

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, MAY 23, 2001, 5:30 P.M., BRINSON BOARDROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA.

Present were Chairman Walter, Director Gemskie, Director Shearer, Director Toro, Director Hart, Attorney Brinson, General Manager Welsh and Recording Secretary Fizer. Mayor Gant was absent.

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, PEDRO DIAZ, METER READER, MARKETING

Mr. Welsh noted that Pedro Diaz was being honored for five years of service. Mr. Diaz was not in attendance.

2. 10-YEAR SERVICE AWARD, DAVE BROWN, WAREHOUSE CLERK, TRANSMISSION & DISTRIBUTION

General Manager Welsh noted Dave Brown's accomplishments at KUA and introduced him to the Board of Directors. Mr. Welsh reported that Mr. Brown has missed only one sick day in ten years. Mr. Brown was awarded a certificate and a clock by Chairman Walter.

3. 10-YEAR SERVICE AWARD, BOB VIELE, LINEMAN FIRST CLASS, TRANSMISSION & DISTRIBUTION

General Manager Welsh recognized Bob Viele for his ten years of service and noted that he would be honored by his department head at a future department meeting. Mr. Viele was not in attendance.

4. 10-YEAR SERVICE AWARD, LEO HAUSER, LINEMAN FIRST CLASS, TRANSMISSION & DISTRIBUTION

Leo Hauser was not in attendance at the meeting and General Manager Welsh said that he would be honored at a later date for his ten years of service to KUA.

5. EMPLOYEE OF THE MONTH FOR JUNE - BARBARA LAYTON

Barbara Layton was congratulated by Mr. Welsh for being selected employee of the month for June 2002. He read the comments submitted by a co-worker and those given by her supervisor. Mr. Welsh relayed the importance of receiving this award because to be selected by one's peers is indeed an honor. Chairman Walter presented a plaque to Ms. Layton and Director Toro gave her a savings bond. Director Gemskie informed Ms. Layton that she would be receiving a day off with pay, Director Hart gave her a special parking permit for the month of June and Director Shearer presented her a year's family membership to the Osceola Center for the Arts. They each expressed their appreciation for Ms. Layton's service to KUA and congratulated her on this prestigious selection.

D. HEAR THE AUDIENCE - None.

E. PUBLIC HEARING - None.

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

G. OLD BUSINESS

1. EXTERNAL AUDITOR SELECTION

Joe Hostetler, director of Finance, recapped that at the February meeting the Board had authorized staff to send out a Request For Proposal for external auditors. Since that time four responses were received and rated according to responsiveness of the proposal, experience of the firm and audit approach.

ACTION: Motion by Director Shearer, seconded by Director Toro, to authorize staff to negotiate a contract with Ernst & Young, LLP for external auditing services and to also approve the ranking of the firms.

Director Hart asked if the representatives were from the local office or out of state. Mr. Hostettler reported that they are local. Director Toro requested discussion on the time frame for the auditors to begin work at KUA. It was noted that the contract will come back to the Board for their approval.

Motion carried 5 - 0

H. NEW BUSINESS

1. **AUTHORIZATION TO FIRM-UP THE PRICE OF CERTAIN AMOUNT OF FUTURE GAS SUPPLY**

Ben Sharma, director of Power Supply, noted a correction in the recommendation. The third line should read "December 2001 and January and February 2002." He reviewed the agenda item and noted that previously the Board authorized the President & General Manager to work with Florida Gas Utility staff to arrange for purchase of natural gas fuel for the months of June, July and August 2001, on a forward basis and not to exceed price of \$5.25 per MMBtu. Since the time of the agreement forward pricing has continued to decline and staff recommended that KUA purchase a quantity of natural gas for the winter time frame in advance. Discussion was held on current pricing and the benefits KUA may recognize by joining in this agreement.

ACTION: Motion by Director Toro, seconded by Director Gemskie, to authorize the President and General Manager or his designee to work with FGU staff to arrange for purchase of natural gas fuel for the months of December 2001 and January and February 2002 on a forward basis up to a total quantity of 8,000 MMBtus per day at a price not to exceed \$4.60 per MMBtu.

Motion carried 5 - 0

Chairman Walter asked what this would do to KUA's rates. President Welsh noted that if KUA was at the rate being proposed and gas was the only issue, the rates would come down. The gas supply is only a portion of KUA's fuel costs. KUA is still reeling from the excessively high gas costs during the winter period.

I. STAFF REPORTS

1. **MONTHLY PROGRESS REPORT ON T&D PROJECTS**

The T&D report was a written report and no comments were received. Ken Davis, director of Transmission & Distribution, reported that the Clay Street substation right-of-way that borders an adjacent property has not been vacated.

ACTION: Motion by Director Hart, seconded by Director Gemskie, to place the Clay Street Substation Right-of-Way issue on the agenda to be discussed.

Motion carried 5 - 0

The property owner has suggested KUA join him in vacating his and KUA's portion of the right-of-way and also annexing this land into the City. Mr. Davis said that the property owner has also requested that KUA consider transferring the ownership of the property once vacated to the property owner. Attorney Brinson was concerned that the land in question would first have to be appraised, determined as surplus and advertised to the public. Mr. Brinson said it could be disposed of in the best interest of KUA.

ACTION: Motion by Director Hart, seconded by Director Gemskie, authorizing staff to participate in the application to annex the right-of-way into the City, along with the adjacent property owner.

Motion carried 5 - 0

ACTION: Motion by Director Hart, seconded by Director Gemskie, to authorize staff to join the adjacent property owner in vacating the right-of-way within the existing subway station property and to go into discussion with the adjacent property owner on the procedures to vacate all right-of-ways indicated above.

Motion carried 5 - 0

2. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

The Power Supply report was written and no comments were received. Jeff Ling, Production Manager in the Power Supply department, showed the Board a brief video on the startup testing of Cane Island 3 turbine. While Mr. Ling was giving his presentation he received a phone call that Cane Island 3 was online and producing the first megawatts of power for consumption. Mr. Ling also gave an update on the Hansel Plant turbine and reported that it should be running by next Tuesday or Wednesday. Ben Sharma introduced Don Summers who was representing Black & Veatch in the absence of Don Schultz.

3. CONDENSED FINANCIAL REPORT - APRIL 2001

Joe Hostetler gave a brief presentation to the Board on April's financial report. He noted that the total operating revenues are running ahead of budgetary estimates by 24.7% while total Operating and Maintenance expenses are running ahead of budgetary estimates by 29.5% on a mixed budget basis. Mr. Hostetler also reviewed year-to-date metered sales revenues and he discussed reinvested earnings. President Welsh suggested that KUA research the strategy of meeting the variable debt with the investment dollars.

4. APRIL 2001 INTERNET SERVICES PROVIDER UPDATE

Mr. Hostetler reported that KUA.net generated positive cash flows and net reinvested earnings in April. He speculated that this trend would continue to increase at a slower level.

5. DEPARTMENT HIGHLIGHTS - MARKETING

Chris Beck, director of Marketing, gave a presentation and reviewed new activities taking place in her department. She noted that the Energy Conservation Seminar would be on June 5th and would be available to the public. Other items of interest included the new children's play area in the lobby, new meter reading software, low cost advertising for KUA.net and the energy theft hotline. She handed out a new billing envelope advertising KUA.net.

Director Toro reported to Ms. Beck that the meter readers should take extra caution when replacing the water meter covers for safety reasons. She explained that the readers are currently aware of the potential danger in not replacing the covers properly. Director Hart asked if the Water Department had checked into replacing their old water meters with ones that could be read electronically. Ms. Beck said that they have a few of these in place and KUA is working closely with them on this improved technology.

J. CONSENT AGENDA

Director Hart requested that item #4 be removed for discussion.

ACTION: Motion by Director Toro, seconded by Director Gemskie, to approve items #1, #2, #3 and #5 on the consent agenda.

Motion carried 5 - 0

1. APPROVAL OF MINUTES OF APRIL 25, 2001 REGULAR MEETING

2. APPROVAL OF MINUTES OF MAY 9, 2001 SPECIAL MEETING

3. PURCHASE OF DIESEL FUEL, IFB #002-00

Recommendation: Approve the increase in the award for the supply of fuels to Mansfield Oil Company to include the purchase of 2,000,000 gallons of diesel fuel at an estimated amount of \$2,348,000 for Cane Island's Unit 3 project and replacement for Units 1 and 2.

5. CANE ISLAND 3 TRANSMISSION LINE CONSTRUCTION - CHANGE ORDER TO FPC CONSTRUCTION CONTRACT

Recommendation: Approval of change order to Cane Island 3 transmission line construction contract (purchase order #014366) in the amount of \$53,685.

Director Hart asked the length of the contract with Level 3 Communications. Jef Gray, director of Information Technology, noted that the contract was for one year and has expired. Director Hart noted his concerns about signing a five-year contract for new lines and Mr. Gray assured him that there would still be dial-up circuits in five years and most likely ten years. He further stated that it was a good cost savings for KUA.

ACTION: Motion by Director Hart, seconded by Director Toro, to approved consent agenda item #4.

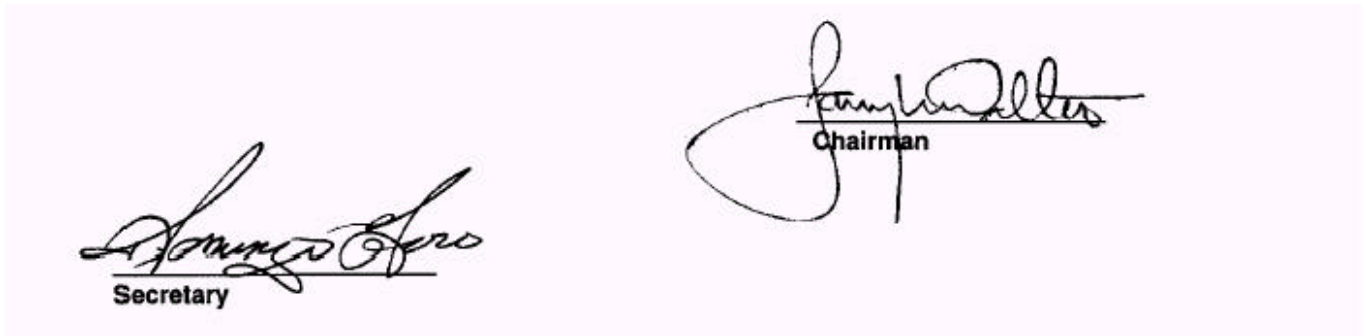
Motion carried 5 - 0

K. HEAR GENERAL MANAGER, ATTORNEY AND DIRECTORS

General Manager Welsh reminded the Board of the KUA Employee Picnic that will be on Saturday, June 9 from noon until 6:00 PM at the Carroll Street building. Mr. Welsh also brought to the Board's attention that the Chairman would be unable to attend the Special Budget Workshop scheduled for Thursday, May 24, 2001. **It was the consensus of the Board to reschedule this special meeting to Friday, June 1 at 5:00 PM.** There was also discussion held on the June 27, 2001 regular board meeting. Mr. Welsh noted that he knew of two board members that would be unable to attend that meeting. After Board discussion **it was the consensus to leave the regular June 27th meeting as scheduled.**

Director Gemskie noted that the City Commission confirmed Director Hart's appointment to the KUA Board at their Tuesday meeting. The remainder of the Board congratulated him for his reappointment. Director Hart thanked the Board.

L. ADJOURNMENT - Chairman Walter adjourned the meeting at 6:50 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 corresponding title in bold text.

Secretary

Chairman