

MINUTES OF A SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, SEPTEMBER 5 2001, 4:00 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.

I. **MEETING CALLED TO ORDER** at 4:00 P.M. by Chairman Walter.

II. **PLEDGE OF ALLEGIANCE**

The Board and staff recited the Pledge of Allegiance.

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

A. **OVERVIEW OF THE NATURAL GAS MARKET 2000 VS 2001 BY GREG CROWLEY, VICE PRESIDENT OF JP MORGAN CHASE, NATURAL GAS COMMODITIES TRADERS AND WADE SUKIE VIA CONFERENCE CALL**

General Manager Welsh introduced Joe Hostetler, director of Finance. Mr. Hostetler noted that Greg Crowley, Vice President from JP Morgan Chase and Wade Suki from JP Morgan Research Organization would be jointly giving the presentation on the Natural Gas Risk. Mr. Crowley gave some background information on his job duties and the function of his division at JP Morgan. Mr. Suki joined the meeting via conference call and he talked about what had transpired over the last year in the natural gas market and reviewed the fundamentals and key drivers of the current market action.

Mr. Crowley gave examples of establishing hedging framework for gas pricing and the disciplined approach to risk management. Director Hart asked the definition of a long-term contract and Mr. Crowley said it would be anything over twelve months. The Board discussed with the JP Morgan staff the various options available when creating a hedging contract. A comparison of spot pricing and future contract pricing was discussed in detail. Mr. Sharma discussed the prepaid contract that KUA had signed for the months of June, July and August.

Mayor Gant inquired about the new gas pipeline coming into Florida and what the schedule on this would be. Ben Sharma, director of Power Supply, noted that it is scheduled to be into Florida by June 2002 and completed.

The Board requested that staff develop a recommendation in terms of the natural gas price hedging policy and set up a potential framework. Craig Dunlap, KUA's financial advisor, explained the range from low to high when forming a hedging contract. Chairman Walter noted that the most important issue is to stabilize KUA rates for customers and he suggested that staff perform analysis on what rates would have been if a hedging policy had been in place over the past five years.

Chairman Walter recessed the meeting from 5:25 PM to 5:35 PM.

B. **DEREGULATION: WHAT HAPPENED IN CALIFORNIA AND WHY AND WHAT IS GOING ON IN FLORIDA? BY GARY KRELLENSTEIN**

Gary Krellenstein, Vice President/Research Analyst with JP Morgan Securities, Inc. gave a detailed presentation on deregulation in California and how deregulation would possibly affect Florida. He noted the public power concerns, the impact of deregulation on public power nationwide, the challenges facing deregulation in Florida and consumer confusion at valuing cost and reliability. Mr. Krellenstein noted that conservation programs can do a tremendous amount toward reducing the cost of power.

IV. **ALL REQUIREMENTS PROJECT (ARP) STUDY**

A. OVERVIEW

JIM WELSH, PRESIDENT & GM

General Manager Welsh gave a brief overview of the speakers and the topics that would be presented to the Board.

B. INTRODUCTION AND HISTORY JOE HOSTETLER, DIRECTOR OF
FINANCE

Mr. Hostetler gave the history on the Board approval to begin the ARP study process and what steps had been taken to this point.

C. ARP THUMB NAIL SKETCH CLAUDE L'ENGLE, FORMER GENERAL
MANAGER OF FLORIDA MUNICIPAL
POWER AGENCY (FMPA)

Claude L'Engle acknowledged that the Board was familiar with the ARP and FMPA therefore he would be giving an abbreviated presentation. Mr. L'Engle showed a video on the FMPA organization and how it assists utilities. He also showed several slides that explained what the All-Requirements Project strengths were, the agency governance, the members, the power supply benefits, the power resources, and the function of the group.

Director Shearer asked if any utility had ever dropped from the ARP after joining it. Mr. L'Engle said that no one has dropped out. Director Toro asked if all members of the ARP have experienced lower rates for their customers. Mr. L'Engle replied that the individual utilities regulate customer rates - only the cost of gas would be the same for each member.

D. WHAT WOULD JOINING THE ARP JERRY WARREN, FIRST
ENTAIL SOUTHWEST COMPANY

1. THE ISSUES
2. THE PROCESS

Jerry Warren, project manager from First Southwest Company, noted that Bill Herrington would be assisting him in the study process along with KUA staff members. Mr. Warren discussed what joining the ARP would entail, the practical considerations of joining the ARP, considerations for customers, employees and the Board, as well as the approach to the project. He reviewed the basic approach to the study as well as the elements of the study.

Claude L'Engle explained the diversity advantage of joining the ARP and how capacity credits are distributed to each member of the ARP. Director Toro questioned the sale of KUA's power and the rate at which it would be purchased. Mr. L'Engle said in most cases that would be to KUA's benefit. Other issues that were discussed included value of reliability if becoming a member of the ARP, accountability and economies of scale.

E. ANTICIPATED STUDY PROCESS - JERRY WARREN, FIRST SOUTHWEST
SCOPE AND SCHEDULE COMPANY

This was detailed for the Board by Mr. Warren.

F. INFORMATION NEEDED FOR THE JERRY WARREN, FIRST SOUTHWEST
DECISIONS COMPANY

After discussion by the Board and staff, General Manager Welsh reviewed the items being requested by the Board to be included in the study. They included: where do the other All-Requirements members fall on the rate comparison report, how would KUA have done over the past five to ten years if it would have been a member, the reliability issue, during dire situations how would joining the ARP benefit KUA, deregulation – how would joining the ARP affect KUA under deregulation at the retail level, and how KUA would have done during the last six or seven months when gas prices were extremely high if it had been a member of the ARP.

G. KUA BOARD DECISION PROCESS JIM WELSH, PRESIDENT & GM
AND SCHEDULE

The meeting schedule for the ARP Study Team was reviewed and **it was the consensus of the Board to have First Southwest present the mid study status report at a special meeting on November 14, 2001 at 4:00 PM.** Mr. Welsh noted that he would at the Board's direction invite the City Commissioners to this informational meeting.

V. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

General Manager Welsh thanked the speakers for the information they provided. Mr. Welsh


reminded the Board that the annual board picture would be taken around 5:00 PM prior to the next regular board meeting on September 26th. He said this would be a 100th anniversary picture and it would be taken in front of a flag.

Attorney Brinson reported that oral arguments would begin in Atlanta on December 5th as litigation continues on the first Amtrak train wreck.

Chairman Walter and the Board thanked the presenters and staff for the work put into the presentations and information provided to the Board.

VI. ADJOURNMENT

Chairman Walter adjourned the meeting at 7:50 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, black, sans-serif font.

Secretary

Chairman