

MINUTES OF A SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, DECEMBER 3, 1997 AT 6:00 P.M., BRINSON BOARDROOM, ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA.

Present were Chairman Hord, Vice-Chairman Walter, Assistant Secretary Ralston, Director Toro, Mayor Attkisson, Attorney Brinson, General Manager Welsh and Recording Secretary Fizer.

A. MEETING CALLED TO ORDER at 6:04 PM by Chairman Hord.

General Manager Welsh asked that an item be placed on the agenda. He requested clarification from the Board for the auditors concerning the use of the insurance fund, so that the auditors can provide KUA with an unqualified opinion on the annual financial statements. These will be presented to the Board at the regular December meeting.

ACTION: Motion by Director Walter, seconded by Director Ralston, to put the item on the agenda.

Motion carried 4 - 0

Joe Hostetler, director of Finance, said staff has always referred in documents to the co-insurance fund as being used for transmission and distribution losses. Auditors need clarification that the Board has decided the fund is for all losses not covered by insurance. The auditors want this assurance because KUA may incur a loss from the Amtrak train wreck and if so, money has been set up to cover that loss in the co-insurance fund.

ACTION: Motion by Director Walter, seconded by Director Ralston, to clarify that the self-insurance fund is for any loss that is not covered by insurance.

Motion carried 4 - 0

B. INTERNET SERVICE PROVIDER (ISP)

1. INTRODUCTION AND OVERVIEW

General Manager Welsh introduced the ISP presentation by Dennis Wick, director of Information Systems, and Joe Hostetler, director of Finance. General Manager Welsh compared starting into the Internet business with the electric utility business in Kissimmee many years ago.

2. ELEMENTS OF PROVIDING INTERNET SERVICES

Dennis Wick gave an overview of the basics of providing Internet service and why customers need these services. He also described the elements of providing Internet services to KUA customers.

Chairman Hord indicated that since there will be many competitors, KUA needs to provide a quality Internet service.

Secretary Guthrie arrived for the meeting.

Mr. Wick reviewed the six alternatives that have been analyzed by staff:

- Develop own business
- Resell ISP services
- Buy Phoenix ISP
- Contract with an established ISP
- Buy MagicNet ISP
- Buy both ISP's

Discussion was held on what would make customers want to use service provided by KUA over others.

General Manager Welsh noted that quality of service would be the incentive and Mr. Wick said that another plus would be the billing. The general manager said KUA would provide billing, accounting, management, technical infrastructure and marketing abilities to any business endeavor.

Vince Barnes, general manager of Phoenix Applied Technology, told the Board his business has more than 1,000 customers and they have been in operation for 2½ years. When asked why Phoenix wanted to sell, Mr. Barnes said "everything is for sale" and KUA has potential for extremely good marketing.

General Manager Welsh stated that the figures used in the report on buy-outs were obtained in casual conversations and were to be used for analysis only. No contract has been negotiated.

3. DESCRIPTIONS OF ALTERNATIVES ANALYZED

Joe Hostetler, director of Finance, described the net present value calculations for the six options and the impacts on KUA. He also gave a summary of the financial assumptions for both high and low customer growth rates.

Bob Bobroff, former director and ratepayer, commended the KUA staff for the courage to examine the possibility of becoming an Internet service provider. He said the future of any business lies in growth and change.

4. FINANCIAL ANALYSIS (ALTERNATIVES INVESTIGATED)

Dennis Wick answered questions that the Board had asked at a previous meeting. Mr. Wick provided ISP monthly cost comparisons and reported findings from other utilities that have gone into the business. He also gave the results of a survey of KUA customers on the possibility of KUA providing this service.

Chairman Hord called a short recess at 8:20 P.M.

The meeting resumed at 8:30 P.M.

5. OTHER INFORMATION - REQUESTED BY BOARD

Mr. Hostetler once again reviewed the financial summary with KUA assuming higher and lower initial customer bases. It was noted that Option 2 has no capital investment. After Mr. Hostetler's review it was discussed that Option 4 would have the most effect with the least amount of initial investment by KUA and is the least risky.

Chairman Hord polled the Board members and **it was the consensus to have KUA staff further examine Options 2 and 4 and bring back more information at the December board meeting.**

C. OTHER - None.

D. HEAR GENERAL MANAGER, ATTORNEY AND DIRECTORS
GENERAL MANAGER

ATTORNEY

Attorney Brinson gave an update on the November 24th hearing in federal court on the Amtrak accident and he reviewed the three issues facing KUA in this case.

SECRETARY GUTHRIE

Secretary Guthrie said that he was reading more and more about "restructuring" of the utility industry lately instead of "deregulation".

CHAIRMAN HORD

Chairman Hord wanted to review two issues. The first was a request from Richard Herring for the Board to ask Rollins College Crummer School to allow inspection of its records. Attorney Brinson said that it is up to the KUA Board and it would be up to Crummer to decide to open its records.

Director Ralston said he was opposed to asking the school group to open its records. He said there has been ten times the \$175 (the amount KUA spent for General Manager Welsh's alumni dues) just talking about it and staff's involvement. He said it appeared that paying the fees was covered within the KUA policies.

Director Guthrie said he had no desire to make a request to Crummer. He reiterated that nothing wrong has been done, however, the policy on dues needs to be in written form. As long as there is nothing in writing, KUA will always be open to these types of criticisms he said.

Chairman Hord said that these membership dues were paid in accordance with past policies where KUA supports the professional memberships of its employees.

Director Walter said that nothing has been said any different than has been done in the past.

Director Toro agreed with Director Guthrie that the policy needs to be in writing, but he did think KUA acted according to the usual policy.

ACTION: It was the consensus of the Board to deny the request of Richard Herring.

Chairman Hord brought up the issue of the County Utility Tax. He reported that the attorney of record in Tallahassee, Florida had sent the general manager a letter a year and a half ago. Mr. Bryant, the attorney, said that if the City imposes a utility tax, then KUA could levy an equivalent charge in the County.

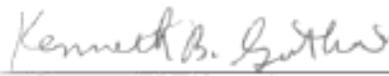
Discussion was held on the purpose of the three-party agreement of the city, county and KUA after the County utility tax goes into effect April 1, 1998 and the county is no longer a part of the agreement.

E. ADJOURNMENT - Meeting was adjourned at 9:15 p.m.



CHAIRMAN

ATTEST:



SECRETARY