

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, FEBRUARY 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 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 - ED NIXON, SCADA/COMMUNICATIONS TECHNICIAN, TRANSMISSION & DISTRIBUTION**

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

2. **5-YEAR SERVICE AWARD - PETER PEREZ, FIELD SERVICE SPECIALIST, MARKETING**

Mr. Welsh read comments made by his department supervisor. His past accomplishments were noted and he was introduced to the Board. Chairman Walter presented him an award and certificate.

3. **5-YEAR SERVICE AWARD - MIKE REAGAN, POWER PLANT SHIFT SUPERVISOR, POWER SUPPLY**

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

4. **20-YEAR SERVICE AWARD - TERRY LUKE, LINEMAN FIRST CLASS, TRANSMISSION & DISTRIBUTION**

Terry Luke was congratulated by Mr. Welsh for his years of service. Mr. Welsh noted his promotions and past work accomplishments. Mr. Luke was introduced to the Board and Chairman Walter presented him an award and certificate.

5. **20-YEAR SERVICE AWARD - VIRGIL MINSHEW, LINE CREW SUPERVISOR, TRANSMISSION & DISTRIBUTION**

President Welsh commented on Mr. Minshew's work history and congratulated him on his years of service. Mr. Welsh noted that he would be involved with the upcoming Lineman's Rodeo in Lakeland along with other line crew personnel. Mr. Minshew was introduced to the Board and Chairman Walter presented him an award and certificate.

6. **RECOGNITION OF BS DEGREE - CHERYL MEARS**

Ms. Mears was recognized for completing her Bachelor of Science degree in Management Information Systems. She graduated in December 2000 from University of Central Florida. Chairman Walter presented her a plaque to commemorate this accomplishment. Ms. Mears was introduced to the Board and congratulated for all of her hard work and dedication.

7. **EMPLOYEE OF THE MONTH FOR MARCH - KELLY JUSINO**

Kelly Jusino, a customer service representative in Marketing, was honored for being selected as March's employee of the month. Mr. Welsh read the information submitted by her co-worker and supervisor. Ms. Jusino was congratulated and Mr. Welsh emphasized that this selection is very important because it is made by the employee's peers. Ms. Jusino was introduced to the Board and was awarded a plaque by Chairman Walter. She was also 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.

D. **HEAR THE AUDIENCE** - None.

E. **PUBLIC HEARING** - None.

**F. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)**

**1. PENSION FUND INVESTMENTS UPDATE**

Mr. Welsh noted that there is a new state law that requires the Pension Board to come before the governing KUA Board once a year to give an update on the conditions of the Pension Fund and the investments they have made. Joe Hostetler, chairman of the Pension Board, reviewed information provided by the investment monitor (Merrill Lynch) and the portfolio summary of the Pension Fund.

**G. OLD BUSINESS**

**H. NEW BUSINESS**

**1. COST OF POWER AND CONSERVATION ADJUSTMENT (COPCA)**

Ben Sharma, director of Power Supply, noted that the usual methodology has calculated the upcoming Cost of Power Adjustment to be high because of the outrageously high natural gas prices during December 2000 and January 2001. The high cost adjustment can be justified and can legally be passed on to customers. He said, however, with the concern of this impact on our customers, staff recommends that the customer not be billed the full calculated charge immediately. In lieu of this, the COPCA would be frozen at the February 2001 level at least through the end of May 2001.

Chairman Walter asked if the savings to the customer would amount to around \$17 per 1000 kWh and Mr. Welsh confirmed this would be approximate for the average residential customer. Director Toro and Director Shearer asked for discussion on the timetable to recover the high cost of fuel now being deferred. It was noted that should this recovery happen prior to the end of May, the freeze would be lifted and should they not be recovered, there would be an increase to the customer. Mr. Welsh emphasized that according to the forecasts and predictions, as long as fuel costs remain low, there would not be an increase to the customer's portion of the COPCA. Chairman Walter wanted to make sure that our customers know this is being averaged to make their bills more steady.

**ACTION: Motion by Director Toro, seconded by Director Gemskie, to approve staff's recommendation to freeze the Cost of Power and Conservation Adjustment (COPCA) in KUA's customers' bills at the February 2001 level (i.e. \$23.06 per 1000 kWh) through the end of May 2001 and then revert back to the regular process, as well as reporting to the Board monthly any changes.**

**Motion carried 5 - 0**

**2. KUA RESPONSE TO INCREASING COPCA**

Chris Beck, director of Marketing, gave a presentation detailing recent COPCA increases, the impacts on the residential customers and the marketing response. A letter will be sent to the customer extending more methods of bill payment options in an effort to have direct communication with the customer regarding the fuel situation. One of those methods is the Good Neighbor Fund.

**ACTION: Motion by Director Shearer, seconded by Director Gemskie, to authorize a one-time increase in its contribution to the Good Neighbor Fund of \$4,440 based on the last three months of customer contributions. Total combined funding (from customers and Board) during November 2000, December 2000 and January 2001 totaled \$8,800.**

**Motion carried 5 - 0**

Director Toro suggested that customers who contribute to this fund be informed that they are welcome to increase the amount they give.

**3. COST OF LIVING ALLOWANCE FOR RETIREES AND BENEFICIARIES**

Mr. Hostetler reported that the KUA Employee's Retirement Plan requires that every three years the Board of Directors review and consider an ad hoc cost of living for retirees. The Pension Board requested an analysis be done to determine the cost impact of providing retirees and beneficiaries who have been receiving payments for a least one year with a one-time cost of living increase equal to 1.5% for each full year of retirement, to a maximum of 4.5%.

Mayor Gant asked if this increase would come out of the retirement fund and it was noted that it would come out of the operating budget.

**ACTION: Motion by Director Shearer, seconded by Director Hart, to authorize staff to bring back a resolution for approval.**

**Motion carried 5 - 0**

4. RFP - EXTERNAL AUDITORS

Joe Hostetler, director of Finance, reported that KUA has retained the same audit firm since 1989. During that time there have been internal changes in both the electric industry and the audit firm's operations. For that reason staff believes that the Request For Proposal process should be undertaken for auditing services.

**ACTION: Motion by Director Gemskie, seconded by Director Hart, to approve the RFP process and the timeline as detailed in the calendar and bring back a recommendation for appointment of external auditors.**

**Motion carried 5 - 0**

5. SERIES 2001 REFUNDING BOND ISSUE

Mr. Hostetler noted that if interest rates continue to fall staff should be prepared to move forward on a fixed rate refunding issue to KUA's Series 1991 and possibly a portion of the Series 1993 issue. He said during this time KUA would also like to look at the possibility of converting all or part of the Commercial Paper to long-term, fixed rate debt and funding KUA's portion of Stanton A (SEC #3) with long-term bonds as well. To do this KUA's bond counsel and financial advisor would need to begin preparing documentation.

**ACTION: Motion by Director Hart, seconded by Director Gemskie, to approve the RFP process, attached timeline and the Scope of Services for Bond Counsel and Financial Advisor.**

**Motion carried 5 - 0**

I. STAFF REPORTS

1. DISTRIBUTION OF PUBLIC ANNUAL REPORT

Mr. Welsh distributed the Public Annual Report to the Board.

2. MONTHLY PROGRESS REPORT ON T&D PROJECTS

President Welsh noted that this was a written report. In addition, Ken Davis, director of Transmission and Distribution and Ed Brinson, Attorney, gave an update to the Board on the property settlements of the last six parcels needed for the Employee Substation right-of-way. They also noted that an agreement with CSX for underground and overhead crossings is being returned to them because of clauses contained within the agreement. These are the same indemnification clauses that are being litigated as a result of the train wreck in 1993 and Attorney Brinson noted that KUA is not in a position to sign because of the litigation. If the clauses are not taken out then KUA would possibly begin condemnation proceedings to obtain easements for those crossings.

3. COMMUNICATIONS SYSTEM UPGRADE

Mr. Davis noted that they are still reviewing the six proposals that have been received and that he would bring back a recommendation to the Board in May.

4. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

The Power Supply report was a written report. Jeff Ling showed a brief video on the progress of Cane Island 3. It was reported that the target completion of date for Cane Island 3 is June 28, 2001.

5. CONDENSED FINANCIAL REPORT - JANUARY 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 January was 17% above estimated revenues.

6. JANUARY 2001 INTERNET SERVICES PROVIDER UPDATE

Mr. Hostetler reported that KUA.net may show a profit in February's reinvested earnings fund. The February revenue updates are not yet in but will be detailed at the March board meeting.

J. CONSENT AGENDA

Director Shearer requested that item #2 be removed from the consent agenda for discussion. Director Toro requested that item #1 be removed from the consent agenda for discussion.

**ACTION: Motion by Director Shearer, seconded by Director Hart, to approve the consent agenda items #3 through #6.**

**Motion carried 5 - 0**

3. CANE ISLAND 3 - APPROVAL OF FINAL ADDITIONAL FUNDING FOR TETON TO MAINTAIN JUNE 28, 2001 COMPLETION SCHEDULE  
**RECOMMENDATION: Approve the additional funding of \$376,958 to Teton Industrial Group for the revised workscope and revised work schedule so that the June 28, 2001 project completion target can be maintained.**
4. CANE ISLAND UNIT 3 - APPROVAL OF THE REMAINDER OF THE ADDITIONAL FUNDING TO VOGEL BROTHERS IN THEIR SUBSTRUCTURE CONTRACT  
**RECOMMENDATION: Approve the additional funding in the amount of \$200,876.16 to Vogel Brothers in their substructure contract for the additional scope of work as described in the attachment of Black & Veatch's February 5, 2001 letter.**
5. CANE ISLAND UNIT 3 - ADDITIONAL FUNDING TO BLACK & VEATCH FOR ADDED CONSTRUCTION MANAGEMENT RESPONSIBILITY  
**RECOMMENDATION: Approve the amount of \$58,387 as the additional Construction Management fee to Black & Veatch for their additional effort to manage Teton's night shift work.**
6. CANE ISLAND UNIT 3 - ADDITIONAL FUNDING TO TRIAD ELECTRIC FOR ANTICIPATED ADDITIONAL WORKSCOPE  
**RECOMMENDATION: Approve the additional funding of \$124,630 to Triad Electric for their additional workscope on time and material basis which are described in the attachment of Black & Veatch's letter dated February 16, 2001.**

**ACTION: Motion by Director Toro, seconded by Director Shearer to approve consent agenda item #1.**

**Motion carried 5 - 0**

1. APPROVAL OF MINUTES OF JANUARY 24, 2001 REGULAR MEETING

Director Shearer asked for discussion on the salary range for the President & General Manager. He asked if all the utilities surveyed had responded and he also asked for discussion on the comparison of ranges and total customers for each. Director Toro asked if 15% above department directors was common with other utilities and it was reported that in some cases it is more than 15%.

**ACTION: Motion by Director Shearer to change the President & General Manager's salary range at 10% above the department directors' ranges, instead of the 15%.**

**Motion dies for lack of second**

**ACTION: Motion by Director Gemskie, seconded by Director Hart to approve the salary range for the President & General Manager as recommended to be \$112,614 to \$158,786 with the mid-point being \$135,700 and that this range be adjusted annually by the Market Level Adjustment approved by the Board.**

**Motion carried 4 - 1  
Director Shearer voted no**

2. SALARY RANGE REVIEW

**RECOMMENDATION: Approve the salary range for the President & General manager to be \$112,614 to \$158,786 with the mid-point being \$135,700 and that this range be adjusted annually by the Market Level Adjustment approved by the Board.**

Mayor Gant noted that on the consent agenda there were several contractors that asked for an increase in their contract. He asked if there were any that were under what they bid and Mr. Welsh noted that change orders are done in cases where the job comes in under bid. The majority of contracts are not under the proposed amount.

**K. HEAR GENERAL MANAGER, ATTORNEY AND DIRECTORS**


General Manager Welsh reminded the Board that the dedication of the Employee Substation would be at 7:30 AM and 9:30 AM on May 8, 2001. He also noted that the Board's computers would be updated with Acrobat software to be used instead of Envoy. Mr. Welsh asked for discussion on possibly moving the March 14 Ten Year Plan Workshop because Chairman Walter has a conflict. **It was the consensus of the Board to move the Ten Year Plan Workshop to March 26th at 5:30 PM.** He also noted that the Board pictures were retagged to include the names of the Board members. Mr. Welsh said Richard Herring had suggested this to insure a historical record. General Manager Welsh informed the Board that he and Director Gemskie would be traveling to Tallahassee for the FMEA Legislative & Regulatory Conference. Barry Moline had called Mr. Welsh and stressed the importance of this meeting. Mr. Welsh also thanked the Board for their consideration and kind words in reviewing his salary range.

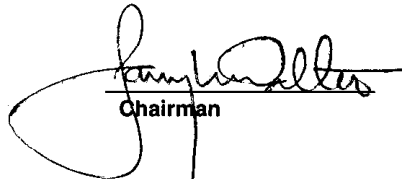
Attorney Brinson announced that Neville Turner, director of Personnel & Risk Management, was still negotiating with the Hershey Meter Company in the Doubletree issue.

Mayor Gant said that he would like to see the character of the Pension Board report changed to reflect that the cost of living increase to retirees does not come out of the Pension Fund but out of operating expenses.

Chairman Walter noted concerns about how KUA is getting closer to the top of the comparison reports for residential electric rates. He requested that KUA look into FMPA's All Requirements Project.

**L. ADJOURNMENT - Chairman Walter adjourned the meeting at 7:55 p.m.**

  
Secretary

  
Chairman