

AGENDA ITEM 3-a

MINUTES OF PRELIMINARY PUBLIC HEARINGS (2) AND A REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, JANUARY 25, 2021, AT 3:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

(NOTE – THIS REGULAR U.C. MEETING WAS HELD ON-SITE (WITH MASKS AND SOCIAL DISTANCING) AND WITH LIMITED ON-SITE PUBLIC PARTICIPATION – VIA APPOINTMENTS)

Chairman Holcomb called the Regular Meeting of the Utilities Commission to order and led in the Pledge of Allegiance. Commissioner Conrad provided the invocation.

Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements:

Chairman Holcomb then requested some guidance from Mr. Cloud and discussion ensued regarding the desired flow of the public hearings. It was stated that each public hearing should be opened, allow time for staff presentations and then open the floor for public comments and questions.

Chairman Holcomb then opened Preliminary Public Hearing No. 1 and requested staff's presentation for same.

Mr. Chavez and Ms. Couillard came to the podium for the first presentation. Mr. Chavez requested Mrs. Simmons to open the prepared PowerPoint entitled "Addendum and Infrastructure Policy Reconciliation & Conclusion – Refund Summary".

Mr. Chavez stated this is as we discussed in December, the Addendum and Infrastructure Policy Reconciliation and Conclusion. He then went to slide number two and stated so what we've done accordingly to close out the infrastructure program, we've immediately suspended the infrastructure fee collection, that was through Resolution no. 2020-14, so we've done that portion of it. We did the true-up / reconciliation and a draft of the refund summary is in the resolution. So just to give a little color around, as we indicated in December, we looked at the policy funds that were collected over the program period from 2006 to 2020. We looked at the funds that were collected by line of business, water, wastewater and reclaimed. We looked at that versus what was spent by zones for those projects. So we did a comparison, funds collected versus funds spent by the U.C. by zone. If we collected by zone more than what we spent there was a refund and it's a proportionate refund as indicated in the refund summary that's in the resolution. If we spent the funds, if the U.C. spent funds greater than what was collected there is no adjustment. There is no refund but there is no adjustment either. The other key to note is as we've collected those by the respective entities that paid into it the funds are calculated as such. The appropriate legal documentation will need to be completed, that's what we're working on, that will be ready by the February Commission meeting. We will send out an initial communication to the entities at the respective addresses that we have on hand. That will then be the notice to those entities to then file the respective documentation packet which would provide a release to us that they have actual rights to those funds and that's how those refunds will be processed.

Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements (cont.):

Mr. Chavez went to the next slide and stated so related to the termination of the infrastructure program we have done a revision to the capital connection fees which will then set the stage for updated capital connection fees that will be presented by Henry Thomas, our consultant with Raftelis. And those will go into effect, similarly we're having the two hearings, this one preliminary, the final hearing is on February 22nd, then the corresponding 90-day window that we need to have for that period, the 90-day period. Effective June 1st, the new capital connection fees will go into effect. Until that time, until May 31st, the old fees will be in place; so we'll have a clean cut off starting June 1st. He then stated he would turn this over to Ms. Couillard to talk a little bit about the Developer Agreements.

Ms. Couillard stated so as part of the new fees and the new plan, we need to revamp the Developer's Agreement, so we are working with Mr. Cloud to rewrite that, to take out the infrastructure fees, put in the new language for the capital connection fees. And so we'll have that ready to go by the February meeting as well.

Mr. Chavez then went to the next slide of the presentation and stated here is just kind of the next steps. So we've got post the 22nd hearing, we'll have the proportionate due refunds, they're in draft form attached to the resolution, each respective entity and their respective projects. Will then, of course, formulate the legal documentation that needs to be submitted, and of course it will be managed by the Commission staff. But any refund calculated and issued, the required documentation must be submitted to show the adequate proof. Lastly on the Commission's capital connection fees, once again just to recap, June 1st will be the effective date for the new capital connection fees. He then stated I'll pause there for a second for any questions from the Commissioners. It is a considerable amount of data but its consistent to what we discussed in December related to the termination of the infrastructure program and the updates of the capital connection fees.

Commissioner Davenport stated so real simple for me, these entities paid in more monies for the infrastructure than we used and we're refunding it.

Mr. Chavez stated yes, by zone. Because if a zone, let's say its water and zone one had, we collected more than what we spent, there's a refund. But in another zone if we spent more than what was collected, there's no adjustment. So that's it.

Commissioner Davenport commented exactly. How did this come about? I think this is very fair, this is transparency at its best giving money back to people that we took more than we used.

Mr. Chavez stated I think at the time that the program was implemented it was designed around the zones by the various areas in our service territory, so there was a fairly complete calculation that in essence worked through that. What the team did, Engineering and otherwise, was then looked at okay, based on the zones and what was collected here are the projects that were identified as infrastructure projects, water, wastewater, electric, the whole nine yards. We then calculated what was spent by zone, what zones were impacted by the funds that we had spent. So we then worked it out as a calculation and came up with the

Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements (cont.):

refunds as applicable. So to the extent that a refund amount was let's say a small \$50,000 but paid in, then it was proportionate. Every entity got a respective proportionate balance or an amount of that total amount. If more were collected, you got a proportionate share, so it was all based on the percentages.

Commissioner Davenport commented fair.

Mr. Cloud stated the short answer would be it's impossible to predict 15 years into the future what the market will be for development, let alone what the costs will be involving those projects; and that's why there's a delta difference. It was anticipated in the original development of the program and now that final step is coming to fruition.

Commissioner Davenport stated thank you.

Commissioner Smith asked were there improvements made in one zone that impacted another zone?

Mr. Chavez stated we did the best we could based on the way these projects and how they were estimated, executed, we did our best that we could to allocate it proportionate to each zone.

Mr. Bunch stated and to answer your question Commissioner, there were some projects where a portion of it was estimated to be applicable to infrastructure driven by development and a portion was not. And those may have benefitted other zones or the system overall and in that case only the portion estimated to be applicable to infrastructure was applied to infrastructure. He then stated let me ask you a question Mr. Chavez – entities. Assuming not every entity that's due a refund knows this meeting is taking place, how will they know that they may be due a refund or are due a refund?

Mr. Chavez stated that's good, so what we'll do is we will, based on the information since we have developer agreements for every one of these entities' projects, we will contact the last available address based on discussions with Mrs. Simmons and others we'll determine if we need to put a notice in the newspaper, similar type items. Because to your point that's where a good chunk of time will be spent is the administration of trying to figure out some of these entities. And I say entities because it could be developers, homeowners, it could be individual, all across the spectrum, but we will do our best to try to kind of reach those entities. And then concurrently the legal packet that needs to be completed to then receive that check if a check is due to that developer/entity.

Commissioner Hawes stated question, are we under obligation to do this, meaning under U.C. policy and procedures, or is this just sort of a best practice type thing.

Mr. Cloud stated we are legally obligated under the addendum to have a true up and the original resolution that was adopted in 2006 and 2007. It was a commitment made by this Utilities Commission to true up what was an unusual fee. And it is also best practices. It is

Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements (cont.):

appropriate under the law and policy of this state as well as the Utilities Commission to follow through on proportionately so that as best we can the proportionate share that people pay is fair. That's the whole underpinning to this is an attempt to be fair.

Commissioner Hawes stated and then between now and the implementation date of the new policy do we expect there to be others or is this kind of a forecast of...?

Mr. Chavez stated no, this is it, this is based on, what we did was a detailed reconciliation of every entity that paid into the infrastructure fund, we tied every single one out. Now I do, to Mr. Cloud's point, just on the, you know it was a commitment made to do this reconciliation, and the capital connection fee we will evaluate it periodically because that is best practices. There will not be a, that's a one-time fee, there will not be a future reconciliation, true up, to the like.

Commissioner Smith stated the rebate.

Mr. Chavez interjected refund.

Commissioner Smith continued, will that go to the successors or some of the heirs?

Mr. Chavez stated well, that's where...

Mr. Cloud interjected it's going to go to whoever has the right to receive it, but you have to recognize that sometimes the right to receive a reimbursement or a credit is assigned. It should be recorded but it isn't always. And so we're going to have some legal documentation that ensures we don't pay the money back to the wrong people.

Mr. Chavez stated we will do the reasonable due diligence to make sure, do the best that we can with the best available information to identify those. But at the end of the day no refunds will be cut to..., refunds will be cut to entities that submit the documentation.

Commissioner Davenport stated and it's got to show that it has been completed.

Mr. Chavez stated yes, oh yes. This will be time consuming but we're going to exercise reasonable care in making sure that every i's dotted and t's crossed.

Chairman Holcomb stated well I'm sure as the system expands that's where it gets kind of convoluted to where when we did it this time it didn't impact it but as it grew, you know, we shared resources so I'm sure there's..., it's not as clear as probably mud is. But I think your logic makes sense in how you're trying to approach it.

Mr. Chavez stated no, and that's exactly what we did, we really did. I guess the saving grace in this situation is we had all the documentation of the entities and the agreements and what was paid into it at the time. So yes, it was a lot of hard work, but it was well worth the effort.

Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements (cont.):

Chairman Holcomb then asked if there were any other questions from Commissioners. Then stated to Mr. Chavez, keep going, do you still have more?

Mr. Chavez stated as it relates to this, there is in the appendix on this presentation there's just the history that we presented in December. I didn't plan to go through that. The next steps will be at the February meeting, that will be the final (public hearing). Any questions, of course I'm assuming that presentation will be a little less than this one and then we will proceed with compiling the respective information.

Chairman Holcomb stated and obviously we have a participant that wants to communicate on this one.

Mr. Bunch stated let me ask a question first. Mr. Chavez, we have Mr. Thomas with Raftelis that's going to do a presentation about the new fees going forward.

Mr. Chavez stated yes.

Mr. Bunch stated it may be best to ask if there are questions after that presentation? That would be my recommendation, does that sound...?

Mr. Chavez stated that sounds right. So you know this is the termination, reconciliation, conclusion of the infrastructure, so going forward, actually effective at December 17th we are no longer collecting infrastructure fees; we don't expect this to change. There was a minor dollar change but nothing significantly different than what's in the, attached to the resolution.

Chairman Holcomb stated so we're fulfilling what they started in 2006 which is the true up process of the...

Mr. Chavez interjected infrastructure program, yes.

Chairman Holcomb stated so that's going to get put to rest.

Mr. Chavez stated yes.

Chairman Holcomb stated now moving forward from 2021 forward, he's going to explain that.

Mr. Chavez stated yes, so that will be the capital connection fee program. Then stated go ahead Mr. Cloud.

Mr. Cloud stated if I could, I just wanted to note for the record that you're now going to be conducting two hearings at once, because that is a separate hearing on your agenda. So I mean it's fine, you can do that, you just have to remember that when you ask for comment, you take comment on both topics right, and that when it comes time for decision, each resolution is voted on separately. I think Mr. Bunch that's what you were asking to do?

Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements (cont.):

Mr. Bunch stated yes, thanks for the clarification.

Chairman Holcomb stated okay so if there's no public comment on the first part of this conversation that he just presented, let's close that hearing.

Mr. Cloud stated that part of the hearing.

Chairman Holcomb stated that part of the hearing and bring it back to the Commission.

Mr. Cloud stated you might want to find out if anyone here has questions or comments.

Chairman Holcomb stated yes, go ahead and speak, yes, please.

Mr. Cloud stated and be sure to identify yourself for the record, thank you.

Ms. Amber Coleman addressed the Commission and stated I'm Corporate Counsel for GEOSAM Capital.

Commissioner Davenport stated could you repeat that, I didn't hear it, please.

Ms. Coleman repeated her previous statement and then stated my only question is timing on reimbursement, if you have an idea. I know that you have to...

Mr. Chavez came back to the podium and stated I believe with, I think we're restricted to once the February hearing is final, we can start to issue right after that. Mr. Cloud is that a good?

Mr. Cloud stated yes, there's no set date for the reimbursement. We would, and I think GEOSAM's is slightly different because of the agreements and there may be some period of time, I would not think long where we would develop the documentation with you as to the close out of the reimbursement. So for example there's no hold up on moving forward with that and I believe there was a meeting scheduled that was going to take place this week. I understand why it has to be pushed out, we do not have to go into that. But there is every desire on the part of the Utilities Commission to go through that effort and wrap it up as quickly as possible. There's no desire to hang on to this money for a minute longer than we have to. We just want to make sure that the i's are dotted and the t's are crossed.

Mr. Chavez added, and we know who you are.

Ms. Coleman stated okay so it's like a 30 day process, not like six months?

Mr. Chavez and Mr. Cloud simultaneously stated no.

Ms. Coleman stated okay.

Chairman Holcomb commented that's a fair question too.

Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements (cont.):

Commissioner Davenport stated to Mr. Cloud, so you're saying ASAP basically if you get your documents in line.

Mr. Cloud stated well, in reason, you know people get sick and people are doing the very best that they can right now on both sides to work together to get this documented. So yes, we're going to use all deliberate speed within reason.

Mr. Chavez stated yes, and so for example GEOSAM we definitely know where they are so that won't be an issue.

Commissioner Davenport stated yes, I saw that, and I would be wanting my money too.

Mr. Chavez stated it will be the ones where, it will take time to find the ones that built several years ago, those that aren't readily identifiable. A lot of these were limited partnerships so those have sometimes they shove those down, so those are the ones that will take more time. But the developers and developments that are current, recent that shouldn't be much of an issue.

Chairman Holcomb commented if ownership didn't change that should make it pretty simple.

Mr. Chavez stated exactly.

Commissioner Davenport stated so what happens, like you just said, you've got several LLC's and people building, and I've done this before, you build it just for that purpose and then you close it out and let it go away.

Mr. Chavez stated so what we'll do is we'll exercise reasonable due diligence to identify them. So after a certain amount of time, you know we exhausted all of our reasonable measures, there's the escheatment laws which is essence it's unclaimed property, depending on which state you're in. That's what eventually, once we've done through all, of course with Mr. Cloud's counsel, all the respective steps to follow escheatment laws. We will then remit it to the state as we're required to do.

Commissioner Davenport stated and then the state can contact them.

Mr. Chavez stated then more than likely it sits at the state.

Chairman Holcomb stated there's no effort from the state.

Mr. Cloud stated I do not anticipate a dime of this money going to escheat. I would imagine, and first of all we are going to use every effort to find out you know who the money belongs to.

Mr. Chavez stated we will.

Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements (cont.):

Chairman Holcomb stated well, the deed will tell you whoever owns title to it and then just work back from that to the time...

Mr. Cloud stated as long as they haven't assigned it out.

Chairman Holcomb stated right, I get it.

Mr. Cloud stated we're going to seek some assurances on that.

Chairman Holcomb stated it seems very reasonable to kind of work backwards.

Mr. Cloud stated well there's a case that happened about 35 years ago in Orange County where they failed to do due diligence for this and they ended up paying it out to the wrong people - \$600,000. Which the court then required them to pay out again. So we take this very seriously, we're going to expect people who are seeking refunds to give all the assurances necessary. We will also do our homework in the public records to make sure we're giving it to the right people.

Mr. Bunch stated and Mr. Chavez, in terms of the process side in this, managing, carrying out those things, step one is notifying all these parties and entities in writing, correct?

Mr. Chavez stated yes, correct, we'd send the canned letter, that will be to the last address of record that we have, so it will be a process. And of course as indicated the ones that are current and have current offices, GEOSAM in Venetian Bay, pretty quick. It will be the smaller, older potentially expired entities, that will be the one. But we will exercise all reasonable care and no one will get a check unless you've submitted the documentation. Any other questions?

Commissioner Davenport commented good job.

Mr. Chavez stated thank you and thanks to the team.

Commissioner Davenport stated a lot of work has gone into this; you can tell.

Mr. Chavez commented I'm glad it's over. We can turn it over from the first (preliminary) public hearing to the second hearing portion which will be the capital connection fees or formerly capacity fees.

Mr. Bunch stated do we need to request the approval for the first resolution?

Chairman Holcomb stated if we are, I'm going to remove myself from that, I have a conflict.

Mr. Bunch asked Mr. Cloud, do we need to do that first?

Mr. Cloud stated yes, you can do that. You can in effect, if there's no further discussion of Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements (cont.):

the Commission members, then you can ask for a motion on the resolution which is I believe 2021-02. And then take a vote on that and then what I would do is go ahead and open the hearing on capital connection fees, because you haven't really taken any testimony yet. Do you see what I mean, does that make sense to you?

Chairman Holcomb stated well what was that?

Mr. Cloud stated that was a question related to the infrastructure fees right. So you haven't really had any comment related to the capital connection fees. If you take the vote, you can put off voting on the resolution until both of them discussed, which is what I thought you wanted to do Mr. Bunch; you all can do whatever you want to do.

Chairman Holcomb stated I just want to understand it, so what I'm looking at is we're closing one section of it, no matter what we've got to close that door.

Mr. Cloud stated think of it like this.

Chairman Holcomb continued, and then we need to open the new door of moving forward in the future which he's going to present.

Mr. Cloud stated once upon a time, long, long ago...

Commissioner Davenport stated but we have to finish the capital right, talk about the capital expenditures.

Mr. Cloud stated well that its own separate hearing, which is scheduled. One was the process that was used in the past for collecting capital costs for major transmission projects, because your current capacity fee deals with treatment. Okay, you see the difference. And that's not going away, it's being modified slightly, and that's the second public hearing.

Chairman Holcomb stated all right.

Commissioner Davenport stated then I'm going to make a motion.

Chairman Holcomb stated to Mr. Bunch, are you okay with that?

Mr. Bunch stated that's fine, yes. And that way we close the meeting and the associated resolution and move on to the next one.

Mr. Cloud stated the hearing, yes.

Mr. Bunch added and move on to the next hearing rather.

Chairman Holcomb stated so I need to remove myself, I'm going to call a vote. First of all is

there any discussion on the approval of Resolution 2021-02?

Preliminary Public Hearing No. 1 – Regarding Consideration of a Resolution Providing for the Reconciliation and Conclusion of the Addendum to Developer Agreements (cont.):

Commissioner Davenport stated I make that motion – approval of Resolution No. 2021-02.

Chairman Holcomb stated I've got to declare that I've got a conflict and I want to remove myself from the vote. But I can call the vote correct?

Mr. Cloud stated yes, absolutely.

Chairman Holcomb stated okay, just making sure I've got a right. So I get to do the time alone. So with that Mrs. Simmons will you call the role.

Commissioner Davenport stated do we have a second?

Commissioner Conrad stated I'll second.

Chairman Holcomb stated okay, there we go.

Mrs. Simmons stated okay in clarification for me, the resolution is currently in draft form and we were going to formally approve it in the February Regular Meeting.

Mr. Cloud stated okay, well they can conceptually approve the draft today.

Mrs. Simmons stated okay, thank you.

Mr. Cloud then stated to the Commission is that the intent of the motion?

Commissioner Davenport stated yes sir.

Chairman Holcomb stated so conceptually.

Mr. Cloud stated subject to any changes in the second hearing.

Chairman Holcomb stated perfect.

For record purposes – Commissioner Davenport's motion was to conceptually approve the draft of U.C. Resolution No. 2021-02, subject to any changes in the final public hearing on February 22, 2021.

This motion then passed with a majority of the Commissioners voting yes on the roll call vote; Chairman Holcomb abstained*.

*(*Form 8B - Memorandum of Voting Conflict filed by Chairman Holcomb on this date.)*

Roll Call:

Mrs. Simmons commented the prior vote also took care of roll call – all U.C. Commissioners in attendance as follows:

Commissioner James Smith
Commissioner Lillian Conrad
Commissioner James Davenport
Commissioner Richard Hawes
Chairman Jack Holcomb

Others in attendance were as follows: J. Bunch, General Manager/CEO; E. Chavez, Director, Finance/CFO; J. Couillard, Director, Engineering; B. Pitcher, Director, Central Services; T. Beyrle, Director, System Ops.; B. Keehn, Director, Information Technology; T. West, Director, Water Resources; M. Schings, Interim Director of Electric Ops.; J. Michel, Infrastructure Engineer; Laquavius Green; I.T. Intern; M. Spellars, Sr. Help Desk Technician; D. Simmons, Exec. Services Mgr./Recording Secretary; General Counsel Thomas Cloud Esquire – Gray|Robinson Attorneys at Law; and Nick Powell and Amber Coleman, representatives from GEOSAM CAPITAL US LLC, and John Moss, all members of the public (on-site via appointment).

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees:

Mr. Cloud stated all right, now would be a good time to open the second hearing on the Capital Connection Fees.

Chairman Holcomb stated all right at this time we're going to open the second hearing on the Capital Connection fees, the second public hearing.

Mr. Cloud stated that's right and then you would request input from staff.

Chairman Holcomb added, and request input from staff or presentations.

Mr. Chavez stated okay, so I'll introduce Henry Thomas from Raftelis to go through the capital connection fees.

Mr. Thomas then stated good afternoon, Henry Thomas, Vice President with Raftelis. We are the Commission's current utility rate consultant. Mr. Thomas then commenced with the presentation entitled "Water, Wastewater, Irrigation, and Reclaimed Water Capital Connection Fee Study and Proposed Fee Schedule". He then stated just to give you a bridge to what was just discussed and what we're about to discuss, I would like to give you my perspective is that the infrastructure fee as it was developed in 2006 was based upon the fact that these service areas were fairly remote from the core system at the time. So the facilities that were funded from infrastructure fees had a very specific benefit to those developments. What you have formerly called the capacity fee, which we renamed the capital connection fee, is a capital related fee but it is for the treatment facilities as well as some transmission facilities, but they're the core system that benefits everyone, including those remote developments because they ultimately tie in to the Commission's transmission system. So even though they built lines, they didn't build the line all the way to the plants. So the capital

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

connection fee we're going to talk about today is really something that's been used in Florida for many years to foster the concept of growth paying for growth. Now I will say and when you go forward with new development, if you have similar situations, that many communities in lieu of trying to put a fee on that extension to those remote areas will actually in the development agreement require the developer to participate or somehow pay a line extension charge. That's unrelated to a capital connection fee.

Mr. Thomas continued, so the capital connection fee, the goal is for growth to pay for growth. It's an accepted practice in Florida and in many other states throughout the nation. It's associated with growth related capital expansion, including existing facilities like your treatment plants that have capacity available to serve the growth. So when we have an expansion of a facility that can go into the fee, but if we have capacity in the existing facility, we can recoup some of that cost. And this cost is developed on a dollar per gallon basis and then depending on the type of customer we apply a level of service or gallons of use that then give us the ultimate fee we charge the customer. So the idea is to calculate the average cost on a dollar for gallon basis of the treatment and transmission system of the core system. Now the nexus that has been used many years for these fees through Florida courts says that we have to demonstrate that the new growth has a need for capacity, that the fees are based upon the costs of that capacity and then ultimately that the fees are used to pay for those costs. So it could be if you had a major treatment plant expansion and you bond funded it, you could use those fees to pay that debt service. Or, again if it's an existing facility you can recoup what the ratepayers have funded over the years, because again like for example in your current facilities for treatment you have capacity available to serve new growth. So we blend those costs into a dollar cost that's a dollar per gallon fee. So when we look at your capital plan, you have a current capital plan that's been adopted, the vast majority of those projects are renewal and replacement projects. They're extending the life of assets, they're rehabbing lift stations, they're not necessarily adding a lot of new capacity. If a line was rehabbed and then expanded, you can put that expansion portion, that bigger, the cost of raising the size of that line in the fee. But we only put expansion related projects from the CIP in the fee. So finally, and Mr. Cloud used the word proportionate share, we have to ensure that the fee is proportionate to the benefits received. And the way to do that is make it cost based and then have a reasonable level of service.

Mr. Thomas stated so based upon that background, we did our study and in this case capital connection fees apply to water, wastewater and reclaimed water, they do not apply to electric. The industry in Florida and as far as I know throughout the country, they don't really utilize capital connection fees for electric services. So if you look at the investor owned utilities and the municipal electric systems within the State of Florida none of them have a capital connection or capacity fee that they charge, so we did not develop a fee for the electric system. Now sometimes similar to a line extension charge, the electric system can ask for a contribution in aid of construction for specific assets. But this is something, again that every new water, wastewater and reclaimed customer will pay, but not electric. Again, this program has been in place so people, customers have paid the capacity fees in the past, they'll continue to pay the capital connection fee which is akin to that. But and obviously you're proposing to suspend the infrastructure fee. In addition to the case law that's occurred over the years, the

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

state did have an impact fee law, and I think it was originally adopted in 2007. It's been amended several times, more recently in 2019, there's some language in the 2019 that these fees may not even be regulated under that statute. However we have recommended the policies should continue in how you're doing it and it would comply with all aspects of that state law.

Mr. Thomas continued and stated so with that being said let's talk about what goes in these fees. So again it's a capital cost that could start anywhere from design and permitting, construction costs, land acquisition and the cost of facilities. But they're associated with, again, water supply, water treatment, wastewater treatment, water transmission and large wastewater transmission lines that carry the bulk back to the plant from the localized lines and throughout the service territory. All right, now I would like to say what nots included in these fees. When we went back, we had two classes of assets, we had the existing assets that we blended with the capital improvements. We did not include distribution, smaller lines, localized facilities you would call it, we did not include those in the fees. It does not include general plant, vehicles, any of those capital items that they Commission purchases. Again, it's only these major treatment and transmission assets. But the other thing we did, when we looked at the existing asset list, was you had very good records on what fees were used for what. We also made sure that when we blended in the costs of existing facilities, that we removed any facilities that were funded from infrastructure fees. So that when we come up with our unit cost, we're trying to make sure there's not a double count there. So we stripped out all the existing assets that are in your plant records today and there was a notation that they were infrastructure fee funded, we were able to remove those from this calculation.

Mr. Thomas continued and stated so again, we formerly did call them capacity fees, this is in effect the same thing. It is based upon the original cost of the assets, so those assets that were on the books and they're suggesting that there should be no windfall to ratepayers, so if the asset was on the books at \$2 million, that's what we put in this fee, on average. And then we also incorporated the expansion related capital projects. And then finally once we got those dollars, we had to look at what capacity the system could serve and then what capacity and individual customer utilizes. So we refer to that as the level of service; so a single water meter is 200 gallons per day. Now we updated these fees for you back in 2016, 2017 and they were much higher than that. But again at the time the state law said localized and recent data, so we looked at billing data from the U.C. and we determined that the old number which was over 300 gallons a day was not applicable, we revised it down to 200. It will stay, we're not revising that one. Potable water irrigation, 400 gallons a day, because when you have a separate irrigation meter, when we look at the data people really utilize that extensively compared to a single meter.

Chairman Holcomb stated can I ask a question, because that's our biggest growth by percentage obviously, the reclaimed water. So is that changing or is that, because it seems like that's the one product we're actually adding.

Mr. Thomas stated you are adding reclaimed systems, now you're mostly doing it in new areas.

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

Chairman Holcomb stated right.

Mr. Thomas added, it's very expensive to go back and retrofit it. And you didn't have a separate reclaimed fee before but because you are growing in that area, because it is expensive, we've developed a reclaimed fee back in 2017, for the first time. Now the potable irrigation is 400, the reclaimed we're recommending reducing it down to 500. At the time we did this in 2016 you didn't have that much data going back in the past. Now we have more data and we've lowered the level of service for reclaim consistent with more recent data that's available, and more customers today than there used to be. So because it's an average, it's a system wide average, that has changed and actually gotten lower. And since you have separate potable meters for irrigation, and you have reclaimed meters for irrigation, when we look at the wastewater system, is typically you don't want to bill the wastewater customer for the water that isn't going back to the wastewater system for treatment. So its at 200 gallons a day consistent with a single potable meter. And its assumed that most people that are irrigating, and the data shows this, are using either a separate potable irrigation meter or a reclaimed system hookup. So those are the levels of service. Once we calculate the cost per gallon, we can apply those fees.

Mr. Thomas stated now, if we look at the total combined water, wastewater and reclaimed capital fee, the proposed fee is \$3,565, which is a decrease of \$125 compared to what you were charging. And that's primarily due to the reduced level of service on the reclaimed system. Now the reclaimed system, what we're collecting in that fee is the lines that convey it to the customers. When we calculate the unit cost to that capacity of reclaim, but we lower the standard, it's reducing the reclaimed fee compared to the others. The others are all going up slightly, the reclaimed is coming down. The net effect is a \$125 decrease. So what I'd like to do, and again, I think it's reasonable that you periodically review these fees. Okay, so you don't want to wait a decade to look at them, you want to keep them up to date, but there is no requirement under the law that I'm aware of that you have to go back and true them up either. Okay, so these fees, once they're established, they're good to go.

Chairman Holcomb stated by chance we're in that place right now because we just adjusted it, from 2017 to 2020.

Mr. Thomas stated that's right, and I think that falls within recent.

Chairman Holcomb stated but again, stating that and doing that for me is when I look at Mr. Bunch, is that if we adopt these things moving forward that we put those operational procedures in place that we do that. Because you know I've been on both sides, as I've put the infrastructure in, I've paid the fees and I get a water bill too.

Mr. Thomas stated right.

Chairman Holcomb stated I get one every month, it's just amazing, it's the one thing I get, I get birthdays and water bills and taxes; so it's three things that come to me. So it makes sense to me on when we start with nothing and then we kind of grow it. How you want to look at it

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

because the reclaimed water when we started, I remember that meeting very well because I asked, I think the Volusia Home Builders Association was here and I simply asked the question do you pay that in other markets. And I think for us what I'm hearing, the way we're approaching this, is we are trying to get more similarity in the rest of the state so these developers or people that build, from territory to territory, we don't look so unique, we look a little more similar as to the other entities that they're working with.

Mr. Thomas stated so, and I did not do it this time but I can, but if you'll recall when I did that study for you back in 2016, not all the other entities in the area charge a separate reclaimed water fee but they also don't necessarily have very advanced systems. Some of them use it only to dispose of effluent, they take it to a spray field, or they take it to a well that they pump it down in, they don't bring it to neighborhoods. Because you're doing more of that, we felt it was important to make sure that those customers that got that benefit paid for that capacity associated with the reclaimed system. Because you will never have enough reclaimed water to serve all the irrigators, so you aren't likely to go back and retrofit it into existing areas. So as you know your rates have these tiers, the more you use, the more you pay. That's designed to discourage irrigation, so is it fair for the reclaimed customers not to pay a fee, because all the systems that have these fees typically roll the costs of reclaimed service into the sewer fee.

Chairman Holcomb stated okay.

Mr. Thomas stated not everyone, some break it out, but I think once you have a significant retail system and you're expanding it with growth, it's probably fairest to have a separate fee. Therefore the customers that aren't benefitting from that aren't paying for it.

Commissioner Davenport stated I have a question, you just said review periodically and here we are January 25, 2021. When would you review this again, how often and...?

Mr. Thomas stated some of my clients have a three-year review period built in, but I think its reasonable. And I would say this, when you have major capital expansions, when you go to build a new plant, you know big dollars, that's certainly when you want to review it otherwise you're not going to recover your costs of new growth from the fee. That being said if you do it periodically every three to five years, that should be reasonable.

Commissioner Davenport stated we do have some big capital improvements coming at us in the future.

Mr. Thomas stated now we've got the ones in the next five years built in these, so since you do a five-year CIP. You know again, the statute when it talks about recent localized, it doesn't give a specific time frame, I think the point is if you have a policy and you do it reasonably, it's acceptable. You don't want to wait 15 years.

Chairman Holcomb commented all right, I get it.

Mr. Thomas added more because that'll cause large sticker shock when it increases so much.

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

Chairman Holcomb stated well, and here's my reasons, as we all leave this meeting and start doing our normal jobs, as we get back to it, we've got to set it up now because trying to remember it or recall it three years from now as practice is impossible. It's got to be in the, you know if we adopt this, we need to adopt the review period with the resolution that you're going to ask us to move forward. I would 100% want that. I just think it makes the employees look at the system, it gives us more you know accountability to the rate, to understanding it, when the people stand in front of us and question it. I think its just you're communicating, being a little more transparent and you're explaining what the heck they're paying for because I can assure you at 52, you know building the stores trying to understand what soft costs were and all the wonderful language in building and development with infrastructure...

Commissioner Davenport interjected I agree with you.

Chairman Holcomb continued, that that's a tough lesson to swallow. And here's why I say that, is you know I've been through a lot of meetings and a lot of areas of different forms of people up here and perception of money, and I'll never forget this statement. It was a statement made of a couple of \$100,000 or whatever but they looked at the total number. So say its this development and I said to the person that said that to me, I said have you ever written that check. Because if you've written that check you'll have a different look. And that's what I want us to always do is the people that do write those checks to come in here and be comfortable, because they understand, they've got businesses. We've got to spend money on our system, we've got to keep, and they want good water and they want to have a good community so when people move here they have confidence in our systems and our water and our electric, that the power's not going to go out, that the water's going to be clean. And if they're buying a new developed area, they can have a better option for watering their grass. So I just think it's a better process in general moving off of what we just did, moving forward, and I just want to make sure that we kind of bump that little revision part in there.

Mr. Thomas stated and to be honest with you I don't recall but we had the same discussion and I know that's one of the reasons why staff wanted to update it because we're also looking at your rates. And to the extent your costs are rising, especially with new projects and you're not capturing them in the fees, or if you didn't have this fee all together then the ratepayers would be funding it.

Chairman Holcomb stated well the system's aging too, so there's two things that are happening. You've got growth and you've got age. And just like anything I have, I built a new building, that doesn't mean I stop taking care of it. So I still have maintenance, quarterly maintenance, there's daily, there's expenses that goes to taking care of that, and it gets older they tend to go up.

Mr. Bunch stated to just add a note, there was a prior resolution requirement to update the infrastructure fees annually. We held off on that knowing we were going to do this study. There was not a requirement to update the capacity fees. So I agree with you, I think that should be a documented requirement now as we're moving forward. And we discussed this at some point with the Commission, but Mr. Cloud and I had a conversation about a year and a

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

half ago that we shouldn't update the infrastructure fee until we complete what's being finalized right now.

Mr. Cloud stated when we had to do the financing.

Chairman Holcomb then stated no, we had to get here, I completely understood why it didn't happen overnight but now that we're here and we adopt these resolutions moving forward, I just want to make sure that we have...

Commissioner Davenport stated I want to make sure we do too, and I'd like to see...,

Mr. Bunch commented great recommendation.

Commissioner Davenport continued, that we do that resolution, to add that every three years.

Chairman Holcomb stated three or four, it's just...

Commissioner Davenport stated four years, three years, I don't care but we ought to have it in there. He then asked Mr. Bunch what he thought.

Mr. Bunch stated there's a couple of things going on in my mind, so tied to the business reviews there's something called a Triennial review and that's now, associated with the bond refinancing and approval, that's now moved to every five years. I think five years is probably too long and we probably wouldn't want to tie it to that individual report, but two or three years feels about right. And there may be times when you look at it and say we're collecting an adequate amount; we don't need to increase it. Or you're only over by a little bit or under by a little bit and you wouldn't want to decrease it, you may want to let it ride. But I do think a requirement to look at it, whether it's two or three I'm fine with either.

Commissioner Davenport stated okay, then I'd like to see, personally I would, three years.

Chairman Holcomb stated here's why I said it, I know you agreed with that (directed to Mr. Bunch), but if you're not sitting here in six years I've got to have the guy that's in charge of that resolution to make sure it happens.

Mr. Bunch stated believe it or not I have a note on my desk to address this very issue, I just didn't know it would come up today; excellent suggestion though.

Commissioner Davenport stated so, do I need to change that resolution.

Chairman Holcomb stated we're not there yet.

Mr. Cloud stated I will draft a separate provision that will go into Resolution 2021-01 that will provide that you adopt as a matter of policy a three-year review on the level of the capital connection fees and their appropriateness.

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

Chairman Holcomb stated so an addendum to the resolution.

Mr. Cloud stated exactly.

Mr. Thomas stated okay, and I would say on that same time frame that if you're looking at your rates on a routine basis and you do the two together, there's some efficiencies that you get.

Chairman Holcomb stated I was going to bring that up because you said we're not talking about electric, so I agree because I don't want to stress the staff with they finish with one thing and we're just starting the same thing over again with that new utility.

Mr. Thomas stated so the proposed fees, I'll just go over them real quickly on the next slide (number 8). And that is on the single water meter we're proposing that it go up to, and this relates to the cost of a new home if you will, \$145. The wastewater fee is proposed to go up \$155, so combined for water and wastewater service would be \$300. Reclaimed water is proposed to go down, that's because of that level of service adjustment we talked about, by (\$425). So the combined water, wastewater, and reclaimed would go from \$3,690 to \$3,565; that's (\$125) decrease. And then if they request a separate potable water irrigation meter the fee would rise \$290 from \$2,680 to \$2,970. And those are all cost-based fees, and again whether you set the fees at cost base, which I would recommend, is really a policy decision. Because some communities elect to reduce the fees, I guess in deference to the cost of new development, but this is infrastructure that's really needed so I would recommend that you adopt them at these levels, and I think they're defensible.

Chairman Holcomb stated can I just ask you a question, again, you live in that world. For those of us that don't, how do I have confidence that your costs, people say cost plus, right? How do I have confidence in your cost's numbers, it's a question.

Mr. Thomas stated you'll get it in the next slide.

Chairman Holcomb stated all right.

Mr. Thomas added, and you will get a copy of a report that has all the detailed documentation. So I mean for level of service we looked at billing records, we looked at your capital plan, so we've got that table incorporated in it, we looked at your existing assets. So when I say costs and you're relying on me I did my due diligence to review the data that was available to me to come up with this. So we did not, we're not just looking at what your neighbors are charging and say we're going to charge the same thing. We're doing an in-depth analysis of your system costs.

Chairman Holcomb stated okay and again, I like the integrity and the process, but we've got to be able to convey that to the community so that they have the same. And I believe you because I've had enough meetings with you now that I've listened to you, I just from standing on that side and looking in at this place right, as I have, making sure it's a little easier to

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

understand from the customer's side, this is how we do that. They always understand it when the number goes down, they never understand it when the number goes up. And that's, I get it, I just want to make sure that we're easier to do business with, a. for our employees and b. for the users of us. That's my only goal and that we are priced fairly. And there's nothing wrong, we've got to charge, we've got to run the place and if you want good water and good utilities, it comes with a cost. I just need to defend it all and understand it.

Commissioner Davenport stated Chairman, this right here shows us what we're doing compared to all the other cities and we can defend anything by this chart right here. I have no problem.

Mr. Thomas stated in terms of the public perception I think the comparison is valid to use.

Commissioner Davenport stated exactly.

Mr. Thomas stated now again, you're going to have a report with documentation and if any customer wants to question things, I can assure you we have the numerical and the data backup to defend every calculation.

Chairman Holcomb stated I understand. Let me be devil's advocate okay, you're the counsel, you're the advisor. I look at that number and it's a number, our number looks good, but how do I know. I'm sitting, how do I have confidence. And that's the problem that you, that's the reality of it, that's how do I have confidence. Yes, it's a beautiful chart and we're down there low.

Mr. Cloud stated two reasons, first of all there's been a detailed cost analysis of the actual and projected costs, not only by Mr. Thomas but by Mr. Hartman, and peer review. And then you check is the comparison against all utilities. Now looking at the highest one, of course Deltona has the \$76 million they over paid for the system from Florida Water Services but you can see the benefits of municipal ownership of all utilities and having a service area that is compact, which New Smyrna Beach has. Even with what we know will be extraordinary costs, your relative level is towards the lower end, this is a peer review check of other connection fees from other systems.

Commissioner Hawes stated Mr. Cloud to say that maybe a little differently, I think what I heard you say is locally owned, city owned, however you want to look at this, utilities are less costly than...

Mr. Cloud stated they can be, unless they make a foolish acquisition, yes, they can be.

Commissioner Hawes stated and that's true no matter if it's Florida, or Missouri or I don't know where.

Mr. Cloud stated yes sir.

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

Chairman Holcomb stated I asked that question, how do we stop ourselves from being in that situation and he used Deland or Deltona.

Mr. Cloud stated Deltona.

Chairman Holcomb stated when they purchased the system.

Mr. Cloud interjected water and sewer system.

Chairman Holcomb stated and then that went into the rates. So if you go buy a \$70 million system, and had to incorporate it into our rates, we'd be on the other end of this spectrum. That's why I kind of want to remove the, I'm talking the operation again, I'm trying to understand it because these are the questions I get in the public. This is what when I'm having a beer at the Corkscrew, they ask me this question, how do we, is it real. So I just want on the \$2,630 as a Commissioner, how do I vet that number, how do I declare. If you didn't tell me that they overpaid, I don't want to say overpaid, they purchased a system that's in that number. And I said how do we prevent ourselves from getting there, you don't do these things. I want to remove the abnormal actions and I want to look at the things that don't have those crazy anomaly numbers that are in there. I don't know, there's 32 municipality owned in the state of Florida.

Mr. Thomas stated this isn't electric.

Mr. Cloud stated well what you're doing is your looking at the market if you will of connection fees in east central Florida, that's what you're looking at right here. And so not only would you have the detailed cost analysis that Mr. Thomas' firm has performed, but in addition to that when you plug it up there into the comparison chart you can see it doesn't, it's not an outlier, if anything it's down on the low side which is always a good thing.

Chairman Holcomb stated and this does have our future spending in that number.

Mr. Thomas stated next five years, yes sir.

Chairman Holcomb stated whatever the number, the portion of what we've identified is in that number.

Mr. Thomas stated that's growth related.

Mr. Chavez stated it's the five-year plan (CIP).

Chairman Holcomb stated so whatever that number is, of that total project.

Mr. Chavez stated yes.

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

Mr. Thomas stated so I would like to amplify what Mr. Cloud said, when you hired our rate study team, we included on that Gerry Hartman who has many years' experience with the U.C. So his role was to be peer review, senior advisor. So you've got a very qualified group and even as we went through this and talking theory and approach, we had Mr. Cloud involved in some of those discussions because he too from the legal side is an expert in these things having been through the wars on impact fees for years or capital connection fees, whatever you want to call them.

Chairman Holcomb stated the reason you two exist is you're going to explain things to us so we can make good decisions.

Mr. Thomas stated and help you get it right.

Chairman Holcomb stated I just want to understand a little better, that's why I'm asking a few more questions.

Commissioner Davenport stated Mr. Chairman I get asked those questions all the time like you. What I refer to is I might call Mr. Bunch, I get documentation, I go over that we hire the best, we pay the best, we've got a great attorney, we've got great leadership, we've got great management. You've got to trust what we're doing because we're watching what they are doing, and they're doing a great job. So that's all I can say, I've got to trust what you're doing here. And I look at these numbers, and like you said, we're at the lower end, because of the management.

Mr. Cloud stated and part of the reason of that in going through each of the projects and whether or not they qualify which is how you end up with that number, we've been very conservative. Anything that looked or smelled like benefitting existing facilities or being an improvement to an existing facility got kicked out of the pot. Why, it's not valid. Not everyone is as picky about that and we went through a number of meetings with staff and the consultants to make sure that we had an absolutely defensible position on eligible costs.

Chairman Holcomb stated so let me ask you this question, and again it's just me trying to understand it, it's not skepticism in what was done, I'm just trying to understand it. And what I'm trying to understand is the \$2,630 number, when we say okay, we have a five-year capital improvement plan. So when I look at numbers all day long in my industry some perform better than others but then I have two new facilities. So my fixed costs, because of my capital investment, is much more significant than a guy that's been in a building. Like when I was over in New Smyrna and everything was paid for on U.S. 1, so the expense structure was completely different because one had old investment versus the one that has new investment. And all I want to do is understand the, and I don't know how many components it is, and it might be too complex to make it simple, but the \$2,630 of what is the five-year capital.

Mr. Thomas stated let me tell that within the report there'll be a detailed table showing that.

Chairman Holcomb stated okay.

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

Mr. Thomas continued, but what we did was we took the existing assets, because they still have capacity available to serve, and that's why this fee is, and then we blended it with the additional projects over the next five years. Put them together and then divided by the gallons.

Chairman Holcomb stated completely understand that.

Mr. Thomas stated so we're trying to look forward and anticipate but we can't not recognize that there's significant investment that's already been made that's available to serve new growth. And it is cheaper, as you point out, than new capacity. But believe me when we start adding new plants in the future, this fee is going to go up.

Chairman Holcomb stated okay, and that's all I want to understand, I like to be prepared for the future because when I talk to people, I'd rather explain it like that. That there's a blended cost of the old, which we still have capacity in, and the new which is looking to the future, the next 75 years. Again, me understanding how to convey that to the other guy drinking a beer at the Corkscrew is all I want to do. Because those are the questions we get and we just want to answer them in a way that I, I always say I, can understand it.

Mr. Thomas stated and make sense that it's there. So what we tried again is to try to recognize both classes of assets and the capacities available. And as Mr. Cloud said, there was a lot of things we didn't include in here, okay, to make sure that it was clean and defensible. So you know one of the things I'll point out to you, even though you're low on that chart, some of those utilities have the costs of reclaimed systems to the extent they have them built into their water and wastewater; into their wastewater fee typically. So if we added in your reclaimed it would pull you about into the middle. But we didn't do because I didn't think it was cost effective is exhaustively go figure out who did what, but if you were to add reclaimed to that, which would be the full service of all three utilities, it would pull you about into the middle of the chart. But on water and wastewater alone, I would tell you the reason you're probably at the lower end is the significant investments have already been made today. As you keep growing that's going to change.

Chairman Holcomb stated right, got you, all right, thank you.

Mr. Thomas continued and stated so I guess we talked about this one...

Commissioner Smith interjected with a question. I think I can explain why Deltona is so high, can you tell me why South Daytona is so low.

Mr. Thomas stated again, so let me say this I don't work with South Daytona so I can't get real specific. But my client over in Plant City only adopts the fees at 80% of costs. So when you look at their fee and you compare it to yours, you'll say gee, their costs look lower, but they're not they just chose by policy to set the fee lower. Okay, then the other thing is when did they last update the fee, even though the law says most recent and localized data some of these fees haven't been reset for a long time; so that could have a point. But if you will go to

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

the next slide, because I think this will help answer it. So go to the slide that says capital fees differ (slide 11). Here's some reasons and I'll just go through them real briefly why the fees could be different, okay. So how dense you are, the proximity of the customers to the plants. The complexity of water treatment, you know if its advanced water treatment versus an older system, its going to be more expensive. Effluent disposal method, okay, how you're getting rid of effluent from the wastewater plant, some are more costly than others, and there's limits environmentally of what you can do in a given community. The availability of grant funding, years ago a lot of utilities got big grants for their existing assets. In addition of removing any infrastructure fee projects, we also removed grant funded projects from the fee, but you didn't have a lot of grants historically on your books. So others that may have had a big grant, the City of Tampa used to get some big grants for their system, had fairly low fees because of that. Administrative policies, that's not a big one but I think another important one is we have downsized your level of service standards based upon current data. If you go back 10, 15 years people used more water than they're using today, okay. So if you go back to those numbers, you'll see systems that are talking about 300 to 350 gallons a day for water level of service; we're using 200. Again, that's based upon actual U.C. customer information. We took out the zero bills because that isn't fair, you're seasonal, you've got to have the demand when the customers are here, but we did take into account your data and some of these entities, most of the reviews I've done lately we've lowered those levels of service and that will lower the fee because it's the cost time your gallons.

Chairman Holcomb stated well for me what you answered for me is we've priced in capacity left, we've priced in future gains, and then we're looking at it as we go every three or four years, whatever we decide, to make sure we're doing it the right way. So I get it, but I had to understand it that way to say that everything's being, not everything is the same. Old capacity is cheaper than new capacity, it's like fuel economy. Twenty years ago cars got a little worse fuel economy than they do today, some don't even have fuel, they just have batteries. And it's changing, that's what I like about it is the way that we're going to stay up with it and take into consideration those discounts that come forward as appliances get better, as we learn how to dispense water differently, whatever the changes might be. So we're accounting for the changes that are coming that we've seen in the past say 20 years in technology.

Mr. Thomas stated and not to over emphasize your team, but you've got two key people, Mr. Hartman and myself combined have almost 80 years of doing this stuff. So you've got a good team that knows what they're doing, and we've applied it as Mr. Cloud said in a very conservative manner, but it should be fully supportable and defensible.

Chairman Holcomb stated like I said, I just want to understand it.

Mr. Cloud stated the other thing I would point out specifically about South Daytona, they don't own their sewer plant.

Mr. Thomas stated good point.

Mr. Cloud stated they buy bulk from the City of Daytona Beach. So you have very dense

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

service area, you have a guy who's on this team who went to work for you in the early 90's who knew that you could probably locate the water and sewer plants adjacent to each other which will also have tremendous savings to this utility. So we've tried through Mr. Bunch to try to take advantage of all this value engineering and the result you just saw on that sheet up there in the comparison costs.

Chairman Holcomb stated but you've also explained the difference in the numbers. There's always a consequence, like the extremely low number, there's a reason. You know what I'm saying? The extremely high number, there's a reason. And I don't want to get into the you know who's pricing together, I just want to make sure I have confidence. I'm not looking to be the cheapest and the lowest, that's not my goal. I'm looking to be the best; people want clean water and they want their power to stay on. That's what we need to deliver on a fair price – that's the goal.

Mr. Thomas stated and again if you look at some of these highest ones, you'll probably find out that they just brought on a new treatment plant at today's costs with today's technology.

Chairman Holcomb stated yes, I get it, the numbers aren't as simple as the chart.

Mr. Bunch stated just to add two data points and I'll ask Mr. Thomas to comment as he sees appropriate, but our central water treatment plant, Glencoe road, was put in service approximately 1975. Our central water reclamation facility was put in service in the late 90's. I assume that's a pretty big factor in putting us on the low end but maybe you could comment about that relative to some other cities you know about.

Mr. Thomas stated and again some of the engineering work that you're doing to optimize your system you're looking at cost effective ways to increase the capacity. So you've got the pellet softening system that you're looking at on the water plant, that was a low-cost way of getting more capacity compared to building a new plant. So we did put that pellet softening cost in there and the capacity it added, but again you built on the foundation you already had. You didn't just build a new reverse osmosis plant. Which again, that's what's going on out there is that, a lot of community's face, the comparison really isn't a report card, these guys are doing good, these guys are doing bad. But in some cases, it might be, but in general it has a lot to do with the timing of the investments and you've got plants that have been in service for quite some time.

Chairman Holcomb stated I get it and we know that there's major expenditures coming our way and just want to make sure. The pellet system it buys us a little more time depending on what our capacity would be, it's an unknown number because none of us sitting here know what it is but at some point that might not get us, we might need to go add that. I just want to make sure we're looking at all that stuff moving forward and we're bracing people for any kind of understanding why we're doing what we're doing.

Mr. Thomas stated again, if you're expanding the plant okay, the reason we use the five-year CIP is because that's something staff has developed, you have seen it and approved it, and we

Preliminary Public Hearing No. 2 – Regarding Proposed Revisions (Increases) for Water, Irrigation, Wastewater and Reclaimed Water Capital Connection Fees (cont.):

don't want to set a fee on something you might need 15 years from now. Because tomorrow's customer shouldn't really start paying for that today, so that's why we used that five year horizon.

Chairman Holcomb stated and I understand that statement today sitting up here than I did five years ago; to give you an idea of the meetings. I appreciate you taking the time to explain it to us, I started to get a little long winded.

Mr. Thomas stated no, that's okay, any other questions.

Commissioner Smith stated if infrastructure funding becomes available from the Feds, that should affect the connection rates, correct.

Mr. Thomas stated yes sir, if you don't pay for it, we don't put it in the fees. So if you get a grant for a project, we would exclude those monies when we put that asset in there, we would not put those grant funds in the fee. But it may provide capacity, so again if your whole system was grant funded your fee would be zero theoretically.

Chairman Holcomb stated right. Any other questions?

Commissioner Smith thanked Mr. Thomas.

Chairman Holcomb thanked Mr. Thomas and added I appreciate the explanation.

Mr. Cloud stated and now you want to find out if there's any public questions or comments.

Chairman Holcomb stated I was just getting ready to ask you that. At this point are there any public questions or comments from the community? Any questions you would like to ask of the people that are here. Do we have anybody online, Facebook. Nope, okay, well that would bring it back to the Commission and do you want a motion now.

Mr. Cloud stated if you want to or you could...

Chairman Holcomb stated no, because we can wait until the 22nd.

Mr. Cloud stated yes.

Chairman Holcomb stated we're going to close that part, the public hearing.

REGULAR U.C. MEETING:

(1) Agenda Changes, Additions and Deletions:

Chairman Holcomb asked Mr. Bunch if there were any agenda changes, additions or deletions.

(1) Agenda Changes, Additions and Deletions (cont.):

Mr. Bunch stated no, I think the one thing I consider as an addition Mr. Cloud is going to address in the General Counsel's portion; so the agenda probably should be good.

(2) Public Participation:

Chairman Holcomb stated and then I'm going to open back up to any public participation on any remaining agenda items, that are on the agenda in front of us. There being none, he then closed public participation.

(3) Approval of Consent Items:

Chairman Holcomb stated and then we're going to the consent items, any Commissioners would like to remove any of the items. There being none, Chairman Holcomb stated I'm going to request that we remove e., correct Mr. Bunch.

Mr. Bunch stated no, it was for the lift station 3 project that is item e. I'm sorry, had to put my glasses on to verify it.

Chairman Holcomb commented mine keep fogging up. Then stated I need a motion to approve all consent items other than e.

Commissioner Hawes stated so moved; specifically a motion to approve item 3-a. Minutes of Regular U.C. Meeting Held 12-17-20, approve as submitted; item 3-b. Granted and Accepted Third Party Utility Easements, ratified the acceptance of the third party utility easements – granted to UCNSB for Kenny's Liquors by Kengro Holdings LLC / Mitesh Patel and for Turnbull Shores Residential Community at Westwood Avenue by Vincent J. Alison, as attached to the agenda item and submitted to the Commission; item 3-c. RFP No. 04-21 – Annual Contract for Lawn and Vegetation Management (U.C. Facilities), award and approve this RFP to the lowest responsive evaluated bidder – VerdeGo LLC, in an amount not to exceed \$86,000, effective February 1, 2021 through January 31, 2022, with an included extension option of three additional one year periods upon mutual agreement; item 3-d. Ratification of Award – ITB No. 01-21 – Annual Contract for Gravity Sanitary Sewer Rehabilitation, ratify the awarded contract for this ITB to BLD Services, LLC in the amount of \$2,387,975.00. Previous overall project authorization referenced above, for the GM/CEO to execute all associated project documentation is ongoing; item 3-f. Agreement Approval – Pole Attachment Licensing Agreement – UCNSB and Level 3 Communications, LLC, approve this agreement between UCNSB and Level 3 Communications, LLC and authorize the GM/CEO or his designee to execute upon approval, and for said agreement to become effective upon approval by the City of New Smyrna Beach (*contract term over four years*); and item 3-g. Ratification of Supplemental Funding for Unifirst Uniform Service – ratify supplemental funding in the amount of \$13,500, approved by the GM-CEO, for the temporary continuation of uniform services by Unifirst Corporation (*total annual cost increased from \$70,000 to \$83,500*).

Commissioner Davenport seconded this motion which then passed unanimously on a roll call vote.

(3-e) Project Approval – Lift Station No. 3 Improvements and Force Main Replacement on Saxon Drive:

Chairman Holcomb stated all right the consent item e., one of the reasons, I spoke with Mr. Bunch earlier, and when I was reviewing e. we have communicated this back in 2016, so I'm going to kind of have him explain how there's a lot of moving parts here. Because we're being asked to approve \$1.6 million, there's \$130,000 or \$160,000, it's kind of detailed, and then there's \$1.5 million kind of general construction terms. There's a lot of moving parts in that agenda piece of where the dollars come from, where the meetings that were involved, so that you guys because most of you weren't here in 2016 when this kind of started. So I'm going to turn over to Mr. Bunch.

Mr. Bunch stated I'll start out by saying this is part of an evolution of us trying to improve the clarity and transparency for the Commission in terms of what's being improved. In the past if you went prior to last year we adopted changes to the purchasing manual, this would have been brought to the Commission in a series of expenditure requests. It would have been one for the Engineering study, one with the RFP to award construction, one when we were ready to purchase materials, and then anything subsequent to that that would rise to above the General Manager's daily approval level. Fast forward to last year we now come to the Commission with a request for the overall project cost expenditure which we think is the best practice and what we should be doing. And now what we're trying to do is improve what's included in these submittals so that the Commission has a better understanding. So here's the 2016 Water Master Plan, there's one for electric as well. I had Ms. Couillard our Director of Engineering verify that that project is called out individually and it was. So subsequent to that a study was done at \$130,000 or \$150,000 to get us where we are today and if you go back to the third page of agenda item 3-e. this spreadsheet is actually from our approved 2021 budget that shows the project timing expenditure for that project. So what we're asking for approval on today is approval for the overall project to move forward and that's the \$1.654 million total expenditure amount. And then the second component of that is the \$119,000 (sic \$130,243) for Tetra Tech for some assistance in engineering. So again in the past you would have seen this as separate approvals. Once we get this approved, assuming we approve it today, what you'll see in the future is approvals that come in the form of ratification. That we will award have awarded the RFP for the construction project; we now need to purchase materials and probably that will be it. But that's the way you can expect future expenditures related to this project to come to you. What I would say is we're trying to work on the way that we're presenting this material to you and the questions you ask of me today give us some additional data points. So we're thinking about making some enhancements to this form like this is a 2016 Water Master Plan project and then some additional explanation or it's a modernization project. And then you would say oh yeah, I remember in August of 2019 or 2020 we had that modernization meeting. But we're trying to come up with the presentation format that helps answer questions. So I would normally say Ms. Couillard, Director of Engineering, can come up but this question is more learning towards how we present information and how we request the approval than the specifics of this project. So hopefully that helps answer your questions.

Chairman Holcomb stated so Commissioner Hawes I'm going to ask you in a minute, and the reason that we had this conversation is I've listened to what you guys have said up here, past Commissioners and then how I kind of went through my thought process, and hearing the exchanges that go back and forth between the employees and us. And you know you have a

(3-e) Project Approval – Lift Station No. 3 Improvements and Force Main Replacement on Saxon Drive (cont.):

project that started back in 2016, you're a new Commissioner, you're trying to figure out how does this all work. My goal with Mr. Bunch and I think when we all interviewed him, we want to go faster, we want when the customer comes here, they get in here, we get their work done, we get them out of here. We have projects we need to develop; we get them identified and we get them built. And that's kind of, I think the old statement was I want to run it like a business. And for me when I looked at the construction form .5 where the budget is, that budget didn't exist. So before, what do we have that 12 months, 24, I don't know I lost track of time, 2020 kind of altered my memory. But we didn't have those things, so we're adding layers and pieces so we can stay up with them. I don't want to slow them down. But I also want to have a little accountability with improving, so when I see this \$1.5 million, I'd just like to go okay when we do go out to bid. Just like I do when I build a store, I don't know what the heck it is, I have an idea, but when you bid it you know, we don't know if concrete is going to be high or whatever we're going to need to buy is going to cause issues. So what I want to do is to just be able to reconcile our projections, and we use to have a projection model that was you couldn't miss it, it was the biggest bullseye in the world. So I don't want them to be safe I want their real opinions and sometimes they're going to get it wrong and we have to support them when something shows up, but we can clearly see what drove that number up over that \$1.5 million. So the three things that I looked at was capital labor on Mrs. Hale's report, the design consultant was \$130,000, and construction was \$1.5 million. The capital labor and the design consultant, those are very explained and detailed. The financial application that we have there shows us when we started it, but then there was a meeting and discussed what the project actually is and where we're going. So we're looking for your feedback to help us better, the person that takes your seat and the person that takes your seat (directed to two different Commissioners), when they come in here we get them up to speed quicker without being a thorn in the side of the staff. We can become more efficient and faster. So that was really the reason for asking if we could pull it, we could have this conversation and thereof I'll defer that to you Commissioner Hawes.

Commissioner Hawes stated no, I think it's great to pull it in. I just, to be clear on this, if my understanding is, this is the lift station that covers the beachside, sort of from 3rd Avenue south, all the way down for however many miles it is; is that correct?

Mr. Bunch stated yes, so it receives input sewage from stations south of there, but this is a rather large one. And we've seen rehabs on others as low as say \$600,000 or \$700,000, this is in my recollection one of the more expensive ones, but again it's a bigger, more of a major lift station. And the other thing we put in place last year as an improvement was a variance reporting analysis. So as Chairman Holcomb said, if I see something, the expenditure is over or under we've got this target. If it's over by more than \$75,000 it's got to come back to the Commission for approval on those expenditures. So you would see the subsequent ratification approvals for the construction award, the materials award, and then if we're over or under, good thing being under by more than 10%, you would also have to approve that.

Commissioner Hawes stated and my understanding of this also is that's just a very critical spot right there, just sort of from conversations we've had.

(3-e) Project Approval – Lift Station No. 3 Improvements and Force Main Replacement on Saxon Drive (cont.):

Mr. Bunch stated we're getting a little bit out of my expertise, what I would ask is either Tom West or Julie Couillard come up and speak to the technical questions about this project. So, Mr. West, our Director of Water Resources. Then adding, I know when not to speak.

Mr. West addressed the Commission and stated Commissioner Hawes this accepts sewage from a number of customers between 3rd Ave. and it goes almost down to our lift station no. 4 which was a recent rehab that we did about half a mile or so south of here; a significant number of customers. But it also takes input from the majority of the lift stations south of 3rd Ave.; so it's a significant flow. This flow then goes to our lift station no. 2 and then up to lift station no. 60 and then to the WRF.

Commissioner Hawes stated yes, and I know the reason I'm half familiar with this is because you had talked to me a little bit about this on my tour that day. So I know it's a relative critical piece and I felt that it was.

Mr. West stated it is a critical piece, it is what we call a tri-plex lift station also, it has three pumps that are all equally capable of taking care of the typical load from that lift station. It's also what is called a walk-in lift station, so it's an above grade brick structure, a little more complex than a typical submersible lift station.

Commissioner Hawes stated and you mentioned too, I'm going to throw a number out I can't remember, do we have something like 21 lift stations around New Smyrna Beach, was that the number?

Mr. West stated no, it's much more than that. The number of lift stations that we have on the sewer side is up over 100. But as far as the significant, the regional ones it's in the neighborhood of 20.

Commissioner Hawes stated okay, so in the range of what it was. So that was really it, I knew it was critical and that's how I was sort of looking at it when we kind of gauging dollars and cents, that kind of thing.

Chairman Holcomb stated what makes it for us though, is for those that are new, and Commissioner Smith, is to understand it, kind of get us up to speed a little quicker, and then have a total picture of the agenda item. And again, this is conversation, I'm not looking for a motion to do anything but it's kind of like when we start to adopt these measures, and you said Mr. Bunch, if we go over the \$1.5 million then we've got to approve it, right. But again me being the devil's advocate, go project \$2 million and we aren't ever hitting that number, so I don't have to come back to you. So what I'm looking for is we're doing all this work, we're building wonderful big books, we're burning all this brainwave energy, I want to know when we project \$1.5 million, we're reasonably close. Because that was the method, and I don't know that it was applied but it was probably, you know if I was sitting in you guys seats I'd do the same thing, why cause myself any more issues than I have to, but I want to know what you're really thinking. If you think it's going to be \$1..., I don't want to work with engineers on my project that say yes, it's \$1.5 million. If it comes in at a million, I want to

(3-e) Project Approval – Lift Station No. 3 Improvements and Force Main Replacement on Saxon Drive (cont.):

know why, what did we do that drove that down 33%. I get the \$75,000 threshold, but if every project we come in we're missing by \$400,000, \$500,000 or \$300,000 or 30%, as a manager I'm going to question it.

Mr. Bunch stated and that's the reason for us to have that variance analysis requirement, plus or minus. So if we were coming to you every month with four that are under by \$400,000, I, hopefully not you, would have to say well why are we doing that, we'd have to go back to the estimating terminology.

Commissioner Hawes stated I think what you're saying too is sort the two set-back look is really about governance and accountability. It's just making sure that we all understand it, trying to make sure that it's there if somebody else comes in and reads it later on, whatever it is, that it's as clear as it can be so that it just eliminates questions.

Chairman Holcomb stated well, so I have confidence in it, so like you said I want to know the numbers, we put a lot of thought. I'm sure that book had like you said, had a lot of energy put into it. I just don't want to be missing projections by \$100's of thousands of dollars. And I like the underage part, so if we're going over \$75,000 or if we're under, that's going to be explained to us as well. Why we missed the projection or great job, they bid it right, they were efficient, they beat the labor down, they did a good job and they need to be acknowledged for that too.

Commissioner Davenport then stated I have a question. Mr. Bunch what was the problem we had on Saxon a couple of years ago, that was a lift station too, remember a generator sunk, all of that.

Mr. Bunch stated yes, we were rebuilding a lift station.

Commissioner Davenport stated how close is that one to this one?

Mr. Bunch stated I'm pretty familiar with this one, so the surveyor that designed the job apparently made an error in terms of an elevation of a sewer invert.

Commissioner Davenport stated right.

Mr. Bunch continued, and that caused us to reconstruct a portion of a main to the tune of about \$400,000. In the course of trenching that out, the developer got an excavation frame stuck in the ground and they were down, maybe as deep as 20 ft. or if not deeper, ended up having to leave it in place. We still had to reconstruct that portion of the main in addition to the lift station, but that was driven by a succession of errors. One started with the surveyor; it wasn't determined until they were in the midst of construction. And then the second which was the excavator getting this frame stuck in the ground and taking longer to do the work than anticipated.

Commissioner Davenport stated which lift station is that?

(3-e) Project Approval – Lift Station No. 3 Improvements and Force Main Replacement on Saxon Drive (cont.):

Ms. Couillard stated four.

Mr. Bunch reiterated station four, and asked Ms. Couillard if that was all accurate; adding we've discussed this pretty in depth.

Ms. Couillard stated yes.

Commissioner Davenport stated it was an interesting time.

Mr. Bunch stated I wasn't here, but I've seen some of the Commission minutes.

Commissioner Davenport commented I'd love to see some pictures.

Chairman Holcomb confirmed Ms. Couillard did not have anything to add.

Ms. Couillard stated no, just had come up to answer any questions if needed.

Commissioner Davenport stated that's what I wanted to know about it, where is this one connected to that one.

Mr. Bunch stated it's not connected, so that was in an earlier plan and worked in advance of this one.

Chairman Holcomb stated so the whole reason Mr. Bunch had said to us, the reason for us to talk about this more than them, staff, what do we see in our agenda that will help us come to a conclusion and a little more clarity or confidence in the approval. So again, it can be a phone call, he's never, none of them have, if I've ever called or had a question, he's my chain of command I go to Mr. Bunch. And I have never not had an answer and I can go all the way back to Mr. Mitchum. If I asked a direct question, whether I like it or didn't like the answer I got an answer. So I encourage you all to utilize these guys, they have the detail, they have the ability and they will, even if it's not the answer you're looking for, give you the answers. So with that I'll make a motion to approve, to ask for a motion to approve consent item e.

Commissioner Davenport stated I'll make the motion to approve 3-e.; specifically a motion to approve the Lift Station No. 3 Improvements and Force Main Replacement on Saxon Drive, Project in the total amount of \$1,654,243.00, approve issuance of Task Authorization No. 9 to Tetra Tech in the amount of \$130,243.00, and authorize the General Manager/CEO or his designee to execute all documents associated with this matter. (Award of construction contract forthcoming for Commission ratification after bid award is completed.)

Chairman Holcomb stated I need a second.

Commissioner Conrad stated second.

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

(4) General Manager's Report:

Chairman Holcomb stated General Manager's Report, Mr. Bunch.

Mr. Bunch stated I'd like to ask Mr. Chavez to come to the podium to review our financial and operating results.

(4-a) Financial Status – December 2020:

Mr. Chavez commenced his presentation entitled "December 2020 Financial and Operating Performance" and stated December 2020 fiscal year to date results. The change in net assets were in essence flat right now, but that's driven primarily by lower capital contributions, higher debt expense and this is versus last year, but we'll go through the waterfall. And the lower capital contributions that is a, once again in a perspective of when those developments are complete, not necessary a factor of the housing starts. So that's what Ms. Couillard and Mr. Ho are working on, a kind of a prospective indicator on the lots and where they're at in the phases of development; so that will give some color to there. Increased operating expenses, but then we did have some increased revenue driven by a higher electric and a reclaimed usage and continued purchased power favorability. So good, overall very good, but we expect even better times as the uses continues and of course, as Henry Thomas indicated we're in the middle of our rate study, so we're looking at all of our rates so that will also assist in the longer term. On the capital expenditure side, December fiscal year to date \$3 million. Two million in major projects and a million in annual projects. On the major projects side normal, some of the bigger items, the SCADA. But one of the biggest ones really to focus on, the Smyrna Substation, that is substantially complete, about \$6.4 million in total spend life to date. But that one we're wrapping up some loose ends, we'll expect a few remaining bills coming in but it's in operation of course, just some punch list items. So really good story there, really no issues, Ms. Couillard's team, Mr. Schings, the T&D folks, pretty much along with the contractor a good success story. On the annual project spend the similar pole inspection replacement, water meters, new overhead and underground installations; so overall very good story.

Mr. Chavez went to the next slide and stated from the metrics, I know this is quite the eye test, but you do have the hard copy handouts. On the revenue side you'll see the electric and reclaimed up. If we go down, the purchased power, we're still December fiscal year to date, \$39 and some change, so still lower. December was a bit up but that'll be just more of the stability of the energy markets, so we'll start to see that. We do have an upcoming FPL contract, once we execute that we'll have a little lower purchased power, but that's under review. If you go in the mid-section there, the usage still very good. The year over year customer growth, so that's looking at December 2020 versus December 2019. Electric 2%, water 2.1%, wastewater 3.5% and of course reclaimed, 14%; but still the trends of continued customer growth continue.

Mr. Bunch stated just to add to that point, Chairman a little earlier you asked a question about reclaimed growth. So our annual growth there was 14% but it's on the basis of 2,500 or 3,000 customers, relative to 27,000 or so water customers. So when they were building that projected spend several years back for reclaimed water, those costs were spread across very few numbers of customers. So when you go in for your next review, which is where we are

(4-a) Financial Status – December 2020 (cont.):

now, it's not surprising that we see a pretty big decrease or increase, turned out to be a decrease in this case, relative to say water and wastewater which is much more stable 2% growth.

Chairman Holcomb stated we just want to follow the data; you know that's with me. Hind sight's real easy when you ignore the data that you applied when making a decision. You know what I mean, and that's my hardship, why did we do it that way and you see this big gain, it explains it. This is why we came to this conclusion; this is the data we used, the data has changed because of the things we've done and that's why the numbers changed; and that's easy to follow. We didn't get that we just lost that part, we got the number but not the reason why, and then the skepticism jumped in.

Mr. Chavez stated, and I'll comment there on Mr. Thomas' capital connection fees, so to that end Ms. Couillard, myself and a few others reviewed the detailed data, walked through the assumptions. So on the usage stats they looked back a couple of years, they looked back the respective amount of time but for the go forward on the capital projects side, we've had multiple iterations because we really challenged and made sure those were projects we were going to do, realistically to be done. One of the biggest ones that we pulled out was reverse osmosis because based on the pellet softening system and some other best practices we were able to bring those overall costs down. Because a reverse osmosis system is much more expensive, and we're about managing our resources and making sure that we're using current tested technology so we can get additional use out of our existing assets. Put this pellet softening system in which would then delay substantially into the future a reverse osmosis system. So good planning on that end, we are fairly confident in the costs and we reviewed those assumptions, are pretty well detailed.

Mr. Chavez continued on this slide and stated if you go towards the bottom, just on the usages, just the regular green, purchased power, of course, just 3% lower, electric sales 6.9% higher, water, wastewater, and this is usage, this is not customer growth. So reclaimed usage looks like it's a lot but its on a percentage number on a small usage, and that's really on a year to date basis more driven by the wetter weather that we had earlier on, of course it's dried out a little bit, but still understandable.

Mr. Chavez went to the next slide and stated this is just the waterfall on an operating income basis. December 2019 we were in essence zero, we're at slightly under at \$300,000. The biggest driver there is really the operating expense increase but that's timing. So what we did this year, which we previously approved the Asplundh contract on a per mile basis, so we really got ahead on the veg. management and the trimming. So in essence we can throttle that down, but we've made substantial progress on our first year. And it's about, I want to say almost 80% of the miles, we've made substantial progress on our year one of the trimming. That will help us in the reliability and resiliency, really in the reliability because as we clear out the veg., we will then have ideally less outages due to the veg. management.

Chairman Holcomb stated so the data will change.

(4-a) Financial Status – December 2020 (cont.):

Mr. Chavez stated it should, yes, to the better, ideally. But don't get me wrong, we still have more improvements to do.

Chairman Holcomb commented I probably jinxed you.

Mr. Bunch stated if I take you back, I don't know about six months, you approved the electric reliability plan. So those prioritized feeders that will be the first that we install new automated equipment on, the Engineering team's worked with T&D to trim the vegetation in advance of going out and putting the technology on those lines. So you then have the technology installed and the lines are clear, hopefully we have less limbs contacting the lines and then the automated equipment also restores service in a faster manner. So Engineering planned it and they worked with T&D to carry out the trim scheduled for the vegetation.

Chairman Holcomb stated and hopefully that drives our outage number down, which we can convey, because that's all people care about.

Mr. Chavez stated right, exactly.

Chairman Holcomb stated the price and the billing and is my power not going out.

Mr. Chavez stated exactly and that's where, as Mr. Bunch indicated, we're focusing on the worse performing feeders. He then went to the next slide (no. 5) and stated Change in Net Assets, similar to what we talked about earlier. So if you see we're in essence flat currently for net assets, but that's driven by the capital contribution in the decrease. Higher debt expense but that's driven by the \$65 million and this is all versus the previous fiscal year, so from a budget standpoint we're good, this is just a bridge between this fiscal year and last fiscal year. And of course the operating expenses we discussed previously, but overall as Mr. Bunch indicated we're managing by our metrics, really looking at how can we improve performance in the most cost-effective manner.

(4-b) Balanced Scorecard and Enterprise Metrics – December 2020:

Mr. Chavez went to the next slide (no. 6) and stated okay, on the key performance indicators, safety and risk, no OSHA incidents and zero third party claims. The January KPI's will have an adjustment on the PMVA's or preventable motor vehicle accidents due to an unreported item, but that will be on next month's KPI's. On the safety and leadership side, this was my safety message – Safety Leadership Training Update. As part of the overall safety revamp of our whole, we're trying to really implement our bottoms up culture where safety is embedded in everything we do because in the utility industry safety is job number one, we have to have that as a focus. So Ms. Pitcher and the Central Services team, we have a ten week leadership program that all Directors, Managers, Field Supervisors are taking to drive home that safety is the focus and make sure that before we step out of our home we come to work and then we go back in the same manner that we came in. Reliability side, electric reliability, December 2020 was better than November, but definitely improved performance from November and same time last year. Mr. Beyrle and the team are also taking a look at that but reiterated improvement from November and improvement from same time last year. SAIFI slightly

(4-b) Balanced Scorecard and Enterprise Metrics – December 2020 (cont.):

improved from November. Going forward if you look in your key performance indicator comments we will highlight the reliability and resiliency improvement initiatives so this way you can see, we'll document what we've been working on and you'll see those improvements in the future but we'll talk about what we're doing to try to improve it every month.

Commissioner Hawes stated and Mr. Chavez I want to thank you for highlighting that because I did notice that as I was kind of paging through.

Mr. Chavez stated no problem and it's a good effort by the team. So SAIFI, the frequency and SAIDI red due to over 3,500 customer interruptions, one feeder outage caused by a vehicle accident. CAIDI on the restoration time, which we've historically have always been very good at the restoration, it's red due to one feeder outage but the year to date CAIDI remains green. Water Resources metrics are green. Customer Service green, still very high standards even with, we've had a number of issues with staff and some illnesses, but we still kept the numbers high. On the next page (no. 7), AR balances and customer disconnects dropped slightly from the historically solid ranges and that's really due to the holidays. We're still over 96% with customer accounts receivable within 30 days current. So we, Mr. Bunch and I continually receive information about some of our peers that are having a very difficult time with variable to accounts receivable so as those balances continue to get old the likelihood that they're going to collect them is going to be rough. So we have dealt with COVID implications very well and we continue to stay strong, so we continue those efforts. Materials management issuance, days are green. Headcount under nine positions but we're actively recruiting for seven. On the I.T. side a really big accomplishment, Mrs. Keehn and her team, there was a cybersecurity exercise and in a sense it was multi-, you know you had the tornados and the hurricanes all occurring at the same time. But it was a good event, in essence a test, cybersecurity major event with us, the City and Advent Health. So really just testing what we need to do better, what we need to make sure that communication is there; so that was a very good event. Unless there's any other questions that's it.

Commissioner Davenport stated talking about cybersecurity, I was reading my emails, I bust myself all the time, it says uh, you're in trouble. They keep tricking me, I mean I'm not going to be able to get into my account if I don't hit this button on my email, and I go oh no. I don't mind telling on myself but boy it's brutal. I'm sure you all did it too but you're not admitting it, some of us anyway.

Chairman Holcomb stated a., I'm just happy that we're having this conversation, I mean that wasn't where we were at a while ago, it wasn't on the horizon or anywhere on the map. But one of my concerns, and again the cybersecurity is big and tornados and hurricanes and stuff. But one of my reasons and I think it was the Pond Group that did the study, was you know when you listen to what are we, and I live on the water so I see the tides go up and down you know through some hurricanes or whatever; you see what possibly happens. And they've projected massive storm surges and we've kind of dodged with the tide and we've gotten lucky a few times. I'm curious, from an I.T. standpoint, of what happens if we get in a storm surge that affected this building. Like if it came in, because we're so close to the water line, I mean that's probably when we had that conversation with the Pond study my biggest fear, it has nothing to do with the operations of the building but it's location and proximity to the

(4-b) Balanced Scorecard and Enterprise Metrics – December 2020 (cont.):

water, and then if you've listened to the news. Like I said I feel like we've dodged a few bullets with possibility of some really bad storm surges in the last couple years or so. That was my question and I think I'm going to get an answer.

Mr. Bunch stated I see Mrs. Keehn, could you address that question from a system backup perspective, in general where our backups are, our prime facilities. Then also how that relates to cyber.

Mrs. Keehn stated sure. We have multiple layers of backup for our facilities and some are cloud based, some are in different locations and some are at a colocation site in Orlando. So the backups we can access at different points but to your question, what we're learning and working with the Department of Energy and FEMA is that they treat a cyber incident similar to the way they treat a hurricane and that's how they want us to address them. So we currently follow the NIMS, which is part of FEMA, which Mr. Beyrle is the, I guess the captain of that. So we follow the same thing, so when a hurricane comes, we go to Mr. Beyrle's location, the Electric Ops. and there's a system set-up there. And that's where we would do it, just the same if something were to happen here. So we would follow the exact same scenario as if it were a hurricane, we would handle it the same way.

Chairman Holcomb stated so...

Mr. Bunch stated if this building flooded, what would happen system-wise. I know your systems are on the second floor but let's just pretend they got flooded out.

Mrs. Keehn stated so the systems here have, they're not our data center, we moved it away from the flood zone a few years back, that's when you started seeing those big costs come through. Well that went to the headend building over by WRF, so that's where our main data center is but we also have a center at Electric Ops. location and we also have the Colo site as well. So here it's basically just everyone's computers, we have routers, we have some fiber over here, but it's interconnected other places. So this isn't the main hub because of it being in a flood zone, so it wouldn't be here. And if something were to happen in New Smyrna, you still have to worry about broadband, you have to worry about internet connections. So if that's down, how do you get to anything in the cloud.

Chairman Holcomb interjected how do we become operational.

Mrs. Keehn stated correct.

Chairman Holcomb stated that's my, once the storm hits that's great, it's when the storm's over that we go to work, and how quick do we go to work. That's where I was...

Mrs. Keehn stated I think a benefit to a utility that we all have is that we do operate under hurricanes so we've had to go into the "paper only" mode, so we could sustain that for an amount of time it that were the case as far as customer service – they know what to do. And we've actually had kind of a triple threat when our lines went down for fiber, also phones, and internet, all at the same time, it was a few years back. And we lost everything and we

(4-b) Balanced Scorecard and Enterprise Metrics – December 2020 (cont.):

operated through it just following our normal operating procedures for storms. So it wasn't a cyber attack, but it was an attack on all of our infrastructure as far as communications. So we have satellite phones, we have cell phones, we have different lines of communications as well as we have multiple systems for back ups that would get into our critical information and data. We also work with our insurance companies and they are now moving in the direction, probably Commissioner Davenport you see this, but I think something they're doing now that's interesting is they are, we did a grant and they allowed us to have cloud space through them for free, for three years to put another layer of critical infrastructure and data information in the cloud. Whereas if there was a crypto locker which would lock down that information, we couldn't receive it, we would have that through the insurance company as a third party out of our sphere that we could still get to and operate. So I think they do it just because of the crypto locker costs that's coming to small utilities and cities all over the place. You see the \$700,000, \$800,000 and they've ransomed your information, well, insurance companies are thinking now we're going to try to mitigate that and they're giving us cloud space as an extra layer. So we have all of those things in place but like I was talking, with the hurricanes, our hurricanes is what we do, so we have that in place.

Chairman Holcomb stated good, I mean it was like I said, the thought process and when that came up and you mentioned the hurricane part of it, I was just curious because that was my biggest fear.

Mrs. Keehn stated and that was kind of our point with working with the city and the hospital, if there was a cyber incident that would impact us it would have a cascading effect to our partners in the community. So we were trying to develop that relationship starting and moving forward with how would we respond and react say with the Chief of Police, the Fire Lieutenant, the City Manager; who's the communications point. All of those things we did in a tabletop exercise with all of their leadership, as well as a functional exercise we did with crews in each field. So we had dual exercises going on to just try to understand how we communicate with each other so if something like that were to happen, we start forming those relationships ahead of time and documenting it.

Chairman Holcomb stated can we, and again this is a Mr. Bunch directive, but as we look at the investment, we've talked about moving the building out there which we're not in any danger of doing that soon. But as this, I love to hear these conversations, the local groups getting together, communicating, discussing how it's, before it happens. We have a discussion of what we're going to do if it happens, I think that helps deal with the happens part. And that when we go to build a building and again that Pond study brought it up, is unilaterally using one, if we build a building on the west side of 95, and you have these relationships, does that building now, would that become a better serviceable building to become operational in a hurricane. As the tables open, I think before we go spend \$11 million or \$9 million, whatever the number was down the road, that we would ask those questions of how in those circumstances if, if, I don't know, could this building be built to serve more than one entity if we needed it to.

Mr. Bunch stated we'll address that question in the course of planning. There may be reasons why we would in general circumstances want them to be separate, but I would say we would

(4-b) Balanced Scorecard and Enterprise Metrics – December 2020 (cont.):

plan for a scenario where if push came to shove, we would.

Chairman Holcomb interjected the capacity, not permanently but the capacity to have space.

Mr. Bunch then stated if push came to shove, we could collocate say with the City.

Chairman Holcomb stated I understand you guys want to stay by yourselves if you can.

Mr. Bunch stated no, I think the City has some sentiments that are similar because really you're running separate businesses and a utility is very different than a City. But for instance we do staff, in fact Mr. Chavez was there during the hurricane, we do staff the City Emergency Operations Center for those purposes, for coordinating between. We would address that question in the course of planning, in fact Ms. Couillard and I have had this conversation.

Chairman Holcomb stated sounds good, thank you.

Mrs. Keehn and Mr. Chavez stated thank you.

(5) Commission Counsel's Report – General Counsel:

Chairman Holcomb stated Counsel's Report, Mr. Cloud.

Mr. Cloud stated yes, Mr. Bunch asked me to present to you an agreement, an Interlocal Agreement. Do they have copies of it Mr. Bunch?

Mr. Bunch stated they don't have copies, but it will come to us, to the Chairman for approval.

Mr. Cloud stated okay, it was an idea that arose from the City and your staff. Currently we buy fuel from the County but there's an opportunity for us to buy fuel from the City at cost plus 10% administrative fee which is competitive I believe with the cost that we currently incur with the County? Then confirmed that with Mrs. Pitcher. And I asked the question well, how big will the contract be because you can't obviously predict at the beginning of the contract how much money. It's likely to exceed \$100,000. Which is why the contract would be executed by you, Mr. Chairman, because it exceeds the \$75,000 limit. I put together an Interlocal Agreement with the City. It's really an agreement to allow us to buy gasoline from the City. It's consistent with the one you have with the County; it gives you another source of fuel. It is another way for us to work together with the City and I would recommend it for your approval.

Commissioner Hawes stated where is their fuel farm located?

Mr. Cloud stated that's a good question, I don't know the answer to that.

Mrs. Pitcher came to the podium and stated the City's fuel system is located near the airport and the police department off of U.S. 1. She then asked what's the street?

(5) Commission Counsel's Report – General Counsel (cont.):

Mr. Beyrle stated Industrial Park.

Commissioner Davenport stated so we would be, this agreement you've got here, we would be buying fuel from the City and not buying from where we were getting it before, correct?

Mr. Cloud stated well we would have the ability to buy from both if I...

Mrs. Pitcher stated yes, I can address that. So we currently have an agreement with the County and we would continue in that agreement with them. We're adding an agreement with the City so we would have more than one option. And the City would be our main source, with the County as our back up. But one entity cannot guarantee us fuel all of the time, right, so we want to make sure that we have another source so that our employees don't have to go to a fuel station.

Commissioner Davenport stated I totally concur with that.

Chairman Holcomb stated yes, that makes sense. So I would need a motion approve the...

Mr. Cloud stated Interlocal Agreement with the City to purchase fuel.

Commissioner Davenport stated I make that motion, approval for the Interlocal Agreement to purchase the fuel from the City of New Smyrna Beach.

Chairman Holcomb stated I need a second.

Commissioner Conrad stated second.

Commissioner Davenport's motion then passed unanimously on a roll call vote.
(Interlocal Agreement to be included in 2-22-21 Regular U.C. Meeting agenda for ratification.)

(6) Old Business:

There were no old business items to consider at this time.

(7) New Business:

There were no new business items to consider at this time.

(8) Possible Other Business – Time for Commissioners:

Chairman Holcomb stated possible other business.

Mr. Bunch stated no sir, not from him.

Chairman Holcomb stated Commissioners, Commissioner Hawes do you have anything you would like to add?

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

Commissioner Hawes stated yes, I do. I was fortunate enough to be able to take a tour of the U.C.'s electric, wastewater and water facilities on Friday, the 8th of January I think it was, and really had a nice in-depth discussion. I think the piece that I kind of took away from that was that the people sort of regardless of whether they were in water, electric, wastewater, whatever it might have been, there was clearly a very evident skill set. A lot of expertise, a lot of detail, and also just a lot of competence and you really felt the passion and pride that they felt in that area. And I found it just to be highly beneficial and I don't know if it makes sense to go again in six months but that's what I feel I should do. But it was very educational and really help to set a framework for even some of today's discussion.

Chairman Holcomb stated the point, I think that's part of the orientation process that Mr. Bunch and I have talked about, getting the Commissioners up to speed a little quicker than the 5th or 6th or 7th meeting. Getting them acclimated into the facilities, making them aware before they show up here. So I appreciate that, thank you. Commissioner Davenport?

Commissioner Davenport stated I just appreciate this Commission, and I like working with everybody. Mr. Cloud, great job and especially our leadership and everybody out there that's doing what you're doing. You can just feel the passion. Since I've come on this, I guess it's about three years, I've never seen a transformation from that I didn't want to serve on the board after about three months I was like I don't need to be here. To now, I like setting here and I like giving my time and I like giving back. Because I feel personally I wasn't getting the facts, but right now I feel so much transparency, I see so much energy, and it's just great to sit on this board and I do appreciate the opportunity. But most of all because of all of you and thank you, I appreciate you.

Chairman Holcomb stated Commissioner Smith?

Commissioner Smith stated I would just like to add a little bit of history because you talked about the threats to this building in a hurricane. And we know the most threat and the most serious was the fire, but the one that probably most of you don't know about is when Sam's (Avenue) had its oil tanks and gas tanks over there. One night the fuel barge sprung a leak and gasoline came in on incoming tide and went up Canal. And that was the biggest threat because you know some "billy bob" goes by and flips a Camel, that would have been the end of Canal Street. But that was two threats that you don't think about too often.

Chairman Holcomb stated that's interesting, we have to take them all into consideration because when the lights go off, we have to turn them back on and have to figure out a different way. Commissioner Conrad?

Commissioner Conrad stated no comments.

Chairman Holcomb stated and again, I know I've spoke a lot being as I had spoken with Mr. Bunch, and Mr. Chavez. You know you guys are going to make us better, the Department heads. You are going to make us better and all we want to do up here is get out of your way, understand what we're approving, and help you become more operationally efficient and give you the best tools to achieve that at a reasonable rate of return and expense. So please don't

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

ever misconstrue our questions. Like I said if we have an issue we'll reach out, but you know, be helpful to us, don't assume we know and like I said be accessible. And Mr. Bunch I appreciate, he answers the phone on Sundays, Saturdays, Fridays, 6:00 am in the morning.

Mr. Bunch stated you have called me at 6:00 am, but I thank you.

Chairman Holcomb stated well, I'm on the beach at 6:00 or 6:30 am, so if he's talking to me somewhere between there.

Commissioner Davenport stated you call him at 6:00 am; mercy.

Chairman Holcomb confirmed, and added but I encourage you guys, you've got big steps over the next five or ten years, but I also tell you to embrace your users. You know I see the GEOSAM folks are here, you know I developed a few projects. Become accessible, remember we are a business, treat the customers as we are the business owner and they are the customer and let's work on having the best relationships. It is getting better; I had a person jokingly say to me well we almost had it figured out and they were dissing the City but they were complimenting you guys. And I said the goal is to have it work for all, from technology and from ease, so we want to help our friends at the City become better. Just as we want that relationship from us and the City to be good so that the end user can navigate through it. I've been through it multiple times, it's not the funnest but it can be better and that's what I'm going to challenge you all to do through Mr. Bunch and I think from what I've seen there's a real effort to do that. So I just want to thank all of you for making that effort. So that's it, with that meeting's adjourned.

There being no further business to come before the Commission, the Regular U.C. Meeting closed at 5:03 p.m.

APPROVED:

ATTEST:



CHAIRMAN



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their February 22,
2021 meeting.