

**MINUTES OF THE REGULAR BOARD MEETING OF KISSIMMEE UTILITY
AUTHORITY, WEDNESDAY, AUGUST 25, 2004 AT 5:30 P.M., BRINSON BOARD
ROOM, ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE,
FLORIDA.**

Present were: Vice-Chairman Nancy Gemskie, Director Domingo Toro, Director Bill Hart, Director Fred Cumbie, Director Jim Kasper, Mayor George Gant, General Manager James Welsh, Vice-President and General Counsel Grant Lacerte and Recording Secretary Carolyn Scott.

A. MEETING CALLED TO ORDER at 5:30 p.m. by Vice-Chairman Gemskie.

B. PLEDGE OF ALLEGIANCE

Board and staff recited the Pledge of Allegiance.

C. INSTALLATION OF BOARD MEMBER

Jim Kasper was given the Oath of Office by Carolyn Scott, recording secretary who also serves as a Notary Public. Mr. Kasper will fill the vacancy on the Board through September 2004. He was congratulated and welcomed by the Board.

D. ELECTION OF OFFICERS

ACTION: Motion by Director Hart, seconded by Director Toro, to nominate Nancy Gemskie for Chairman of the KUA Board of Directors.

Motion carried 5 – 0

ACTION: Motion by Director Hart, seconded by Director Cumbie, to nominate Domingo Toro for Vice-Chairman of the KUA Board of Directors.

Motion carried 5 – 0

ACTION: Motion by Director Toro, seconded by Director Cumbie, to nominate Bill Hart for Secretary of the KUA Board of Directors.

Motion carried 5 – 0

ACTION: Motion by Director Hart, seconded by Director Toro, to nominate Fred Cumbie for Assistant Secretary of the KUA Board of Directors.

Motion carried 5 – 0

E. AWARDS AND PRESENTATIONS - none

F. SPECIAL REPORT ON RESTORATION STATUS

General Manager Welsh explained the focus of the meeting is to report on the disaster and the recovery from the disaster, Hurricane Charley. This was the worst natural disaster the northern part of Osceola County has had historically which resulted in a complete loss of power for the KUA. Crews and equipment through our mutual aid agreement with 28 other municipalities in Florida Municipal Power Agency (FMPA) were requested, and put into service directly after the hurricane passed. He stated that all employees have worked 24 hours a day, seven days a week operations since the evening of August 13th.

Mr. Welsh reported the assessment on the first day was to have some of our customers on which KUA did, a large portion of our customers on day seven which KUA did, and some into the following week which KUA is experiencing now. He indicated the goal was to be 100% restored with a possible exception of a 3 phase customer by Thursday, August 27th. This is three days ahead of the original targeted date.

Ben Sharma, vice president of Power Supply reported that the damages to the Hansel Plant were more extensive than damages at Cane Island Power Park. The cost of repair to the cooling tower will be approximately \$140,000, roof repairs \$50,000, steam turbine side \$70,000. Generators #8, #22 and #23 were out of commission causing a loss of 16 MW of capacity which is not significant at this time. The cooling tower at Cane Island was damaged however was operational. The fiber optic link was down, and operations were conducted by radio rather than computer for quite some time.

Mike Geraghty, vice president of Customer Service & Marketing reported the damages to the Carroll Street facility. The atrium exhaust was ripped from the building causing large gashes in the roofing membrane and has been repaired. As a result of the roof damage the inside of the building was water damaged. Many oak trees and some palm trees fell, and debris was scattered over the property. Repairs and clean-up continue.

Jef Gray, vice president of Information Technology said that upon return after the storm it was discovered the fiber had been damaged to the Hansel Plant, location of the backup system. The Carroll Street building was intact and systems were up and running with the exception of a couple hardware issues with the AS/400. Sprint lines were down which affected KUA.net. Fiber was rerouted which brought up Hansel, high-speed customers at Solivita, and restored connection with Cane Island. Field operations were at 100% which enabled them to immediately get on the job to restore power without IT issues. Both the GIS and outage systems were up.

Chris Gent, manager of Corporate Communications explained that media coverage for the first five to six days was focused on Orlando and Orange County due to proximity to the stations and utility headquarters. He explained this made a better target for them to do their interviews, wrap up and get back to the stations to report quickly. He said with cell phones, phone system, and fax machines knocked off-line, the media was relied upon as a tool to relate to our customers. Access Osceola was off-line due to damages to the Brighthouse system therefore communication was lost in that fashion. The lack of providing restoration detail was realized and changed on Thursday when the media was updated with more detailed information. Gent said that since August 14th media advisories have been sent to all central Florida media, legislative delegation, and county and city commissions.

Mike Geraghty reported on customer communications and described the activities of the call center which was opened immediately and in operation 24 hours a day, 7 days a week after the hurricane. Mr. Geraghty stated that an average monthly call total was 20,000 customers and within ten days of the hurricane there were 29,396 calls. He said the automated phone menu was updated twice daily with restoration information. Upon business opening August 23rd there were 3,640 walk-in customers as compared to an average daily walk-in of 1,350 customers.

Grant Lacerte, vice president and general counsel reported that restoration updates were hand delivered to the hard-hit neighborhoods. This outreach effort began August 14th and continued through Tuesday, August 24th. In addition to disseminating information regarding the status of restoring power, the outreach teams surveyed the area to determine specific needs of the customers. With the information gathered, the team was able to contact and coordinate water, ice, and food deliveries, as well as customer transportation by other agencies. The KUA comfort station distributed 64,000 bottles of water and 4,500 bags of ice. KUA personnel also manned the 24-hour Emergency Operations Center along with other agencies' representatives to coordinate restoration efforts.

General Manager Welsh explained that there was no ethnic or class favoritism in the order of restoration. The priorities were hospitals, critical care facilities, police, water, sewer and businesses providing necessary services. The next order of restoration was the most customers KUA could provide power the quickest, followed by groups with fewer customers that would require the same or greater time to restore. KUA was staffed with the amount of crews and equipment deemed optimal to restore power in the quickest possible fashion. From an overall control and coordination standpoint caution must be taken to avoid the risk of casualty or fatality of KUA employees or the public.

Mr. Welsh informed the Board that KUA's cash flow situation would meet the needs to bring in the resources needed for the restoration. He stated that KUA should be reimbursed for large amounts of the costs through Federal Emergency Management Agency (FEMA). KUA, through the Board's direction, has emergency funds in place for this eventuality.

He explained that KUA has identified some things that can be improved such as communications. Mr. Welsh said that he overly restricted access to operations personnel by communications staff because he was focused on the restoration of power to our customers. He explained that although any distraction takes away from the

restoration effort, communication is too important to not devote enough time to keep the customer informed of how and when things will happen. He said procedures have been changed in this area.

Ken Davis, vice president of Engineering and Operations explained that the KUA distribution system is serviced by nine substations and all of the substations are served by at least two transmission lines. He said the storm knocked out every one of the substations and transmission lines. Each of the 66 miles of transmission circuits had to be physically assessed before any repairs could take place. Early Saturday all the substations were brought back up so that the checking of every major feeder circuit could be completed. Small segments were found that could be energized. After bringing up priority areas, the major focus was then to areas where the most people with minimal damages could be picked up the quickest. The progress slowed down when it came to situations like individual transformer change outs.

Mr. Davis explained that sixty 80-foot transmission poles needed replacing. KUA will have between 175 and 200 distribution poles that will need to be replaced and conductors strung back on those poles. Poles have been received and work has started in these areas.

KUA started bringing in help as soon as the damage was assessed. He said that we received assistance from Ft. Pierce Utilities Authority, Gainesville Regional Utilities, Keys Energy Services, Lakeland Electric and City of Vero Beach through mutual aid agreement. KUA brought in specialized contract crews from South Carolina, Tennessee and Georgia, as well as additional tree trimming crews.

Mr. Davis explained that KUA normally has about 50 people that work on the line crews, and currently there were an additional 350 people from outside the utility. All personnel are involved in patrolling the lines, fixing the lines or working with the crews. He further stated that KUA is proud of its employees.

Wilbur Hill, vice president of Human Resources reported that all available personnel who were not directly involved in the restoration efforts or essential operations of their departments were assigned to a staffing pool. These employees were allocated as needed to critical areas.

Joe Hostetler, vice president of Finance and Risk Management described one area of responsibility during the disaster was to provide 11,000 meals over twelve days by staff working three different shifts. He stated KUA has \$19 million cash investments to help pay for the restoration process until reimbursed by FEMA. He said that KUA also has credit support should a larger disaster happen that would exhaust the \$19 million. KUA is hiring a firm to conduct an independent review of our disaster recovery process. The firm will assist KUA in the reimbursement process from FEMA.

Mr. Welsh said he was very proud of KUA's employees and support personnel. He publicly thanked the responders from various areas inside and outside of the state assisting in the restoration. He further stated the group he is most proud and most concerned about is our customers, and that they had endured a lot.

Director Cumbie asked if KUA had the ability to put more humans out there working from different areas of the country, would it not have sped up the restoration process. Welsh said there is a point at which more money and more resources become counter productive. Mr. Davis said the first concern is that crews from out of town do not know the area or the KUA electrical system. From a safety standpoint, the dispatchers cannot control what is energized when there are too many people in the field performing restoration of the system. This confusion caused field operations to completely stop on one day to review the restoration plan to prevent a fatality.

Mayor Gant said a comment made by the community service groups was concern about generators and not having enough personnel to work ahead of them to ensure that people knew to turn their generators off.

Director Hart requested that the questions he presented to Mr. Welsh be passed on to the Board. He said that he did not expect the questions to be answered tonight, but asked that they be answered through the post-mortem analysis. He added the questions are related to underground retrofitting of older neighborhoods and that perhaps an older neighborhood could be selected and an analysis performed to determine what would be involved in retrofitting with underground service.

Chairman Gemskie said that clearly KUA was out of business because of the disaster. She stated that KUA has acted very responsibly in many areas and there is no doubt in anyone's mind that KUA acted in the best interest of its community. There are some lessons to be learned. She complimented Chris Gent on his excellent service to KUA and asked that staff work to resolve the communications issues during crises. Chairman Gemskie provided some additional ideas for staff to consider. On behalf of the Board she asked that KUA staff get the story out in a timely fashion because it was a good story.

A brief recess was taken at 6:56 p.m. The meeting was called back to order at 7:00 p.m.

G. HEAR THE AUDIENCE

Gail Eck, 22 N. Beaumont, stated that she still did not have power. Her impression is that KUA was not prepared. She asked why KUA had not called in extra help when it was announced the hurricane was heading in our direction. She expressed that there was a major communication problem as she did not hear anything about her neighborhood. Ms. Eck said that because of the tree trimming there was debris on her property and the sidewalks that has not been picked up. She said she appreciated all that the public service workers were doing, but felt there was a problem with the management and communications.

Randy Hillman, 707 Mabbette, stated that they do not have power. He said that although all employees of KUA appear to be working very hard, there was a lack of preparedness for the hurricane. He said it was difficult for him to understand why so much KUA infrastructure was damaged because we live in Florida and know we have hurricanes. Mr. Hillman said he wanted to know what was actually done to prepare.

Richard Herring, 1586 Starfish, stated his dissatisfaction with KUA management and communications director and asked that they be fired. He said he did not hear anything from KUA on the radio for the nine days he was without power. He suggested KUA should have bought an ad like other utilities if there was no other way to get to the media, especially for those who did not have television or Internet. Mr. Herring said that if you give people hope that they may not get mad.

Lana Lameier, 2630 Coral Avenue, said her power was on Monday around eight o'clock and she was happy about that because it had been a long stressful time. She stated that the gentlemen who fixed her power told her the reason she did not have power at the same time as neighbors was because there was no easement behind her house for trucks to get there, and the trees had not been trimmed. She said it would be better if the lines were underground. She complimented the line crew and said they were wonderful and patient with questions from her and her neighbors.

Judith Richards, 2632 Horseshoe Bay Drive, said that she had only lived here seven weeks. Ms. Richards said she was from Chicago where they had their share of disasters with ice and snow. She said the people she communicated with at KUA were professional, informational and very courteous, and her experience was very positive.

Sherrie Thompson, 3305 Harbor Road, stated she is the wife of a lineman and that it hurts to turn on the television in the mornings and hear all the negative comments. She said she knew that people were here on Saturday helping, and she wished the public could see that KUA is doing all that they can.

Jerry Gemskie, 1018 Plantation Drive complimented Chairman Gemskie and the KUA Board for doing an outstanding job under a stressful time.

H. CONSENT AGENDA

ACTION: Director Toro made a motion, seconded by Director Hart to approve items 1, 2, and 5 on the consent agenda as recommended.

MOTION CARRIED 5-0

1. **AWARD OF CONTRACT IFB #019-04 NATURAL GAS PIPELINE MATERIALS**

Recommendation: Award contract to McJunkin Corporation for the supply of the gas pipeline materials as described in the specifications for the sum of not to exceed \$379,756.

2. **APPROVAL OF CONTRACTUAL SERVICES WITH GENERAL ELECTRIC (GE) FOR CANE ISLAND UNIT 2**

Recommendation: Approve Contract Services Agreement (CSA) with General Electric for long term maintenance of Cane Island Unit 2 gas turbine for the total fee of \$6,700,000 plus the prevalent annual price escalation and authorize the Chairman and the Secretary to execute the CSA subject to the finalization of minor language revision in the CSA.

5. **APPROVAL OF THE MINUTES FOR JULY 14, 2004 REGULAR MEETING**

3. **ACCEPTANCE OF TEMPORARY EASEMENT FROM TOHO WATER AUTHORITY (TWA)**

Director Toro asked why the easement is temporary. This is for the construction period. Mr. Sharma said it is the gas pipeline we are relocating on the side of 545.

ACTION: Director Toro moved to approve item 3 on the consent agenda, Director Hart seconded the motion.

MOTION CARRIED 5-0

4. **APPROVAL OF PERPETUAL WATER FLOWAGE EASEMENT AGREEMENT BETWEEN KUA AND RRR MITIGATION BANK LLC**

Director Hart asked if this requires us to do any construction efforts on our part or if it would impede any future construction. Mr. Sharma said there would be no construction, and that a provision was made that if KUA was required to do a study that RRR would bear the cost of the study.

ACTION: Director Hart made a motion, seconded by Director Cumbie to approve the Perpetual Water Flowage Easement Agreement with RRR but do not execute the document until after SFWMD has issued permit to RRR and KUA has received the clearance letter from SFWMD (item 4 on the consent agenda).

MOTION CARRIED 5-0

I. **PUBLIC HEARING** - None

J. **INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)** - None

K. **OLD BUSINESS** - None

L. **NEW BUSINESS**

1. **SECURITY MONITORING SERVICE PROPOSAL BETWEEN KUA.NET AND MARLIN MONITORING**

General Manager Welsh said this is something previously discussed with the Board and asked Jef Gray, vice president of Information Technology to present the concept to the Board.

Mr. Gray introduced Barry Brannon, President of Marlin Central Monitoring, and Darrell Gray, Territory Sales Manager, GE Security, Inc. He said that GE is the manufacturer of the monitoring systems.

He explained that Internet service is offered as a bundled service, and is currently being rebuilt on a national level the cost of which will be outsourced. Mr. Gray said that meanwhile KUA has added phone service to our customers through third party, Sparks. KUA is adding phone service customers more rapidly than forecasted. Mr. Gray indicated KUA now has the opportunity to extend

telecom services to security monitoring. The third party, Marlin, would handle the backend stuff, the licensing and the monitoring. He explained that KUA would be responsible for customer sign up for the service and for placing the service charge on the electric bill. Mr. Gray gave a detailed presentation on the business model. He said by taking the growth of these services to a national consumer base more revenue would be generated. He expressed the overall goal in offering these services is to generate revenue that could be put into rate stabilization to reduce the cost of providing electricity to customers.

Director Cumbie asked about potential liability. Grant Lacerte, vice president and general counsel pointed out that liability was looked at in great detail, and the nature of the services limits our exposure. He explained that KUA would not provide the installation of service or the installation or financing of equipment. KUA would provide marketing, billing and collections.

Darrell Gray of GE gave a brief demonstration of the monitoring equipment.

ACTION: Director Cumbie made a motion, seconded by Director Kasper to approve the business venture by authorizing the Board Chairman and Secretary to sign the appropriate documents for contract execution.

MOTION CARRIED 5-0

M. STAFF REPORTS

1. **MONTHLY PROGRESS REPORT ON ENGINEERING & OPERATIONS DEPARTMENT PROJECTS** - none
2. **MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS**
This was a written report.
3. **CONDENSED FINANCIAL REPORT - JULY2004** - none

N. HEAR INTERNAL AUDIT, ATTORNEY, GENERAL MANAGER, DIRECTORS

Director Kasper said he would like to enter a motion referenced to previous discussion for a vote of confidence to James Welsh, our President, from this Board.

ACTION: Motion made by Director Kasper, and seconded by Director Toro for a vote of confidence to James Welsh.

MOTION CARRIED 5-0

Chairman Gemskie pointed out that the information on this month's rate comparison report indicated that KUA's rates were lower than other listed utilities, and it should also be recognized when lower.

Mr. Lacert said that he strongly supports the efforts of an independent review of our disaster recovery process.

General Manager Welsh suggested the Board establish another meeting for further update. A special meeting was established for September 8 at noon. He reminded the Board of upcoming events, the Quarter Century Club on October 7 at 6:00 p.m. and the EOC appreciation dinner on November 4 at 6:00 p.m. He provided a copy of the New Employee Handbook to each Board member.

Mayor Gant commended KUA for going outside for an independent study of the operations as related to the disaster. He said he did not believe there was any shortfall in the employee participation.

Director Toro thanked all staff for the hard work done during the restoration process, and asked that Mr. Welsh include this in the Powerline article.

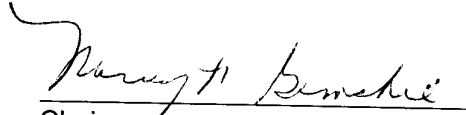
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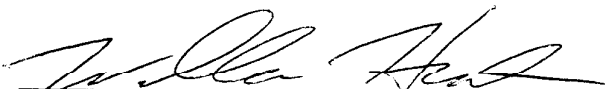
Director Hart said that in the effort to restore electricity as fast as possible temporary line services were created. He asked how stable the temporary connections were and how long would it take to turn them into permanent services. Mr. Welsh said that the temporary line services will be converted as soon as all customers are restored. Director Hart asked that the message get out to the public that while the power has been restored, there remains a lot of work to do in securing the system. Director Hart also asked that staff pursue the airing of the presentation given tonight on Access Osceola.

Director Cumbie suggested an insert or something like that be placed in the local newspaper to keep the public informed during a disaster.

O. **ADJOURNMENT**

Meeting adjourned at 9:05 p.m.


Chairman


Secretary