

MINUTES OF A UTILITIES COMMISSION STAFF WORKSHOP MEETING HELD
TUESDAY, MARCH 27, 2007, AT 10:00 A.M., AT 200 CANAL STREET, 3RD FLOOR
DEBERRY ROOM, NEW SMYRNA BEACH, FLORIDA

The U.C.'s Director of Engineering opened the meeting with the following persons* in attendance (*compiled from sign in sheet and known attendees, there were some unidentified attendees):

U.C.: J. White, Director of Engineering; P. Duncan, Recording Secretary; L. Klinkenberg, Director of Finance, R. Rodi, General Manager/CEO; E. Mahle, Public Information Manager; M. Rodriguez, Electrical Engineer; R. Walter, New Business Representative; UC Chairman K. Para, UC Commissioner J. Diesen, UC Commissioner R. Spangler

Engineers/Consultants: Brad Blais, Quentin L. Hampton & Assoc.; Jeff Annon and Richard Campbell, Black & Veatch; Joni Batson, R. W. Beck; Derek Wainscott, DMW Consulting; Randy Hudak, Zev Cohen & Associates;

Developers and Attorneys: Jerry Johnson, Sr., Venetian Bay/Johnson Group; Dave Hood and Steve Carthe, Smith Hood and Perkins; Jim Cullis and Jade Brown, LandMar Group; Winston Schwartz, Venetian Palms; Tom Dever, Ingham Road;

and Melanie Stawicki-Azam, Reporter for the News Journal.

1. Developer's Agreement Infrastructure

a. Technical Issues

Mr. White stated good morning ladies and gentlemen, my name is Jim White, I'm the Utilities Commission's Director of Engineering. I'm going to chair this meeting today, this is a staff meeting. I don't know if everyone noticed it but we have a sign-up sheet on the dias at the edge of the room there, it's not to gain any unreasonable advantage of you or to track you but if we do hold a subsequent meeting, we'll be able to notify anyone who signed up on that sheet. If not, notice of any subsequent meeting will be same due process as this one.

Mr. White stated we're here to discuss basically this document, primarily. This was prepared by a group self-identified as New Smyrna Beach Zone 1 Developers presented by someone named David Hood to the Utilities Commission a week or two ago. It was presented as an engineering proposal or counter-proposal to the Utilities Commission's infrastructure plan. And the developers were going to bring their technical advisors or technical arm with them. If that is the case and if they have brought any, then technical representatives are welcome to sit at the table and engage in discussion as we go forward as this is a staff meeting, we'll discuss at this table and the public is not to be involved in the discussions. You're welcome of course to take notes, record, whatever you wish.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. White stated I noted this was presented as a technical or engineering proposal and I guess it is, but then it is not since I didn't see a signature or seal on it, but we'll nonetheless proceed as if it were. We'll probably not have time or probably not get into discussion of these several facility studies and reports. Those are prepared by engineers, signed and sealed, and I brought copies for reference here today. They're also available on our website as public documents, you can download them. The primary reason we're not going to go into detail on those is those have been there for a year, were discussed here many times at Commission meetings, other meetings, and public hearings for this program we started. And if you were here when we started this program you'll remember that we had just been handed Senate Bill 360 which requires all infrastructure and funding for infrastructure be in place before development permits are issued.

Mr. White stated word was being bandied about somewhat loosely that started with the letter "m" in it, a major stampede going and nobody wanted to end up down the road so the Utilities Commission had the foresight to develop a program by which development could proceed in this service area and went through a process of studies, review of studies, public meetings, reviews, presentations, and public hearings, and that is the infrastructure fee system we ended up with.

Mr. White stated Senate Bill 360 would tend to provide legal discussion of it but it does require that this funding and the infrastructure be in place, it provides also that the funding mechanism or the funding plan be reviewed annually. The Utilities Commission's adoption resolution also requires an annual review of this infrastructure program. This infrastructure program was instituted in July, sealed at public hearings and Commission meetings in July of the last year. In June and July we will be fulfilling that obligation, we'll review that in its entirety. In preparation for that we have contracted, the Utilities Commission has contracted with a financial consulting and estimating firm from Atlanta, Georgia, named US Cost, who is going through all the cost estimates we had that we used, updating those and providing a much more detailed and updated estimate of each of those; that will also be incorporated in this annual review of that, as will the list of projects that are incorporated in that.

Mr. White stated having explained that, we have this document as I said that was presented to the Utilities Commission and we're going to consider that our primary objective today, is to go through that, to discuss that since it was presented as a proposal from a group of developers purporting to be 81% of the ERU's west of I-95. I guess as Chair I'm going to do most of the talking and just flip through this document and we'll discuss the items; I'll discuss and I'll ask for input on those as we go.

Mr. White stated there were a lot of statements made with no opportunity to discuss or clarify wherever made so we'll discuss and clarify and challenge some of those and that is the process by which technical reviews are done. Everything is up to challenge and if it can't stand the light of challenge it probably shouldn't be there. So having said that, in this document I'm going to

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

flip through the title work, title pages, and looking at page 3 of 8, although there are quite a lot of more 8 pages in the entire thing. He stated there's a statement A, A1, assertion that the infrastructure fees are based on ERU's for the highest theoretical density allowed under the land use zoning classification. Okay, the zoning laws only have one allowance and it specifies that given zonings are allowed to develop from zero to a given density and that is the figure that we've used as the basis, primary basis of this program. It's not the highest theoretical or biggest possible or maximum conceivable but it is just the allowable density under the City's Ordinances.

Mr. White stated A2 asserts that fees are required to be paid up-front and that is accurate in that the State Statute requires that the infrastructure be in place before developments are built, there's no other way to get the infrastructure in place unless it's paid up front. Someone walks out of their home, a new home, and applies for a meter, water and power connection, its got to be there. He stated A3 asserts that Zone 1 is \$2,614 per ERU. I want to clarify that, there's a range of fees there based upon a number of variables and \$2,614 may very well be within that range but it is not a specified number for each development, each project, or each ERU. The actual fee is based on one, the total estimated cost of the projects needed for that zone, 50% weighted to the number of ERU's within a development and 50% weighted to the relative proximity of the development to the primary point of service which would be the wastewater treatment plant or a point of available electric power such as a substation.

Mr. White stated item IV, it specifies that the Resolution (UC) requires huge upfront payments to fund projects that will not be needed in Zone 1 for 5 or 10 years, in other words to meet demand in 5 or 10 years facilities must be paid today, must be built today, with no guarantees the cost to the City will be the same or when the services will be provided. He stated it's not untrue but it's also not accurate. If for instance a development out there pays their infrastructure fee and signs their development agreement they are free to proceed. It is then the Utilities Commission's commitment to provide those infrastructure items needed and it is guaranteed to the extent that guarantees exist in this life. We are certain to build some things that are not fully needed for a number of years but it is a fact that we cannot go and build a system for the first 2, or 10, or 15 units out there and then enlarge it as we go. It is necessary to build infrastructure for 16,000 units. He stated 16,000 units, excluding any commercial segment, is going to require something like 3.5 million gallons of water, average every day, peak use probably twice that; we don't have that available. It's going to require something like 60 MW's of electricity, we don't have that available. Our entire program was a program to make that possible, the alternative is pretty much zero.

Mr. White stated okay, proceeding, insufficient notice, that's a legal issue and we don't discuss those in technical meetings. He stated B., it says Calculations Not Based on "Most Recent and Localized Data". Calculations and the costs estimates were preliminary engineering cost

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

estimates based on available data at the time the reports were generated and I have some representatives here and in the audience today from the engineering firms that prepared these that are more than ready to discuss pretty much anything and everything in there.

Mr. White stated one contentious item presented at a recent Commission meeting discussing this was that two projects on S.R. 44 were estimated within the program to cost \$2,850,000. Item 1A asserts that these off improvements were constructed by the Johnson Group at a cost of \$1,793,420 or \$1,056,580, 37% less than the U.C.'s cost estimate used to calculate the infrastructure fees. That sounds pretty condemning of our cost estimates and it should justify an explanation or discussion so that will be really the first significant issue to cover today, why there's 37% current variance in those two items. The cost estimates in the infrastructure program are preliminary engineering cost estimates. Such estimates, it is the standard in the industry to prepare preliminary rom, it's called rom costs estimates, that are expected to be accurate within 25% to 40%. Now, in order to compare on a critical basis an estimate of that sort with actual historical accounting as built after the fact with a construction project, is probably the engineering equivalent of comparing apples and apple seeds critically. There's just no real basis for comparing one critically with the other, they are totally entirely different animals. In this particular project, or pair of projects, consisted of water lines and reclaim lines along US 44 (sic SR 44) 16" and 20" lines completed I believe at the cost stated, an estimated cost stated. It should be pointed out however that the projects in the Utilities Commission's infrastructure program are not the same projects constructed, I need to clarify that. The reclaim line constructed extended from Airport Road to the driveway currently called Williamson Road, Williamson Boulevard, the access to the new fire station. The project in the Utilities Commission's infrastructure program includes that and extends that approximately or nearly another mile to the Wastewater Treatment Plant where the reclaim pumping station exists and connects to that as well as all restoration of roads, storm water systems, utilities, fences, and whatever in between. And it might be worth noting that whereas the work done parallel to S.R. 44 was green fields type work, the last segment would include quite a lot more restorations on a per unit cost basis. I think those things make an adequate explanation of the differences in those costs. However, to the credit of the Johnson Group they did that work, they did it on short notice because they were kind of facing some difficult circumstances if that issue hadn't materialized and they did it at very controlled costs. Those were essentially direct pass through sub-contractor costs. There was no administrative overhead, no real project management, no inspection, none of those things were added to that direct sub-contractor's costs, this was a real bare bones undertaking. He commented it's the kind of thing you don't see much of these days. He then asked if anyone have anything they need to add to that before we move forward.

Mr. Derek Wainscott stated Mr. White, if I may.

Mr. White answered surely.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. Wainscott then asked do I need to put my name on record.

Mr. White stated I apologize for not doing introductions at the start, go ahead if you will.

Mr. Wainscott stated Mr. White it's my understanding that the Utilities Commission did inspect the mains that were constructed along 44.

Mr. White answered yes. The cost of that inspection is not included in this figure of \$1,793,420.

Mr. Wainscott stated correct.

Mr. White stated that's the point, the point wasn't that it was un-inspected and therefore poor quality work, I did not suggest that and I have no reason to believe that that was the case. He asked Mr. Wainscott if he had anything else on that. With no further comments, Mr. White stated okay, item C., we're on page 5, paragraph's titled ERU Calculations, C1 states that we used the maximum possible density in the infrastructure fee calculations; it is not true by selection of words. What's possible, or conceivable, or maybe doable versus what's allowable is different things and the density used was that density allowed by City Zoning Ordinances. It wasn't maximum possible density, it's density allowed, those type of allowances while some times they are increased, I don't recall a lot of cases that a developer requesting that his zoning be reduced.

Mr. White stated 1B, slipping a little bit out of the context, it appears that the U.C. is building in excess capacity in its capital expenditure projects that are unnecessary for our developments. We do not believe that's the case and today we'll go through those lists of projects and we'll see and discuss any that are unnecessary and why that they might be, but those projects were selected only as projects whose single purpose need is to service, serve the demand brought about by new developments. An example of that might be production water wells, there is actual, existing capacity that is satisfactory for all our existing customers and our existing wells. It's pretty well established by engineering calculation, empirically by years of operation during all sorts of peak use and demands. Now we've come fairly close to meeting our peak allowances and our peak capacity several times, and in storm and fire situations we've had to obtain water and provide water to other agencies. But earlier I mentioned that 16,000 new neighbors is going to require an average additional flow of 3 to 3.5 million gallons, peak flows probably twice that. They will also require additional reclaim or irrigation water in addition to that. They'll require 60 MW's of power that we cannot provide. Our appointed Commissioners and customers have made it pretty clear that they don't want to provide it for you, no aspersions intended. So in order to provide that we think that we need to construct some infrastructure capable of doing that, to that end we created this program and have even started some of these projects.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

We have work underway to develop those wells capable of producing that necessary water.

Mr. White stated item D. is titled Infrastructure Costs not Allocated by Subdivision-Example. There are a number of points under that, I won't address them all, if anyone feels that I unreasonably left something out, you're of course free to bring them up. I wanted to start out with, I'm not disputing those, I know that the owners of Venetian Bay for example have spent millions on infrastructure; no question about that. There remains infrastructure needed there. He said quoting here, all necessary improvements have already been installed by the developer. Well Venetian Bay needs water, water comes from wells, Venetian Bay is going to use a lot of it; we need to provide that capacity. With all these residences, businesses, we need storage tanks, pump stations, they're not in place, they are needed. We need fire flow adequate to meet fire flow requirements, all points in the system, all conditions of operation; that still does not exist. We don't have the infrastructure to provide power to all those homes, much less the commercial that will follow; it's not in place.

Mr. White stated under 5, there is no unique benefit being conferred here which is legally necessary to extract an impact fee and I said I was going to avoid legal discussions and I am but the phrase unique benefit I'm sure has a specific legal connotation that escapes me. But projects which we could exclude from our Capital Improvement Program forever, not needed for any of our current customers, are basically what we've targeted here. We could operate a maintenance operation and have no new capital construction whatsoever, maintain and reconstruct, and we would not need this program.

Mr. White stated page 7 starts with The Important Principles We Agree On. Some bullet points there, one says that infrastructure of water, sewer, effluent, etc., should be built at the lowest possible cost within specifications. There is again one of those superlative words, lowest possible, we're not allowed, we can't construct things at the lowest possible cost. We may be some phrase like best reasonable, lowest responsive and responsible bidder, things like that.

Mr. White stated the third bullet says the distribution of water, sewer, and effluent should be built when needed. It's needed to be in place before the first home is connected, that's when it's needed. In order to have that infrastructure in place when the first homes are starting to connect, we know that we have to start building now; that's merely a perspective on it.

Mr. White stated okay the solution proposed is that the developers know the infrastructure improvements are needed in Zone 1 and have agreed to allocate the costs amongst themselves. That agreement is evidenced in the form of a developer's agreement, that is the only agreement to do that that there will be. And a number of developers in order to proceed have done that,

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

they have signed up and are proceeding but that is how we agreed to allocate those costs. He stated (another bullet) avoids argument regarding infrastructure and cost calculations, I don't think that anything that we can do avoids discussion and arguments and issues about that, it's inherent in the process. He stated (another bullet) speeds development and increases the tax base, it may or may not but it will increase the tax base, that's inherent. He stated (the last two bullets) no cost to the City or U.C. and avoids litigation, okay, how does it do that?

Mr. White continued to 2. Some of the improvements should be funded with other fees and charges. Some examples here are connection fees should fund new potable water wells, rate charges should fund electrical improvements and it was suggested as I understood it that the rate structure already contains funds, allowance for infrastructure construction and to do anything different would be double dipping and that the system's what's called here, I'm going to read this, Unified System/System-Wide Redundancy. I'm not sure what that is but it sounds like double dipping and that is not true. The electrical rate structure includes two basic items, one is the cost of purchasing energy and the other is the cost of operating and distributing that energy, there's not a cost in there for building additional plant. There's a detailed rate analysis on our website and I still encourage anybody who hasn't reviewed it to do so, it's authored by Black & Veatch, the firm is quite accomplished in preparing cost of service studies and they have a representative here with us today who'll be glad to discuss that and answer questions. If I see any hands go up, we'll call him up here and discuss that now if you like.

Mr. White stated the suggestion there is that new potable water wells should be paid for by connection fees. Water connection fees, to review the history of that, is designed to what is basically a plant investment fee in the Water Treatment Plant and storage down there, pumping, was built in the 60's. Its function is there is an offset from the existing customers who paid fees, rates, paid off bonds, and whatever for the capacity to build that capacity and it is really a buy in for new customers because that plant will at some point exceed its life expectancy and need to be replaced; not with new capacity but with existing capacity. He then asked do we have a question. There being none, he said okay, and I assert there is no double payment, and Jeff Annon is with us who authored that rate study and is more than glad to address that.

Mr. White stated item 3 (on page 7) reads let our engineers work with U.C. staff and consultants to refine plans, determine necessity and alternatives for two items, the effluent storage tank and water tank/pump station, on the construction schedule for improvements. Okay, and then there's a request for a policy statement, that is a policy matter and we don't do policy here.

Mr. White stated so having gone through that document, we're going to go through the project list, I guess everyone's here because they've studied it and I'd like to see someone volunteer to point out the items that are not needed.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. Wainscott stated Mr. White if I may.

Mr. White stated yes.

Mr. Wainscott stated Randy Hudak and myself, Derek Wainscott, have analyzed the western service area as far as water calculations are concerned and we have confirmed, we went back and took a look at between when this report that you've just read and today's meeting, that yes, with the mains proposed in Quentin Hampton's report, the water service thing might be necessary. We're not opposed to installing infrastructure required for our subdivisions. I represent Venetian Bay and Randy represents the other projects out there. I also represent Pioneer Land Trust. We've done calculations and we've phased the calculations to show when certain projects come on line that certain mains are needed and certain infrastructure is needed. We're certainly not opposed to installing those mains and I think that we've found that if you upsize a few pipes here and there that, under those conditions, maybe the water tank isn't necessary to maintain pressures. Maybe that's something you might consider.

Mr. White stated that might be, but added water tanks do more than maintain pressures.

Mr. Wainscott stated I think that as a development in site, what exactly the water tank would benefit.

Mr. White stated well I think you wouldn't have to stretch your imagination too far to perhaps envision a fire in that area. Perhaps the time you have a fire, me and my crews have been down there digging along I-95 and S.R. 44 and we've busted that water main, and we have a problem, being there is one water supply pipeline into that whole area today. It is 12", it is not big enough for anybody's project let alone everybody's project.

Mr. Wainscott stated and we agree with that Mr. White.

Mr. White stated if that water line was 18" to 20" all the way to the Water Plant and I dug it up and busted it, it would still not be big enough to fight a kitchen fire. So we can see the value in having some storage in the vicinity of the points of use. If we have our storage near the points of use, distributed, you can see the value in having it disbursed rather than having it in one location or a few locations. You can also reduce your energy consumption which is the single largest line item in our water department's budget today. It has now, either this year or last year, surpassed personnel costs. Given that, we have a choice when you're planning pumping, a pump to do all

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

our pumping, say at the Water Treatment Plant, raise the system to a very high operating pressure at that location and depend on that to drive an adequate supply of water at adequate pressure for all conditions of operation to all points at all time within the distribution system. Or we can have somewhat distributed pumping and consume less overall energy and have less energy loss consumed in friction and re-pumping costs throughout the system. Normal water facility or water system operation, and they vary a lot, has from half a day to two days storage in their storage tanks. We have less than half a day available storage, it is all stored at ground level. Absent power and stand-by generated power, we have essentially a five minute window on our entire system if the power goes down in a storm.

Mr. Wainscott stated at the current plant.

Mr. White stated pardon me.

Mr. Wainscott stated at the existing Glencoe Road Treatment Plant.

Mr. White stated we have no elevated storage anywhere in the system. He stated I see Brad Blais there back, would you like to join us at the table. Brad's the author of a couple of those studies.

Mr. Blais started to make some statements and Mr. White interjected I'd rather you talk from up here, that way I wouldn't put lie to my own statement that we weren't going to open to the floor for everybody's input because we just don't have the time or the means.

Mr. Blais stated good morning I'm Brad Blais, Quentin Hampton and Associates. I think you hit most of the high points as far as the necessity for finished water storage west of 95. One of the primary drivers is overall system storage, we can construct additional storage and pumping at the water plant at Glencoe but it's not going to give you the benefit that it would being at the point of use, west of 95. If you look at most communities through here, Ormond, Port Orange, and everywhere else, they typically do have storage and pumping west of 95, somewhere near the primary points of use for a combination of fire, system storage, and those types of things. And when you look at the cost of storage it's about 25 to 40 cents per gallon for the storage tank itself. So a one million gallon storage tank is going to cost you about \$400,000. On-site pumping, you know additional costs are going to go up from that, but when you look at the long term costs of trying to meet...

Mr. White asked \$420,000 for a million gallons of storage.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. Blais stated that's about right, somewhere in that neighborhood.

Mr. White stated I think that is reasonably close, we just bid a tank for substandard effluent at our Wastewater Treatment Plant, tanks are tanks largely, this one doesn't have a cover, no roof. If birds contaminate it a little bit it's not a concern since it's a substandard tank and any water stored in it would be recycled through the plant. The bids opened a few weeks ago at \$645,000. It's a pretty bare bones operation and it was done at a competitive bidding basis.

Mr. Blais asked what was its capacity.

Mr. White reiterated one million gallons.

Mr. Blais stated there was probably some site work in that as well but...

Mr. White stated really not as much as you might think, less than 100 feet of pipe overall.

Mr. Blais stated but anyway, I think you could probably look, you know, at utility planning a lot of different directions. Typically as engineers we're fairly conservative and I would think that's it's probably not, if you did look at upsizing the pipes to meet your peak demands and fire flows and those types of things, okay, maybe there's one nominal pipe size. If you look at the overall costs when you get into fittings and all these other types of things, the cost is probably going to be somewhat compatible, trying to eliminate the costs overall of the storage and pumping out west, when you add in the fact that you need the additional storage anyway. Okay, so maybe you're saving some site costs now by doing additional storage at the water plant, you know there's always different ways to skin the cat, but I think what's proposed is fairly reasonable. Some of the points that you all discussed about the cost estimates in comparing what a foot of pipe costs here versus what a foot of pipe costs in the reports, I've put together some bid tabs. I've got Deland bid tabs, I've got Port Orange bid tabs, Ormond Beach, South Daytona, and a bunch of these others. We try to keep a reasonable data base of projects that are bidding around the area and try to set up what is the low bid versus what is the high bid and find that median point and utilize that type of data to get budget pricing for, you know, the types of studies that we do here. And I'll definitely let you all take these with you and see what you think as far as looking at the costs and again when you're looking at the costs of a project in a report such as this and looking at a cost, okay this is what R.S. Scott or somebody did for a piece of pipe from here to here, you need to look at all the items in whole. What is the restoration costs, were there any directional drills that were needed, you know pipe from point a to point b. You've really got to look at a project to a project to compare apples to apples.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. Wainscott stated Brad we understand, I mean we've done the same thing for my entire career as far as collecting data and doing the best estimates that we can.

Mr. Blais stated right.

Mr. Wainscott stated no estimate, I don't think, would ever be correct when the final numbers come in. I think we're, where the western service area is concerned, is that we have at least two projects with the numbers were substantially different, 37% on the one, I'm not sure what it was on the other one; that's why we're looking at it.

Mr. Blais stated sure, you need to.

Mr. Wainscott stated it's just that's the only reason, I don't think that, that was our concern.

Mr. White stated that 37%, we didn't review how you calculated that, but I understood that was the aggregate of the two projects; the water and the reclaim project combined.

Mr. Wainscott stated correct.

Mr. White stated because you used aggregate numbers, \$2.8 million and \$1.75 million.

Mr. Wainscott stated we understand that's there's a missing link on the reclaim that goes up that fire road.

Mr. White added and that would be some dollars, it would be necessary to compare one to the other.

Mr. Wainscott stated sure.

Mr. White stated okay.

Mr. Blais stated if I can break, I think there should be some mechanism though, just so that you can adjust the actual costs to the actual costs encumbered or paid by the developer.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. White stated okay, there is.

Mr. Blais stated and I don't know what mechanism that can be done by but I would say that you know that you would have to agree. Any time you do an estimate, it's an estimate, you don't want to be the low bidder when prices come in. As an engineer you don't want to tell an owner okay this project is going to cost you \$2 million bucks, it comes in and it costs \$3 million, and then somebody's looking for somebody's head. So I would admit and say that in any type of study such as this you are going to, I wouldn't say pad the numbers, but you're going to use conservative values in your estimates. So using those values, I do think there is some mechanism in the agreement.

Mr. White interjected there is.

Mr. Blais stated in the developers agreement to say okay this is the actual cost to construct, so this is the actual cost to the developer and I do think that is a reasonable process.

Mr. White reiterated there is.

Mr. Blais stated how it's actually done, I'm not sure.

Mr. White stated we'd like to describe that. The statute that kind of drove us into this situation requires an annual review, requires that the funding be in place and it be reviewed annually. The Utilities Commission's resolution is, and if anyone doesn't have a copy of it, it's right here in the partner's proposal, has a copy of it, and it also specifies an annual review, which we have started the work to do in updating, reviewing all those cost estimates; which is essentially an annual true-up. There is a completion true-up, at the end of the program when its all done, finished, the arguments and dust's all settled, the kids are playing in the park, there's no left over change going to be in the fund that goes to the Utilities Commission to do something else with. If there happens to be any funds in there, other than deficits, those will be distributed back to those that paid them. The much more likely scenario is that since these costs can be ratcheted down but not up after the fact, that the Utilities Commission is still bearing some risk in that this program may not cover, this financial program may not cover this construction program and everything that it entails. Nobody here would deny that's a possible scenario and there is no mechanism in the statutes, in the program, in the development agreement, or any where that I know of that says okay, you can go back and extract a little more out of them to cover that deficit; it's not there. The risk of that belongs to the Utilities Commission and they have understood that and moved ahead understanding that but also understanding that they have a sort of a mandate if you will to do what it possible without actually paying for it to make future growth a possibility while protecting our customers. Now I wasn't, and I'm not going to continue endlessly from the

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

audience, but I'll take a comment from Mr. Johnson since he raised his hand.

Mr. Johnson stated I think one of the problems that we have is that we do feel that it is built in by the padding of what we're talking about here now.

Mr. White in that the cost estimates are higher than actual.

Mr. Johnson stated right and I think that is, what is subconscious or not, I think it is built in and that's one of the things I guess that we say is wrong. If we can go, you know, we would take the risk, we would do it. We know that we can do it for less than in most cases.

Mr. White stated okay, may.

Mr. Johnson stated and I'm not saying it's not justified, but it's not justified for us to pay it now and then waiting for ten years to ever make an adjustment back to us.

Mr. White stated okay, but we've wandered off into policy, and we're a technical review meeting.

Mr. Johnson stated all right then, my second point of that without policy is that I think we can generally say that anything done for government is going to pay inherently more for the same work done than in private sector.

Mr. White stated I think in general terms I would agree that that is more often than not the case and often the case we would have to do things that we would just as soon not do that you're not required to do, and given time I could explain a lot of those what fors. For instance, and never in your life does Davis Bacon apply to anything you do out there, you have never filed and applied for an archaeology permit from the City of New Smyrna Beach.; that's an example that's all. The annual review gives you an opportunity to go through those cost estimates and I foresee those being reviewed every year. Again this year, as I've said, we're getting the best cost estimates we can based on the best data that we have. And costs are changing rapidly, up and down and all over the board, mostly up. Cost of a transformer over the past couple of years flew from maybe a half a million dollars to more than three million. We can probably, many of us, remember when copper was on the order of fifty cents a pound, it is over \$3.00 this morning, and if the lights blink you'll know that somebody's out clipping it out of the substation again. We have to keep those current, the annual review mechanism allows that to do it. The annual review will also provide for additional public meetings, reviews and hearings at that point.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. White stated given that and not to wander off into policy, I'd like to go through the project list and anyone that spots an unneeded one, please send up a sounding rocket or something to make sure that we all stop and discuss it. New wells, we have a considerable effort and expense to obtain district approval and an increase in our consumptive use permit of 1.75 million gallons a day for a lamented new well field in the vicinity of the Smyrna Substation. That well field is envisioned, if it pans out, to produce up to an average of 1.75 million gallons a day, that's quite a bit of water but we're going to need that and a lot more. We don't know what that's going to cost. We drilled a monitoring well and the monitoring well is showing that the samples are not acceptable for use with our current treatment equipment, 400 plus milligrams, parts per million, in chlorides. We'd been expecting less than 50, so we're going to have to spend more money. Maybe we'll have to abandon that well field altogether, maybe we start and drill another monitoring well at the same site, maybe we'll be able to proceed with production wells there, if so that'd be a large step forward. But it's not going to be enough, we're going to need twice that for our average daily requirement. We're going to need twice that for peaks, we're going to need twice that for irrigation addition. We'll soon be without adequate supply for irrigation, by the end of this summer we'll probably be on some limits on irrigation water from the reclaim system. That's kind of a loose predication but I've always heard if you're going to predict do a lot of it so at least you're right once in a while. So we think we're going to need wells, we're going to need several of them, we've started one well program and this cost estimate we believe may be adequate to develop that 1.7 million gallons, 1.75 million gallons a day. That will leave unspoken for 1.25 to get us just to the 3 million gallons a day. That's nowhere in this program and we don't have a mechanism to come back to you and ask for more money later.

Mr. White stated okay next project is a filter upgrade.

Mr. Wainscott stated if I may, forgive me for being confused, are you taking well water and surcharging your reclaim water system.

Mr. White states these wells are intended to provide potable water that will be pumped down to our Water Treatment Plant, processed, treated, and pumped into distribution, potable water.

Mr. Wainscott stated I got confused when you started talking about irrigation; are you talking about existing users that have potable water for irrigation.

Mr. White stated the potable system and the irrigation system are inextricably linked in that if the availability of reclaim water for irrigation declines then the use of potable water for irrigation is supplemented and our potable water consumption shoots higher, much higher, much quicker.

Mr. Wainscott stated thank you.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. White stated the average residential use, three times as much irrigation as potable water on a peak basis. So using the reclaim water from four residences to provide irrigation water for one is kind of the ratio that develops and you can see that the faster you build the behinder you get. Our hope there is to build potable capacity first with these four, five or six wells.

Mr. White stated the next project there is called a filter upgrade, and it's a small project and it sounds as if that's rehabilitating our Water Plant to replace something that's old, rusting and rotting away. But that is not the case, that's not what's occurring there, that part of the plant is working well, that filter is working well and adequately. The capacity of that plant to produce water is 10.3, I'm going to say, I think that's right, million gallons a day. Each component of that process train has a flow capacity limitation, in other words it's a chain of things only as strong or as capable as its limiting link. The limiting link in that Water Treatment Plant in that process is the filters which cannot produce water more at a higher rate than that without breaching quality standards; which we are not going to do. If we upgrade and replace those filters for a small, a relatively small cost, you see that in water equipment that's a small cost, we have the potential to raise the capacity of that plant by as much as two million gallons a day. That is new capacity, none of our existing customers need that.

Mr. White stated new West Boulevard water lines, that's a preliminary expectation of water lines within, around, following general route of what is expected to become Williamson Boulevard when Williamson Boulevard happens, and Pioneer Land Trust, there will be a road there. I don't know when your customers are going to come back and start buying houses again but when they buy them they're going to have to have, they're going to expect roads to be there, and water is going to be there before the road is. Southwest area...

Mr. Wainscott requested to go back to that particular project.

Mr. White stated okay.

Mr. Wainscott stated W-48 and West Boulevard was required to go in to service phase 1, wouldn't it be our responsibility to put that main in.

Mr. White stated I don't know that that follows, that is one way of doing it. If we carried that rationale to its logical conclusion, it would also be your responsibility to drill two wells and extend the 20" water line to the Water Treatment Plant and provide a half a million gallons storage more or less and one of the pumps; something like that, I don't know, see where it goes.

Mr. Wainscott stated yes.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. White added and the land to put the tank on, if you only look at snapshots of part of the place then you don't really see the whole horizon before you. We've proposed this to kind of sketch out the horizon but like I said this doesn't encompass all the things the Utilities Commission is going to have to do. Before those 16,000 homes are in there, both the water plant and wastewater plant are going to be beyond their existing capacity probably. The reclaimed plant certainly will, I just stuck my neck out and predicted this summer we would have limitations on the reclaim that we would be able to pump.

Mr. White then stated southwest area, 1216 water main extension L4, again that's, L4 is a designation from one of those facilities studies.

Mr. Wainscott stated Mr. White I'll have the same comment on this particular project as well, this is a project specific water main. The project engineer is going to design this main to loop through his system. Why wouldn't the project be responsible, I mean I understand you know if you take it that way, yea, we may be responsible for paying for wells to go and other stuff.

Mr. White stated this line will have, will serve not just Venetian Bay, and I'm not sure this is the one you're thinking of.

Mr. Wainscott stated no, I'm speaking as an engineer who is engineering in the western area.

Mr. White stated okay, but other developments out there are going to use this line, other developments are going to use that 16", 18" line that you just constructed with the Johnson Group along S.R. 44.

Mr. Wainscott stated and we stubbed out for those.

Mr. White stated and they are going to subsequently get to see a part of that cost, yes.

Mr. Wainscott stated correct.

Mr. White stated I mean the argument under discussion is the same one, how we divide up what it is there, we could say okay Johnson build all the pipes, LandMar will build all the pump stations and tanks, and the other one will build all the reclaim.

Mr. Wainscott stated that's what we've done.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. Hudak stated I think in this case it's ...

Mr. White stated again it's policy rather than technical issues.

Mr. Hudak stated well the main that would be beneficial would be your S11, I3 and I4 (sic L4), to really everybody out west. After that point you're really looking at individual subdivisions.

Mr. White stated okay, you discount that you're going to need water from the wells, you're going to need the availability of storage tanks and pumping.

Mr. Hudak stated no, no, that's what I was just going to say, I understand that there's other components but I think they're direct connections to the actual main.

Mr. White stated well they're on this list.

Mr. Hudak stated right, but they're actually main components that could really be put in any time it's going to benefit the whole system. The 16" L4 and L3 really has minimal benefit to the Land Trust up on Pioneer Trail.

Mr. White stated okay but as far as the thing about when they are, that is not within our control. Okay, we are essentially going to have no input on when essentially that need arrives. That will be driven by you or your clients and their decisions. We don't know who is going to be rolling dirt over there next, maybe LandMar's charging ahead, maybe Pioneer Land Trust, maybe Hampton Roads; whatever it is. If we set up a schedule, construction program, based on our reading of it, it would be wrong. It would be inaccurate on pretty much every count, same thing as if the Johnson Group created a schedule for that, it's going to be governed by the development of events out there and somebody's going to have to be able and ready to respond and that's beyond mostly what's been done; that's not going to be the Johnson Group, or the LandMar or Hampton Roads or Palms.

Mr. Hudak stated right, so the responsibility ultimately for the construction would be the Utilities Commission, construction, permitting, design.

Mr. White stated yes, and other locations in other areas, there's been other vehicles used to do that. Development districts have done that sort of thing, it's not very well adaptable to that situation as I understand the requirements for it and it has to unified under a single controlling

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

unit, ownership. If something, you know we cannot have chaos, and are all the rest of the developers going to sign up and say okay, we'll place our land under the sovereignty of LandMar and let them run with it and do it. Will there be a new instrument created, I don't think so, when that happens the whole system breaks down for a year or two while that's organized.

Mr. Hudak asked how will the permitting and the design be handled, through the Utilities Commission.

Mr. White stated just exactly the same as it is today, yes.

Mr. Hudak stated in-house or Quentin Hampton.

Mr. White stated what, the actual design.

Mr. Hudak stated design and permit.

Mr. White stated any given project might be different, I see most probability that area consultants will design them. Quentin Hampton could possibly end up doing some of it, they've not been selected for that, there's no plan to use them for that. Or Zev Cohen, you're with Zev Cohen are you not, or any other ones been selected. Law requires certain things to be done before you can select a consultant for that, there's quite a few things that we have to do, same as any of our other contracting.

Mr. Hudak stated I think it's a policy issue at this point.

Mr. White stated Consultants Competitive Negotiation Act has a big sway in how that's done but I see most of that being done, frankly, by area consultants. Another alternative would be the Commission rent some office space, go out and try our luck at hiring engineers to do that, surveyors. I don't think that would be very effective and it certainly wouldn't be efficient. You'd get a project done and everybody would be standing around wondering what to do next. Well, LandMar's not ready to start, then we need to wait a year to start that one, six months, you know everybody waits six months, or we charge right ahead design everything right down to the last nut and valve and hope for the best. Soon, as the first dirt is turned out you find out that isn't going to work, this isn't going to work, this has to change, it doesn't work that way so you have to incrementalize it, stage construction and it all has to be done on some time frame that accommodates who develops first and at what rate. There's no requirement that any developer out there report to us anything on their plans for staging their construction, whether they're going

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

to turn dirt for a week or for a year and a half but we've said we'll be ready and that's the only way we have of being ready.

Mr. Hudak stated it doesn't sound like you will be ready, I mean you really haven't ironed out how things will be permitted and constructed. I can see it being a large issue with LandMar coming on board, Land Trust coming on board at the same time, and needing plans immediately for construction. You know we can't wait three, four years to have this worked out when we've already paid \$28 million in infrastructure.

Mr. White stated I agree, that's my point exactly; that's the point we've been making.

Mr. Hudak stated if the developer were going to pay, they would want these things up front, okay how are you going to put to use...

Mr. White stated sure, but the other side to that is assume that develops in the reverse order and the projects you've planned that are needed first turns out to be the ones that are needed last, you've spent all the available resources but you're committed to another \$10 million because Palms is way ahead of Pioneer Land Trust for whatever reason; it's a difficult situation.

Mr. Blais stated if I can step in here real quick, one of the things that I've, sort of the common threads that I'm seeing here, typical you know of a lot of other areas in other communities, you've got certain developer installed components overlapping with certain, you know, utility installed components. Obviously when you look at a master plan type of a concept plan you're going to have things, okay this needs to go in there, developer you need to put it in at this size, developer says I only need a 4", it needs to be a 12", so there's developer participation agreements and all those other types of things. This is a different type of an animal so what I'm looking at is what is the mechanism, in not being real familiar with the document that the U.C. has, the developer's agreement, say for example the lines that were just put in by Johnson Group. Is there a mechanism in that agreement that they can be credited back in this annual reconciliation or something like that, because it seems like there's got to be a vehicle in place that allows for those items that are already shown within the plan document, that are budgeted within that document, that are either being installed currently, have been installed, or will be installed by developers because it's within the boundaries of their project. I think that's sort of where you're going with this if I'm not mistaken. Is that is there with this annual reconciliation or the truing up period where okay, you're not paying twice for stuff that's coming in the ground. That may bring more questions than answers but that's sort of the theme that I'm seeing here is okay, this is something that needs to go in with the development and it truly is put in by a developer, does it come off that list.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. White stated I think it has to come off the list, either that or we build it again.

Mr. Blais stated exactly, so does that answer your question.

Mr. White added we won't build anything twice.

Mr. Hudak stated I think what we're talking about now, is as Mr. White said, a policy issue.

Mr. Blais stated and that reconciliation program and how you validate that list to this plan, those are things that have to somehow get on our ballot and I don't know technically other than saying okay you need a water tank there or not; you can argue that point.

Mr. White stated an example of that here, might be for a week, we complete this cost estimating cycle and we learn some new information, we prepare to update, annual update the program, and the project here, the fourth one W104, we conclude that it will now not cost \$1.5 million but will cost \$1.3. That is the purpose of the annual review is to make those adjustments as you go along and I think that it would be appropriate to do that. Second example, and when you're delving into policy here's the things that happen to you though, it sounds like a really good idea. The O'Reilly Road 16" water line is done, okay, the final number there I don't know if it's exact, it probably isn't, but it has to remain in there at some figure, at what figure does it remain in there. It has to remain in there, why, so that those other people who are sharing in the value of that end up paying a portion of that that wasn't paid. Third example, W-113, East S.R. 44, happens that when we get out there and everybody's signed up for their development agreements and paid their fee, and we true that up every year by ratcheting it down, wow, we find out that it didn't cost \$1.2 million but \$1.8 million; who has that risk. Everybody knows who has it right, you know I'd pass the hat around for \$600,000, you know that my hat's going to be empty when it comes back, so how far policy. I'm not going to get an answer here and I don't expect, it's kind of rhetorical, but how do we adjust that every year if we only ratchet down but not up. Okay, but there is no way to ratchet back up after the fact that the development agreement is signed, promises are made, risks are assumed. When you look through the history of development construction, probably been no extended period since the 30's that it went down. So my guess is that at the end of 10 years there's going to be no surpluses left in the fund, it's going to get tougher and tougher every year it goes down. He stated I'd still like to go through the rest of the projects and talk about them so that at least we had addressed them all and there's been an opportunity to talk about them. Mr. White then started and stated S.R. 44...

Mr. Wainscott interjected and stated Mr. White we would like to talk about, I think the only other one that we would like to talk about is R-33-X7, the 2 MG Reuse Tank in the western area.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. White stated does anybody else not wish to talk about anything else here, everything else is kosher and we'll probably just pass on that come June, huh. Okay, which one?

Mr. Wainscott stated R-33-X7.

Mr. White stated reclaimed.

Mr. Wainscott stated reclaimed 2 MG reuse tank.

Mr. White stated okay, 2 MG reuse tank in the west area, estimate of \$2 million. Now if you've reviewed that document you know that is not just a tank, in that the tank itself would be some escalation of a 1 MG gallon tank which we've established is about \$600,000 or \$700,000, but it also includes associated piping, controls, monitoring, probably land, right-of-way, pump station, all those appurtenances.

Mr. Wainscott stated I think we understand that there is a need for a pump station, I think our question is could we replace the tank with surface water, isolated surface water, make a lake out of this tank area instead of putting a tank up.

Mr. White stated and then you lose control of the quality when you do that, in other words if after you go back into the pond and get it, you don't get the exact amount of water you put in, you may get what 50%, 60%, 70%, depending on how long it's been in there.

Mr. Blais stated it's possible to do it, you're going to have to have some type of filtration, either horizontal wells or something to get your quality back to public access reclaimed which is less than 5 ppm suspended solids, so when you pull it back out, you're going to need to treat it, to pump it back into the public access system.

Mr. White stated so you'd have to A, use filter, and B, probably a disinfection process again.

Mr. Blais stated there's a couple of different ways to do it. You wouldn't need a disinfect but you would need to filter, you need to screen it.

Mr. White stated okay, you don't know what might have happened into that pond during however long it was there, you have some responsibility.

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. Blais stated you may want to disinfect it which is not a huge expense, but there is some options there, but you would have to have some type of treatment, filtration or something else.

Mr. Wainscott stated if the Utilities Commission could be open to that particular change.

Mr. White stated it is an engineering consideration. Is there another question? We'll have a new number if there is an issue about the cost of that, there'll be a new number in about, I'm thinking about a month from the review being done by U.S. Cost. I wouldn't invest at this point a huge amount of time in explaining any particular cost number here, most of them will probably change except the ones that are finished. The overall result will, will the overall result be a total that goes up or a total that goes down, I don't know, don't have that answer; which side is the uncertainty the greatest, I don't know.

Mr. White stated there was discussion about electric in its entirety whether it's reasonable or appropriate for it to be there and we went to quite a bit of effort to disassemble and study and analyze all our cost structure to find out where that cost was and what made that up, including not just water and water resources but also including the power, and there's no infrastructure funds built into that. The biggest single item, by an enormous margin, in the electric system is fuel, purchased power, is by far the largest expense we have. Most, by wide margin second, of course, is personnel costs. There are basically two items, buy power and operate the system as necessary to distribute it to customers. Everybody pays the same rate, there's no two rates. Now our rate analysis identified and recommended that we have to forthwith, a connection fee or capacity fee for the electrical system, the recommendation is on the order of \$500 per connection, ERU; that has not been done. Minor rate adjustments have been made in that period that has passed, something on the order of four or five or three or six percent base adjustment and a fuel adjustment of a larger magnitude, something like fifteen percent was made to catch up with galloping fuel costs, that we had essentially extended fuel credit to our customers in the order of several million dollars that had to be covered. That's what our rate structure's made of, it's out there, I encourage you to read it, but it does not have \$5 million in there anywhere for construction. He stated Jeff Annon is here, will talk to you free today, and if you ask him he'll leave you his contact and talk to him next week at your own length; of course it'll be on your own nickel then. He's a world, got a wealth of advice and information, much of which is right here, it's on our website; and he added go get it.

Mr. White stated I thought I was hearing a wish to go forward and not go through this entire list.

Mr. Wainscott stated that would be correct.

Mr. White stated that was going to be the bulk of the rest of the meeting. Here I think, we talked

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

about the estimates, we are updating those, that will be probably right there on our website just as soon it comes in. When it starts going into the annual review there will be public meetings, reviews, and hearings. If we, I don't want over into policy but we're not building something here into this that the Utilities Commission going's to take money out at the end of the game or along the way. We're not going to be pulling administrative fees out of that, points, brokerage fees, something else, brass tacks, none of that. If we fail, we don't have plan B, if we fail we don't have any infrastructure I guess. If we fail, we probably put a moratorium collectively on ourselves, unless somebody else steps forward with a program and a plan; I don't see it happening. He then asked if he had any more questions here at the table.

Mr. Hudak stated to Brad Blais, the analysis that you provided, really everything, water, sewer, reclaim, electric, is really more of an overall look, more of a general guide in other words. You'll agree that design actually needs to take place in certain components for final sizes and layouts.

Mr. Blais stated absolutely, this is a utility master plan, meant to be updated every five years, and to basically prioritize improvements based on the necessity at hand.

Mr. White interjected facilities plan.

Mr. Blais stated as far as what we see as being the immediate projects are projects that are necessary to support immediate demands, i.e., deficient fire flows, etc., etc. Short term are less important projects, and then the long term projects are obviously to meet long term needs.

Mr. Hudak stated so in the design process, certain alternatives whether it be to increase main sizes, which some of them we agree need to happen, or reduce or come up with alternatives, should be looked at as well, to better improve the design of this overall area.

Mr. Blais stated absolutely.

Mr. White stated yes. It's always, in this region, the driver on water distribution is fire flow, that's in spades on this one, every issue out there is fire flow, fire flow, fire flow, and its x gallons a minute depending on all the land use for some window of time – 2 hours, 4 hours. You take 1,500 to 2,000 gallons a minute times so many hours, you pretty much have got a tank size there.

Mr. Blais stated we've got the model if you want it, I think I, have I given that to you yet?

1. Developer's Agreement Infrastructure

a. Technical Issues (cont.):

Mr. Hudak stated not the model.

Mr. Blais stated you can have it.

Mr. White stated the model system is water CAD, the U.C. has not released the data therein yet. It's a policy they've made, in other words there's some concern about what it's used for and the security of who's getting it, here it is public record.

Mr. Blais offered if you would like to come to my office.

Mr. Wainscott then stated thank you Mr. Blais, we have used two different programs and have found similar results the way you and I talked with before, so we're comfortable with the program that we are using. We each have our models set up, we've been sharing information, Mr. Hudak represents and I represent different developers in the western service area. We're comfortable with the way our models set up but we'd like to confirm here and there.

Mr. Blais stated sure, and as I've said, as far as the water storage and pumping, there needs to be additional system storage, whether you put it out west or whether you put it at the plant, in my opinion for redundancy and everything else, it just makes more sense to put it out west because right now they're deficient on storage.

Mr. Hudak stated more of a supplement as opposed to a necessity.

Mr. Blais stated well I would say the storage is a necessity, the identification of the site where the storage goes is an engineering judgment.

Mr. White stated well, ladies and gentlemen, I think we're finished here, I'm going to adjourn. I don't know if there will be a follow-up meeting, we'll listen for any feedback we get. Any questions or comments from the Commissioners, any ideas they have, if there is, we'll make notice. At any rate, those cost estimates are coming in, matter of weeks, not days, not months. That overall program review will be done in June and probably officially determined in some way in July meetings with the Commissioners, and they'll be public meetings and public hearings for any amendment or things done to it.

Mr. White then stated thank you very much gentlemen and this staff workshop concluded at 11:35 a.m.