No. I can go on and on and on and tell you what's going on in the street, but not one of you has ever picked up the phone and say, can you come down and talk to me, can you tell me what's going on in the street. Instead, our answer is let's turn to the City Commissioners and look to them for the answers. He reiterated, they are going to have your lunch next week. He concluded by stating thank you.

Chairman Para stated fair enough, and added I asked him to speak, so I'll respond.

Commissioner Diesen stated do you think that's necessary.

Chairman Para stated no, not really other than I think its part of a conversation. I still stick with the wisdom that's been here and that we need to have that conversation. I'm good with those folks that we have elected to hear what we've got to say and if they have our lunch, then we deserve it but if not, we'll have a good open and honest conversation as Commissioner Diesen said.

(2) Possible Other Business – Time for Commissioners:

Chairman Para confirmed there were no further comments from the other Commissioners and then stated I would like to say one thing. I had spoke with Mr. Preston, I think it was two weeks ago, and I had mentioned there's an error in our community, and also nationally, of the issue of ethics and I wanted to be very clear about my role on this Commission and in the community. When I signed on for this tour of duty I explained to the City Commissioners that one of the primary responsibilities I have with the Women's Care Center is one of fund raising and raising awareness in the community. So in light of good, straightforward, open and honest conversations, in the future I will be declaring, in the event that someone comes before this Commission, any relationship, i.e., on a mailing list, a friend of mine, or whatever. This is not meant to in any way undermine this Commission because if my being here in that capacity did that, then I would remove myself because it is never my intention, as I shared with Mr. Rodi personally, to cause any conflict in this community, either at the Care Center or here. He stated I'm sorry I've taken this time to be that personal with my conversation but I believe it was appropriate to get it out and get it in the open, to simply say that's the way I intend to remedy any question. If that's fair with any of you all, then if you'd like to ask any questions as to my role or whatever, please feel free.

Commissioner Hall commented does that mean anytime I speak you're going to say something.

Chairman Para stated yes, and commented your wife use to be a board member.

Commissioner Spangler stated isn't Commissioner Hall a friend of yours too.

Chairman Para stated he is a friend, I like to think of each one of you as a friend, but I'm going to try to temper it. I did get chastised by a few of my counselors over the last couple of days that I'm being a little too over the top but I think that when you look at the national spotlight, our Governor, it's important that government entities have a sense that they're being declaratory in every aspect that they can about potential or implied conflicts. And what we had gone through just this last month caused again some reflection on my part when it said the perception of impropriety. Well, in that perception's 9/10's of the perceiver, that causes potential problems. He then concluded by thanking the Commission for allowing him to share that.

Mr. Rodi asked if it was okay then to convey the draft discussion outline to the City Manager for distribution to the City Commission.

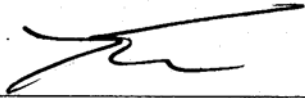
Chairman Para stated I like it, and a couple of other Commissioners indicated yes.

There being no further business to come before the Commission, Commissioner Diesen moved to adjourn.

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

There being no further business to come before the Commission, Chairman Para closed the regular U.C. meeting at 6:00 p.m.

APPROVED:



CHAIRMAN

ATTEST:



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their
January 22, 2007 meeting.