

## PDM Utility Corp.

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### **PDM UTILITY CORP.**

#### **Annual Meeting of Members**

April 14, 2007

The Annual Meeting of Members of PDM Utility Corp., a nonprofit corporation duly organized under the laws of the Commonwealth of Puerto Rico (herein the "Corporation") was held at the Convention Center in the Four Points by Sheraton at Palmas del Mar, Humacao, Puerto Rico, on April 14, 2007 at 3:00 p.m. pursuant to the Notice of the Annual Meeting of the Members of the Corporation dated March 15, 2007.

#### **CALL MEETING TO ORDER**

Mr. James D. Shanks, President of the Board of Directors, called the meeting to order, welcomed all present and asked the Secretary, Mr. Julio Bagué, if there was quorum.

Mr. Bagué reported that quorum was established with fifty six point forty eight percent (56.48%) of the voting members present or by proxy. Mr. Bagué noted that quorum consists of members present and/or represented by proxies entitled to fifty five percent (55%) of the total vote of the Corporation.

#### **ROLL CALL OF DIRECTORS**

Mr. Shanks introduced himself as President of the Palmas del Mar Utility Corporation, the Board Members and the guests who were present. He introduced the members of the Board as follows: Mr. David Suson, Vice-President; Mr. Luis Rodríguez, Treasurer; Mr. Julio Bagué, Secretary; Mr. Edd Siler, Director; Mr. Gabriel Espasas, Director; Mr. Antonio Maldonado, Director. He also introduced Mr. Reynaldo Encarnación, Executive Director/General Manager; Ms. Nelly Arroyo, Human Resources Manager; and Ms. Wanda Gerena, Accounting Manager. Mr. Shanks clarified that a representative of Ernst & Young, Mr. Javier Ortiz, was supposed to be present in case of any questions about the audit, but he was not present during the roll call.

Mr. Shanks proceeded to inform the assembly that the negotiation with PRASA to reduce the rate applied by the Agency to PDMU continues. Mr. Shanks stated that as a result of the meetings with the PRASA's representatives, significant progress has been obtained and a resolution on this matter should be available within the next 30 to 45 days. Mr. Shanks informed the assembly that PDMU will continue working on this matter in order to obtain a better rate and therefore, reduce the impact of the rate increase to the company subscribers.

Mr. Shanks informed the assembly about the operational improvements performed over the past year in the following areas: infrastructure, equipment upgrades, completion of the installation of electronic meters which resulted in a significant water loss reduction as well as planning for future growth.

## **APPROVAL OF THE MINUTES OF THE LAST ANNUAL MEETING**

### **Annual Meeting of Members – April 22, 2006**

Mr. Bagué indicated that the minutes of the annual meeting of April 22, 2006 were circulated with the Notice of Meeting dated March 15, 2007. Therefore, Mr. Bagué recommended that the minutes be considered as read. Consequently, Mr. Shanks made a motion to approve the minutes as presented. Mr. David Suson seconded the motion, hearing no opposition the motion was unanimously adopted.

## **ELECTION OF DIRECTORS**

The President announced that this year there is the election of one Type "A" Director which is elected by the Type "A" members present in person or by proxy and four Type "B" Directors which are appointed by Palmas del Mar Properties Inc. (PDMPI) in accordance with the By-Laws.

The four Type "B" Directors appointed by PDMPI are: Messrs. James D. Shanks, Luis Rodríguez, David Suson and Edd Siler.

The President reported that in accordance with the By-Laws, the nominations committee unanimously nominated Mr. Antonio Maldonado to serve for a term of three years ending at the annual meeting in 2010. He then asked if there were any other additional nominations from the floor. Having none, a motion was presented by Mr. Shanks ratifying the nomination of Mr. Maldonado. Mr. Suson seconded the motion, hearing no opposition the motion was unanimously approved.

Mr. Bagué then read the results of the election as follows:

- 198 votes in favor

Mr. Shanks congratulated Mr. Maldonado.

## **APPOINTMENT OF ERNST & YOUNG**

Mr. Shanks proceeded with the ratification of the appointment of Ernst & Young as independent certified public accountants for fiscal year ending December 31, 2007. Mr. Suson made a motion ratifying the appointment of Ernst & Young as independent certified public accountants for fiscal year ending December 31, 2007. The motion was unanimously seconded and approved by the assembly.

## **PRESIDENT'S REPORT**

Mr. Bagué stated that the President's Report was circulated in the package that was sent to all members with the Notice of Meeting dated March 15, 2007. Subsequently, Mr. Bagué indicated that the report should be considered as read, and recommended to proceed with the approval of the President's Report. Mr. Rodríguez made a motion to approve the President's Report as presented. The motion was unanimously seconded and approved by the assembly.

## **TREASURER'S REPORT**

Mr. Bagué stated that the Treasurer's Report was circulated in the package that was sent to all members with the Notice of Meeting dated March 15, 2007. Mr. Bagué further stated that the report should be considered as read, and recommended that the Board proceed with the approval of the

Treasurer's Report. Mr. Suson made a motion to approve the Treasurer's Report as presented. Mr. Siler seconded the motion, hearing no opposition the report was unanimously approved.

## NEW BUSINESS

Mr. Michael Ratner (Fairlakes 627) brought to the attention of the Board his concern regarding the Wastewater Treatment Plant growth capacity in order to meet the future demands of Palmas del Mar according to the development plan. Mr. Encarnación clarified to Mr. Ratner the following: a) that the current capacity of the plant is 1.2 million gallons per day; b) that at this moment the plant is receiving around 400,000 gallons per day; c) that the permit of the treatment plant issued by the Environmental Quality Board is for 1.3 MGP; and d) that the expansion of the plant was contemplated from the beginning of the development of Palmas del Mar and is comprised as part of the infrastructure fees that are charged to the developers and the subscribers.

Mr. Rafael Méndez (Fairlakes 672) inquired about the results of the analysis related to the well. Mr. Encarnación stated that the feasibility study prepared by the firm Pacheco & Associates was received about a month ago. According to Mr. Encarnación, the study contemplated different technologies for the treatment of the water; the cost per gallon; the maintenance and operational expenses; as well as the infrastructure and capital investment necessary for the project. Mr. Encarnación stated that even though the cost per gallon looks feasible at this moment, the investment was calculated at about \$5,000,000; therefore, the Board is still evaluating the project.

Mr. Shanks stated that the Board is also considering the current situation with the PRASA rate negotiation. According to Mr. Shanks, if the final rate is more competitive than it is today, that might make the project economically unattractive.

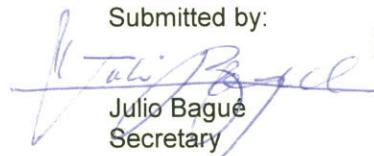
Regarding the additional fees applicable to the desalination plant, Mr. Encarnación clarified to Mr. Méndez the following: that these type of plants are subject to a fee imposed by the Department of Natural Resources; that a franchise needs to be requested at a cost of \$200.00 and then pay an annual fee of \$150.00; and that a fee of .20 cents per million gallon extracted from the well is also applied.

Mr. Encarnación stated that besides the capital investment and the PRASA rate issue, there is a project that has a direct impact over the analysis of the use of the well which is the improvements to the Río Blanco reservoir; a project that the Board is giving special monitoring. According to Mr. Encarnación, a desalination plant is a good alternative when the resource is not available, but the expectations are that the resource will be available for the region once the improvements are finalized.

## ADJOURNMENT

Mr. Bague made a motion to adjourn. Mr. Shanks seconded the motion, hearing no opposition, the motion was unanimously approved and the meeting was adjourned at 3:22 pm.

Submitted by:

  
Julio Bague  
Secretary

