

MINUTES OF THE REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY,
WEDNESDAY, MAY 27, 1998, 4:00 P.M., BRINSON BOARDROOM,
ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE,
FLORIDA.

Present were Chairman Hord, Secretary Guthrie, Assistant Secretary Ralston, Director Toro, Attorney Brinson, General Manager Welsh and Recording Secretary Fizer. Vice-chairman Walter was not present for the applicant review part of the meeting because he was one of the applicants.

A. **MEETING CALLED TO ORDER** at 4:05 P.M. by Chairman Hord.

B. **BOARD APPLICANT REVIEW**

Chairman Hord stated that there were three applicants to be interviewed for the 5-year Board seat that would open on October 1, 1998. The questions to be asked the applicants were discussed and it was noted that as in the past General Manager Welsh would ask the questions and the Board would judge the applicants according to the answers. All Board members agreed with this procedure. Chairman Hord suggested that after each interview, the Board discuss it. Attorney Brinson noted that it would be unacceptable to ask them to leave during other interviews or discussions, but they may choose to do so.

Steve Moore arrived at 4:15 P.M. and General Manager Welsh introduced him. Chairman Hord explained the interviewing process.

Chairman Hord noted that the financial disclosure form required to be filled out by board members does not assign dollar value to sources of income.

At the end of the questioning, Mr. Moore indicated he wanted to be a KUA board member to assist the Board with technical skills to be able to compete if the utility industry is deregulated. The board members further discussed the length of term of the position, the Florida Government in the Sunshine Law, the KUA Charter and Bylaws, and referring complaints about KUA.

Chairman Hord explained that the KUA Board of Directors acts as a nominating committee and since the City of Kissimmee owns KUA, the chosen applicant would be submitted to the City Commission for approval or disapproval.

After Mr. Moore left, the Board discussed his answers to the questions asked of him. **The Board made a decision to change the questions for the board applicants.** Question 14 should read "With KUA being owned by the City, do you have a problem or concern with a portion of the **revenue** going to the City?" Question 16 should read "What is your understanding of where we get our **electrical power**?"

Barbara Tune arrived at 4:53 P.M. and General Manager Welsh introduced her. Chairman Hord explained the interviewing process. Ms. Tune said she wanted to serve on the KUA Board to offer her personal contributions to the community and she also wanted something that would challenge her management skills.

(Mayor Attkisson arrived to the meeting at 4:55 P.M.)

Ms. Tune asked the Board if deregulation would affect this state or service area. She said she would like to see the people in the Kissimmee area served by deregulation and not be victims

of something the government decides to do. Chairman Hord said there are no sure answers on when and if deregulation would come to the KUA service territory or the state.

Chairman Hord noted that the financial disclosure form, supplied to applicants for their information, does not assign dollar value to any sources of income.

Director Toro questioned the lack of continuity in employment dates. Mr. Tune said she interpreted the application to include only managerial experience. Director Ralston commented on the Florida Sunshine Law and Attorney Brinson explained the legal interpretation of the law.

Upon Ms. Tune's departure, the meeting recessed from 5:20 P.M. to 5:30 P.M.

Larry Walter arrived at 5:35 P.M. and General Manager Welsh introduced him. Chairman Hord explained the interviewing process.

Mr. Walter indicated that he had served the KUA Board for the past five years, thought he had made a contribution and believed he could continue to make contributions using his business and engineering experience. Mr. Walter said the person selected to serve on the Board should be the best candidate. Comments were offered by the Board on Mr. Walter's valuable performance as a KUA board member as well as his common sense and business approach to making decisions.

After Mr. Walter left, the Board discussed the candidates and expressed that it was their desire that all the applicants apply in the future if they were not chosen for the October term.

ACTION: Motion by Director Guthrie, seconded by Director Toro, to submit the name of Larry Walter as KUA nominee to the City Commission to fill the vacancy on the KUA Board on October 1, 1998.

Motion carried 4 - 0

Director Ralston confirmed that Mr. Welsh would tell the other applicants that the Board appreciated their applications.

Further discussion was held on the board questionnaire and it was the consensus of the Board to eliminate question 12. It was also the consensus to replace it with "What is your impression/understanding of the deregulation issue?" and "How could it effect a smaller utility such as KUA?"

Director Toro also suggested a change in question 2. He said it should read, "Do you understand the time required for Board member duties?"

Chairman Hord asked that the President and General Manager notify the City Commission of KUA's nomination for the board seat and to likewise send a thank you to the other applicants.

The Board discussed the items that should be included in the board applicant packets in the future.

The meeting was recessed from 5:53 P.M. to 6:02 P.M.

C. AWARDS AND PRESENTATIONS

1. 10-YEAR SERVICE AWARD - HELENA HUSTON

General Manager Welsh recognized Helena Huston of Personnel & Risk Management for ten years of service. Ms. Huston could not be present and her award was accepted by her director, Neville Turner to be presented to her later.

2. 10-YEAR SERVICE AWARD - KATHLEEN WILSON

Kathleen Wilson was honored for ten years of service and presented an award by Chairman Hord. General Manager Welsh reviewed Ms. Wilson's history with KUA and thanked her for her years of service.

3. 5-YEAR SERVICE AWARD - CHRIS GENT

Chris Gent, Communications Manager, accepted an award from Chairman Hord for five years of service. General Manager Welsh reviewed Mr. Gent's business and personal accomplishments. Mr. Welsh and the Board thanked him for his years of service.

4. EMPLOYEE DEGREE RECOGNITION - MBA FROM ROLLINS - JOE HOSTETLER

General Manager Welsh announced that Joe Hostetler, director of Finance, had graduated with honors from Rollins College in the MBA program. Chairman Hord presented Mr. Hostetler a plaque commemorating his accomplishment.

5. EMPLOYEE DEGREE RECOGNITION - MASTER IN HUMAN RESOURCES - MIKE GERAGHTY

Mike Geraghty, manager of Customer Financial Services, was honored for his completion of a Masters Degree in Human Resources. Mr. Welsh noted that Mr. Geraghty is back up for the personnel director. Chairman Hord presented Mr. Geraghty a plaque commemorating his accomplishment.

6. 1998 ACADEMY AWARDS OF EDUCATION SPONSORSHIP RECOGNITION

Mr. Welsh introduced Ken Smith, the president of the Foundation for Osceola Education. Mr. Smith thanked KUA for their sponsorship in the recent Academy Awards of Education and noted that without the support of KUA and other community businesses, it would be impossible to offer the educational scholarships and support to the county's youth. Mr. Smith presented an award to the KUA Board that showed appreciation for this support.

7. TORNADO RESTORATION RECOGNITION

General Manager Welsh noted that KUA was a sponsor of the 1998 Osceola County Boy Scouts Family Fest held on March 2 at the Lakefront Park. At the event, KUA was honored for its contributions to the community in the aftermath of the February 23 tornado that devastated portions of Kissimmee and Buenaventura Lakes. Mr. Welsh noted that a plaque was given to KUA at that event and Chairman Hord presented the plaque to Ken Davis, director of Transmission & Distribution for all the work the staff performed above and beyond the call of duty.

8. FLORIDA PUBLIC RELATIONS ASSOCIATION AWARDS

Mr. Welsh noted that KUA and Chris Gent received six awards at the 1998 Image Awards, an annual contest sponsored by the

Orlando Area Chapter of the Florida Public Relations Association. Gent, Communications Manager, accepted these awards from Chairman Hord.

9. JAZZ FEST '98 SPONSORSHIP RECOGNITION

General Manager Welsh said KUA was a sponsor of the Jazz Fest '98 at Lakefront Park. Mr. Welsh noted that proceeds from this event, which was sponsored by the Rotary Club of Kissimmee West, would help organizations including the American Red Cross, Salvation Army, Daily Bread, Community Action and Help Now. In recognition of KUA's support, the club gave KUA a framed memento which was passed on to Ben Sharma, incoming president of the club.

10. EMPLOYEE OF THE MONTH - FRANKIE BOODRAM

Frankie Boodram, assistant water quality technician in the Power Supply department, was honored as June Employee of the Month.

Mr. Welsh noted that being selected employee of the month by co-workers is a prestigious honor. Mr. Welsh said that Mr. Boodram has been with KUA two years and is a valuable employee at the Hansel Power Plant. Chairman Hord awarded Mr. Boodram a plaque and Vice-Chairman Walter noted that the employee of the month receives a special parking space and a day off with pay. Director Guthrie presented Mr. Boodram a savings bond.

D. HEAR THE AUDIENCE - None.

E. PUBLIC HEARING - None.

F. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION) - None.

G. OLD BUSINESS

1. ACQUISITION OF ELECTRONIC MAIL PROCESSING EQUIPMENT

Dennis Wick, director of Information Systems, noted that KUA's goal is to provide for accurate and timely bulk mail processing at the lowest postal rates while reducing the overall cost to the ratepayers. Mr. Wick reviewed three options with the advantages and disadvantages of each in the mail processing equipment.

The first option showed costs involved with keeping the existing equipment and the actual and projected operational costs. It did not include the costs due to a reduced marketing effort. The second option detailed the cost of upgrading to the recommended Pitney Bowes inserter. Mr. Wick noted that this will not only provide the Marketing Department with the services they need, but will also generate revenue to offset the investment. The third option included the cost of outsourcing the processing of KUA bills.

After a brief discussion, Mr. Wick stated that any revenue generated from selective insertion of customer information into the bills would reduce the cost of the mail operation. Mr. Wick also noted that Pitney Bowes would be giving KUA a trade-in price but allow the utility to keep the machine.

ACTION: Motion by Director Walter, seconded by Director Guthrie, to accept staff's recommendation for the purchase of Pitney Bowes electronic mail processing equipment through a GSA contract for

\$130,605 to be funded out of currently funded projects; and to allow staff to dispose of the old machine at their discretion.

Motion carried 5 - 0

Mr. Welsh recognized Barbara Marshall of Information Systems for her work in bill processing.

H. NEW BUSINESS

1. LINE EXTENSION WAIVER POLICY D98-3

Ken Davis, director of Transmission & Distribution, noted that the Board had previously approved a policy allowing for the waiving of line extension fees for commercial customers who entered into a contract for a minimum of ten years. Mr. Davis said that since the implementation of the original policy, the acceptance of the ten-year contracts has been extremely good. He said staff was of the opinion that it would be in the best interest of KUA to change the contract term to 15 years.

Director Walter said he would like to know more about why nine customers did not sign the long-term contract. Mr. Welsh said that additional details would be provided at a later date.

ACTION: Motion by Director Ralston, seconded by Director Toro, to accept staff's recommendation and approve policy directive D98-3 and authorize the Chairman and Secretary to execute same and approve the form of the Contract for Electric Power Services.

Motion carried 5 - 0

2. DEED OF CONSERVATION EASEMENT

General Manager Welsh noted that when the Carroll Street building was constructed, KUA was required to grant South Florida Water Management District (SFWMD) a Conservation Easement covering the wetland near the building as a condition of the permit.

ACTION: Motion by Director Walter, seconded by Director Guthrie, to approve granting the Conservation Easement over defined wetlands on the Carroll Street site to SFWMD and authorize the President and General Manager to execute the necessary documents.

Motion carried 5 - 0

3. RESOLUTION #98-03 CONSENT FOR APPROVAL OF FGU ENTERING A SWAP DEAL FOR GAS FUEL

General Manager Welsh noted that the Board had approved the original Gas Supply Acquisition Project (GSAP) concept that would pre-purchase gas at a discounted price for a ten year period using tax exempt financing. Mr. Welsh said that in order to reduce the risk associated with downward price excursions, the purchase price has to be fairly low. In the months that were required to put the Project together, hire Bond Counsel, consultants, receive bids, etc., the price rose to well above the desired price and have remained above ever since.

Mr. Welsh reported that recognizing the situation, the Florida Gas Utility (FGU) staff, counsel and consultants were requested to explore alternative methods to achieve at least some savings in gas purchases until a permanent arrangement could be made. One method was to take a fixed price for the purchase of

gas, then enter into a fixed to variable swap where the variable price is indexed below the spot market price of gas.

Ben Sharma, director of Power Supply, introduced Catrina Vaughan, general manager of FGU, and Jerry Warren, consultant for FGU. They explained in detail how the variable swap would progress. Ms. Vaughan noted that the swap concept was accepted by both the GSAP Participants and the FGU Executive Committee as a viable alternative.

ACTION: Motion by Director Guthrie, seconded by Director Ralston, to approve and adopt resolution 98-03 and authorize the Chairman and Secretary to execute the same.

Motion carried 5 - 0

The meeting was recessed from 7:35 P.M. to 7:44 P.M.

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON T&D PROJECTS

There were no questions on the written report.

2. CONDENSED FINANCIAL REPORT - APRIL 1998

Joe Hostetler, director of Finance, reviewed the condensed financial report for April 1998. He gave a computer presentation that detailed fuel and purchased power, budgeted and actual revenues and year-to-date figures for expenditures and revenues. Discussion was held on the amount of debt service as stated in the fiscal policy. Director Walter asked if the figures listed in the report included adjusted budget numbers that were approved at the last Board meeting. Mr. Hostetler said they did not include those revised figures but would be adjusted prior to final budget approval.

3. BUDGETARY INFORMATION

Mr. Hostetler gave additional information on items that were discussed at the special board meeting on May 20, 1998. Mr. Hostetler also summarized the entire Marketing budget expenses, including those listed in Communications. Chris Beck, director of Marketing, explained how Equifax Credit Scoring System works and how it would assist KUA customers.

4. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

There were no questions on the written report.

5. DEPARTMENT HIGHLIGHTS - MARKETING

Chris Beck reviewed Marketing department highlights. This included the new organizational chart, the Key Accounts presentation created by Chris Gent, the contract rate status, and collection agency details. Ms. Beck handed out the updated customer doorknob hangers and noted that it is in English and Spanish for the convenience of both the meter readers and the customers. Ms. Beck also showed new devices being used by meter readers when dealing with animals.

6. MAY 1998 INTERNET SERVICES PROVIDER UPDATE

Dennis Wick, director of Information Systems, reviewed the status of the Internet Services Provider project and the time schedule for each step necessary to start these services to KUA customers.

J. CONSENT AGENDA

General Manager Welsh asked to remove item 2 from the consent agenda until a later meeting.

ACTION: Motion by Director Walter, seconded by Director Ralston, to approve items 1, 3, and 4 of the consent agenda.

Motion carried 5 - 0

1. APPROVAL OF MINUTES OF APRIL 22, 1998 SPECIAL MEETING
3. INVESTMENT POLICY CHANGE - POLICY DIRECTIVE D98-2
4. HEALTH INSURANCE PROCESS

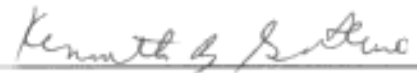
K. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

Attorney Brinson gave an update on the Amtrak hearings and the upcoming trial dates. Mr. Brinson proposed a closed (shade) meeting with the Board some date after the June 16 hearing. Mr. Brinson explained the procedure for advertising and conducting a shade meeting.

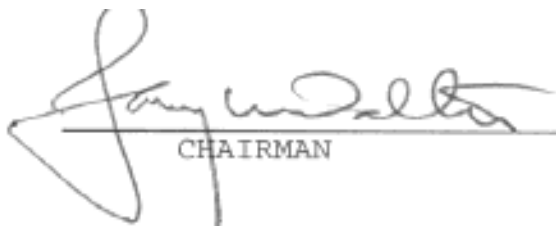
ACTION: It was the consensus of the Board to hold a shade meeting prior to the July 22 regular board meeting. The meeting would begin at 4:30 P.M.

F. ADJOURNMENT - Meeting was adjourned at 8:50 p.m.

ATTEST:



SECRETARY



CHAIRMAN