

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, MARCH 28, 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 Scott.

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. AWARDS AND PRESENTATIONS

1. 10-YEAR SERVICE AWARD - MIKE BLOUGH, SYSTEM LOAD DISPATCHER, POWER SUPPLY

General Manager Welsh noted that Mike was unable to attend the board meeting and would be honored at a later date by his supervisor.

2. 10-YEAR SERVICE AWARD - RAY BRENNICK, STAFF ENGINEER, POWER SUPPLY

Mr. Welsh read comments made by his department director. His past accomplishments in the area of the purchase and sales of power and fuels were noted. Ray was introduced to the Board. Chairman Walter presented him an award and certificate.

3. 10-YEAR SERVICE AWARD - BOB STAGGS, POWER PLANT OPERATOR/MECHANIC, POWER SUPPLY

Bob Staggs was unable to attend the meeting. Mr. Welsh noted that he would be honored at a later date by his supervisor.

4. 10-YEAR SERVICE AWARD - JOE WATSON, LINEMAN FIRST CLASS, TRANSMISSION & DISTRIBUTION

Joe Watson was congratulated by Mr. Welsh for his years of service. Mr. Welsh noted his involvement in the Lineman's Rodeo, and past work and personal accomplishments. Joe was introduced to the Board and Chairman Walter presented him an award and certificate.

5. 15-YEAR SERVICE AWARD - TIM PHILLIPS, LINE LOCATOR, TRANSMISSION & DISTRIBUTION

Tim Phillips was unable to attend the meeting. Mr. Welsh noted that he would be honored at a later date by his supervisor.

6. 15-YEAR SERVICE AWARD - MANNY RODRIGUEZ, LINEMAN FIRST CLASS, TRANSMISSION & DISTRIBUTION

Manny Rodriguez was unable to attend the meeting. Mr. Welsh noted that he would be honored at a later date by his supervisor.

7. 15-YEAR SERVICE AWARD - ALLEN STRAIGHT, SUPERINTENDENT OF DISTRIBUTION OPERATIONS, TRANSMISSION & DISTRIBUTION

Mr. Welsh thanked Allen for his contributions to KUA over the past 15 years and noted some of his accomplishments. Allen was introduced to the Board and Chairman Walter presented him an award and certificate.

8. EMPLOYEE OF THE MONTH FOR APRIL - BILL WEIDMAN

Bill Weidman, utility worker in Transmission & Distribution, was honored for being selected as April's employee of the month. Mr. Welsh read the information submitted by his co-worker and supervisor. Bill was congratulated and Mr. Welsh emphasized that this selection is very special because it is made by the employee's peers. Bill was introduced to the Board and was awarded a plaque by Chairman Walter. He will also be given a day off with pay, a savings bond, a special parking space, and a

year's family membership to the Osceola Center for the Arts.

9. FLORIDA LINEMAN'S RODEO TROPHY PRESENTATION

Ken Davis, director of Transmission & Distribution, gave a brief visual presentation on the activities of the Florida Lineman's Rodeo that two KUA teams participated in March and he introduced the participating employees. Out of a field of 19 teams, one KUA team finished 7th overall and the other finished 10th. KUA received a trophy for finishing 1st in one of the events and Bruce Thompson presented this trophy to the Board. The Board congratulated the participants for doing a great job in representing KUA at the Lineman's Rodeo.

D. HEAR THE AUDIENCE - None.

E. PUBLIC HEARING - None.

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

G. OLD BUSINESS

1. SERIES 2001 REFUNDING BOND ISSUE - UNDERWRITERS SELECTION

Joe Hostetler, director of Finance, gave a brief presentation on KUA's debt history as requested at the last Board of Directors meeting. Director Shearer thanked Mr. Hostetler for putting together this information.

Mr. Hostetler explained the RFP process for the underwriters selection. The proposals were evaluated based on responsiveness of the proposal, experience of the firm and the ability of the firm to assist KUA in preparation for deregulation.

ACTION: Motion by Director Toro, seconded by Director Gemskie, to approve JP Morgan as Senior Manager, A.G. Edwards, Merrill Lynch, and Morgan Stanley Dean Witter as Co-Managers for the Series 2001 Bond Issue.

Motion carried 5 - 0

2. RESOLUTION 01-03 - AUTHORIZING SERIES 2001 BONDS AND AUTHORIZING THE PRESIDENT & GENERAL MANAGER TO DEVELOP NECESSARY DOCUMENTS AND MAKE CERTAIN CERTIFICATIONS

Joe Hostetler, director of Finance, explained that the resolution authorizes KUA to proceed to develop necessary documents, make certain certifications regarding the Preliminary Official Statement and to apply for a bond insurance commitment.

Mayor Gant asked if a timetable had been established and Mr. Hostetler replied that plans were to go to market in July unless the market dictates otherwise.

ACTION: Motion by Director Shearer, seconded by Director Gemskie, to approve Resolution 01-03 and authorize Chairman and Secretary to execute the Resolution.

Motion carried 5 - 0

H. NEW BUSINESS

1. YMCA REQUEST ITEM

General Manager Welsh introduced, Wayne Humphreys of Central Florida YMCA. Mr. Humphreys expressed that he had just recently moved here and what a pleasure it is to be living in Osceola County. He explained that he was at the meeting on behalf of James Ferber, the director of YMCA, and Ken Shipley and Mary Jane Arrington who are co-chairs on this project. Mr. Humphreys introduced Cynthia Allen-Smith who gave a presentation on the project. She explained the scope of the \$2 million capital campaign is to renovate, reconfigure and expand the existing facility. Ms. Allen-Smith said that Osceola County has come forward with a commitment of \$1 million in matching donations and the Edith Bush Foundation in Winter Park has given a \$200,000 match.

Director Shearer asked where the \$30,000 over three years would come from. General Manager Welsh said it would come from Reserves for Future Capital Outlay. General Manager Welsh said that it would roughly breakdown to 1.68¢ per customer per month.

Chairman Walter, Director Toro, Director Shearer and Director Hart shared with everyone their positive experiences with the YMCA. Discussion followed on criteria that could be used as a differentiator to similar sponsorship requests. Some minimum criteria discussed included major backing and support by other local governmental entities of one-third capital (non-operating) expenses. The Board members expressed that any request would be handled on an individual basis.

ACTION: Motion by Director Shearer, seconded by Director Gemskie, to approve staff's recommendation to proceed with a three-year commitment to the New Horizons Family Center Capital Campaign in the amount of \$30,000.

Motion carried 5 - 0

2. SCHEDULE FOR BOARD MEMBER RECRUITMENT

General Manager Welsh said there is a calendar of events that would work similar to what has been used in the past, as well as advertising and candidate questions. Director Gemskie pointed out a discrepancy in the date the candidate's form must be returned in the advertising and determined it should read "April 25, 2001." Director Shearer requested that clarification be added to question number three indicating there are occasional early afternoon meetings.

ACTION: Motion by Director Toro, seconded by Director Gemskie, to approve the schedule, advertising and questions to be asked of the candidates for recruiting a nominee to fill the upcoming vacancy with correction and changes indicated.

**Motion carried 4 - 0
Director Hart did not vote**

3. FINAL APPROVAL OF THE POWER PURCHASE AGREEMENT (PPA) AND CONSTRUCTION AND OWNERSHIP PARTICIPATION AGREEMENT (COPA) WITH SOUTHERN COMPANY FLORIDA, LLC

Mr. Ben Sharma, director of Power Supply, explained the history of the agreement and said that this is actually a two-part agreement: power purchase and construction. He said the three parties involved are Florida Municipal Power Agency (FMPA), Kissimmee Utility Authority, and Southern companies, the final changes have been made and all legal issues have been resolved.

ACTION: Motion by Director Toro, seconded by Director Hart, to approve the Power Purchase Agreement and the Construction and Ownership Participation Agreement between KUA and Southern Company Florida, LLC in their final form and authorize the Chairman and the Secretary to execute the agreements.

Motion carried 5 - 0

4. APPROVAL OF THE INTERLOCAL AGREEMENT BY AND AMONG OUC, KUA & FMPA - STANTON COMBINED CYCLE UNIT A

Ben Sharma, director of Power Supply, explained that OUC will act as the agent on behalf of KUA and FMPA for all issues related to the construction and future operations of the unit developed out of the Power Purchase Agreement and the Construction and Ownership Participation Agreement of Southern Company, OUC, KUA and FMPA. Chairman Walter asked Ed Brinson, legal counsel, if he had reviewed and was in agreement and Mr. Brinson replied yes.

ACTION: Motion by Director Gemskie, seconded by Director Toro, to approve the Interlocal Agreement by and among OUC, KUA & FMPA for the joint ownership of the Stanton Combined Cycle Unit A and authorize the Chairman and the Secretary to execute the same.

Motion carried 5 - 0

5. COMMUNICATIONS SYSTEM UPGRADE

Mr. Davis briefly reviewed the RFP process for the upgrade to the telecommunications system. He described the different types of systems the responders proposed which included Ethernet, ATM and Dense Wave Division Multiplexing (DWDM). Mr. Davis said that after reviewing all the proposals, conducting additional meetings with the top firms and the working group, the DWDM solution was selected as it would provide the most flexible system. He said this system has the ability to transport all other systems transparent to the user and is the technology of the future.

Director Hart asked how this would affect existing fiber with the City and others. Mr. Davis said

that instead of five or six fibers, this system would only use two and would provide better quality and reliability. This would not require changing their system or equipment.

Director Toro asked what would be the cost for this system and Mr. Davis replied that it would be approximately \$350,000 installed which has been budgeted for the Fiber Upgrade Project.

ACTION: Motion by Director Hart, seconded by Director Gemskie, to authorize staff to begin negotiations with Williams Communications to define the entire scope of the project and refine project cost figures.

Motion carried 5 - 0

6. CANE ISLAND UNIT 2 EXHAUST PLENUM REPLACEMENT

Mr. Sharma explained that during the past two years the Cane Island frame 7 gas turbine has developed some cracks in its exhaust plenum caused by hot exhaust gas. Jeff Ling, Manager of Production, presented photos of the exhaust plenum showing the cracking flanges that allow gasses to leak past the lining. Mr. Sharma explained that this problem is not isolated to our machine and that Braden has a new design to prohibit this.

ACTION: Motion by Director Shearer, seconded by Director Gemskie, to award the contract to Braden Manufacturing to replace the Cane Island Unit 2 Exhaust System Plenum for the quoted not-to-exceed price of \$224,636.

Motion carried 5 - 0

A break was taken at 7:00 p.m. Meeting reconvened 7:05 p.m.

7. AUTHORIZATION TO FIX-UP THE PRICE OF CERTAIN AMOUNT OF FUTURE GAS SUPPLY

Mr. Welsh said that gas prices have gone through the roof over the winter and have had a big impact on our customer's rates. We may have the opportunity to fix summer gas prices at a level we feel is more acceptable than what we experienced over the winter and help stabilize our costs. Mr. Sharma detailed the primary strategy.

Chairman Walter asked if another utility could sell us some gas at a good price. Fred Haddad, Orlando Utilities Commission, said that they were in the same situation as Mr. Sharma described. Mr. Haddad said that he has a small portion of their gas supply hedged for the summer, however it is a gas to oil hedge. He stated that he agreed with Mr. Sharma in that they did not expect the price of gas to get out of the \$5 range.

Mayor Gant asked if we had a feel for the supply and pricing. Mr. Sharma said the short-term forecast was done by Stone & Webster. In addition, another forecast was done by EVM from Southern company subsidiary and used for need for power submission at the PSC. Some forecast considerations were labor situations, how many wells are producing, and political situations.

ACTION: Motion by Director Hart, seconded by Director Toro, to authorize the President & General Manager or his designee to work with FGU staff to arrange for purchase of natural gas fuel for the months of June, July & August 2001 on a forward basis up to a total quantity of 17,000 MMBtus per day at a price not to exceed \$5.25 per MMBtu.

Motion carried 5 - 0

I. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON T&D PROJECTS

General Manager Welsh noted that this was a written report.

2. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

Mr. Ling showed a brief video on the progress of Cane Island 3 and reviewed the situation where the casing was damaged when the bearing was placed in the casing. Mr. Sharma said there is one available from Cogentrix. It is part of their project therefore it would have to be replaced. Another option is to have the part manufactured taking approximately eight weeks. Mr. Welsh explained that we are requesting authorization to go ahead with the emergency purchase even if it does exceed \$50,000 so as

not to delay this situation once we find the part. In terms of cost of the project it is most preferable than an eight-week delay. The consensus was to go ahead with the purchase without delay.

Chairman Walter asked if this would be refunded to KUA. Mr. Welsh said that responsibility has yet to be decided by analysis by Black & Veatch and discussion with parties involved.

5. CONDENSED FINANCIAL REPORT - FEBRUARY 2001

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. He noted that February was 3% above estimated MWhr sales.

6. FEBRUARY 2001 INTERNET SERVICES PROVIDER UPDATE

Chairman Walter said that the Board received a pretty good run down on the ISP during the meeting on Monday, March 26th. Mr. Welsh said that we would entertain any questions the Board may have. There were no questions.

J. CONSENT AGENDA

Director Toro requested that items #3 and #5 be removed from the consent agenda for discussion.

ACTION: Motion by Director Gemskie, seconded by Director Toro, to approve the consent agenda items #1, #2, #4 and #6.

Motion carried 5 - 0

1. APPROVAL OF MINUTES OF FEBRUARY 28, 2001 REGULAR MEETING
2. COMMUNICATIONS SERVICE CONTRACT WITH BROADWING
RECOMMENDATION: Approve the contract with Broadwing Communications and authorize the Board Chairman and Secretary to sign appropriate documents for contact execution.
4. AWARD FOR COOLING TOWER #1 REPAIRS, INVITATION FOR BID #011-01
RECOMMENDATION: Award contract to lowest bidder, Psychrometric Systems, Inc., in the amount of \$186,300.
6. RESOLUTION #01-02 - COST OF LIVING INCREASE FOR RETIREES AND BENEFICIARIES
RECOMMENDATION: Approve Resolution 01-02 and authorize Chairman and Secretary to execute the Resolution.
3. AWARD OF INVITATION FOR BID #007-01 MICHIGAN AVENUE TRANSMISSION LINE RELOCATION

Director Toro questioned the proposal from Asplundh being 50% less than the other proposals. Mr. Davis explained that they are a reputable company and new in the market. He said that you will find that companies new in a market will come in lower. The references checked said they did a good job for them and Asplundh had the newest equipment of anybody they had seen which is a good sign that they are buying their equipment and good equipment to do this work.

ACTION: Motion by Director Toro, seconded by Director Hart to award bid to Asplundh Tree Expert co. in the amount of \$53,790.

Motion carried 5-0

5. AWARD FOR DISASSEMBLE, INPSECTION, REASSEMBLE, AND TESTING GE TURBINE AND GENERATORS, INVITATION FOR BID #012-01

Director Toro asked for explanation on the recommendation. Mr. Welsh said that we went out for bid on this but that the way the market has developed it became a sole source with the original manufacturer. One of our requirements is that we have to have the GE engineers on site and because of the way the market is now GE is not letting their engineering team out unless it is on their own jobs. Mr. Sharma explained that this system is equipped with dry low No_x and this is new technology and not many

people are experienced in it.

ACTION: Motion by Director Toro, seconded by Director Gemske to award bid for disassemble, inspection, reassemble, and testing the GE turbine and generators to General Electric International, Inc. in the amount of \$265,000.


Motion carried 5 - 0

K. HEAR GENERAL MANAGER, ATTORNEY AND DIRECTORS

General Manager Welsh asked the Board if they had experienced any problems with the new software. The members indicated that it was faster and that they had not experienced problem. General Manager thanked Jon Eichelberger, JP Morgan, our Sr. Manager for bond issue for his many hours of work and free advice.

Attorney Brinson updated the Board on the overcharge to St. Paul's due to a meter reading problem which occurred over a ten-year period. Mr. Brinson said that in the best interest of our customer we tried to settle it as expediently as possible. KUA loaned to the City of Kissimmee the money interest free to replay the over-charge. Our handling this situation ourselves, even though we would think the insurance carrier would be pleased at the settlement, has caused a denial of coverage through insurance errors and omissions policy. Hersey Meter Company claims that their meter was performing correctly. Mr. Brinson said that we could take declaratory action against the carrier but we would probably be wasting judicial time. **It was the general consensus of the Board that we have exhausted our avenues and agree with legal counsel's recommendation to not declare further action.**

L. ADJOURNMENT - Chairman Walter adjourned the meeting at 8:00 PM.



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