

AGENDA ITEM 2-a

MINUTES OF REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, JANUARY 23, 2006, AT 6:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

Chairman Para opened the regular meeting with the Pledge of Allegiance led by Commissioner Reynolds.

Chairman Para then continued with a roll call with all of the Commissioners present as follows:

Chairman Kevin J. Para
Commissioner William H. Reynolds
Commissioner Richard L. Spangler
Commissioner Jeanne K. Diesen
Commissioner William E. Hall

Others in attendance during the meeting were as follows: R. Rodi, General Manager/CEO; R. Montalvo, Director of Finance; R. Mitchum, Director of Electric Operations; T. Beyrle, Director of System Ops. & Generation; D. Hoover, Director of Water & Wastewater; J. White, Director of Engineering; C. Crawford, Director of I.T.; B. Mudge, Director of Human Resources; E. Mahle, Public Relations/Marketing Manager; Steve Gunter, Training Officer; J. Lutz, Call Center Technician, Level II; J. Santrock, Repair Supervisor; D. Simmons, Executive Asst./Recording Secretary; and a few other UC employees; Bill Preston, Interim U.C. Legal Counsel; Brad Blais, Vice President of Quentin L. Hampton Associates, Inc.; City Commissioner Grasty; Melanie Stawicki-Azam, Reporter for the NEWS JOURNAL; Katherine Cofer, Reporter for THE OBSERVER; Craig Dunlap, UC Financial Advisor; Bill Rogers; Sally Mackay; Bob Tolley; Robert Hunter, and a couple of unidentified men; all members of the public.

(1) Agenda Changes, Additions and Deletions:

Mr. Rodi stated he had three items he would like to bring forward, two are corrections and one is an addition to the agenda. The first correction is under the approval of consent items, there was a typographical on the Developer's Agreement for New Smyrna RV Park. The total amount listed there was \$180.00, that's incorrect it should be \$1,800.00, when you look at the numbers they multiply correctly. On the General Manager's Report, on page 9, the chart indicates that we will not be refilling the position of Manager Call Center and the narrative below says we will. He stated we will not be refilling that position. He stated the item I would like to add is the Tenth Street widening, not sure if it should be under new business, but I would like to have some discussion about the impact of that project and then I'll be requesting some authorization.

Chairman Para suggested placing this item under 8. New Business, unless there's some objections to doing that. (The add-on item was placed as 8-c.)

(2) Approval of Consent Items:

Chairman Para asked if there were any consent items the Commissioners would like pulled off or discussed.

Commissioner Reynolds stated he has something related to Brent Millikan. The lady who did the forensic CPA, have we ever gotten a final written report from her?

Mr. Rodi stated no.

Commissioner Diesen asked could we ask for that? She stated I think it was left pending wasn't it, that there was something else.

Commissioner Reynolds stated but it seems to him we should have a final report, just so we have a place in time.

Chairman Para stated that's a good idea and in fact I got a call from a lawyer about some matters and cooperation with Lillian Conrad was important, so we could make that a point of interest too. He asked Mr. Rodi if he would like to handle that or want me to?

Mr. Rodi stated he would suggest that Chairman Para contact Ms. Conrad. Mr. Rodi confirmed with Commissioner Reynolds that was the person he was referring to.

Chairman Para then stated he would take care of that.

Commissioner Reynolds then made a motion to approve the consent items, items 2-a. Minutes of U.C. Workshop Meeting Held December 7, 2005 and 2-b. Minutes of Regular U.C. Meeting Held December 19, 2005, approve both as submitted; items 2-c. Developer's Agreement for New Smyrna RV Park and 2-d. Developer's Agreement for Lake Waterford Estates IX, approve both Developer's Agreements as submitted and authorize the General Manager/CEO to execute them; item 2-e. WRF Methanol Storage and Feed System, approve the award of the construction and installation of the methanol storage and feed system and transfer pump modifications to Interstate Engineering in the amount of \$634,000 and authorize the General Manager/CEO to execute any and all documents associated with same; item 2-f. Mary Avenue Streetscape Project, approve the Agreement for Engineering Services with GAI Consultants, Inc., to provide design and coordination services associated with the Mary Avenue Streetscape Project for an amount not-to-exceed \$30,000 as described in the item, and authorize the General Manager/CEO to execute same; item 2-g. State Contract Purchase of Vehicle – Electric Department, approve and award P.O. No. 3272, in the amount of \$28,795.00 to Milton Ford dba Orville Beckford Ford Mercury, based on Florida State Contract No. 070-0001-04-01; item 2-h. Bid No. 10-06 – Single Phase Padmounted Switching Enclosures, approve and award P.O. No. 3323 in the total amount of \$39,207.44 to Gresco/Capstone

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

Utility Supply, the evaluated low bidder for Bid No. 10-06, for single-phase padmounted switching enclosures; item 2-i. GSA Contract Purchase of Model L42M Material Handler Aerial Device, approve and award P.O. No. 3221 in the amount of \$105,424 to Altec Industries, Inc., utilizing the GSA Contract No. GS-30F-1028G, for the purchase of a Model L42M material handler aerial device; item 2-j. GSA Contract Purchase of Model AM50 Material Handler Aerial Device, approve and award P.O. No. 3320 in the amount of \$142,331 to Altec Industries, Inc. utilizing the GSA Contract No. GS-30F-1028G, for the purchase of a Model AM50 material handler aerial device; and items 2-k. Brent Millikan & Company, P.A. invoice no. 13492 in the amount of \$23,200.00 and 2-l. Brent Millikan & Company, P.A. invoice no. 13571 in the amount of \$12,000.00, for supplemental services, approve and authorize payment of both invoices. Commissioner Diesen seconded this motion and it passed unanimously on a roll call vote.

(3) Public Participation:

There was no public participation at this point in time.

(4) General Manager's Report:

(4-a) Monthly Summary Report for December, 2005:

and

(4-b) Budget Summary through November, 2005:

and

(4-c) Commercial Monthly Report for November, 2005:

Mr. Rodi stated before I ask Mr. Montalvo to make some comments on the financials, are there any questions about the General Manager's report? He also asked about the format and how that works for everyone.

Chairman Para and Commissioner Reynolds both stated they like the format.

Mr. Rodi stated with that I'll turn this portion over to Mr. Montalvo to give a report on the financials.

Mr. Montalvo stated we are reporting on the month of November, this is two months on the new fiscal year. On the electric system we have a budget balance of \$370,000 and the electric system is doing very good. The water system has a negative balance of \$21,000, but it is better than forecasted. The wastewater system has a positive number of \$29,000 and is doing very good. The communications system has a \$500,000 loss. We have preliminary numbers for the month of December and it's reaching about a \$750,000 loss, still a very serious situation. We are working very diligently right now to see if we can finish with this subject.

Mr. Montalvo stated we have also been working very hard, and for the next Commission meeting you will see as part of the financial statements, the report with all the details of

(4) General Manager's Report (cont.):

the work orders. Tomorrow we have a meeting with Mr. Rodi and all the Directors to finalize that, and then it will be part of the financial statements.

Mr. Rodi stated he would like to interject something, if you recall back to our joint meeting with the City Commissioners at budget time, we were talking about the number of R&R accounts and the dollars that have been reserved for certain projects. We were talking about that we would go through that listing, break it out, make it more meaningful. Mr. Montalvo over the last month, in between going through our normal audit and filling requests for certain pieces of information, has been clearing up and posting so that these accounts are accurate. It's been a tremendous amount of work for a lot of years, if I'm stating it accurately, there have been recordings against these accounts that have never been reconciled. I think they're finally at the point of reconciliation so that when we head into the next budget period we'll be able to present that so everyone will know where the dollars are.

Mr. Montalvo stated he would answer any questions about the financial statements.

Commissioner Reynolds stated looking at our capital improvement plan, five-year plan, are we pretty much on schedule in those acquisitions for this particular fiscal year.

Mr. Montalvo stated on the five-year capital improvements plan, on the items that relate to the Renewal & Replacement Fund, the regular R&R, we are okay. The items we are going to refer to as the Restricted R&R, we have to talk about those because we don't have enough money right now to cover all those projects. Definitely we will probably have to go to the market. Today, we have in the audience, Craig Dunlap, he is our financial advisor, and he came today to see the presentation (Water System Analysis) that will be made today. Then he will be able to advise us regarding different alternatives and avenues that we have for financing on those.

Commissioner Reynolds stated what got my attention was reading over the water study and the fact that we may have to redo a portion to gain some of those priorities. And I guess we're getting to the point of where next month we'll be five or six months into the cycle so we should review it, in my opinion, to see if we need to go back to the City Commission and talk about whatever changes, and don't wait until the end of the year on that.

Mr. Rodi stated he was getting signs some couldn't hear in the back of the room.

Commissioner Reynolds stated in brief what I asked was could we review the capital improvement program as to several things. Any priority changes that have taken place since we presented that and approved it to the City and the City approved it. And secondly, do we need to review it for reordering priorities.

(4) General Manager's Report (cont.):

Mr. Rodi stated he would like to interject something and it may be a re-emphasis of what we're trying to accomplish. As you look at the strategic initiatives, there are a number of tactical actions, and this is one of them. What we're attempting to do is to present a comprehensive view of what condition our utilities are in, and this is meant to address a number of perceived legacy problems and also how they interrelate to one another. With the charge of new growth and our requirement to identify our water source, and I think you've seen, thanks to Mr. Hoover and Mr. White and others, we have secured our CUP allowance through 2024, and that is just one part of the legal requirement. The second part is identifying where we will financially pay for infrastructure needs as a result of the growth. I've taken that concept and applied it and it applies also to wastewater and then Bright Water, but additionally, the law does not cover the electrical side, but growth is going to impact the transformers that we have, we need more, and our supply from the transmission system. Then we also have needs for other studies, I think you will find this water study very revealing and this is just the first part. We have not had technical, for example flow analysis, done of any of these systems and even though these are models they're validated to the extent that we can then put together a more comprehensive plan as to where our dollars need to go.

Mr. Rodi stated in some cases, the electrical study isn't due out for months yet, so what we'll have to do is put in some order of magnitude issues and then as we get the study results we'll have to readjust. But I think your question is right on point. What of our past CIP approvals are completed, where are we not completed, are they still necessary, what's the overlay of the results of some of these studies. That's why I have intentionally wanted to have a very broad base discussion about where's our monies going to go, are we going to be a self-generator, do we buy off the grid, do we buy from a private partner, because the decision can't be made in isolation. I felt very strongly that at this point in time in the U.C.'s history that this was necessary and it's an awful lot at one time but it's important for us to understand where we stand today.

Chairman Para stated I think in companion of that discussion you have to take into consideration a broader, philosophical standpoint, who pays for it. Do we look internally and I think I'm hearing that with your conversations now for the last couple of commission meetings. You're lightly posing that question to us, do we take the position that developers pay for it, and that's personally my thought, or do we take the position that we look internally and either borrow the money or whatever else. I think that you're correct in that we have to take a larger informed broad picture view of everything and I don't think one drives the other necessarily or does not drive the other; again I think it's a part of a tapestry for the whole thing.

Mr. Rodi stated there's another comment I would like to make about the financials. I believe as we go through this part of the year, one of the things we should traditionally see is lighter electrical loads, very dependent upon the weather, but our cost structure has continued to escalate. I do think we're going to see an erosion of what's happening with

(4) General Manager's Report (cont.):

our financials and it's caused by two things, continuing increased costs and some of them are deserved. Other issues relate to the way in which the commodities are consumed so that when we get into the hot heavy seasons of the year we generally also see increased use and then if we have the margins fine, if we don't it will just exacerbate the whole problem. I think Mr. Montalvo was hinting we're going to see some of that erosion over the next couple of months and that's why we also have our cost of service study coming due too because that's going to take a look at our infrastructure itself.

Commissioner Reynolds asked when is that due?

Mr. Rodi stated it should be reported on by the next regular U.C. meeting.

Chairman Para stated where I see the big problem, the bleeder here, is again telecommunications. He asked Mr. Montalvo if he was shaking his head in agreement or not in agreement.

Mr. Montalvo stated in agreement, it's unbelievable, right now it's close to \$8 million there.

Chairman Para stated right, that's the bleeder, so if I'm oversimplifying this, removing some zeros, that's the loss, and as what Commissioner Hall said at our last meeting that should be a priority. He stated I got Mr. Rodi's memo, and it was very good, that you presented to the City Commission. As I understand it you have ten people interested?

Mr. Rodi stated originally we had ten and we're in discussions now with two parties. Like anything else, we don't know how this is going to turn out, but we're at a very delicate stage right now.

Chairman Para stated I won't press that further but what I'm thinking is that's going to change our overall nap because we're doing a lot of things here at once. What we're doing is we're commissioning these studies which costs us a lot of money, and then we're reacting or responding to these studies with adjustments and long term plans and at the same time trying to clean up the house and get rid of a bleeder, something that is costing us a great deal of money. I kind of see us as moving through some things and I see us as having a breakout, being the optimist that I am, that once we resolve those things then we can get a better picture, because right now, I don't know, you have really little to go on as far as saying what the future's going to look like financially. Because if we keep going with the losses we've got in telecommunications it's a problem. So anyway, that's kind of my summarization of where we're at.

Commissioner Reynolds stated this brings up a specific I wanted to ask, looking at the General Manager's Report, on the I.T. Department, municipal network fiber, mutual network wireless, and the mobile vehicle data. We harped, I remember, when we first came on the board, three of us here, about business plans. It seems to me that unless we

(4) General Manager's Report (cont.):

see a business plan out of the I.T. Department on these areas, I'm really reluctant to say yes let's go spend another nickel.

Commissioner Diesen stated that was part of the original, been there done that, that was part of the deal that we would not expend any more funds until we had those.

Mr. Rodi stated let me clarify a point. As I understand, the municipal network is an internal network of communication, this is not a retail component and it's not intended to be that. What I understood was if we were going to have a retail push out then that's where the business plan was required. Back in May, I believe, there was at least a spreadsheet presented for a retail component. This aspect is to take the existing infrastructure that we have already paid for, for example the head end building, the fiber components and redeploy those, but at the same time we needed to have connectivity between the buildings and that's what the fiber connection is and the 5G was something that was there to push out to the vehicles, as well as some of our existing customers that we have on the Canopy system. We're also scrutinizing very carefully the performance of the 5G so that if it does not perform and we've been involved in some very serious discussions about performance, then we're going to turn that off. So when you ask for a business plan I think part of what we're trying to create is a comprehensive vision about what we mean by the communications network because we see the City participating with us in this network and it would provide for improve performance for fire and police in our own crews; that's how we're initially looking at this.

Commissioner Reynolds asked if the City has made any commitment to share cost with us for the system?

Mr. Rodi stated no, we've not even got to that point yet.

Commissioner Diesen stated but you know at one point in time when we discussed this we said that other customers could come on along the way if that's cost effective and how are we going to know that if we don't have a plan. The other piece of that is in other cities the CRA has been involved in helping when it comes through that area and I see no reason why that could not be part of this, at some point in time a discussion of that.

Mr. Rodi stated sure.

Chairman Para stated I think in fairness to you and the rest of the team here, you did what we had told you three months ago where we had the initial discussion about the telecommunications. Mr. Crawford brought a report and it was very large. We kind of took it apart and we sort of went through a consensus of what we agree to keep. He commented I might be wrong in some of this, correct me if I'm wrong, but we agreed the internet side was profitable and that was something to maintain. We agreed there would be something of a hybrid as far as the 5G and the overlay. Then when it came to the

(4) General Manager's Report (cont.):

actual telephone, the dial up, that was something we agreed as a consensus to move that on. That was kind of, at that point, my impression was that we were going to work through that. I believe Commissioner Hall's comments last month were when you have folks work 24/7, having staff really busy, we have all these high-minded projects that we're working on, and I see the wheels spinning already. If we say to you go get us a business plan, then you start chunking and throwing things and doing all that. So I want to make sure that we're giving you the right instructions and we don't double back on you. At the same time you can understand what we see from our perspective. He then asked if any of this made sense?

Mr. Rodi stated I think so. What I understand is you would like to see more of a flush out or flesh out of the municipal network idea. We are retaining the local internet and we're trying to define what does local mean. Some customers are on the wireless aspect of that which reaches into Edgewater, so we're defining local to mean what we bill locally and then anything outside the bounds of local, whether it's dial up from an internet standpoint or from the standpoint of telephone, then that's out of the ballgame, and we're headed down that road.

Commissioner Reynolds stated I know this is obviously costing some money to put these systems in and I'm not sure we have approved all the things that you're doing here, have we approved them?

Mr. Crawford stated you actually have approved them and there was a business plan perspective put forward last fall, it was actually part of the Capital Improvement Plan, for the retail aspect of the municipal wireless project, basically the Canopy replacement. That's not really what this is about, the municipal network is expanded into the fiber and wireless backbone; data delivery in general for the whole city.

Commissioner Reynolds stated is it going to cost money?

Mr. Crawford answered yes.

Commissioner Reynolds then stated how about letting us know what it is going to cost, not now but some time in the near future.

Mr. Crawford stated okay. He then stated part of the problem we have and all municipalities are wrestling with it right now is we're working very hard in trying to come up with a per square mile cost because one of the projects we do or are looking at, it is a business plan but really an internal business plan, is the vast majority of what we're trying to do with the fiber project is get work orders in the trucks. All these things we need to support the other projects like GIS down the road, the work order management, the accounting management, the whole slew of infrastructure components. We have four buildings that are manned in this organization right now, or one that's manned specifically and two that get visited by people, that have no connection back to the COB.

(4) General Manager's Report (cont.):

So we're trying to deal with some of these things, plus bring on the City, and one of the things we're trying to leverage is an infrastructure that we can also expand the emergency services wireless component which gets us into the grant money which we're watching very carefully. So what we're trying to do is come up with, call it a business plan, where we can demonstrate that our internal recoveries will be such that we can go ahead and move forward in this project. From my desk the retail aspect that's just extra bandwidth we'll have somewhere down the road and maybe recover some of the costs of the project, but we're watching it. The only other assurance I make you is regarding the 5G guys, we've learned a lot of lessons. We're one of the foremost builders of retail residential wireless in the country, and we learned our lessons from Canopy pretty well. We work very hard with the vendors, they're on notice all the time that we're watching them like hawks, they're on notice that we'll cancel their p.o.'s and their project until we're satisfied of their performance. You have our assurance that this isn't quite like the last one and we'll move forward and find an alternative. But it's also critical at this juncture to do what you have mandated us for in terms of work order requirements, reporting, and pressures from other things, including the city, and disaster management. We've got to get a data infrastructure in place between us and all of our outlying buildings in the city. Right now we could go ahead and buy T's and do all kinds of wacky things that you'd hardly notice until we totaled it up at the end of the year and then you would sure see it.

Mr. Crawford reiterated the municipal infrastructure to us is an internal project, it's intercommunicating our vehicles and our buildings with one another and the fact that some of it has to be wireless instead of wire, that's a technology, not a business decision per se. I'm very cognizant of the business plan side of the retail stuff, we also have commercial retail. One of the things that's going on with the municipal network, we're doing it right now, is trying to scope out how much bandwidth we want to deliver so we can bring on all these new service areas, Wal-Marts and in the commercial services for data delivery as opposed to residential. We tend to think residential but actually the big money is in the commercial stuff, and that's the big requirement, they all have that requirement.

Commissioner Reynolds stated what you're saying gets me back to the fact that obviously the concept is if we can service commercial customers we will. What I'm saying is that to me sounds like we need to have something in our grasp that we can say okay this is for ourselves, internal, then if you add this, that's giving the City some integration, and then if you're going to put commercial in. When we say we have to pay for it, our ratepayers have to pay for it and I just think with the big losses that we're enduring under "telecommunications", I sort of want to know a break out of what we are doing here, that you have written up nicely. But I want to see the projections and the costs associated with that.

Mr. Crawford stated I will bring it back to the Commission, I didn't think to bring it, but in April or May of last year, when you approved the budget for the wireless and municipal infrastructure, \$400,000 + dollars, that was predicated on a business plan. It

(4) General Manager's Report (cont.):

was not very detailed because there wasn't a lot of detail, but it was there, it broke it out to per square mile guesstimate and a recovery. I don't remember, to be honest, who was on the Commission at that time, but that was actually a part of the decision you made to go forward on that plan. He stated I'll revisit that and flush it out for you.

Commissioner Reynolds commented it's been awhile and I think some of us may be new, before that time, and honestly I don't know what was approved.

Chairman Para stated I think what we're getting to as a consensus is dust that thing off, fine tune it a little bit and bring it back to us. I think that's what we're hearing, consistency. Every couple of months we want to make sure we're staying on doing our job and staying on top of these things, monitoring them and making sure we're in agreement with staff, that it's moving in the right direction. I think that's just good awareness.

Mr. Rodi stated I wanted to bring some clarification to a question that was asked. The monies that we are spending, are these approved budget monies?

Mr. Crawford answered yes.

Mr. Rodi stated okay, that was one thing I wanted to get clear because 5G was approved, I think there was a half a million with that, and the fiber that we're talking about was approved, so these are approved items. The next step on this is try to make some comprehensive cohesive view of what we plan to do with the communications network and we're trying to use the municipal improvement portion of it as the base and to try to account for where else we can bring in additional revenues with it if we build it right to begin with. Rather than stringing 44 fiber, we might do 144. Those are all a part of the internal discussion.

Mr. Crawford stated the original P.O. to 5G was \$385,000, I believe. We took \$90,000 worth of product. The terms and conditions of the contract we signed with them were we get to dictate delivery schedule and we take nothing until the last batch is proven. So right now we're sitting on \$90,000 worth of equipment that's been replaced a couple of times as they work through these various issues and they're on notice they will get it right back again, we can RMA it back and we're prepared to do that. The trick to any of these bleeding edge projects is knowing when to cancel them when they're bleeding you to death. You have my assurance from that part, that part we're watching very carefully.

Chairman Para stated I think that's what the Commissioners are saying, that three of them were new, they came on, it hit them first thing, and they just want to keep up to date.

Mr. Crawford stated I'll update it and see if we can get the rest of it in the components for next meeting.

(4) General Manager's Report (cont.):

Commissioner Diesen commented I just don't want to go down the road we've been down before.

Mr. Crawford commented you and me both.

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc.:

Mr. Rodi stated he would like at this point for Mr. Hoover and Mr. White to introduce Brad Blais and go through this part of the program.

Mr. Hoover addressed the Commission and stated Brad Blais is with Quentin Hampton and Associates. This is the first part of the water system analysis that Mr. White's staff has worked on extensively. It gives us a tool by which we can go into the future with the kind of control that we need. The improvements that have been earmarked will allow us to pump water at something less than 90 to 100 pounds in certain areas of the city and get us much more efficient in the operation of our system.

Mr. White stated he believes the Commissioners have received a copy and reviewed the first part of this report. We started on this, together Mr. Hoover and I, this time last year and recognized we had substantial needs and substantial needs that we didn't know we needed. In that process, my first five-year capital improvements plan here, we essentially developed that from past CIP's and our assessment at that time of the conditions of the system. The system being the combined understandings and opinions of Mr. Hoover and I, and Mr. Beyrle and Mr. Mitchum for electric, water, wastewater and Bright Water. So we started that off with the capital improvements plan, the budget, and very early on we recognized that we needed to do this so that we truly had a much better high definition understanding of what our needs were. We kind of herded this along as quickly as we could get here given the fact that we didn't have any resources budgeted for it and we crowded the October 1st budget year and really pushed it in order to get here at this time. He added we've got some other things coming along fairly quickly after this but this is going to be one of about four parts, the backbone of our 2006 to 2010 CIP which will look a lot different than the last one. Those elements will be part one and two of this, a wastewater and Bright Water component and the T&D electrical master plan that's underway, expected for delivery in about April. Those together will essentially form about 90% of our capital improvements plan going forward.

Mr. White stated this analysis has been prepared over the last three to four months with the able assistance of Quentin Hampton & Associates from Port Orange and with that, here with us this evening is Brad Blais and I'd like for him to make a presentation that he's developed for you and then we'll stand for questions from whomever has one.

Mr. Brad Blais addressed the Commission and stated he was Vice President with Quentin Hampton Associates in Port Orange. He stated this is Part I, the raw water supply and the

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc. (cont.):

distribution system analysis. We are in the final stages of completing the treatment and high service pumping analysis; so hopefully we will be back here shortly to present that.

Mr. Blais stated he tried to keep his presentation fairly brief, just hit the high points. An overview of the water system currently is you have approximately 22,000 connected customers, your base is growing at a pretty consistent rate of 4% per year. You have a single water treatment plant which is the Glencoe Water Plant, which has a capacity of 10.3 MGD, currently served by 19 wells, and about 1.5 million linear feet of distribution piping, four ground storage tanks, and two remote pump stations. He stated the next slide was the service area, kind of hard to see on the screen but the area highlighted in blue is within the City limits and then the other areas in the middle are just within your service territory.

Mr. Blais stated going back and looking at historical flow data, I don't want to dwell on this, but basically looking at your average flows, the peak flows, and the trending of your accounts, currently you're pumping about 4.5 MGD. It was higher in previous years just based on demand, rainfall, etc. The next projections, UCNSB Population and Flow Projections, have been pretty well flushed out, they're consistent with what you're doing in association with the consumptive use permitting. Right now the projected use through 2025 is about 7.1 MGD and you've got a peak day factor of about 1.43 MGD and a peak week demand of 1.25 MGD which is really the key there as far as your ability to supply from the plant and then peak days also, your high service pumping requirement. This is the basis of the numbers that we used for our hydraulic modeling.

Mr. Blais stated we looked at your raw water supply capacity, identified where you were at and what additional well capacity would be necessary to sustain your demands with the largest well out of service and basically through 2025, about 3.74 MGD is your need. You're getting ready to install five wells at 400 GPM each which is approximately 2,000 gallons a minute which puts you somewhere in the neighborhood of about 3 MGD so probably in another five to ten years you will need to look at additional wells. That also assumes that your existing wells stay in service and you don't have any wells go bad. So I think you're on pretty solid ground right now and moving forward with these wells is definitely timely.

Mr. Blais stated all the listed elements were looked at in the distribution system and we prepared a hydraulic model of the entire system, looked at existing conditions, calibrated the model based on data that was provided by Mr. Hoover to satisfy ourselves that the models at least gave us a good sense of reality at to what's really happening out there in the system. It proved out fairly well, and then we overlaid future demand nodes, future pumping needs and identified a series of improvements. This slide listed the primary elements that were included in the model.

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc. (cont.):

Mr. Blais stated we tried to prioritize the needs of the system to determine what is necessary immediately, what is necessary in the short term, and then the long term. The time frame for immediate, I would conservatively say, in the next year or two you really do need to implement these projects or else you could have some serious problems in your distribution system with fire flows and some other existing needs. The short term window is about a five-year window and the long term window is a ten-year window. So the immediate needs are Smith Street Pump Station, the Western Service Area Fire Flows and the North Peninsula Fire Flows. These are all deficiencies that were identified in the model.

Mr. Blais stated currently Smith Street is a pump station that allegedly is needed for servicing peak flows, however given the demands placed on it, this station has to run 24/7, it runs constantly. What happens is you're filling this tank off the distribution system simultaneously while you're pumping out of this tank into the distribution system. It is valved off, as well as they can valve it, but what you end up having is recirculation and it's a very inefficient way to run a system, hence high electricity costs, high pumping costs, and there's certain times of the year, under peak demands, you'll definitely have a hard time meeting your fire flows and also meeting your minimum needs beachside. So we looked at two options in addressing this need. One is to beef up the high service distribution system and handle all the flows out of Glencoe so that Smith Street could run as it is intended, as just a peak demand station. It would fill during off peak hours and pump during peak demands. We also looked at a low pressure transmission main option which was how the system was originally designed and how it ran. The tank fills off a low pressure main and then it pumps into the highest pressure discharge off an entirely different set of pumps. So the analysis looked at costs and non-costs items and the low pressure transmission main was the preferred option. We looked at capital costs, option A was slightly more, and flexibility, reliability, interruption to existing distribution system and expenses for long term operation, and the ranking came out with option B as the recommended option.

Mr. Blais stated the next slide depicts probably one of the single largest projects that we're looking at undertaking, and that's construction of a 20" low pressure transmission main from Glencoe Water Treatment Plant to the Smith Street Station. That will allow you to pump at a low pressure, in the neighborhood of 15 to 25 PSI, convey flow on a continuous basis to Smith Street, and then pressurize the system from Smith Street and pressurize the system from Glencoe. So you will be pressurizing the system from two separate points and eliminate the amount of recirculation. This is the approximate route we've identified, it's on Paige Avenue.

Mr. Blais stated the next item that jumped out at us as an immediate need is the western service area fire flows. Currently you serve the entire western area with a single 12" water main. Fire flow simulations performed identified major deficiencies, pressures below 20 PSI, and then future demand increases reduced pressures below 10 PSI. You

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc. (cont.):

have a fairly serious situation in its current state, you do not have adequate hydraulic capacity to the western areas and as development pressure increases that's only going to become more important so we've identified a series of improvements which is essentially a transmission main which is the I-2 Project, going underneath 95 to reinforce to the west. The I-3 Project is a 20" water main extension on S.R. 44, and Project I-4 is a northern leg that ties you back up to the south side of Venetian Bay. The routes are somewhat schematic, let's say these are identified routes that you can construct today with existing right-of-way without having to acquire new easements. If in fact things came up, or other routes proved to be more advantageous, that should certainly be pursued but for budgeting purposes and for identification of projects that you could construct immediately, these appear to be the most effective project routes.

Mr. Blais stated an additional area of concern is North Peninsula. Fire flow simulations were performed with and without the 3rd Avenue storage tank and pump station. Currently that storage tank is not in existence and the pump station is not in service. All of the fire flow simulations performed without the pump station resulted in deficiencies, i.e., pressures below 20 PSI. Proposed improvements at the site include new pumping systems and a new pre-stressed concrete storage tank that can withstand the elements in that area better than the steel tank that was there previously. The site is already in place, this project is a relatively easy project to construct, short of funding.

Mr. Blais stated the next slide shows in summary the immediate projects and estimated costs. In this current construction markets, our costs change daily, it's very difficult to keep up with what's happening. Hopefully we're seeing a leveling off at this point but over the past year many of the pipe prices and concrete, everything has gone up as much as 20%. I would say at this point in time this is a fairly valid cost estimate, however I would say these numbers should be updated at least bi-annually to keep pace with what's happening in the market. So we're looking at the 20" low pressure transmission main, about \$2.6 million, the 3rd Avenue storage tank and pump station, about \$1.375 or \$1.4 million, the utility easement water main extension is the I-3 Project which goes underneath 95, that's about \$830,000, S.R. 44 water main extension and the O'Reilly Road projects for a total of about \$6.7 million worth of capital needs. He stated again these are the immediate projects.

Mr. Blais stated the next slide is very hard to see, it's a large map. Essentially what it does is identify all the immediate projects in red, the short term improvements that are necessary in blue, the long term improvements are the green projects. I'm sure you can see it a lot better on your handouts than it shows up here. Unfortunately power point doesn't give us a whole lot of options and I didn't want to create an endless array of slides for you to go through. It reads fairly well there, the report has a full size 24 x 36 drawing in it, fold it out, look at it, it's very self explanatory and easy to follow; it's just hard to present.

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc. (cont.):

Mr. Blais stated the short term projects are a whole series of what I like to call internal distribution projects that are designed to improve your hydraulic efficiency, improve fire flows pressures, and the short term project list is about a \$4.5 million list. We identified this as basically a five-year window out through 2010, 2011. For the long term project list, a lot of these are western project extensions. I would like to think that some of these would be eligible for developer participation. I'm sure that's an issue that you're going to get into in a greater extent with your financial advisor, and total project costs in the long term projects in current year's dollars is approximately \$8.7 million. It's a big number, a lot of these are larger pipes, but if the development does occur in the western areas that we see and have been forecasted, these are real projects that are necessary. He stated as far as the raw water and distribution supply, that's about it. I would be happy to take any questions you may have.

Commissioner Spangler stated I have a couple of questions. You said we have a 4% growth, that's what we've been doing, and I noticed you had something in there that started in 1996 and ended in 2004. Is that where you got your 4% from?

Mr. Blais answered yes.

Commissioner Spangler stated we're running into the same problem with traffic concurrency. What we're doing is we're extrapolating from pre-development figures.

Mr. Blais interjected yes.

Commissioner Spangler stated actually we're suppose to double in size in the next ten years so how are you going to do that at 4% a year?

Mr. Blais stated I understand where you're going with that question. From a modeling perspective, we looked at the estimated 2025 demand on the system, not so much at the incremental growth through the years, but a need out at 2025. The immediate projects were based on current existing needs at current existing flows with existing peaking factors.

Commissioner Spangler stated I guess what I'm saying is, to say that we've been growing at 4%, that's history, so we don't want to take that history and project it up to 2010 or 2015 where we've double in size. So these numbers that you've put in here don't reflect a 4% a year in the future?

Mr. Blais stated it's not a linear projection, these projections, as far as your water demands, have been looked at by a whole variety of sources. One of the most important of which is St. Johns, they've spent literally hundreds of thousands of dollars doing projections with Burton & Associates and GIS Associates; that was our primary source of the data. This report was really not designed to be a water demand projection study,

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc. (cont.):

more of taking the existing data that's out there from other sources and utilizing that data in creating the models and hydraulic projections, utilizing what is accepted as the best available information for our growth projections. He stated I do agree with you, I think we're going to see it's not going to be a linear curve.

Mr. Hoover stated one thing I would like to bring out here, and these are the kinds of features Mr. Blais worked into his analysis, in our 2005 operational summary, our gallons per connection per day is now 1.99 MGD. In 1996, when he was looking at those kinds of figures, it was 3.50 MGD, so in a ten-year period, the conservation efforts that we've made, by enacting in 2000 when we put out our new CUP, our 20-year CUP, allowed us to put in a structure, an advancing incrementally block rate structure, that helped encourage conservation and the public here has also responded well. So those things, plus this year we had 65% reclaimed usage of the raw wastewater flows coming into the plant, this has been a largest amount of reclaimed used, it's taken demand off the potable water and again it's just part of that overall feature. Even though you're going to double the number of connections, if the number of gallons per connection is going down, then it's not as great.

Commissioner Spangler stated he had noticed that when we're still at a lower number than say eight years ago in consumption then obviously something's working for us.

Mr. Hoover interjected exactly.

Commissioner Spangler stated but we've only grown 20% to 25% in the last eight years so your job is going to be much more daunting to perform these miracles in the future. I understand we have a whole lot of plans that we're going to use but I am just skeptical about these as being useful for what's going to be coming and I'm saying your job is really cut out for you if you're saying that through efficiencies and the kind of things you've been doing for the last eight years, that kind of magic, if you're going to be able to take 20% growth magic and make it go 100% growth magic, you're quite a guy.

Mr. Hoover stated the next thing Quentin Hampton will be working for us, the other portion of this study, which relates to raw water supply, is treatment plant expansion, and pumping station expansion. Those are factors we need to consider as this rapid growth hits us. With the exception of our CUP modification, we see a cushion that the projected usage and the allowance that we have for the aquifer withdrawals will take us through to 2011. That gives us time to take a long hard look at what options are available for alternative water development and then go down that road and build and operate a plant that will produce more water so that by 2011 we don't have to look for more well water, which I don't think they're going to allow.

Commissioner Hall stated I need to go back to a question I've asked several times, do we have the capacity in water to serve all the new developments that have been approved by

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc. (cont.):

the Planning and Zoning Board and the City Commission? Those 9,000 dwelling units that are going to double our population by 2015 if they're all built out. Are we in great shape, good shape, decent shape, terrible shape, or do we have to find new water?

Mr. Hoover stated we're in pretty good shape. This new wellfield will allow us to pump 1.2 MGD. The existing .55 MGD that was part of the Duke Power Plant allocation, that comes from the existing three wellfields but what this additional wellfield does is called groundwater optimization. It allows us to back off demand on existing wellfields once it's constructed and in operation, and then put a small demand on a fourth location so we don't draw down that cone of influence at any one wellfield to the extent we have presently. We'll be able to back off from three or four wells at each wellfield to two or three, and the new wellfield will probably just run two. The coinciding of the line of projected water use, with everything that's on the books right now, if it's built out in the time zone that they plan it to be, which in some respects I don't see it happening that quickly due to material and labor shortages, and the bubble sort of bursting turning back into a buyer's market instead of a seller's market. So if everything was built by 2011, St. Johns is saying we're going to coincide with the amount of water they're going to allow us. So within the next five to six years we need to have another type of plant and another type of source. I think now with this CEO on board and a good Chief Engineer, we'll be able to do that quite effectively, and with your backing of course.

Commissioner Reynolds stated I presume in the City Commissions at Daytona Beach, Ormond, here, Port Orange, and Edgewater; when they expand these annexes and approve new houses and all, that Mother Nature underground just moves those boundaries so those wells are compartmented out and that water flow only goes to New Smyrna Beach and not up to Port Orange. The point I'm making is, have we taken a universal look, at least within the east portion of Volusia County to see what all the drawdowns are from all of these different municipalities to see what impact that's going to have on our future allocation?

Mr. Hoover stated that is precisely what St. Johns is doing and this is why what I see as pretty much a policy change. They're just not going to allow more wells and fortunately we had our request in 2004, because it was on the books I think they considered it with the old philosophy we're going to continue to allow more groundwater withdrawals. I don't think we're going to see that from here out even as all these cities ask for more water, I just don't see it happening and I think we're going to be able to because of their encouragement in actually forcing cities to develop alternative sources through not approving more wells, we'll be okay with the aquifer.

Mr. Rodi stated I would like to jump in at this point. Our CUP allowance has certain conditions with it and the conditions relate to conservation in a number of ways, plus the identification of alternative sources even beyond the existing wellfields. Conservation,

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc. (cont.):

for example, includes the 180 program that you just recently approved that we have just now submitted to the City for an ordinance that will also include as its component, conservation support. Additionally, the use or continued growth of the Bright Water system is a very strong component of this. Part of what you haven't seen yet, for example in some of the Developer Agreements we provide Bright Water if it's nearby. With all of these new developments, even though there currently isn't Bright Water there, we probably would want a change in that policy so that all developments of a certain size and greater will probably even have dry Bright Water systems in place so that as we can get the supply feeds to them then we're not using potable water for landscaping and those kinds of items. Additionally in our cost of service studies, the economic incentive is a part of conservation and we've been working on all of these elements so that as we move forward even with all of this I think again the question is where there will be water in the future? What happens if we have an extreme drought period or any of these other items, and part of what we're talking about now are still flash distillation opportunities from a standpoint where we have power generation and can obtain water as a by-product; we have to deal with the environmental aspects of that. Additionally we're looking at surficial wells, the horizontal wells, we have all of the areas that are on our existing property where we may be able to readily mine water, either for reuse purposes or perhaps for potable water. All of this is in the making as we speak, so even though the numbers work, we still have the obligation to look at what happens if something unexpected occurs. So we're still pursuing those items even though we've been somewhat successful in obtaining our CUP allowance.

Commissioner Spangler stated so what I'm hearing is what I'm calling magic is probably good management and we're going to pursue that in the future. Is that what we're doing here?

Mr. Hoover commented that sounds good.

Mr. White stated I don't want to steal your financial advisor's thunder but the old banker's rule of 72, will tell us the double in ten years is a 7% growth rate. It's manageable, not excessive but it is substantially higher than the past. Conservation will do great things, go a long ways, but it won't put a piece of pipe in the ground. The water is in the ground and we have to put it out there in those subdivisions, and that's our job.

Commissioner Reynolds stated my gut feeling is with Chairman Para in terms of how we pay for this stuff and it seems to me, I would like your opinions, but I think that somehow we can't let our existing ratepayers take on the whole burden of all of these improvements. What is your opinion regarding impact fee increases, surcharges on existing customers, etc., etc.?

Mr. Rodi stated I think what we're engaged in now is trying to develop an equitable process and I use the word equitable because there are two aspects to all of the new

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc. (cont.):

development. One is the law is saying we have to show where we will finance all of the new growth and some of this is very obvious. The new growth is occurring in certain areas, there are to be New Smyrna residents who aren't there yet, but that infrastructure must be borne and paid for by that group. One of our internal discussions is whoever the first developer is to have to meet some of this impact, and we have one right now, it would be inequitable for that developer to pay for the overall infrastructure need that others would benefit from. So our concept, and we're in the very early stages, is to look at a structure where we can partner with the developer community to pay for these improvements and also take advantage of where they have strengths. The easiest way for us to do this, if they will participate in this, is to use the strength of their development and business relationships, where we might not be as strong in that endeavor because we don't normally engage projects like this. But likewise we have to be able to have these projects paid for. So part of what we're examining is a district concept, has been suggested by one of the developers, I think there's some opportunity there. There's a lot of work, we're meeting with Craig Dunlap (UC Financial Advisor) to help do some structuring about whether or not a CDD type of environment will work for us here. We may partner with the City because there are also some other needs that our City has to address this. Again, the answers are very complicated today, but what that does is it focuses the development and the costs in one area and then we've got to take that to the bank. At the same time those connection fees and impact fees for other areas must also be addressed. Part of what we'll have later is a bit of discussion on analyzing our costs. We've provided some information about what it costs us to put, for example pipe in the ground, and upgrade those costs so that they're accurate with today's standards. So that's where we're headed, obviously it's complicated but we are distinguishing between new development and existing growth that is occurring elsewhere too.

Chairman Para stated excellent comments, I really like the way you think and process through that because we're kind of in the very front end of establishing good sound information and beyond that how do we sort through all of that. I mentioned several times, before you came on, the surficial aquifer. I went to a lot of the WAV meetings and Mr. Hoover and I had some interesting conversations because I think that's underutilized and just in a strictly economics standpoint that was the one that floated to the top in that group based on Commissioner Spangler's question earlier, are we looking at this from a regional standpoint, answered by those folks saying yes. If we're not careful we'll get Dr. Mowry here with his soapbox and get a long dissertation but we'll stay away from that. Anyway I think all of these things are great conversation pieces as we move through this.

Commissioner Spangler stated I would like to say one word, benefits. The importance of that word is we need to be sure that we know who the beneficiary is of everything that we do and we need to understand what we're responsible for and what other people are going to be responsible for; who gets the benefits.

(4-d) Water System Analysis, Part I – Jim White / Dave Hoover / Quentin L. Hampton Associates, Inc. (cont.):

Chairman Para stated I agree and then thanked all for the presentation, commented it was a very professional presentation.

(5) Commission Counsel's Report:

Mr. Preston stated I have three items I wanted to bring to your attention. One is I had the occasion to review Senate Bill 360 which was passed in the most recent legislative session. It deals with a lot of financial feasibility and planning so we are moving ahead of the curve. The legislation takes effect July of 2007, so this is good discussion. It also deals with developer agreements and we've made some recommendations for changes to our current developer agreements, which will be considered by staff and ultimately brought here for review.

Mr. Preston stated secondly, as you know, two young men were killed on property owned by the Utilities Commission. Recently the estate of one of those persons has made movement toward litigation so we have notified our carrier. The defense is being handled by an attorney for the carrier for us, appointed by the carrier as per our agreement with them. I've spoken with that attorney and she is going to keep me apprised as to the development and the status of that matter and I'll bring that to you when I know.

Mr. Preston stated thirdly, we have the continuing litigation with the Rob Hunter matter. That is a federal lawsuit and the federal courts develop a calendar and adhere to that calendar. Currently we are in the investigative stage of that, it's called the discovery phase. We're still gaining information and both sides are posturing at this point. If you would like the calendar I can provide it to you at some point, the court's calendar in that regard. He stated that's all the matters I have and offered to answer any questions.

There were no questions of counsel at this point in time.

(6) Committee Meeting Reports:

Chairman Para stated the next item is committee reports and asked Commissioner Reynolds how we were doing on the policies and procedures.

Commissioner Reynolds stated we've been held in abeyance. I had a meeting with Mr. Rodi who has a concept for organizing a policy which will be done ahead of time of the negotiations, will involve his Directors as well as some committee people underneath the Directors. To begin to bubble up what the specific requirements are, to see if we can come up with a cafeteria package. We would incorporate or include the insurance carriers, like Ascherl, to come up with ways they can do better in terms of offering more competitive rates. He commented this has been put on the back burner to be honest with you for two months but it's not lost.

(6) Committee Meeting Reports:

Mr. Rodi stated while this is going on, we're also pursuing whether or not the City would want to join us and whether or not there's any advantage to that. So I think by looking at a three-tier structure to this approach it might be helpful so that individuals who use the policies would be able to have their perspectives, those who administer to these programs, and then those who develop the policies and strategies for the involvement. I would like to include actual health care providers because often times the person who is actually providing the health care has a very valid perspective as opposed to those who insure the health care. I think that might be an interesting approach with this.

(7) Old Business:

There were no old business items to consider.

(8) New Business:

(8-a) Discussion RE: UC Property Acquired Through Foreclosure:

Mr. Rodi stated he would start this discussion. At first it seemed very simple but nothing seems simple anymore. The facts that brought the discussion to your attention is the U.C. acquired a small piece of property, basically because someone did not pay their bill (sewer assessment), so we ended up with the piece of property. The property has a lot of wetlands to it and I don't think we were even paying much attention to this piece of property until a developer approached us and said they would like to acquire the property. In listening to a lot of the discussion with the development of the one square mile of the activity center, we've been listening to developers and some of the issues that they're facing as far as wetlands and needing to convert some of those wetlands for mitigation purposes. It struck us that this property in of itself didn't seem to have a lot of intrinsic value but from a standpoint of wetlands mitigation to an adjacent property owner it might have a lot of value. The only way for us to go through this is that we would have to declare the property as surplus and then get our bids, evaluations, and offer it. But we really didn't know what your preference was because if we granted an easement for wetlands mitigation purposes we have a different kind of approach and that has value to it. So we're sort of at a loss here as to what we do with this piece of property and thought first of all we would be sharing the issue, even though it's not a major issue, but just try to get some of your perspective as to how to move forward with this one.

Commissioner Diesen asked Mr. Rodi if he had talked to the City at all? She stated I don't know where the piece of property is out there but I think the City had to acquire some for water retention because of some flooding problems. I don't know if that is near this area, because I don't know the exact location of where it is out there, but I wonder because it may be something the City might also need or have some use for, before we get rid of property.

(8-a) Discussion RE: UC Property Acquired Through Foreclosure (cont.):

Mr. Rodi stated I understand, we haven't discussed this with the City, I thought their one mitigation area had been taken care of, there was another piece of property we recently traded that I thought was involved in that, but it still doesn't change the fact that we can approach them too to see if there's some advantage the City could make of this piece of property.

Chairman Para stated I guess there's a couple of questions. Staff has declared it, in the process, or will be willing, to declare it surplus.

Mr. Rodi stated depending upon the guidance we get here.

Chairman Para stated then the second thing is if it's in fact declared surplus, if we think along those line, how do we value it. Whether we sell it on the auction block, getting the best possible yield out of it or do we entangle or entwine it into this right-of-way which diminishes the value on a long term basis but still let's us retain ownership for the possibility of maybe a station or something in the future. Those are the questions we're asking ourselves, let's have some discussion.

Commissioner Spangler stated the first question is, is it ever of any conceivable use to us and if not then its value is only what is it worth to the one buyer we're going to auction it to.

Commissioner Diesen stated I hope you mean, and when you say us I know you're including the City, and I think that's real important. Is there any value not just even here or right today or down the road because I remember when somebody came and we were talking about the 3rd Avenue storage tank and they wanted to use that for something and Mr. Hoover happened to be here and said whoa. I would hope that we will give this the same kind of scrutiny. I'm always reluctant to let go of property until we have absolutely explored and exhausted all avenues.

Commissioner Reynolds made a motion that Mr. Rodi conduct a conversation with the City Manager to determine if there is some application or need there and then bring it back for us to take a look at.

Commissioner Diesen stated I would hope that in that not only the City Manager but you'll talk to the rest of our Directors to make sure.

Commissioner Reynolds stated sure.

Commissioner Diesen commented that's understood, okay.

Commissioner Spangler stated the motion is to determine whether either the City or the Utilities Commission has any use for the property, now or in the future.

(8-a) Discussion RE: UC Property Acquired Through Foreclosure (cont.):

Chairman Para confirmed with Commissioner Reynolds that was a satisfactory clarification.

Commissioner Spangler then seconded the motion.

Commissioner Reynolds' motion, as clarified, then passed unanimously on a roll call vote.

(8-b) Water Line Extension, Existing Main Tapping and Fire Services / Hydrant Costs of Service:

Mr. Rodi stated this is very straightforward. Mr. Hoover has been reviewing what actual costs are and the last time I think these were updated was around 2002. In the course of looking at what's transpiring, we put into effect, effective January 1st, the actual costs we are occurring. This was brought to your attention and our intent is to keep it more current because as we go through the impacts of the growth we're going to find that we're going to maybe have an even more rapid escalation in costs than what we were used to, that's all this is.

Chairman Para said very good, thank you, no action needed.

ADD-ON (8-c) Tenth Street Widening Project – Impact of Project:

Mr. Rodi stated a couple of years ago when the High School was under discussion, the consultant came to the U.C. and asked what type of facilities do you have along Tenth Street so we can begin to fold this into our plan. If I'm incorrect in how I'm relating this, I ask that Mr. Hoover or Mr. White assist to make sure I'm describing this correctly. We, as the U.C., provided what we call as-built drawings. They basically reflect the actual conditions of the installations that we have under the ground at Tenth Street and that's for water and wastewater. There was nothing that occurred for obviously that period of time and then in January (2005) there was a request for U.C. Engineering to design one location only near where there was a head wall. That was the first that we were aware there was some activity to be involved in. There was no other indication of any other conflict at that point. So another period of time went by and what we've since learned is that apparently Bellsouth had stopped the project for about six months because of conflicts that, and I'm presuming some things as I don't have direct information, that they were having with their facilities that were in and about Tenth Street. Around August (2005) a JPA was submitted to the U.C. for the actual resolution for this one conflict and I think the U.C. approved an approximate \$25,000 expenditure in either the August or September meeting. But then right before Christmas we were approached about a number of conflicts up and down Tenth Street and what we were approached about were the wastewater conflicts on the north side of the street and we find that there are now 26 locations on the north side and we presume there will be as many on the south side of the street that we will have to address. The water line was discussed and there was some

ADD-ON (8-c) Tenth Street Widening Project – Impact of Project (cont.):

resolution again that the water line would remain actually under the road and we would then relocate valves and fire hydrants in order to accommodate the road work.

Mr. Rodi stated as we've started to price each of these locations the pricing may vary from \$11,000 to \$20,000 for each one. So very quickly we're looking at for the whole project, just for the wastewater, maybe as much as \$750,000 expenditure and even though we marked these as conflicts, we're still facing this on a short lead time so that school can open in September because now the project is underway. This is money, as I understand it that we are not reimbursed for because we are in the road right-of-way. If we were in an easement then we could get reimbursement money. We're working obviously with the County Engineer to see whether or not there is some opportunity for reimbursement.

Mr. Rodi stated but we wanted to bring this forward because it's not only complicated from the standpoint of getting the work done, even if we were to try to use the water crews to do this work, then the work that the water crews would have been doing, we need a contractor to do that work. I think if a contractor is on site with this construction working with the road contractor then we'll be able to stay on top of this because it's going to be very demanding. We wanted to one, bring it to your attention. We're going to have to hire a contractor, this is not a project that we can just avoid.

Commissioner Hall confirmed staff was dealing with the County of Volusia on this, and not the School Board. He stated they broke ground on that school in March of 2004. They started planning for that school some time in late 2002 and the promise from the County of Volusia to the staff of the School Board was that we'll stay ahead of the curve and they usually have done a pretty good job of doing that but this is a complicated project because of drainage, and the fact Tenth Street divides Edgewater and New Smyrna Beach, and a whole list of other things. I don't how all that stuff will be completed because that school is set to open in August, they are planning on moving in starting in June. It is now the end of January.

Mr. Rodi stated I can't speak for the contractor, all I know is at this point we have to get our own contractor on board to work in a dedicated fashion to get this done.

Commissioner Hall asked if we had any idea why we were approached so lately in this process?

Mr. Rodi stated I have no idea, we weren't invited to preconstruction meetings where we normally would be, we never received review prints, we have no answers for that at this point, and we traditionally would receive those things.

Chairman Para stated when I spoke with Mr. Rodi earlier today, that was how I use to make a living years ago, underground utilities site development, and to me based on my conversations the path they have taken is somewhat extraordinary. You always

ADD-ON (8-c) Tenth Street Widening Project – Impact of Project (cont.):

incorporate your utilities companies in the process and the one who's making the change generally pays for the improvements. Whenever we did a project, if we interfaced with the utilities, but again it was in a private right-of-way, I understand that concept, but they would interface to the extent of supplying staff to supervise and make sure the connections were made, they were done properly, and everything we did tested and passed. Ultimately we were the ones responsible for paying for all that, so I just find this somewhat out of the ordinary and I did not know if it was because I am new to municipal life or if there's some legal precedent, Mr. Preston, that says in fact because it's in the County right-of-way we in fact had to pay for it. I think that would be my first question, if that can be answered right now, fine. The second question is, I'm assuming, but I want to correct the conversation here, that we're going to get a series of contractors to bid competitively on anything we finance, we're not going to agree to a change order by the existing underground contractor, is that not correct?

Mr. Rodi stated that's what we're doing now and I think your point is well taken because the road contractor is asking for some very high pricing through a change order process so we're looking for alternatives to that.

Chairman Para stated definitely, because you're going to get his tier of overhead, naturally, I would want the same thing if I was doing the project.

Commissioner Hall asked if there were any problems with that apartment complex that's between the Middle School and the High School.

Mr. Rodi stated he didn't have any knowledge of that.

Chairman Para then asked Mr. Preston for his comments.

Mr. Preston stated I know of no actual precedent. I think you're asking pointed questions that need answers.

Chairman Para stated but I understand what we're saying, we have got to keep moving in a direction because we don't want to stop the school from happening but at the same time I think we ought to put the folks on notice that we want the right answers and if there isn't a precedent and if they've established, you might want to say dirty hands in not dealing with us equitably, then it's certainly something I would like for us to move forward on. Is that a consensus amongst us?

Mr. White stated on that question of the contractors, we've kind of got three options. One of them is to extend the JPA agreement that we have with Volusia County and their contractor, Built-Rite. We have what we think is a bracketed cost net scenario. We have a second possibility, for Mr. Hoover's crew to pull off for two and half months, more or less, and take care of this. Third one is we find another contractor, assuming there's some cost savings or time savings to be had, and at that point we have a split option. One

ADD-ON (8-c) Tenth Street Widening Project – Impact of Project (cont.):

is we go back and competitively bid that and we knock September back to November, in other words we're going to add 60 days in there for that bid process. Or we will look for a determination of emergency condition and select on a single source bid.

Chairman Para stated I always had a practice, I would never let somebody's lack of organization or foresight create an emergency for me. So that's my comment to that, at least from one Commissioner.

Commissioner Spangler stated yes, that's where I want to go to, otherwise you have to say perhaps they had given us only three weeks before the school opens and they dump this on us, it's going to cost us more because of their negligence so if we're obligated to pay for this, I don't think we're obligated to pay for their negligence. There's a building boom going on and all these contractors are busy, we're going to pay premium if we want this done quickly, and that premium I don't think is our responsibility.

Mr. White stated there's no question about that. If these conflicts had been included in our original bid package as was the one with the force main which was about 1,000' of pipe I believe, for \$20,000, we wouldn't be talking about spending \$350 a foot for pipe.

Commissioner Diesen asked if option two was really a viable option to Mr. Hoover.

Mr. Hoover stated it would displace two four man crews for about two and half months and would really hamstring us to keep up with the service work. We were downsized to working full speed on service work and maintenance of the system, we don't have any slack there where we could devote crews out there without taking away from other aspects.

Chairman Para stated or creating a new position and hiring somebody you would only have for two months and then you would have to say thank you for helping us out of a jam and now we have to say goodbye.

Mr. White stated and then you would have to buy equipment for them to operate.

Mr. Rodi stated that's why I said if we take that option then we will need contractors to do the service work because those new customers shouldn't be paying the price for delays.

Commissioner Diesen commented well I guess my point is, that's not an option.

Chairman Para stated exactly and I would like to see as a motion here that the emergency, the fire drill, is not an option either. Is there a motion to that effect?

Commissioner Reynolds asked if he could add a little to that, added he didn't mind that motion. It seems like we have to proceed one course or another but is there also some

ADD-ON (8-c) Tenth Street Widening Project – Impact of Project (cont.):

options we may take legally with the School Board or the County of Volusia, subsequent to that or at the same time. We didn't get ourselves into this jam, I don't think, and so consequently it seems to me if you select the right option you're talking about, but also maybe Mr. Preston could determine if we have some legal recourse in not being in on the planning stage or not being made aware of this requirement at such a late date.

Mr. Preston stated I think where you are headed with that is in negotiation and we should absolutely negotiate with the County. It would be with the County in this case, in regards to time of completion and cost of completion, by all means, that would be the recommendation.

Commissioner Diesen stated that's where I'd like to see this go.

Mr. Rodi stated I have spoken with the County Engineer who understands the predicament that we're in and have been given indications that he will work with us but we've not had any conversations since then. One other comment I would like to make is I asked the City Manager about the aspect of right-of-way and who pays and he said if you're in the right-of-way, which we are, then we bear that cost. If we were in a private easement then we would have to be paid for relocation.

Chairman Para stated not taking anything away from the City Manager, but I'd still like to take that a little bit further. Last thing is, Mr. White, it was said that you have as-builts for what improvements we're talking about, where we're at, right.

Mr. White stated we provided the as-builts to the engineer who designed this for the County about two years ago.

Chairman Para stated I'm just trying to think of a scope of work and how we formulate this. So if you've got your as-builts you know what you've got, and they designed a system that goes in over the top. The two variables are established, correct?

Mr. White stated there's a number of variables.

Chairman Para stated the scope of work, is it or is it not established what they want us to do.

Mr. White stated they want us to simply eliminate all conflicts with their proposed lines and with the best of our ability we've identified that as 26 with regards to this water line.

Chairman Para stated okay so we can create a scope of work and put that out for bid.

Mr. White stated yes.

Chairman Para stated that's what I would say, create a scope of work, put it out for bid.

ADD-ON (8-c) Tenth Street Widening Project – Impact of Project (cont.):

Mr. White stated and as soon as we have that we can start advertising for bids.

Commissioner Diesen stated but are we sure that's the number?

Mr. White stated alternatively we could suggest, we could turn that around and say we think you should do that, to Volusia County.

Chairman Para commented he's got a good point there.

Commissioner Spangler stated another thing, Mr. White I know you know, what a standard of care is in Engineering.

Mr. White said I hate to say it but I think we're past that point.

Commissioner Spangler commented well you and Mr. Preston can talk about that.

Mr. Hoover asked to share something that was pertinent. The new costs that we have for per foot installation of pipe from 2" to 12", Mr. Walter and I worked extensively on this through the years, our updated price is \$44.20 per foot for 12" pipe including fittings; a total cost to the customers who want water lines extended to them. When we sat down with Mr. Petkela and the people from the County project a couple of weeks back and they said look you have 26 conflicts, we're running storm drains, 26 of them from north to south, and your water line on the north side of the road intersects with those, it's got to move. Either deflect under them in 26 locations or just relocate the pipe. Mr. White said you have your contractor on board, he's going to relocate our force main on the south side of the road, that was built in, we never knew these conflicts existed, give us a quote. Give us a quote for the deflections, give us a quote for relocation, you're mobilized, you're there, you're part of the solution, make it happen, give us a good price and we can do business. Their price for relocating that pipe to the north further came out to be \$100 a foot. Their price to deflect at 26 prices which was half the cost of relocation, was \$250 a foot. So they had us over a barrel and it's definitely not a barrel we want to jump through. Conversely, I would like to give accolades to the City. When we do these kinds of joint projects and they're putting in storm drains, they work with their engineering department in a fashion that they identify the conflicts early, work it into the contractor that's working for the City's work and then the City pays them, we pay the City. There's one guy in that game and he's got the whole underground work and does it at a very good cost for both parties concerned, and that's not happening here.

Chairman Para stated but it's at play early on and that's your point, it's a point well taken, as opposed to now it becomes this crisis. Again, I don't want to participate in that, so I think you're right.

Commissioner Diesen stated I would like to see litigation or anything that we need to do with our attorney to move forward because it's time we stopped this stuff with the

ADD-ON (8-c) Tenth Street Widening Project – Impact of Project (cont.):

County, they do it at every turn and if we don't start stiff arming them somewhere down the road, it's going to always be that way.

Chairman Para commented having said that, is there a motion here.

After a couple of other comments, Commissioner Reynolds stated I make a motion we don't do an emergency deal but we go out with a competitive bid, and at the same time see if Mr. Preston can do something with the County to mitigate our costs and perhaps they absorb some of this cost. I think we can give them the figures Mr. Hoover said regarding the history of this, price per foot, and say that there is a huge difference there we're not going to do. So if you want the school to open late, be our guest.

Commissioner Spangler concurred and commented there you go.

Commissioner Diesen seconded this motion and it passed unanimously in a roll call vote.

(9) Possible Other Business – Time for Commissioners(9-a) Request to Attend Conference(s) – Chairman Para:

Chairman Para stated as you can see by the report there are two conferences to attend. The first one is in Washington D.C. and I think it's worth attending, he added it might be worth attending for all of us but that's up to you all.

Commissioner Diesen asked if that was the one that only lasts for half a day, for three hours?

Chairman Para answered yes.

Commissioner Diesen stated I think for all of us to attend it would be ludicrous.

Commissioner Reynolds commented bring back good reports.

Commissioner Diesen commented I'm not sure I will even vote for Chairman Para to attend, three hours, it's not good, it sends a bad message. She stated the other one, I can approve that without a problem.

Commissioner Spangler asked what was the projected cost for the three hour seminar, a round trip plane ticket and a meal?

Chairman Para stated airfare is approximately \$200.

Commissioner Spangler so basically the U.C. would spend \$250 for you to go to a three-hour seminar. He stated I go to seminars for \$250 and I usually get seven hours but I

(9-a) Request to Attend Conference(s) – Chairman Para (cont.):

don't have to go but to Daytona Beach. He stated I'm on the cusp of this, I don't think that's totally outrageous.

Commissioner Diesen stated as long as you don't ask for meals, no taxis to the airport, and no parking.

Chairman Para stated alright, whatever you want to do, tell me.

Commissioner Diesen stated and then you want to go to Gainesville. She confirmed the registration for that seminar was \$175, was previously registered to hold the rate to the early registration amount, as it could be canceled depending on action by the Commission tonight.

Commissioner Diesen then made a motion to approve and authorize Chairman Para to attend the PURC Workshop in Washington, D.C. on February 11, 2006, with the stipulation of only \$200 for airfare approved, no miscellaneous expenses (there were no registration fees for this workshop), and approve attendance to the PURC Conference in Gainesville, Florida, scheduled to take place February 23-24, 2006. Commissioner Spangler seconded this motion and it passed unanimously on a roll call vote.

Commissioner Hall commented you're spending all our money.

Chairman Para commented if you all don't think I'm going to learn something and bring anything back I don't want to go, but I think I can and I wouldn't go if I didn't think I would.

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

Commissioner Spangler stated I wanted to make one comment, I was looking on agenda item 8-a. and it was sort of interesting, and this is going to come up again, and we've drifted around it before. When we're talking about this property and what we have to do to sell it, it has to be declared surplus. The thing that was interesting is down here it says surplus declaration, determined by written finding, which I suppose is an appraisal, that subject property is not necessary, useful, which is what we're going to do, and then it said nor profitable for the operation of the utilities system. Now there's one that we're going to be thinking about when we go and try to figure out how much of that acreage we're going to keep, whether we're going to sell it, or what we're going to do. That's a very, very profitable piece of property as long as property values keep going up. Some property, two parcels on Williams Road sold recently, one of them was 12 acres and only 8 acres was usable, the rest in some kind of a power easement; they paid \$116,000 an acre for that. There was another parcel up there, they paid \$166,000 an acre on Williamson Road. He stated Williamson Road runs through our acreage so that acreage is still profitable for the utilities system, that's my comment.

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

Commissioner Reynolds stated speaking of conferences, I attended a conference on understanding the challenges of ownership and development of power plants in the future. I have two minutes of notes here. I will have a written report and also a CD of all of the slides and stuff which was really excellent. Basically they predicted the power sources that we have now are going to be here with us in 2025; 50% coal, 30% gas, and the rest various projects, wind, biomass, etc. They stressed the diversification of power supplies, so when we're thinking of building a plant we should think of diversification from the perspective of other ways of financing the power or contracting for it. The one thing we'll have to do is an economic comparison of all of the types of plants we are considering here because that's necessary for your investment appraiser to determine what grade bond you're going to have. Also in that, is right now, they're not financing much commercial operations at all but they do feel that public utilities are attractive from a bond purchase standpoint.

Commissioner Reynolds stated the affects of the validity of gas and coal are coming up to be about the same. Coal is around \$14 a ton now and the delivery of coal is getting to be a real problem because of the transportation restrictions of both barge and rail. People are looking at locations of power plants rather than having them here, having the power supply or plant right next to a coal operation so you're not having to haul the coal. Bond ratings are important and the way they look at bond ratings is what financial condition we're in and how we plan to pay for the plant, either by some sort of fee, impact fees, or whatever else, but your bond rating's going to be very dependent on how you plan to finance that. If you finance it in-house, saying we will pay for it based on customer fees, that's going to lower your bond rating. If you have some kind of surcharge to new customers or impact fees for new customers that raises your bond ratings. The other thing is, as we get along with this, one of the first things we should do is bring in a lawyer obviously but also bring in the people that provide the bond rating so they can do an economic study with you and in accordance with what is required for them to do that.

Commissioner Reynolds stated EPA and State regulations are tightening up considerably and what they have found is you almost have to take in stride those new regulations as you're building this plant over a two or three year period. Most of the times people have found it's cheaper to adapt your plant to those new regulations at that time as opposed to going back and retrofit. We will need a legal, a rating, and bond issuing assistance as we get involved in this if we decide to do that, and as I mentioned investors favor public utilities over commercial enterprises and merchant power companies by a considerable margin. In fact they don't have many records of bonding commercial plants now. What they look at is what does power cost today, and what will it cost after we build a power plant; how much of a change that's going to be.

Commissioner Reynolds stated I wish that all of you could have attended this conference, I found it most enlightening and I'm hoping that the CD's and report that I give you will give you some flavor of that.

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

Commissioner Diesen asked if the Commission was to hear from Mr. Craig Dunlap?

Mr. Rodi stated not tonight, I wanted him to see the presentation and hear some of the discussion so that we can start to package our approach.

Commissioner Diesen thanked Mr. Dunlap for attending and commented she had worked with him in another life 20 some years ago. She stated she didn't have anything to add except I do hope that we will aggressively pursue something with the County of Volusia, that's just not right.

Commissioner Hall stated he would just like to echo what Commissioner Diesen said about the County of Volusia.

Mr. Rodi stated I had one item just to give you a status report on. We are continuing to have discussions about the opportunity for a 230 KV substation, a part of our overall approach so that for the amount that we will be dependent upon the grid we will get a much stronger connection. We are involved in discussions on that issue now.

Chairman Para stated I noticed in the Public Power Weekly there's some clarification coming down from the Treasury Department on bond financing. I mentioned before on the property, by saving our ratepayers, our bosses you might want to say, a substantial amount, I think \$500,000 a year, if we could possibly look into that. Would that be something staff wouldn't mind doing? I hate to throw another burden on you, but Mr. Montalvo would that be something you could pursue?

Mr. Montalvo answered affirmatively.

Chairman Para stated the last thing he has is he wishes to apologize to any of my colleagues if my comments I made in a recent news article disturbed anyone. I didn't intend for that, my passion and zeal for the overall project burned bright and Katherine Cofer (The Observer) did an excellent job and I'll take responsibility for everything that I said, I believe in everything I said, and will continue to do, as a citizen, everything that is appropriate to pursue our "green coast".

Commissioner Spangler stated I can only say, and you know why I'm saying it Chairman Para, is I absolutely believe you.

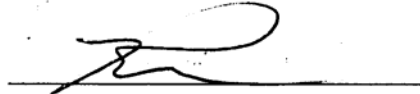
Commissioner Diesen stated I think it's great what Chairman Para is doing but I think it needs to be very, very clear that it is you as an individual and you're not speaking for the Commission.

Chairman Para stated as a matter of fact I brought with me my own business cards as a citizen's initiative but I won't take time in the podium to declare that. It is a citizen's initiative and I'll be passing those business cards out after the meeting.

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

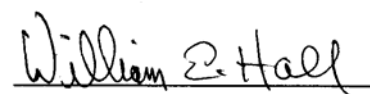
There being no further business to come before the Commission, Commissioner Diesen made a motion to adjourn. Chairman Para closed the meeting at 7:47 p.m.

APPROVED:



CHAIRMAN

ATTEST:



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their
February 27, 2006 meeting.