

MINUTES OF A REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, SEPTEMBER 26, 2001, 5:30 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.

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. 15-YEAR SERVICE AWARD, JIMMY ROGERS, POWER PLANT OPERATOR/MECHANIC, POWER SUPPLY

General Manager Welsh noted Jimmy's accomplishments while at KUA. Ben Sharma, director of Power Supply, Jeff Ling, Manager of Power Production, and Larry Mattern, Maintenance and Operations Supervisor, congratulated Jimmy on his years of service. He was introduced to the Board and Chairman Walter presented him a service award.

2. 15-YEAR SERVICE AWARD, JOHN TALLEY, POWER PLANT SHIFT SUPERVISOR, POWER SUPPLY

Mr. Welsh welcomed John to the meeting. He reviewed his history with KUA and John was congratulated by Ben Sharma, Jeff Ling, and Larry Mattern. John was thanked by the Board for his years of service and Chairman Walter presented him an award.

3. 35-YEAR SERVICE AWARD, ED CARTER, DISTRIBUTION SUPERVISOR/ CONSTRUCTION, TRANSMISSION AND DISTRIBUTION

Ed was congratulated by Mr. Welsh for his years of service and Mr. Welsh gave a brief summary of Ed's tenure with the City and KUA. He was recognized by his supervisor, Ken Davis, director of Transmission and Distribution. Ed was introduced to the Board and Chairman Walter presented him an award.

4. EMPLOYEE OF THE MONTH FOR OCTOBER – MARIA MERCADO, MARKETING

General Manager Welsh explained that it is indeed an honor for an employee to be chosen by his/her peers to represent them as Employee of the Month. He read the recommendations made and noted that he wholeheartedly agreed with them. Maria was introduced to the Board. Chairman Walter presented her a plaque, Director Toro gave her a check, Director Gemskie reminded her that she would have a day off with pay, Director Hart issued Maria a special parking space and Director Shearer presented Maria with a one-year family membership to the Osceola Center for the Arts.

D. HEAR THE AUDIENCE – None.

E. CONSENT AGENDA

Director Shearer asked that item #7 be removed from the consent agenda for discussion.

ACTION: Motion by Director Toro, seconded by Director Gemskie, to approve the consent agenda items 1 through 6.

Motion carried 5 – 0

1. APPROVAL OF MINUTES OF AUGUST 29, 2001 REGULAR MEETING

2. APPROVAL OF MINUTES OF SEPTEMBER 5, 2001 SPECIAL MEETING

3. CONTRACT FOR DS3 TRANSPORT AND 9 PRI'S

RECOMMENDATION: The Board approve the contracts for 36 months of service and authorize the Board Chairman and Secretary to sign appropriate documents for contract execution.

4. CANE ISLAND UNIT 3 – TRANSFER OF PORTION OF CIVIL WORK FROM ORIGINAL SCOPE OF TETON TO THAT OF VOGEL BROTHERS
RECOMMENDATION: Approve the transfer of a portion of civil work as described in the agenda item from the original scope of Teton to that of Vogel Bros by deducting \$115,000 from Teton's contract and adding the same amount to Vogel Bros contract.
5. ANNUAL REQUIREMENTS FOR WIRE AND CABLE
RECOMMENDATION: Authorize award of bid for wire and cable for the estimated amounts as follows: Graybar - \$372,838; Hughes - \$3,349; Gresco - \$11,488; WESCO - \$9,654; Power & Telephone - \$4,045; Tri-State - \$101,035.
6. RESOLUTION 01-08, AUTHORIZING EMINENT DOMAIN PROCEEDINGS FOR EMPLOYEE TO MEADOW WOODS TRANSMISSION LINE EASEMENT ACQUISITION
RECOMMENDATION: Approval of Resolution 01-08, authorizing the Staff and KUA attorneys to take the necessary steps and legal actions to proceed with the eminent domain process to acquire the required easements for the construction of the Employee to Meadow Woods transmission line.

Director Shearer wanted to know if the 840 hours were included in the amount listed on the agenda item. Ben Sharma said the amount is still under dispute and is expected to come in less than requested.

ACTION: Motion by Director Shearer, seconded by Director Hart to approve item 7 from the consent agenda.

Motion carried 5 - 0

7. CANE ISLAND UNIT 3 – SETTLEMENT OF GENERAL ELECTRIC'S CLAIM FOR ADDITIONAL FUNDS DUE TO OVER-RUN OF TECHNICAL DIRECTION DURING INSTALLATION (TDI) TIME
RECOMMENDATION: Approve the settlement with General Electric for the overrun and of TDI as described in the agenda item for a not to exceed amount of \$926,436 and proceed on with the completion of Cane Island Unit 3 Project.

F. PUBLIC HEARING – None.

G. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION) – None.

H. OLD BUSINESS – None.

I. NEW BUSINESS

1. AWARD OF CONTRACT FOR PROPERTY, AUTOMOBILE, GENERAL LIABILITY, AND PUBLIC OFFICIALS LIABILITY, RFP #105-01

Neville Turner, director of Personnel and Risk Management, gave a presentation on the cost changes and the difference in coverage from last year. Bill Brown, insurance consultant from McNary Insurance Consultants, Inc., informed the Board that the recent turn of events in New York and elsewhere have driven coverage down and premiums up. Due to the relatively small number of insurance companies willing to offer these types of coverage for utilities, it was determined that agents, brokers and carriers approached in prior bid processes should generate sufficient competition to be a valid testing of the market. Virtually all proposals were in their final stage of submission prior to the terrorist attack. One insurance company had offices across from the World Trade Center and they were physically having problems getting the correct information to KUA.

Chairman Walter asked if the coverage included terrorism activity coverage. Mr. Brown said it was not specifically excluded therefore coverage was assumed.

ACTION: Motion by Director Gemskie, seconded by Director Hart, to approve (1) awarding the contract to Hartford Steam Boiler for Property Insurance for one year (first year premium \$686,644) with renewal annually based upon acceptable negotiated terms, (2) awarding the contract to Florida League of Cities for Automobile Insurance for one year (first year premium

\$27,421) with renewal annually based upon acceptable negotiated terms, (3) awarding the contract to AIG, American International Group for General Liability Insurance for one year (first year premium \$91,007) with renewal annually based upon acceptable negotiated terms, and (4) awarding the contract to AEGIS, Associated Electric & Gas Insurance Services for Public Officials Liability Insurance for one year (first year premium \$24,860) with renewal annually based upon acceptable negotiated terms.

Motion carried 5 – 0

2. CALL UP OF RESERVISTS/NATIONAL GUARD TO ACTIVE DUTY (KUA EMPLOYEES)

Neville Turner informed the Board that KUA's policy has been to pay for the first 30 days when an employee is called to active duty for the Reservists/National Guard. Mr. Turner said that several local government and other agencies have been contacted and after reviewing their policy, KUA would like to pay the difference between the employee's military pay and KUA pay during the time they are on active duty.

General Manager Welsh emphasized that this would affect only those employees who are currently in the Reserves or National Guard and who are called within the next twelve months.

ACTION: Motion by Director Toro, seconded by Director Gemskie, to approve for KUA to pay any employee who is currently in the Reserves/National Guard and is called to active duty within the next year, the difference between their military pay and their regular KUA pay for the duration of their required active duty (non-voluntary).

Motion carried 5 – 0

3. KUA'S GAS FUEL PURCHASING STRATEGIES IN THE PAST AND RECOMMENDATIONS FOR THE FUTURE

Mr. Welsh introduced the agenda item and Ben Sharma. Mr. Sharma noted that after the September 5, 2001 board meeting, discussions took place regarding gas fuel purchasing strategies pursued in the past by KUA staff in conjunction with Florida Gas Utility (FGU), the entity that acquires the gas fuel on KUA's behalf. A report was requested and a recommendation for future strategies.

ACTION: Motion by Director Toro, seconded by Director Gemskie, to direct staff to arrange a presentation by FGU staff at a suitable time to discuss price risk management and FGU's capabilities in that area and that KUA remain status quo until the ARP study and CFMA investigations are complete.

Motion carried 5 – 0

J. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON T&D PROJECTS

This was a written report. Director Hart asked what type of impact the World Expo Center construction halt would have on KUA's budget. Mr. Welsh noted that KUA would not expend any money that could not be recovered on this project. Chairman Walter suggested that KUA keep in touch with the County Commission to see what their plans are for this project.

2. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

This was a written report and no questions were received.

3. CONDENSED FINANCIAL REPORT – AUGUST 2001

Joe Hostetler, director of Finance, presented the August financials to the Board. He noted that weather and conservation were contributing factors in the reduction of metered sales in July and August. Mr. Hostetler also reviewed the fixed and variable financing for Cane Island 3, fuel and purchase power cost, operating and maintenance expenses and the debt service coverage ratio. Mayor Gant wanted to know the average life of a bond and Mr. Hostetler noted that it is usually less than a year.

4. AUGUST 2001 INTERNET SERVICE PROVIDER UPDATE

Mr. Hostetler also reviewed KUA.net expenses and revenues for the month of August.

Chairman Walter questioned the decrease in revenues for August compared to June and July. Jef Gray, director of Information Technology, noted that there were additional expenses in August but the September report would reflect increased revenues from large corporate sales.

Joe Hostetler introduced John Eichelberger, senior manager from J.P. Morgan. Mr. Eichelberger briefed the Board on the status of the stock market and how interest rates on bond issues are unstable in response to the recent terrorist attacks and other issues.

Craig Dunlap, KUA's financial advisor from Dunlap & Associates, noted that due to problems in the yield curve, staff has determined that it is not feasible at this time to do a refund of the 1993 bonds but refunding of the 1991 and 1993A bonds was possible.

ACTION: Motion by Director Hart, seconded by Director Shearer, to place the bond issue on the agenda for discussion.

Motion carried 5 – 0

Director Hart wanted to know how much this process was going to cost KUA additionally. Mr. Hostetler said the cost of professional services would be the same as it originally was determined and there would be no additional cost incurred.

ACTION: Motion by Director Hart, seconded by Director Shearer, to approve staff's recommendation to proceed with refunding of the Series 1991 and 1993A bond issues for approximately \$32,000,000 and delay the refunding of the Series 1993 bond issue.

Motion carried 5 – 0

K. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

General Manager Welsh reviewed KUA organizational changes proposed for October 1, 2001. Transmission and Distribution would be changed to Engineering and Operations; Personnel and Risk Management would be changed to Human Resources; Finance would be changed to Finance and Risk Management; Marketing would be changed to Customer Service and Marketing; Communications would be changed to Corporate Communications; and all department directors will become vice presidents.

Mr. Welsh also handed out a listing of special dates and events upcoming this fall. He also discussed having a special meeting to detail the All Requirements Project process prior to the January regular meeting. **It was the consensus of the Board to schedule a special meeting for this purpose for January 16, 2002 at 4:00 PM.**

Mayor Gant reported that the City has taken a serious look at the recent events of terrorism. He said in the near future there would be terrorist experts visiting the City to help protect the City's assets and he suggested that KUA review their security measures also.

Mr. Welsh informed the Board that KUA was taking extra security steps at the power plants and facilities.

Chairman Walter noted that business would definitely be different in the coming months following the recent terrorists attack but business would continue.

L. ADJOURNMENT

Chairman Walter adjourned the meeting at 7:07 PM.



Secretary



Chairman