

MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, MONDAY, MARCH 26, 2001, 5:30 P.M., BRINSON BOARDROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA.

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

A. MEETING CALLED TO ORDER at 5:30 P.M. by Chairman Walter.

B. PLEDGE OF ALLEGIANCE

The Board and staff recited the Pledge of Allegiance.

C. TEN YEAR PLAN

1. INTRODUCTION AND OVERVIEW - JAMES C. WELSH, PRESIDENT & GENERAL MANAGER

General Manager Welsh noted that the Ten Year Planning meeting with the Board is preceded with months of activities by the operating departments and the Finance team. He noted that KUA has met all fiscal policies set up by the Board throughout the ten years. Next year capital expenditures will be down significantly from this year and the previous year. Mr. Welsh said each department director would give more detail on their individual areas. He reported that the Internet Service Provider (ISP) has been making a profit since January and beginning this month there will be a positive retained profit after payment to the City.

2. FINANCIAL HIGHLIGHTS - JOE HOSTETLER, DIRECTOR OF FINANCE

Mr. Hostetler reviewed the general assumptions of the Ten Year Plan that included the operating and maintenance escalation, a three year ISP projection, the World Expo Center, and the possibility of selling power (generating capacity for resale). Three cases were reviewed and Mr. Hostetler detailed net reinvested earnings, reserve for future capital outlay cash balance, debt service coverage ratio, Hansel and Cane Island reserve for maintenance cash balance, insurance needs, deregulation rate stabilization fund, operating cash and investments, operating and maintenance expenses, total interest expense and revenue, summary of debt service payments, summary of debt service coverage, capital requirements, and budgeted capital expenditures for FY 2002. Mr. Welsh requested that Mr. Hostetler provide to the Board KUA's debt service history at the regular meeting on March 28, 2001.

Director Toro questioned the decrease in metered sales as was projected last year and Mr. Hostetler noted that last year's ten year plan included an aggressive load forecast and that is not the case this year. Mayor Gant asked for discussion on the nuclear plants shown in the plan. It was reported that they are managed by the Florida Municipal Power Agency (FMPA). Director Toro also asked for discussion on the large increase in the fuel costs. Mr. Hostetler noted that fuel and purchase power takes up 75% of the budget. Director Hart asked how KUA funded assistance provided to other states and areas during natural disasters. General Manager Welsh said this is taken from regular operating funds and then KUA is reimbursed by the county, state or area that is being assisted. In some cases, locally, KUA is reimbursed by the Federal Emergency Management Agency (FEMA).

Chairman Walter noted that the Ten Year Plan shows the fuel costs rising throughout the period and he wanted to know if the decision that the Board made about freezing the COPCA would make this situation worse.

3. PERSONNEL OVERVIEW - NEVILLE TURNER, DIRECTOR OF PERSONNEL

Mr. Turner presented the company-wide organizational chart. Chairman Walter asked why the reduction in personnel was not reflected on the presentation and it was noted that it would be corrected in the future. Mr. Turner reviewed the consumer price index charts and the increase using various scenarios. **It was the consensus of the Board to approve a Market Level Adjustment of 3% for all employees for planning purposes only.**

4. KUA.NET OUTLOOK

Jef Gray, Director of Information Technology, Chris Beck, Director of Marketing, and Joe Hostetler gave the presentation on KUA.net. They reviewed the operating revenues, departmental expense, total expense, communications expense, promotions, marketing, and advertising. Mr. Gray detailed the staffing needs and noted changes that have taken place on the organizational chart. Capital requirements

were reviewed. Mayor Gant made the observation that KUA.net should set some goals for the next three years basing them on the last three years.

5. OPERATIONS AND CAPITAL

a. POWER SUPPLY - BEN SHARMA

Ben Sharma, director of Power Supply, reviewed the department Mission Statement, specific plans for 2001-2010, specific cost centers, and the department organizational chart. He did not foresee any staff additions over the next ten years in his department. Mr. Sharma reviewed his department's goals and the projected megawatt generation by resource groups. Mayor Gant inquired about coal fired plants and if this is cost effective. Mr. Sharma and Mr. Welsh both agreed that the cost of coal is less but the heat rate is also greater.

b. INFORMATION TECHNOLOGY - JEF GRAY

Mr. Gray reviewed his department's organizational chart in depth and noted that the staff additions with the ISP would only occur if business warranted. He also detailed his department's goals and capital requirements. Mr. Gray reported on several in-house changes that are being made or would be made during the ten-year plan period. Chairman Walter asked that the CR3 goals be corrected in the ten-year plan to reflect the information Mr. Gray presented to the Board. Mayor Gant asked if anyone had information on the status of H T E and whether they are becoming stable again. It was noted that they appear to be recovering. Director Gemskie asked for more detail on the "hot site" at the Hansel Plant. This would be an exact duplicate of the AS400 and equipment at the Carroll Street building. In the event of a disaster and the Carroll Street building becoming damaged, the "hot site" would pick up and continue operations as if nothing were changed. Mr. Gray said this could possibly be used by the City also.

c. TRANSMISSION & DISTRIBUTION - KEN DAVIS

Ken Davis, director of Transmission & Distribution, detailed his department's organizational chart and the additional staff that would be needed over the next ten years. He reviewed each of his divisions and their respective needs. Also reviewed were capital requirements, capital highlights, operating and maintenance expenses, capital expenses, and departmental goals. Mayor Gant mentioned that he had a call where a customer complained that the trouble call crew was slower responding during the day than after hours. Mr. Davis explained that this could have been on a day when the crew was responding to more than one outage.

d. MARKETING - CHRIS BECK

Ms. Beck reviewed her department divisions and the organizational chart. She detailed the staff additions needed within the next ten years and the reasoning for each addition. Also reviewed were expenditures, capital items and department goals. Director Shearer wanted to know if Marketing intended to continue hiring part time personnel and Director Toro asked for discussion on the turnover rate for part-timers. Director Hart also was concerned about the turnover rate and expense in training. Ms. Beck answered that the major benefit to KUA is the flexibility that part-timers afford the Marketing department. Mr. Welsh said that this is also an excellent recruitment tool. Mayor Gant inquired about automated meter reading and Ms. Beck said at this time it would not be cost effective.

e. FINANCE AND GENERAL MANAGEMENT - JOE HOSTETLER

Mr. Hostetler review both Finance and General Management departments. He detailed the organizational charts and goals for each department. Mr. Hostetler also reviewed the capital requirements for each department. Mayor Gant commented that the Finance department has saved KUA money by completing the Cost of Service Study in-house.

f. PERSONNEL & RISK MANAGEMENT - NEVILLE TURNER

Mr. Turner detailed his organizational chart and noted that he had no staff additions within the next ten years. He also reviewed his expenses, department goals and capital requirements for the Personnel department. In addition, he presented the needs and goals for the Communications division. Director Hart asked if a significant amount of unemployment compensation claims go to civil court. Mr. Turner said that none have gone to civil court.

ACTION: Motion by Director Shearer, seconded by Director Toro, to approve the Ten Year Plan as presented by staff.

Motion carried 5 - 0

D. OTHER

General Manager Welsh noted that Chairman Walter had requested that staff explore the All Requirements Projects at FMPA in an attempt to help keep rates down. He said that a meeting has been scheduled to speak with consultants from First Southwest to discuss KUA's options. Mr. Welsh outlined the study procedure and steps that would need to be taken. **It was the consensus of the Board that staff go forward with the scope of service for the study to join the All Requirements Project.** Chairman Walter also asked that KUA research all resources in an attempt to benefit our customers and keep the rates down. Discussion was held on the permanency of any decision to join the All Requirements Project.

Mr. Welsh also showed a video of State Representative Frank Attkisson and his view on energy deregulation. Mayor Gant reported that he heard recently that a bill was being sent to the legislators as was detailed in the 20/20 Energy Study.


E. HEAR GENERAL MANAGER, ATTORNEY AND DIRECTORS

Mr. Welsh reported that two board members were having scheduling problems with the June 6 and 7 Budget Meeting dates. **It was the consensus of the Board to change this meeting of May 24 at 5:30 PM.**

He also told the Board that he would be sending out information on an upcoming Policymakers Workshop being sponsored by the American Public Power Association (APPA) in October of this year.

The Board complimented the staff on doing a great job with the preparation of the Ten Year Plan.

F. ADJOURNMENT - Chairman Walter adjourned the meeting at 8:07 p.m.



The image shows two handwritten signatures on a light pink background. On the left is the signature of the Secretary, and on the right is the signature of the Chairman. Below each signature is a horizontal line and the title of the signatory.

Secretary

Chairman