

MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, FRIDAY, JANUARY 24, 2001, 5:00 P.M., BRINSON BOARDROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA.

Present were Chairman Walter, Director Genskie, Director Hart, Director Shearer, Director Toro, Mayor Gant, Attorney Brinson, General Manager Welsh and Recording Secretary Fizer.

A. **MEETING CALLED TO ORDER** at 5:00 P.M. by Chairman Walter.

B. **PLEDGE OF ALLEGIANCE**

The Board and staff recited the Pledge of Allegiance.

C. **ELECTION FOR VACATED OFFICER POSITION**

Chairman Walter postponed this item until Director Toro could be present.

D. **AWARDS AND PRESENTATIONS**

1. **10-YEAR SERVICE AWARD - BILL FISHER, UTILITY PLANNER, TRANSMISSION & DISTRIBUTION**

General Manager Welsh noted Mr. Fisher's accomplishments at KUA and read comments made by his supervisor. Mr. Fisher was introduced to the Board and was presented an award by Chairman Walter.

2. **10-YEAR SERVICE AWARD - DANIEL HERNANDEZ, APPRENTICE LINEMAN, TRANSMISSION & DISTRIBUTION**

Mr. Welsh noted that Mr. Hernandez was an Apprentice Lineman and that his wife worked at KUA also. Mr. Hernandez was introduced to the Board and was presented an award by Chairman Walter.

4. **RECOGNITION OF MBA DEGREE - GARRY BRANDT**

Garry Brandt, an accountant in the Finance department, was recognized for receiving his Masters of Business Administration from Webster University in November 2000. Mr. Brandt was introduced to the Board and Chairman Walter presented a plaque to him to commemorate this accomplishment.

Director Toro arrived at 5:08 PM.

5. **EMPLOYEE OF THE MONTH FOR JANUARY - BILL KENNEDY**

Bill Kennedy, a power plant mechanic/operator in Power Supply, was honored for being selected as January's employee of the month. Mr. Welsh read the information submitted by his co-workers and supervisors. Mr. Kennedy was congratulated and Mr. Welsh emphasized that this selection is very important because it is made by the employee's peers. Mr. Kennedy was introduced to the Board and was awarded a plaque by Chairman Walter. He was also given a day off with pay, a check for \$100, a special parking space, and a year's family membership to the Osceola Center for the Arts.

6. **EMPLOYEE OF THE MONTH FOR FEBRUARY - DEBBIE WHITE**

Mr. Welsh introduced Debbie White, quality control specialist in Marketing, to the Board. He noted her accomplishments and read the comments made by her co-workers and supervisor. He emphasized the importance of being chosen by peers and that this was indeed an honor. Mr. Welsh introduced Ms. White to the Board and Chairman Walter awarded her a plaque. She was also given a day off with pay, a check for \$100, a special parking space, and a year's family membership to the Osceola Center for the Arts.

3. **RECOGNITION OF MBA DEGREE - SAM KOTWAL**

7. **EMPLOYEE OF THE YEAR - SAM KOTWAL**

General Manager Welsh congratulated Sam Kotwal, manager of Support Services, for receiving his Masters of Business Administration degree from Rolins College. Mr. Welsh noted Mr. Kotwal's other educational and professional accomplishments as well as other awards. Mr. Kotwal was named Employee of the Month in January 2000 and in November 2000 was chosen as Employee of the Year.

Mr. Kotwal thanked KUA management and his family for affording him the opportunity and support he has been given. He was introduced to the Board by Mr. Welsh and Chairman Walter presented Mr. Kotwal with a plaque to commemorate his degree accomplishment as well as a plaque honoring him as Employee of the Year. In addition he was presented a check and a year's family membership to the Osceola Center for the Arts.

8. APPRECIATION PLAQUE PRESENTED BY THE CENTER FOR THE ARTS

Chris Gent, communications manager, introduced Kip Watson, executive director of the Osceola Center for the Arts, and Debra Stamas, new membership director, from the Center for the Arts. They presented the Board with a plaque and a photo of the Center's marquee announcing KUA's annual sponsorship. Mr. Watson and Ms. Stamas expressed their appreciation for KUA's contributions to the Center and the community. They also announced that they have agreed to provide a family membership pass and 4 show tickets to each Employee of the Month at KUA.

9. COMPREHENSIVE ANNUAL FINANCE REPORT (CAFR) AWARD FY 1999

KUA has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) for its comprehensive annual financial report (CAFR) for Fiscal Year 1999. Chairman Walter presented the award to Susan Raines, manager of Accounting, and thanked Ms. Raines and her staff for their contributions in attaining this award for the thirteenth consecutive year.

E. HEAR THE AUDIENCE - None.

F. PUBLIC HEARING - None.

C. ELECTION FOR VACATED OFFICER POSITION(S)

Chairman Walter noted that the recent local elections left one position on the Board vacant since George Gant became Mayor.

ACTION: Motion by Director Gemskie, seconded by Director Toro, to nominate Don Shearer for the position of Vice-Chairman.

Motion carried 5 - 0

Chairman Walter said that this would leave Director Shearer's position of Assistant Secretary vacant and a nomination was needed.

ACTION: Motion by Director Toro, seconded by Director Shearer, to nominate Nancy Gemskie for Assistant Secretary.

Motion carried 5 - 0

G. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

1. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FY 00 PRESENTED BY PRICE WATERHOUSE COOPER

Joe Hostetler, director of Finance, noted that KUA had a good year for net income. Mr. Hostetler said that all personnel in the Finance department worked very hard on this report and should be commended. He introduced Jim Hanlon, a partner from Price Waterhouse Cooper. Mr. Hanlon provided the Required Communications To Audit Committee information to the Board. Mr. Hanlon reviewed the communications document and noted that the report is very consistent with prior years presentation.

Jorge Acevedo, also from Price Waterhouse Cooper, explained the two supplemental reports that included the Independent Auditors Supplemental Reports and the Independent Auditors Management Letter.

H. OLD BUSINESS

1. RESOLUTION NO. 01-01 - RULE OF THIRTEEN YEARS FOR BOARD NOMINEES

General Manager Welsh said he had drafted a resolution at the Board's request that would affect the Board's decision to allow the board nominees to serve two full terms and possibly up to thirteen

years. Discussion was held and Mayor Gant suggested that the rule of thirteen still apply and in addition after five years or more have passed, the KUA candidate may be considered not to have served.

ACTION: Motion by Director Shearer, seconded by Director Gemske to adopt Resolution 01-01, Rule of Thirteen Years for Board Nominees with the amended wording.

Motion carried 5 - 0

Mayor Gant noted that he had brought this before the City Commission for discussion and they did not have a problem with it.

I. NEW BUSINESS

1. APPROVAL OF SETTLEMENT WITH SIEMENS WESTINGHOUSE FOR THE REPAIR OF THE HANSEL GAS TURBINE

Ben Sharma, director of Power Supply, gave a brief description on the history of the Hansel Gas Turbine compressor damage and proposed repairs. He noted that there is controversy between KUA and Westinghouse in determining the root cause of the compressor failure and subsequent damage. After many meetings with Westinghouse they have proposed an offer for the repair settlement. Attorney Brinson recommended that the agreement be accepted by KUA. The Board discussed the warranty terms for the repairs. Chairman Walter wanted to know if Westinghouse would guarantee that the unit would be at the same efficiency level as before the failure. Jeff Ling, manager of production in Power Supply, said that that was his understanding from them that they would guarantee it to the previous levels, prior to the failure. Director Hart asked about the time frame for installation once it is repaired and Mr. Ling noted that it should be approximately two weeks. Mayor Gant suggested that this vendor and KUA's working relationship be examined closely during this warranty period.

ACTION: Motion by Director Toro, seconded by Director Hart, to approve the repair settlement for Hansel Gas Turbine Unit offered by Siemens Westinghouse for \$849,863 with all the pertinent terms and conditions as explained in the agenda item and authorize the transfer of the above funds from the reserve for future capital projects to cover the payments at the appropriate time i.e. September 2001.

Motion carried 5 - 0

J. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON T&D PROJECTS

President Welsh noted that this was a written report. There was no discussion.

2. COMMUNICATIONS SYSTEM UPGRADE

Ken Davis, director of Transmission & Distribution, gave a brief verbal presentation on the status of the communication system upgrade (fiber optic system). He noted that six proposals have been received and are being reviewed at this time. He said that the total could be from \$300 to \$450 thousand dollars.

Mr. Davis reported to the Board that the All Requirements Project has obtained the services of a consultant to research the types of fiber available between the cities in the All Requirements. The consultant is doing preliminary routing and has talked to KUA about using some of its fiber by either leasing or building new fiber.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

The Power Supply report was a written report. Jeff Ling gave a brief verbal review on the progress of Cane Island 3. He noted that it was beginning to look like a power plant.

4. CONDENSED FINANCIAL REPORT - QUARTERLY - DECEMBER 2000

Joe Hostetler gave a recap of budget and actual amounts for kilowatt-hour sales and by months. He also reported on the year-to-date metered sales revenues. Other highlights in his report were the portfolio performance and operating and maintenance expense projections. Chairman Walter wanted to know why December revenues were down and Mr. Hostetler explained that the later part of the month would be reflected in January's report.

5. DECEMBER 2000 INTERNET SERVICES PROVIDER UPDATE

Mr. Hostetler noted that during the last several months since KUA has concentrated on commercial sales, revenues have increased from 4% in October 1999 to 33% in December 2000. He reported that the Internet Services Manager position as well as two sales positions have been eliminated to create further cost reductions. Mr. Hostetler said that by March, KUA.net should no longer be in a deficit situation and it should be at a break even point. Another cost reduction was noted by outsourcing web design.

6. DEPARTMENT HIGHLIGHTS - INFORMATION TECHNOLOGY

General Manager Welsh introduced Jef Gray, director of Information Technology. Mr. Gray gave a presentation on the projected changes to his department. He reviewed the ISP progress, disaster recovery plans and intranet development. He noted several cost saving procedures that are in place or would be in place shortly.

K. CONSENT AGENDA

Director Shearer requested that items #7 and #8 be removed from the consent agenda for discussion.

ACTION: Motion by Director Toro, seconded by Director Gemskie, to approve the consent agenda with the exception of item #7 and item #8.

Motion carried 5 - 0

1. APPROVAL OF MINUTES OF NOVEMBER 15, 2000 REGULAR MEETING
2. APPROVAL OF MINUTES OF DECEMBER 4, 2000 SPECIAL MEETING
3. APPROVAL OF MINUTES OF DECEMBER 15, 2000 SPECIAL MEETING
4. CANE ISLAND UNIT 3 - ADDITIONAL FUNDING FOR TRIAD ELECTRIC - THE ELECTRICAL CONTRACTOR FOR ACCELERATED WORK EFFORT
Recommendation: Approve the additional funding of \$575,000 to Triad Electric & Controls for their accelerated construction efforts required for the timely completion of Cane Island Unit 3.
5. CANE ISLAND UNIT 3 - ADDITIONAL FUNDING FOR TETON - THE GENERAL CONTRACTOR FOR GENUINELY ADDITIONAL WORK SCOPE
Recommendation: Approve the additional funding of \$431,294.12 to Teton Industrial Group for the additional scope of work as recommended in the Black & Veatch letter of January 15, 2001.
6. CANE ISLAND UNIT 3 - ADDITIONAL FUNDING FOR BLACK & VEATCH FOR THEIR ADDITIONAL WORK AND RE-WORK CAUSED BY GE'S LATE DRAWING SUBMITTAL
Recommendation: Approve the additional funding of 146,598 for Black & Veatch for their additional work efforts caused by late submittal of drawings by GE.
9. COMMUNITY SPONSORSHIPS
Recommendation: Staff recommends the Board approve the sponsorship of the Foundation for Osceola Education (\$5,000) and Community Vision (\$3,000) for 2001.

Director Shearer wanted to know why the lowest bid was not accepted for the tree trimming truck and wood chipper. Ken Davis reported that certain specifications on the chassis were necessary to meet the standards required by fleet management.

ACTION: Motion by Director Shearer, seconded by Director Hart, to approve item # 7 of the consent agenda.

Motion carried 5 - 0

7. AWARD OF INVITATION FOR BID #004-01 52' TREE TRIMMING TRUCK AND 16" WOOD CHIPPER
Recommendation: Award be made to Maudlin International Truck, Inc. in the amount of \$98,312.

Director Shearer questioned the award of the bid on the forklift. He wanted to know what specifications were not acceptable. Larry Mattern of Power Supply reported that the forklift had to reach certain heights to service the new unit going in at Cane Island 3 and also to be able to turn in a very small area. He said these specifications were critical in selecting this equipment.

ACTION: Motion by Director Shearer, seconded by Director Gemsle, to approve item #8 on the consent agenda.

Motion carried 5 - 0

8. AWARD OF TELESCOPIC FORKLIFT, INVITATION FOR BID #003-01
Recommendation: Award recommended to bidder meeting specifications, Prime Equipment, in the amount of \$93,000.

L. HEAR GENERAL MANAGER, ATTORNEY AND DIRECTORS

General Manager Welsh passed around aerial photographs of Cane Island 3 showing the progress of the construction. He reminded the Board of the APPA Legislative Rally coming up February 4 through February 7. Mr. Welsh announced that he would be speaking on deregulation at a Rotary meeting on February 26, 2001 and he invited the Board to attend. He also handed out pictures showing the progress of the Hansel Mural. President Welsh reported that Myron Rollins has undergone eye surgery and is recuperating while continuing to work.

Mayor Gant requested information from the Finance department on refinancing KUA's debt if the interest rates continued to fall. Mr. Hostetler said that he has been in discussions with KUA's financial advisors on this situation and would report any developments.

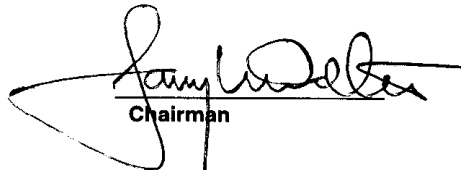
Director Shearer asked if KUA provides lightning arrestors to its customers. Ken Davis said that KUA has not in the past because of the liability factor. This is, however, being looked into at this time. He said that some utilities do provide this service however the arrestors do not guarantee against all lightning strikes.

Director Toro asked for discussion on the change of regular board meetings to 5:00 PM. He said that 5:30 PM would work out better for him. **It was the consensus of the Board to meet at 5:30 PM for regular meetings.**

- H. ADJOURNMENT - Chairman Walter adjourned the meeting at 7:25 p.m.**



Secretary



Chairman