

[ANNOTATED VERSION]*

*[*NEAR VERBATIM / DETAILED VERSION POSTED ON UCNSB WEBSITE – UCNSB.ORG]*

MINUTES OF A REGULAR MEETING OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA, HELD MONDAY, JUNE 28, 2021, AT 3:00 P.M., AT 200 CANAL STREET, NEW SMYRNA BEACH, FLORIDA

(NOTE – THIS REGULAR U.C. MEETING WAS HELD ON-SITE)

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

Safety Message by Tom West – Water Reclamation Services – Community Safety and Protection:

Mr. Tom West, the Director of Water Resources provided information regarding the U.C.'s reclaimed water services and operational safety. Provided Commissioners with a new meter with a backflow preventer as an integral component. Proceeded to explain the utility and customers benefits associated with this utility service, i.e., conservation of potable water, savings on pumping and water treatment, and for the U.C., as of 6-11-21, with no discharge to the river or ocean for 12 consecutive years. Also provided other operational processes and statistics, eg., takes approximately five to six wastewater customers to supply enough reclaimed water for one typical residential reclaimed water customer. After questions and discussion, concluded his safety message by stating it is everyone's job to conserve water and that there were a lot of great conservation tips on the U.C.'s website.

Roll Call: All of the U.C. Commissioners were 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; T. Beyrle, Director, System Ops.; B. Keehn, Director, Information Technology; T. West, Director, Water Resources; B. Beck, Director, Central Services; R. Walsh, Interim Director of Electric Ops.; Laquavius Green; Help Desk Technician; M. Spellers, Sr. Help Desk Technician; D. Simmons, Exec. Services Mgr./ Recording Secretary; General Counsel Thomas Cloud Esquire – Gray|Robinson Attorneys at Law; Henry Thomas, Raftelis Financial Consultants, Inc. and Randy Halley, Summit Utility Advisors, and John Moss, a member of the public.

(1) Agenda Changes, Additions and Deletions:

Mr. Bunch requested one change on the agenda, reversing the order of consideration for items 7-a. and 7-b.; requested 7-b. be considered first as staff was awaiting the arrival of one of the rate study consultants. Also provided a note regarding consent items 3-f., 3-g. and 3-h., all are being accomplished in this year's budget. Requesting the provision of extra dollars to fund the continuation of replacing poles in one and for the other two items, work awards, to award work to contractors that are going to do the work. This was planned work under the existing budget, just has to be done through a formal contract award.

(2) Public Participation:

Chairman Holcomb confirmed there was no public participation.

(3) Approval of Consent Items:

Chairman Holcomb then asked if the Commissioners wanted to pull anything for discussion from the consent agenda.

Commissioner Davenport indicated he would like to pull item 3-g. for discussion.

Chairman Holcomb and Commissioner Smith indicated they would like to pull item 3-f.

Chairman Holcomb requested a motion to approve the remaining consent items.

Commission Action:

Commissioner Hawes stated so moved; specifically a motion to approve the consent items – item 3-a. Minutes of Regular U.C. Meeting Held 5-24-21 (*Annotated Version*), approve as submitted; item 3-b. Granted and Accepted Third Party Utility Easements, ratified the acceptance of the third party granted utility Easements, granted to UCNSB for the west side of Ocean Gate Boulevard / Ocean Gate Commerce Center, LLC, 392 Flagler Avenue / Beaulieu Holdings, LLC, Sporty's Car Wash / New Smyrna Auto Spa Services, LLC, and U.C.'s 16" Subaqueous Water Main / State of Florida; attached hereto and hereby submitted to the Commission; item 3-c. Purchase – Sherman Reilly Underground Puller, approve the purchase of a Sherman Reilly DDHX-75 Underground Pull at a cost of \$137,084 from Sherman & Reilly, Inc. (state contract / budgeted funds); item 3-d. Advanced Metering Infrastructure Project – Phase 1 (Quanta Technology, LLC), approve this project, Phase 1, in the amount of \$112,000 for FY2021 (full project approval forthcoming) and award Phase 1 Owner's Engineering Services to Quanta Technology, LLC (under existing FMPA/Quanta Technology Master Services Agreement dated 8-23-17) in the amount of \$111,963, and authorize the General Manager/CEO or his designee to execute all documents associated with this matter; item 3-e. Ratification of Award – ITB No. 12-21 – Three Phase Reclosures (Feeder Reliability Level 1 Projects (6)) – ratify the award of ITB No. 12-21 to Southern States, LLC in the amount of \$389,760.00. Previous overall project authorization, referenced in agenda item summary, for the General Manager/CEO or his designee to execute all associated project documentation is ongoing; and 3-h. Assignment of Work – Pike Electric and Asplundh – Increases in Annual Projects Budget, approve the increases in the annual budgets as outlined in the agenda item summary and the issuance of the listed purchases orders to Asplundh, Inc. in the total amount of \$102,250.00 and to Pike Electric, LLC in the

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

Commission Action (cont.):

total amount of \$609,069.00 to complete the outlined annual FY2021 planned work, and authorization for the General Manager/CEO or his designee to execute all documents associated with this matter.

Chairman Holcomb stated I need a second.

Commissioner Conrad stated second.

Commissioner Hawes' previous motion then passed unanimously on a roll call vote.

(3-f) Osmose Reject Pole Replacement Project – Increase in Annual Project Budget:

Chairman Holcomb indicated he wanted to get off the tracks a little bit on this item because we're going to study the rates later which is being efficient with our dollars and in spending them right. So as we raise rates, we've got to protect the dollars we currently have. Wanted to discuss the prior and ongoing issue with some of the communications companies trying to attach to the U.C.'s poles and the U.C.'s pole attachment fees being under attack or questioned. Stated after discussing this with Mr. Cloud he doesn't believe there's a clear resolution to this yet. Indicated that when he looked at a \$200,000 to \$300,000 number and you start looking at that over five years, you're talking about \$1.5 million. And then you look at what we're going to look at later as what we're going to increase our revenue, we can't just say okay we're going to raise this and then just look away from this. I think it's too much money and I think the example I used was, you know, we're going to invest a pawn to protect a queen. And in terms of chess, that \$200,000 a year, if we have to have our own lobbyists representing us to make sure we're getting what we want back for a period of time, I would highly recommend it.

Chairman Holcomb continued, and speaking to Mr. Cloud I feel the investment's worth having our position heard, having our position protected and at least stand there. And again, I don't have a problem with the collective group (FMEA), having theirs, us having ours, there's a benefit of standing alone sometimes and I think we're still going to get the benefit of the collective agreement. But I, you know talking to Mr. Cloud, talking to Mr. Bunch, understanding the dynamics, the dollars through the course of probably a month, I want to make sure that you all understood that.

Mr. Cloud stated yes sir, three quick things. First, there's no question this Osmose program and the monetary support that this Commission has given in support of things like 3-f. has significantly reduced the backlog of poles that need replacing. I'm not sure there's another electric utility in Florida that has you know implemented something on pole replacement that has moved so quickly and effected so many. And yes, it does have a payoff on your reliability, there's no question about that. Second, lobbying issues tend to come in two-year batches, that's just the way the game is played. And we were, I did not realize how lucky we were until I had a conversation with Dean Cannon who's the head of our lobby group and who's former Speaker of the House of Representatives. And what he did in order to sort of kick the can down the road this past year I'll be happy to share that with each of you individually privately, but he believes the issue is not going to go away and I think that it's a

(3-f) Osmose Reject Pole Replacement Project – Increase in Annual Project Budget (cont.): big enough investment that the Commission should consider this. And I don't know that you have to make a decision today, but it is something that in going forward, you know maybe at the next meeting you consider something for the next year that heightens your presence on this issue. And I know that the Chairman is going to be discussing the issue with a member of the local delegation and so perhaps after that conversation we'll have a better idea of what kind of effort the Commission will need to undergo, you know to make a decision on this at the next meeting. And I point out to you this morning about the numbers because here was a great agenda item that had this data in it about what it costs this utility to replace an electric pole. And that was the third point, that this kind of data is not only important for your ongoing operations but its also very helpful in the issues we have to deal with the state on. You know what your flows are from day to day, what it costs to replace a pole, this information is vital and bringing it forward like this is great, I mean there's no question about it; and that was all I had to say.

Commissioner Conrad stated Mr. Cloud, are you suggesting that this is something that should be in our 2022 budget or our 2023 budget, and how much?

Mr. Cloud stated well, the next, whatever the next year is, the Committee's will start meeting in the fall. Okay, and the annual cost will probably be about \$45,000.

Commissioner Conrad stated so, if it's not going to be in the budget that we're going to be voting on today, I don't have any further questions regarding it and I certainly agree. If it's going to be in the budget we're voting on today, CEO Mr. Bunch can you please tell me that it's already baked in?

Mr. Bunch indicated this was not called out as a line item in the proposed budget but believes there are ample dollars in there for this.

Ms. Couillard confirmed.

And Mr. Bunch continued, but I would if at some point in the year I thought the expenditures were going to be larger and needed to be, I would let you know. But I agree with everything the Chairman and Mr. Cloud just said, we should continue to fight the fight. It's really big out of state business trying to reduce their costs on the back of the small municipal utilities like us. And Mr. Cannon did an exceptional job of representing not just us but the whole Florida utility group this year.

After historical and associated discussions, Commissioner Hawes stated and the way that I read this issue, kind of that aside, this is just a stand-alone issue for new poles and the other piece, Chairman Holcomb, I think what you were doing is sort of tying that into this.

Chairman Holcomb stated to the budget, adding not to the budget, to the rate study.

Commissioner Hawes stated right, yes.

There was additional discussion about potential benefits of 5G for customers, additional historical discussion regarding how the pole attachment fees challenge came about, and the APPA calculation/formula the U.C. utilizes for its attachment fees – an industry standard.

(3-f) Osmose Reject Pole Replacement Project – Increase in Annual Project Budget (cont.):

Ms. Couillard additionally explained that when people apply to attach to our poles, we do an analysis and if the pole attachment pushes us over and the pole can't handle then they have to pay to replace the pole. But that doesn't generally happen because it's a small attachment.

Mr. Bunch explained the associated safety aspect and liability included within utility pole maintenance.

Commissioner Smith requested additional information regarding the U.C.'s pole replacement overrun, what went wrong with the program.

Ms. Couillard explained there had been a delay in invoicing and that she and Mr. Chavez were ensuring this wouldn't occur again.

Chairman Holcomb concluded his comments by stating the attachments and all the things, I wanted you folks up here to understand moving forward, why we should defend this. Any other conversation on item f.?

Commissioner Smith stated I'm good.

Chairman Holcomb then stated I need a motion to approve consent item f.

Commission Action:

Commissioner Smith stated so moved; specifically a motion to approve increasing annual FY2021 project budget for Pole Inspections and Replacements in the amount of \$523,000.00 which includes an existing overrun of \$115,000.00 and additional funding for replacement of 136 reject poles in the amount of \$408,000, and authorize the General Manager/CEO or his designee to execute the documents associated with this matter.

Chairman Holcomb stated I need a second.

Commissioner Hawes stated second.

Chairman Holcomb stated Mrs. Simmons please call the roll.

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

(3-g) Coastal Woods D – Pike Electric, LLC – Additional Funding for Construction Support:

Commissioner Davenport inquired about installation responsibilities for the developers and the U.C.

Ms. Couillard stated so the developer installs the water, wastewater, lift stations and potable water and gets it tested and we approve it. For the electric, they install the pads and the conduit, our crews have always installed the cable, the pedestals and the connections into the transformers. So we furnish the transformers, the cable and the labor. We have outpaced our internal resources and Pike has a crew that does this all the time, it's cheaper than our people, and it allows us to focus our folks on higher value work.

(3-g) Coastal Woods D – Pike Electric, LLC – Additional Funding for Construction Support (cont.):

Commissioner Davenport also expressed a desire that was mentioned at the prior U.C. developer's meeting (New Business Workshop), for the communications installers to participate in pre-planning and become a partner in the developer's projects.

Mr. Bunch stated this is not an unusual story with cable and telephone companies, they just kind of do things their way and as much as folks like Ms. Couillard try, they don't work for us. As long as they're not breaking the law, they're hard to reel in to get them to do it in a more efficient way. Now I've seen instances where you can do common trench and a lot of utilities share a common trench, but they've got to come to the table and be willing to discuss and negotiate that.

Ms. Couillard added, and we invite them, especially on our CIP projects where we're directionally drilling or we're going to be opening a trench, we say hey do you want to throw pipe in?

Commissioner Davenport stated then basically then it sounds like what I'm hearing we don't have to give them approval to run their lines, they can just go run them.

Mr. Bunch stated and they may not, because they're a competitive commodity, there may be communities where they just say nope, don't want to put it in there and they don't owe an explanation to anybody. Same with gas, the gas companies can decide no I don't want to go in this community, probably won't get penetration to make money. They don't have that same obligation to serve as the electric and water utility.

Commissioner Davenport stated okay, thank you, I'm good.

Chairman Holcomb stated any other questions on item g.

Commissioner Hawes stated no.

Chairman Holcomb stated I need a motion to approve consent item g.

Commission Action:

Commissioner Davenport stated I'll make the motion to approve; specifically a motion to approve additional FY2021 funding to W.O. No. 21-UE106 for New Underground Extensions in the amount of \$268,515.20 and issuance of a purchase order to Pike Electric, LLC to perform the installation of underground electric assets in Coastal Woods D in the amount of \$238,515.20, and authorize the General Manager/CEO or his designee to execute all documents associated with this matter.

Chairman Holcomb stated I need a second.

Commissioner Smith stated so move.

Chairman Holcomb stated Mrs. Simmons, please call the roll.

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

(4) General Manager's Report:

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

Mr. Bunch requested Mr. Chavez to come up and give a quick summary on the financial status and scorecard.

(4-a) Financial Status – May 2021:

Mr. Chavez stated okay, so for purposes of this month we're focusing on the front end it will be the financials and then on the back half will be the budget approval. He then proceeded to present and discuss his presentation entitled "May 2021 Financial Performance and Fiscal Year 2022 Budget Presentation". Some of the highlights presented and discussed were the fiscal year to date change in net assets was approximately \$300,000 (\$0.3 million), drive by increased revenue due to weather/heat and continued purchased power favorability. Offset is increased operating expenses and higher debt expense compared to last year. Capital expenditures fiscal year to date approximately \$10.8 million - \$6.5 million in major projects and \$4.3 million in annual projects. Operating income loss perspective was \$2.2 million compared to \$2.5 million this time last year. Comparison of year to date change in net assets, \$774,000 versus just under \$300,000 in May, 2021, same drivers as stated before. Also capital contributions is a combination of cash, connection fees, and others, as well as non-cash which are easements and contributed capital from developers. Engineering does have a metric around developer contributions, has some indicators on the property portion that is contributed.

Mr. Chavez then proceeded to the proposed FY2022 Budget Estimate for the remainder of his presentation. Included in this discussion was the overall approach of budget development. Also discussed the U.C.'s capital 10-year plan and major initiatives, third party projects, and overall capital summary. The FY2022 Budget's capital plan reflects a total of \$28.3 million, comprised of major projects - \$15 million, annual projects - \$8.9 million, and third party projects - \$4.4 million. These are the projects anticipated to occur during FY2022. Some of these planned CIP projects are multi-year projects and will be funded over multiple fiscal years. It was noted the 5-year capital improvement plan is projected to be fully funded, no additional debt issuance.

Mr. Chavez also discussed annual reviews of operations, maintenance program objectives and key performance indicator targets, along with revenue projections, O&M expenses, inclusive of purchased power and major O&M initiatives. The revenue projections include the rate study recommendations. Operating O&M expenses of about \$56.4 million. Change in budget estimates, from FY2021 to FY2022, are an approximate 5% increase. Prior budget, from FY2020 to FY2021, had been a 2.1% reduction, so overall 2-year O&M budget change from FY2020 to FY2022 is a net 3.6% increase. Reminded that staff is actively reviewing for new projects to reduce O&M and optimize this area. Then proceeded to explain next steps would be submission of an approved FY2022 Budget Estimate to the City of New Smyrna Beach by July 1st for the City's final, formal adoption. The City will hold two readings, expected in August and September, to approve the U.C.'s budget via ordinance.

After the conclusion of this presentation, Commissioners concurred to have New Business Item 7-b. moved up on the agenda for consideration.

(7-b) Consideration of U.C.'s FY2022 Budget and Capital Improvement Plan FY2022-2026 and FY2027-2031 (Resolution No. 2021-08):

Commission Action:

Commissioner Davenport stated I'll make that motion; specifically a motion approving the FY2022 Budget and Capital Improvement Plan (FY2022-2031) and U.C. Resolution No. 2021-08. (Upon approval, FY2022 Budget Estimate will be forwarded to the City of New Smyrna Beach. Final, formal adoption of the FY2022 Budget is pending City Commission approval by Ordinance.)

Commissioner Conrad seconded this motion.

After Chairman Holcomb's request, Commissioner Davenport's motion passed unanimously on a roll call vote.

(Compliance Note – The U.C.'s FY2022 Budget Estimate was provided to the City of New Smyrna Beach on 6-29-21. The required newspaper notice will be published during July.)

(4-b) Balanced Scorecard and Enterprise Metrics – May 2021:

Note Only – The associated information for the balanced scorecard and enterprise metrics for May 2021 was submitted in the agenda package only; not discussed during this meeting.

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

Mr. Cloud reported on a few items, stated a ruling in the Hypower case was expected within a couple of weeks. Earlier during this meeting, had discussed the pole attachment issue in response to Chairman Holcomb's request (regarding future lobbying support). An agreement has been reached on the alignment of Williamson Boulevard and the terms with County of Volusia. One remaining item is a legal description of the alignment. Stated he was cautiously optimistic he will have an agreement for the U.C. Commission's execution and approval at the next Regular U.C. Meeting. Also revamping the U.C.'s Developer's Agreement (DA) and working on having the City Commission approve the form so each DA won't need City Commission approval. Have also been working on a proposed clause where if an amendment is needed for a DA, it can be worked out between the U.C.'s GM-CEO and the City Manager. Then a DA amendment also will not need City Commission approval. And mentioned there would be an upcoming agreement with the County of Volusia for hydrant maintenance, Mr. Bunch and staffs met, not quite clear, but will be coming.

Mr. Bunch explained that U.C. staff has an agreement in principle for the U.C. to perform hydrant inspections on County hydrants located in the U.C. service territory at cost using our contractors with U.C. oversight. Basically the same process being utilized for the City hydrants.

(6) Old Business:

Chairman Holcomb then stated no old business and we'll go to New Business.

(7) New Business:(7-a) 2020-2021 Utility Rate Study – Presentation and Scheduling of Public Hearings with FPSC Electric Rates Submittal (Raftelis Financial Consultants, Inc. and Summit Utility Advisors, Inc.):

Mr. Chavez, along with Mr. Henry Thomas – Raftelis and Mr. Randy Halley – Summit Utility Advisors provided a presentation entitled 2020-2021 Utility Rate Study. This presentation included the rate study's objectives/tasks, U.C. electric and water rates history, observations and next steps, and detailed information regarding existing versus proposed rates. Also provided background for the recommended rate adjustments based on projected capital spending and funding and escalation factors of cost and customer growth. Explained additional major study assumptions and provided graphs depicting revenue sufficiency of the proposed rates, as well as recommended operating reserve (90 days cash on hand) projections. Charts were also provided for peer comparisons of the U.C.'s existing and proposed rates. The U.C. is remaining as lowest or in top quartile for lowest cost for all utilities. The fuel and purchased power cost adjustment over-recovery balance will be utilized to offset electric rates until the recommended target balance of \$5 million is achieved.

The presentation was concluded by Mr. Chavez by explaining the required next steps to move toward the approval and implementation of all of the rate study recommendations. Two public hearings will be advertised and held, a bill insert will be distributed and proposed rates information will be posted on the U.C.'s website. The electric rates and fees will be submitted to the Florida Public Service Commission for rate structure review. Final resolutions will be submitted for approval during the Regular U.C. Meeting in August. The approved rate revisions are planned to become effective on October 1, 2021 with additional water resources rate revisions becoming effective via phased implementation on October 1, 2022 and October 1, 2023. Per the U.C.'s Governance Resolution No. 2021-03, the next rate review and sufficiency assessment will occur in three years – in 2024.

At the conclusion of this lengthy, detailed presentation, with numerous questions, answers and comments occurring within, Mr. Cloud then stated they just need a motion to authorize us to set and advertise the hearings and begin the process.

Commission Action:

Commissioner Hawes stated I would make that motion; a motion authorizing the scheduling of two public hearings regarding the proposed rate adjustments for July 26, 2021 and August 23, 2021, preliminary and final respectively, at 3:00 p.m. prior to the Regular U.C. Meetings on those dates, and for General Counsel to submit the electric rates to the Florida Public Service Commission for a required rate structure review.

Commissioner Davenport stated I'll second it.

Chairman Holcomb stated Mrs. Simmons call the roll.

Commissioner Hawes motion passed unanimously on a roll call vote.

Mr. Chavez then stated thank you.

(7-b) Consideration of U.C.'s FY2022 Budget and Capital Improvement Plan FY2022-2026 and FY2027-2031 (Resolution No. 2021-08):

The FY2022 Budget and Capital Improvement Plan FY2022-2026 and associated U.C. Resolution No. 2021-08 was moved up on the agenda for consideration and approved by the Commission after the Finance presentation above – under agenda item 4-a.

(8) Possible Other Business – Time for Commissioners:

Commissioner Davenport commended U.C. staff on their continued hard work and transparency. Also commended the General Manager-CEO for the U.C. employees' community volunteer efforts.

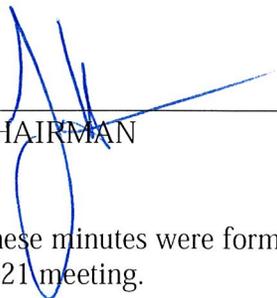
Mr. Bunch mentioned an upcoming Habitat for Humanity volunteer event on July 23, 2021 and the planning for an additional beach clean-up effort in September.

Commissioner Smith thank staff (I.T.) for showing him fiber optic cable prior to this meeting. *(Had requested this during the previous U.C. meeting.)*

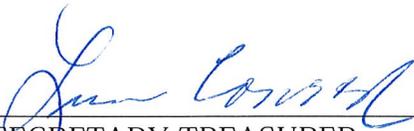
There being no further business to come before the Commission, the Regular U.C. Meeting closed at 5:47 p.m.

APPROVED:

ATTEST:



CHAIRMAN



SECRETARY-TREASURER

These minutes were formally approved by the Utilities Commission at their July 26, 2021 meeting.