

MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY HELD THURSDAY,
APRIL 29, 1993, AT 6:00 PM, BOARD ROOM, ADMINISTRATION BUILDING, 1701 W
CARROLL STREET, KISSIMMEE, FLORIDA

Present at the meeting were Chairman Hord, Vice-Chairman Gant, Secretary Bobroff, Assistant Secretary Lowenstein, Director Jones, Mayor Pollet, Attorney Brinson, President & General Manager Welsh, and Recording Secretary Rundio.

1. **MEETING CALLED TO ORDER** at 6:10 PM by Chairman Hord. The purpose of the meeting was the review of the Owner's Representatives. Three groups will make presentations, followed by Board discussion and perhaps some action.

2. **OWNER'S REPRESENTATIVES**

Mr. Welsh suggested the presenters make 20-minute presentations, followed by a question-and-answer period. Reference checks have been obtained on the site representatives and presentations are in alphabetical order.

BURNS & ROE

Mr. Frank Palermo, Vice President, Home Office, and Director of Operations, Orlando, made a brief introduction of his group. Mr Ray Zanetta is their Site Manager who made the presentation. Robert Clouse, Electrical Engineering Manager, and Laurie Gland, Secretary, were also in attendance.

Their agenda was to demonstrate to us our need for an Owner's Rep and prove that Burns and Roe can fill our needs. Changes, Mr. Palermo said, can best be done early in the project, if necessary. He stated they have very qualified backup engineers and professionals in both their offices if needed.

Mr. Zanetta, with 35 years of experience, made an in-depth and thorough presentation of his qualifications and experience in all phases of construction and disciplines. The presentation was highlighted in their booklet, Scope of Work and Request for Proposal, as included in the Agenda packet. He explained that as our Site Representative he would have direct contact with the Construction Manager, not with the Contractor. He would include a monthly report which would include a synopsis of his daily report, take site photos, report on the Construction Manager's progress and any problems which might develop. One of their prime requisites is to ensure that a safety program is in place and followed. He would review all change orders and would be on site full time. He would also monitor the quality assurance program and preventive maintenance program on the contractor's equipment per manufacturers' recommendations until its turned over to us. A final punch list would be reviewed.

Burns and Roe's compensation for services totals \$348,400 with additional pricing and weekly rates as required.

Mr. Robert Clouse, Electrical Engineering Manager, Orlando, stated his responsibilities, experience and functions on the project.

In closing, Mr. Palermo capsuled their additional services and how they would react to unanticipated problems. They would also provide an audit and he assured us of a smooth running project.

Discussion followed about compensation and add-one to Mr. Zanetta's expenses as he would reside locally for the duration of the construction project and may require additional help.

Director Gant asked what primary benefit he provided the owner on Stanton I. Mr. Zanetta said that through his knowledge of documentation and the project he discovered several discrepancies up front; another time delays through poor workmanship were experienced and the owners were notified to make changes, thereby saving considerable time and expense to them.

Chairman Hord thanked the presenters.

Brief discussion followed between the members and staff. In response to Chairman Hord's question as to what staff liked and not liked about the above firm, Mr. Welsh stated that staff liked the firm, their experience, and the manner in which the Site Representative presented himself. One drawback was that Mr. Zanetta was not a degreed Engineer and perhaps might feel somewhat insecure in some areas.

ER3, INC. (Energy Risk Regulation Resolution)

On board for the ER3 firm were: Messrs. Christopher Kane, P.E., V. Frederick Lyon, Gregory Harrington, P.E., Owner's Site Representative, and Gerald Hardage, Project Executive, ER3. Mr. Kane expressed their desire in participating in this project.

Mr. Fred Lyon, is a principal in ER3, a national energy firm with offices in Orlando, Atlanta and Washington, D.C. His presentation covered all facets of choosing an Owner's Rep. He felt this utility should invest a lot of time now up front and care planning to prevent the development of construction problems later. This Owner's Rep should be our tool to achieve our project goals while protecting an obvious large investment, the environment and of course the rate payers. He said ER3 is uniquely qualified to achieve all these. Their team is central Florida based; both Gerald Hardage and Greg Harrington have substantial experience in this area's market. It is experienced in the construction of generating facilities and they claim backup in the form of technical expertise, by virtue of a team agreement with Duke Engineering & Services, who are available if needed.

ER3 also has lawyers and engineers (Fred Lyon and Chris Kane) for backup. He related past experience in working with General Electric and Gerald Hardage's extensive experience as the Owner's Rep for OUC's and KUA's participation in the Stanton I Energy Center. He highlighted their mission statement: the avoidance of disputes initially and be an extension to help us achieve our schedule, quality and environmental and fiscal requirements. Being KUA's Owner's Rep requires them to carefully manage our risk during construction. He stressed that communication is their team's goal, ER3 is multi-disciplinary by using experienced Reps and Engineers, lawyers and others to assist us.

Gerald Hardage (who was injured in an accident the previous day), Project Executive, came in spite of his injuries to give an in-depth report on his former experiences and his dedication towards this project. He felt their team was highly qualified in their field who believe in being firm but fair. They believe in a pro-active approach and desire an open and honest relationship. They feel confident they can succeed in achieving our goals.

Mr. Hardage said that as Project Oversight his role would be to act as an extension to KUA and Greg Harrington, and ensure that the project comes in on time within the cost constraints. Quality would be built in, not added on after the fact. He noted labor relations and how he handled issues. Contractors should get involved in community affairs and portray a favorable image (verbiage should be added in the contract). Of primary

importance which KUA should consider was the partnering concept, he said.

Mr. Greg Harrington, candidate for the Owner's Site Representative, has a vast amount of power plant experience with, among others, the St. John's River Power Park project, Florida Power & Light and Jacksonville Electric Authority as a registered civil professional engineer and a certified licensed contractor. He highlighted his experience and responsibilities on those projects. His primary responsibility at Cane Island would be project oversight, team building, partnering, scheduling, project meetings, quality assurance, recordkeeping, management reports, etc. He would report to our staff and enhance the efforts of Black & Veatch for a successful completion of this project.

According to Mr. Lyon, they offer other base services-Duke Engineering on technical support; mediation services if necessary; dispute resolution, etc. They bring to the table possible labor relations, environmental issues and changes to be effected over the next several years, construction industry efficiency guidelines, the best techniques, flexibility and full service capacity committed to team building and partnering. They are unique, innovative and experienced.

Director Jones asked about Mr. Harrington's licensability and also queried Mr. Hardage on the partnering involvement and capabilities. Mr. Hardage said the partnering concept was highlighted at OUC and other utilities and would involve KUA, Black & Veatch and the contractors getting together anywhere from one to three days at the beginning of construction, going over the contract, discussing how it would be administered, agreeing on how disputes would be resolved, and responding to questions on plans, and so forth. At the completion of this session, typically an outside facilitator attends who breaks down any barriers. They create a project charter, not a legal document, but its a management document which identifies the goals for the project to which the parties have mutually agreed during this "retreat" in which they want to achieve: timely resolution of disputes, safety, environmental concerns, no litigation, no claims, etc. Everybody signs the charter-it's a management tool. Spending this up-front time together enables the remainder of the project to go more smoothly. KUA staff and our consultants would participate in these meetings. If a personality clash develops, that person is removed from the project. It's for developing good relationships and trust.

Chairman Hord asked about the amount of time spent by the Owner's Rep on site. Mr. Hardage replied he would be available full time for the project. Chairman Hord also inquired, since Duke Engineering was available, who determines if we need it. Mr. Lyon said staff would determine that. Duke, their backup, would step in only if authorized by the Owner. Mr. Harrington and Mr. Hardage would be using Duke (in their price they have about two hours' of access to Duke) but we won't be charged for it. Duke is support to Greg, not to the Owner. 40 hours' of free time is available to us. They would submit monthly reports to the Owner.

The cost of total basic services for 24 months is \$285,200; for 30 months \$356,500.

Chris Kane's area of expertise is the coordination with Duke Engineering and another principal in the ER3 group with 40 years of experience, available to Greg with no cost to us.

In response to Dr. Gant, Mr. Kane said their most recent completed project was Sierra Pacific Power, Stanton Energy Center and other entities. Individually, they worked on the Orlando Utilities project for

six years in contract preparation, etc., supporting that project. Mr. Hardage related his most recent ventures and the benefits the owners gleaned from his expertise. Mr. Lyon detailed several incidents where their efforts proved very valuable for the owners wherein they negotiated the owner's position.

Mr. Harrington stated that a lack of communication can create great problems, that all parties must pull together to be in compliance. On-site talks should cover on-site security review, environmental review, schedule and contract review, procedures, etc.

If the project went over/under the rates would be coordinated. Mr. Harrington elaborated on his availability and Mr. Hardage discussed the 40 hours of review, on which he would take the lead. The second Unit would be outside the scope.

Mr. Welsh said talks should take place on community involvement, partnering and when the Owner's Rep would be available, etc. ER3 would not take on the responsibility of dealing with Black & Veatch unless KUA wanted them to. Mr. Hardage stated the partnering concept comes with a cost by the Owner; each contractor, according to the specs, must put money into the pot for this. e.g., Mr. Lyon could be a facilitator for partnering. Monthly progress reporting would be made to the Board by Greg Harrington and Gerald Hardage.

The group was thanked for their presentation and detailed input.

Mr. Welsh was asked his likes and dislikes regarding the ER3 firm. He stated that he liked their concept, their philosophies, the partnering concept, concept of the firm in litigation avoidance and he liked Gerald Hardage as a "known quantity". He felt Greg Harrington had good experience and impressed him as being very capable--perhaps lacking the mileage more seasoned engineers have but overcome largely by his reputation of being top-notch. He does have very good backup.

Director Jones was concerned about contractors being involved in community projects - will that cost us? He asked if this was going to be done on their time and not while working on our project, and will we or they absorb the cost? Mr. Welsh said past the contract being let, we might tell the Owner's Rep this is an opportunity to give something to the community. It was felt this should be held in abeyance for some future discussion.

Director Jones further expressed concern about our costs towards having the partnering meetings; Mr. Welsh stated we would probably host one meeting. Mayor Pollet stated they would probably pick up part of that tab. He said he did not know, nor did the other Board members, that the partnership concept would cost KUA additionally. Chairman Hord felt all contractors would contribute towards this concept and it's our call if we want to do it.

PIC (Power Industry Consultants, Inc.)

Mr. Sharma introduced Barton R. Roby, Vice President of Planned Services, and Leslie Jones, candidate for the Site Representative, both of PIC, Atlanta, Georgia.

Mr. Roby extended his appreciation for being invited for a presentation and for the Request for Proposals. A brief background history was given on his company, which is five years old. He said they have accumulated an impressive list of companies and represented them on approximately 170

projects. They are mostly associated with gas turbines and combined cycle plants. General Electric is one of their clients. PIC has provided support services to the Cogeneration, IPP, and Power Plant Industries and referred to the specific project related experience PIC provided them by their Owner's Representative. They also provided these services on ten other projects and they feel they are qualified in experience to handle the Cane Island Project. He highlighted 13 primary functions of their Scope of Services. The most valuable service an Owner's Rep can provide, he said, is to see that this plant is built to the drawings and specifications, quality standard, and delivered to KUA on time within the budget we have set, making for a successful project. They also have outside assistance at their disposal if needed.

Mr. Les Jones, candidate for the Site Representative, gave a rundown of his past and current experience and qualifications and stated why he was qualified for this job. His primary goal is to keep this project going, on schedule and under budget. It would also be incumbent on him to coordinate to specifications provided. He has 30 years' experience as a contractor in this business and understands all phases. He is available when required and stated as having been on the contractor's side of the fence (rather than the Owner's) for the most part. He referred to various jobs he had worked on, with hands-on knowledge of eight of these being frame 7's and frame 6's.

Director Gant asked what specific things during his current project improved the owner's position. Mr. Jones said there were dozens of small things. An example he gave was regarding a butterfly valve placed incorrectly by the contractor, which Mr. Jones brought to his attention. Having discovered the error initially saved the contractor thousands of dollars and the owner weeks of time. This is one of the reasons for having an Owner's Rep.

Director Lowenstein asked on their reporting and time table schedules. Mr. Jones said a monthly report would cover the generalities of the plant; weekly meeting minutes would be important for our records in providing daily logs.

In response to Chairman Hord, Mr. Jones said he reports to the people who are responsible directly to him, or to us as the Owner.

Director Bobroff inquired how they would handle labor relations should such a situation arise. Mr. Roby stated the contractor is required to work according to the specs, as are other contractors, and he does not anticipate labor problems if all work cohesively. It is incumbent on all entities to work together with a common purpose--to build a project. The Owner's Rep does not handle disputes and problems do not have to be adversarial.

Chairman Hord inquired that if they see a better way to do something would they bring this to our or the architect's and contractor's attention. Mr. Jones said it is incumbent upon him to make any suggestions to us, which we can then pass along to the contractor or ask him to do it. When asked if he has come across any cost-effective situations, Mr. Jones replied he has and would also notify us.

Mr. Welsh asked in what capacity he is working now. Mr. Jones said he is implementing the warranty program for the owner, but was formerly construction manager for that company. Mr. Welsh inquired as to reporting/communication relationships on site. Mr. Jones said his reporting relationship has to be to the Owner, but primarily would interface with the Engineering and Owner's management team. Office equipment and secretarial services on site may be required for updating

logs and reports. He would require a full set of specs and contracts in hand for daily use. Mr. Welsh asked what would happen if their man-hours exceeded the estimates. Mr. Roby said these were their best guestimates up front; if more time is required due to delays, etc., if the contractor is on site PIC offers their services on a time and materials basis, on which they would bill us. They have flexibility in making available their Home Office support with specialized help of about 10 technical people at no charge to KUA.

The Owner's Rep cost estimates for Options 1 and 2 total \$311,000 and \$395,000, respectively. Exceeding 24 months would cost an additional \$11,900; under 24 months the \$11,900 would be deducted. Discussion followed on hours per week required, etc.

Messrs. Roby and Jones were thanked for the presentation.

The meeting recessed from 8:30 to 8:37 p.m.

3. DISCUSSION OF PRESENTATION

Chairman Hord asked his standard question: What did the General Manager like and dislike about PIC's offer.

Mr. Welsh stated he favored Les Jones because of his experience. As to dislikes, he felt he was duplicating what an Engineering Construction Manager might be doing instead of providing additional service as an Owner's Rep and bring a team together. Mr. Welsh didn't feel overly confident about their backup team. Their costs were more hourly than salaried.

Mr. Sharma distributed copies of reference checks he did which were then discussed.

Staff's unanimous consensus of the three firms was:

(1)	(2)	(3)
ER3	B&R	PIC

The Board's individual ranking was:

	(1)	(2)	(3)
Gant	ER3	B&R	PIC
Jones	B&R	ER3	PIC
Bobroff	ER3	B&R	PIC
Lowenstein	ER3	B&R	PIC
Pollet	ER3	B&R	PIC
Hord	ER3	B&R	PIC

The consensus was 5 - 1 for ER3.

Director Gant was impressed with ER3's way of doing business with cooperative effort by everyone on site.

Director Jones was concerned about ER3's being able to contact the backup agencies; he was fairly impressed with Mr. Zanetta.

Director Bobroff opted for ER3.

Director Lowenstein agreed somewhat with Director Jones but feels ER3 is a known quantity. Their backup with Mr. Hardage would best represent them.

Mayor Pollet stated he preferred ER3, B&R and PIC.

Chairman Hord went with ER3, with some reservations. He was impressed with Gerald Hardage's philosophy on Stanton and how they got the job done, with no labor problems and good economics.

Chairman Hord stated it was the members' decision to make an offer of Owner's Representative to ER3. Mr. Hardage would be approached to make himself available during this project.

4. OTHER

Director Jones said we need to get the partnering concept cleared up. Mr. Welsh suggested the partnering was a good idea and we should go for it, that we can negotiate a facilitator into this contract at a nominal fee. It would entail a group of persons meeting at a hotel, including meals, as a sort of retreat to better get acquainted prior to starting the project. It was felt this cost should not exceed \$3,000. Mayor Pollet stated that he felt that we could get the cost of the facilitator included in ER3's stated contract amount. Mr. Welsh stated he felt that he could negotiate this into their contract.

Motion by Director Lowenstein that we authorize staff to begin negotiations with ER3, Inc. in the capacity of Owner's Representation for the Cane Island Project; further, to authorize the Chairman and Secretary to execute the contract. Seconded by Director Jones.

Motion carried 5 - 0

Attorney Brinson stated, for the record, that in the event the contract cannot be negotiated with ER3, that the second ranking firm of Burns and Roe be selected.

Director Lowenstein amended the above motion to include the following ranking: No. 1 - ER3; No. 2 - Burns and Roe; and No. 3 - Power Industry Consultants. Seconded by Director Jones.

Motion carried 5 - 0

Chairman Hord brought up the point of "community involvement" and was hesitant about ER3 expending all kinds of additional monies and charging KUA for this. It was decided to leave this as purely voluntary on their part.

Mr. Welsh said we do want to go with the partnering concept and desired a little more flexibility regarding the \$3,000 for the retreat. Director Gant said the contractors will buy their own meals and we should pay for the facilitator and room. The Board asked Mr. Welsh to first research the costs involved and gave him the flexibility to handle the meeting and its costs.

5. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER - No comments

ATTORNEY - No comments

DIRECTORS - No comments

6. ADJOURNMENT: Meeting adjourned at 9:15 p.m.



CHAIRMAN

ATTEST:



ASSISTANT SECRETARY