

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, AUGUST 29, 2001, 5:30 P.M., BRINSON BOARDROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA.

Present were Chairman Walter, Director Gemskie, Director Hart, Director Toro, Director Shearer, 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. AWARDS AND PRESENTATIONS

1. 5-YEAR SERVICE AWARD, PAUL FIELITZ, APPRENTICE LINEMAN, TRANSMISSION & DISTRIBUTION

General Manager Welsh noted that Paul Fielitz could not be present and that his supervisor would honor him at a later date.

2. 5-YEAR SERVICE AWARD, RICHARD POPP, ACCOUNTANT/ANALYST, FINANCE

Mr. Welsh recognized Richard for his years of service and he was also congratulated by Charles Lee his immediate supervisor. Joe Hostetler, director of Finance, offered Richard his congratulations and agreed with the comments made by the General Manager. Richard was introduced to the Board of Directors and Chairman Walter presented him an award.

3. EMPLOYEE OF THE MONTH FOR SEPTEMBER – JOHN JOHNSON

General Manager Welsh expressed the importance of being chosen by one's peers to represent them as Employee of the Month. He noted John's accomplishments over the past and John's supervisors, Larry Mattern and Ben Sharma also thanked him for his service and supported his nomination as Employee of the Month for September. John was introduced to the Board and Chairman Walter presented a plaque for September 2001 to him, Director Gemskie gave John a day off with pay, Director Toro presented him with a check, Director Hart awarded John a special parking space for September, and Director Shearer presented him with a One Year Family Membership to the Osceola Center for the Arts.

4. PRESENTATION OF SOFTBALL TROPHY

Chris Gent, Manager of Communications, introduced Ricky Johnson, an employee in the Meter Division and coach of the KUA softball team. Ricky presented the Board with a softball trophy. KUA sponsored a team in the City of Kissimmee Parks & Recreation Department's adult summer softball league and KUA's team placed second out of eight participating teams. The Board accepted the trophy on behalf of the KUA employees who participated.

D. HEAR THE AUDIENCE – None.

E. CONSENT AGENDA

ACTION: Motion by Director Toro, seconded by Director Gemskie, to approve the consent agenda.

Motion carried 5 – 0

1. APPROVAL OF MINUTES OF JULY 18, 2001 REGULAR MEETING

2. VIVA OSCEOLA 2001 SPONSORSHIP

Recommendation: Staff recommends a \$3,000 sponsorship of Viva Osceola 2001.

3. CHANGE ORDER TO ASPLUNDH TREE EXPERT COMPANY PURCHASE ORDER

Recommendation: Authorize a change order to P.O. number 014369 to Asplundh Tree Expert Company in the amount of \$67,000.

F. **PUBLIC HEARING** – None.

G. **INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)** – None.

H. **OLD BUSINESS**

1. **ALL REQUIREMENTS PROJECT (ARP) STUDY – SCOPE OF WORK, FIRST SOUTHWEST COMPANY**

Mr. Welsh noted that next Wednesday, September 5th at the Special Board Meeting there will be a detailed review of where the study is going, where KUA thinks the study should go and also to receive input from the Board on what they would like to see happen with the scope of services. Joe Hostetler, director of Finance, explained that in March the Board authorized staff to move forward with the scope of services for the study to join the All Requirements Project. At the July 18th board meeting, the Board authorized staff to negotiate a contract with First Southwest Company and bring back a scope of services. Mr. Hostetler explained the breakdown of the consulting service agreement and also noted that certain tasks may not be needed. If they are not needed and if they are not authorized by the President and General Manager, First Southwest will not proceed nor invoice KUA for such tasks.

ACTION: Motion by Director Hart, seconded by Director Toro, to authorize the Chairman and Secretary to execute the First Southwest Company Consulting Service Agreement in the amount of \$157,500.

Motion carried 5 – 0

2. **RESOLUTION #01-06 – SERIES 2001 BOND ISSUE**

General Manager Welsh reported that KUA has set up a criteria wherein KUA would realize at least a 4% savings before doing a refunding of a bond issue. As the market improves that enables KUA to refund more of the debt because it gets it in the range that KUA has set up.

Mr. Hostetler detailed the action needed. He reviewed that over the last several months KUA has been preparing to refund outstanding bonds due to a favorable interest rate market. A resolution is needed to provide for the sale and issuance of a not to exceed \$85,000,000 of Bonds to finance the cost of refunding a portion of the outstanding revenue bonds and paying certain expense related to the issuance and sale of the bonds. It also provides for sale of Bonds at negotiated sale, and delegates to the President & General Manager the authority to sign a bond purchase agreement with the underwriters, provided that the terms and conditions set forth in the resolution have been satisfied.

Mr. Hostetler introduced Craig Dunlap, KUA's financial advisor from Dunlap and Associates. Mr. Dunlap reported on positive comments made by Moody and Fitch (rating agencies) concerning KUA's financial rating and how this will affect any refunding.

Mr. Hostetler introduced Robert Freeman, bond counsel from Squire, Sanders and Dempsey. Mr. Freeman outlined the bond refunding process and noted the benefits that would be recognized by KUA. Director Hart asked if the bonds would be purchased by a single buyer and it was noted that there would most likely be multiple buyers because of the issue amount. Mr. Freeman noted that once the money is placed in escrow then the debt will cease to be on KUA's books. Director Toro asked why now is better than perhaps in the future to do this refunding and Mr. Welsh said it is a matter of judgment based on what the interest rates are now and not knowing what they will be in the future.

ACTION: Motion by Director Hart, seconded by Director Gemskie, to approve Resolution 01-06 approving the bond refunding, changing the amount from \$75,000,000 to \$85,000,000, and authorizing the Chairman and Secretary to execute the resolution.

Motion carried 5 – 0

I. **NEW BUSINESS**

1. **SPONSORSHIP FOR SCHOOL MATCH PROGRAM**

Chris Gent stated that KUA has been approached by the Kissimmee/Osceola Chamber of Education Committee to help sponsor an educational effectiveness audit of the Osceola County School District and benchmark it against demographically similar districts around the country.

Mr. Gent introduced Mary Cooper, the Vice President of the Education Committee, and she explained in detail how the program works. Director Hart asked if the school district would be

responsible for implementing any issues coming out of the audit and she said the school district would be responsible for any changes. The audit and benchmarking would allow more opportunity for the district to obtain grants and other funds.

ACTION: Motion by Director Toro, seconded by Director Hart to approve the \$5,000 sponsorship to assist the Kissimmee/Osceola Chamber of Commerce in auditing and benchmarking the Osceola School District. Sponsorship funds would come from operating contingency.

Motion carried 5 – 0

2. RESOLUTION #01-07 – COMMERCIAL PAPER PROGRAM

Mr. Hostetler noted that in October 2000 the Board approved documents necessary for the pre-closing of the Commercial Paper Program. The program was in the amount of \$70,000,000 to finance Cane Island Unit 3. At the recommendation of the financing team it was recommended to increase this by \$10 million to finance the cost and provide for the execution of supplemental and amending documents necessary to cover KUA's portion of the OUC/FMPA/KUA project at Stanton A. Mr. Freeman detailed that the resolution authorizes the execution and delivery on behalf of KUA by the appropriate officers of the letter agreement with the Bank of Nova Scotia, any other amendments to the Purchase Agreement necessary to effectuate the increase in the authorized amount available under the agreement to \$80 million, amendments to the Issuing and Paying Agent Agreement, the Commercial Paper Dealer Agreement(s), and the Offering Memoranda necessary to effect the increase in the amount of Commercial Paper to \$80 million; and such other certificates and agreements as are necessary in connection with the issuance of the additional \$10 million of Commercial Paper.

ACTION: Motion by Director Gemskie, seconded by Director Toro, to approve Resolution #01-07 and authorize the Chairman and Secretary to execute the Resolution.

Motion carried 5 – 0

3. EMPLOYEE-MEADOW WOODS TRANSMISSION LINE AWARD OF BID IFB TRANSMISSION LINE CONSTRUCTION

Ken Davis, director of Transmission & Distribution reported that bids have been received and the bid evaluation has been prepared. Mr. Davis pointed out that the actual bids were in excess of the original estimate for the construction of the transmission line from the Employees' Substation to the Meadow Woods Substation. He said the reasons for this included that estimates did not predict the current nature of the industry, the extreme increase in cost of materials, and continued development along the line route. Mr. Davis also said extremely wet conditions were a factor in the increase. Discussion was held on the time table for construction and if it would be wise to delay the award and rebid the project.

ACTION: Motion by Director Shearer, seconded by Director Gemskie, to authorize the award of bid IFB #017-01, Transmission Line Construction of Employee-Meadow Woods, to the low evaluated bidder, Kohler Construction Company, Inc. contingent on negotiation of a satisfactory contract; and authorize the Chairman and Secretary to execute the necessary contract documents.

Motion carried 5 - 0

4. INITIATION OF PROJECT FOR SECOND DISTRIBUTION TRANSFORMER AT MARYDIA SUBSTATION

Ken Davis noted that the Marydia Substation is the only substation that does not have two distribution transformers. All other substations have been designed with dual transformers for redundancy. The loss of transformers at Lake Cecile and Carl Wall Substations made it very evident that this is needed at Marydia also.

ACTION: Motion by Director Hart, seconded by Director Gemskie, to authorize the initiation of the project for the addition of a transformer at Marydia Substation and authorize Black & Veatch to proceed with the necessary engineering work for a not to exceed amount of \$265,000.

Motion carried 5 - 0

5. AWARD OF INVITATION FOR BID #022-01, 69 KV TRANSMISSION LINE POLYMER INSULATORS

Mr. Welsh noted that this item would normally be on the consent agenda.

ACTION: Motion by Director Shearer, seconded by Director Hart, to award the bid 022-01 to WESCO Distribution in the amount of \$62,265.

Motion carried 5 – 0

J. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON T&D PROJECTS

The monthly report was written. Mr. Davis updated the Board on the continuing efforts to acquire the necessary easements for the Employee to Meadow Woods line segment. Ed Brinson, Attorney for KUA, said that the condemnation laws today require that you offer the property owner a fair and reasonable price prior to filing suit of condemnation. He noted that a good faith appraisal has been done on all the parcels needed, however, very few parcels have been settled and the cost for the project has exceeded the budget estimate for the land and right-of-way. Mr. Brinson noted that this is happening to others acquiring right-of-way in addition to KUA. Mr. Welsh reported that Mr. Brinson and the attorney for OUC will be meeting to discuss an overall strategy. Mayor Gant suggested KUA get with the County and others needing future right-of-ways and try to share access and costs. Mr. Davis said this is a good point and that all avenues will be searched.

2. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

The monthly report was written. Ben Sharma, director of Power Supply gave an update on the power plants. He said that the Hansel plant passed the reliability test and has been running 24 hours a day. Also Cane Island Unit 3 has been turned over to KUA and been made available. He reported on the dispute with General Electric to recover overtime fees and noted that negotiations are still ongoing. Mr. Sharma said that he would bring an estimate in at the October board meeting. Mayor Gant wanted to know if the reduction in Cost of Power Adjustment could be accelerated now that all three Cane Island units are up and running and also Hansel's turbine is operational. He suggested that instead of averaging the amount over three months perhaps it would be possible to calculate it on a month to month basis. Mr. Welsh said that this would be taken into consideration.

3. CONDENSED FINANCIAL REPORT - JULY 2001

Joe Hostetler detailed the financial report for the remainder of June and the full month of July. He indicated that megawatt sales were 1% above budget. He also reviewed fuel and purchased power costs as well as other operating expenses.

4. JULY 2001 INTERNET SERVICES PROVIDER UPDATE

Mr. Hostetler gave an ISP review for the remaining part of June and July 2001. Mr. Welsh said it is anticipated that the ISP will remain in the black and the financial picture will improve each month.

5. COST OF SERVICE STUDY (COSS)

Mr. Hostetler's staff has updated the Cost of Service Study (COSS) for 2002. The COSS is an analysis which separates revenues, expenses and capital facilities among the customer classes by rate component in order to determine the class revenue requirements. Mr. Hostetler handed out a chart that reviewed each class and where rates were derived. He reviewed the results of the study and Dr. Gant noted that this is completed in-house now whereas at some time in the past it was contracted out.

K. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

General Manager Welsh informed the Board that the Facilities Open House originally scheduled for October has been moved to December 15th. It will be done in conjunction with Cane Island 3 dedication. Mr. Welsh asked if the Board wanted to invite the City Commission to a meeting around November in which they could gain an understanding of the All Requirements Project study. **It was the consensus of the Board to extend an invitation to the City Commission for this purpose.** Mr. Welsh reminded the Board that there would be a special meeting on Wednesday, September 5 at which J.P. Morgan would be giving a presentation on natural gas and deregulation.

The All Requirements Project study would also be on the agenda. **It was the consensus of the Board to begin the Special Board Meeting at 4:00 PM.** General Manager Welsh also wanted to discuss changes to next year's Board calendar. **It was the consensus of the Board to move the April meeting to the 17th and the May meeting to May 29th.** Mr. Welsh informed the Board that he had been nominated to the Economic Development Commission Board of Directors and that in 2004 he would be nominated as the Chamber of Commerce Chairman.

Attorney Brinson and Ken Davis alerted the Board that KUA was recently listed in a newspaper article as being one of the entities responsible for a recent pedestrian accident on US 192. They wanted the Board to know that KUA does not maintain the street lights in that area but KUA was still indicated and has been issued a notice of suit.

Chairman Walter recessed the meeting from 8:00 PM to 8:10 PM.

L. MANAGEMENT REVIEW

For the benefit of any new board members, Chairman Walter explained the review process for the President and General Manager. Each board member gave their rating of General Manager Welsh and discussed their ratings of him. The Board agreed that Mr. Welsh was well respected and admired in both the utility industry and the community. After the ratings were averaged, Mr. Welsh received a 7.61% increase.

ACTION: Motion by Director Shearer, seconded by Director Gemskie, to increase the President and General Manager's current salary to \$139,448.

Motion carried 5 – 0

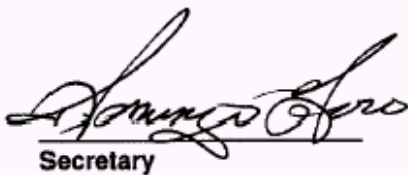
The Board discussed the effective date of the increase.

ACTION: Motion by Director Gemskie, seconded by Director Hart, to change the President & General Manager's anniversary date to October 1 at which time his increase will be effective.

Motion carried 5 - 0

Mr. Welsh thanked the Board for their consideration and comments.

M. ADJOURNMENT - Chairman Walter adjourned the meeting at 8:35 PM.



Secretary



Chairman