

MINUTES OF SPECIAL WORKSHOP MEETING OF KISSIMMEE UTILITY AUTHORITY,
HELD THURSDAY, DECEMBER 1, 1988, AT 5:30 PM, BOARD ROOM,
ADMINISTRATION BUILDING, KISSIMMEE, FLORIDA

Present at the meeting were Chairman Hord, Vice-Chairman Gant, Secretary Bobroff, Assistant Secretary Lowenstein, Director Jones, Attorney Brinson, General Manager Welsh, and Recording Secretary Rundio. Director Van Meter was absent.

A. MEETING CALLED TO ORDER at 5:30 P.M. by Chairman Hord. He said Director Van Meter is not present this evening.

B. POWER SUPPLY STUDY

James C. Welsh, General Manager, said this is a Long Range Power Supply Study Workshop Meeting to update the Board on the ongoing power supply activities through Black & Veatch. Certain authorizations and studies have been started with changes in scope and direction, including offers from Orlando Utility Commission (OUC) and others. This Workshop will give a clearer picture of what avenues we should be pursuing, and indicating when we may come to a decision point. This session will give Board members additional exposure to FMPA's Integrated Dispatch and Operations Study ("IDO") project.

Myron Rollins of Black & Veatch, gave a general overview, of ongoing studies and then a lengthy detailed step-by-step presentation through overheads on FMPA's IDO project. (The overheads on "Ongoing Studies" and a written report on "Revised Scope of Services" are attached to these Minutes.) He indicated present issues we should consider before joining the IDO project. He explained alternatives which may bring considerable savings to Kissimmee Utility Authority (KUA).

Mr. Rollins said we have four ongoing studies under way and purchase power negotiations have been evaluated. He highlighted five additional alternatives (FMPA IDO Project, TECO Purchase Power Offer, FPC PR Purchase Offer, Expansion of OUC Purchase Power Offer, and the Participation Tallahassee Coal Unit). He discussed the Curtis Stanton #2 and the SCADA System Dispatch Center Improvement Study. Determination, he said, must be made on regulation and the IDO project. He explained how TECO works and the savings we can make off the energy we buy and we must save enough money to pay the demand cost.

Director Bobroff wanted a specific cost figure. Mr. Rollins said a \$200,000 savings might be had after demand charge and energy charge. He stated it would be the next cheapest thing to nuclear energy or Schedule D. There were concerns over the initial cost factor, rather than possible subsequent savings .

Concern was also expressed over KUA's losing its flexibility and control by going with IDO or other monopolistic companies which would not be cost-effective for us. Questions from the Board were answered by Mr. Rollins and by staff.

Also discussed was OUC's purchase power offer to KUA of 50 MWh, a Power Supply Study being developed to quantify future power needs and related capital requirements, while assessing rate impact, and terms of various proposals. We're ready to sign right now if we can agree on the rate impacts, on full ownership and based on actual cost of the unit, which is a negotiation point.

Mr. Rollins said we will be required to purchase all of our power from the IDO project. We would directly receive our payments for fuel to purchase energy and be responsible for

buying the fuel. We are bound by the participation agreement to make the payments and they would dispatch Stanton and pay us fuel costs.

Chairman Hord asked if the OUC contract we signed two weeks ago would be assigned to the FMPA IDO project. Mr. Rollins confirmed that it would. The Board expressed concern about KUA ending up paying for IDO's administrative costs on this project.

Mr. Welsh said we ought to look at KUA and how we go about our power supply planning, construction and providing for our power supply internally. The IDO comparison study does not include any optimization of capacity supply planning. Compare this to group participation in FMPA to determine if there would be for a lower bottom line cost for our customers than if we did it ourselves. It will be a policy decision the Board members must make.

Debt service is paid off through earnings and can be complicated. If they have to charge a certain amount for electricity, we would have to raise rates whether we like it or not and would have to set our rates high enough to pay off our own debt service, a "supply and demand" situation. Our reason for signing up for the OUC purchase was so we would not lose any money if we joined IDO. The other purchases we pay demand charges for and they will pay you for the energy but not for the demand. We will receive capacity credit for that demand, which may be more or less what our actual demand charge is. When system starts, we lose the ability to buy power at a price, based on value to them, so we can pay our debt service if the rates are high enough.

Chairman Hord asked if it takes into account money that we presently transfer to the City of Kissimmee general fund. Is this over and above that and is this over and above our retained annual earnings? The reply was no.

Director Bobroff wanted a comparison on our savings for a 10-year term with OUC versus our FPC contract and KUA's purchase power savings using the same formula. He indicated staff and Black & Veatch have accomplished much in actually saving us cost of energy.

Mr. Rollins cautioned the Board and staff to keep in mind how capacity credits are dealt with and that they change annually. As a voting member of their Board, KUA will have a voice in that change which is based on values. Operation and maintenance is an important issue; they will tell us how to dispatch our units; they could cause additional wear and tear on our units and nothing specifically compensates us other than those variable credits. We will be subject to FMPA's control and management.

Too, as an IDO member we will be part of the Florida Municipal Power Pool (FMPP) automatically.

Chairman Hord asked how we are making money. Mr. Rollins replied, through the lowered cost of the supply of the energy.

Meeting recessed at 8:08 P.M. and reconvened at 8:24 P.M

Mr. Rollins indicated to the Board that, no matter how he comes across, he has no biases on the IDO project.

Mr. Rollins highlighted a schedule of projected dates of various agreements and evaluations. Our FPC contract expires April 30, 1989, and have an offer on the table from FPC for a 15-year contract. TECO was discussed, whether we need it, what evaluation is needed, can the numbers be matched or exceeded versus FPC's. TECO supposedly is an improvement to our system. Chairman Hord was skeptical about TECO and whether

it was a "short term cure to a long term problem". Mr. Rollins explained it would be an additional energy savings to warrant paying the demand charge and perhaps save \$200,000.

Mr. Welsh said we're not backing off from our current capacity contract with Florida Corp, which runs through April 30, 1989, and which will have to be extended, or go another route.

Mr. Rollins touched on special pricing of the TECO energy based on spot pricing of the coal market.

Max Alderman, Manager, Generation & Transmission, said Florida Power Corporation (FPC) will not guarantee energy prices like the TECO deal; this is a special one-time deal of spot market coal. TECO will not guarantee the prices 24 hours at that price. Evaluation by Black & Veatch should be completed by December 12th: Chairman Hord said if its a savings, let's do it. Mr. Welsh said we need to confirm a guaranteed agreement in writing. They will dispatch it to assure us savings from it. Initially there was a concern about energy prices.

Mr. Alderman was able to acquire a guaranteed price from TECO of \$14.00/MWh and wants to be assured this will be cost-effective. Mr. Alderman also said they would be receptive to including in the agreement in writing a guaranteed price not to exceed \$15.00 and they said, on questioning, that it was four times the cost of our FPC energy. They would be willing to negotiate the demand cost down, too.

Mr. Welsh said we may want to meet with participants of IDO as to structuring the contract. Then it should be brought back to the Board.

Chairman Hord took a straw survey of Board members whether we want to follow this time frame of IDO or do we have predetermined thoughts right now. The polled members all were in favor of listening to FMPA's presentation first. They desired a workable contract, but with the stipulation or understanding that the Board has not made up their mind to join the IDO project. In early 1989, they will bring a contract to our staff and the staffs in our sister Utilities with the same information, and receive comments back. After a legal opinion the contract would be finalized in March. Then we can see if we want to be a part of it.

Edward Brinson, attorney, said they will present a contract basically for all the participants to everyone's satisfaction. Mr. Rollins said we will try to have the FPC purchase deal worked out so it can be signed in that time frame before April 30th. He also said they are projecting operations in 1990 or so.

The Board and staff discussed with Myron Rollins the feasibility of his sharing with KUA various aspects of other Utilities on this IDO project and sharing the costs. He assured them he is doing so whenever possible.

Chairman Hord asked, if we get a rough draft of a 30-page outline from FMPA, could staff and Attorney Brinson read it and make comments to the Board without the services of Black & Veatch. Mr. Welsh said this could be done but that he would not advise that the services of our Power Supply engineers (Black & Veatch) be dropped at this critical phase of the contract development. Chairman Hord suggested we ease into this IDO expense and only ask Mr. Rollins to work on the outline evaluation, to cut our costs.

Mr. Welsh referred to page 10 of the handout on the IDO project, saying 1.1 (FMPA Workshop Attendance), and 1.2 (Introductory Workshop) are already in progress, to be followed by a presentation by FMPA between 1.3 and 1.4. Chairman Hord suggested that we only go through 1.3 until further authorization.

Staff and Mr. Rollins had earlier discussed that same issue and agreed. In that light, if we are not interested, there will be no need of further costs for 1.4, etc. Attorney Brinson said FMPA would give a presentation and push the project. Chairman Hord suggested to staff to get through 1.3 and then get in a "holding" pattern. Mr. Welsh asked if dollars should be moved into the project now and direct staff not to authorize the engineers. This includes an authorization of \$14,475.

Moved by Director Lowenstein, seconded by Director Bobroff, authorizing staff to move \$14,475 into the project from the Reserve for Future Capital outlay to the Power Supply Project, and for staff to get through 1.3 and not proceed beyond that without prior authorization. (Chairman Hord said to let the record show that is part of the motion.)

Motion Carried 5 - 0

C. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh said he verbally received results from the Public Service Commission (PSC) on our out-of-city surcharge. They will not allow the reduction. Chairman Hord asked if we had reduced the rates as of October 1st. Mr. Welsh replied we did but we will probably need to reinstate it. Attorney Brinson said we will have a written opinion. Discussion followed about publicity regarding this and whether we should instigate placing an article in the paper after the Board action. The consensus was to inform the press as soon as we have the written opinion in hand. This would then be required to be agendaed for Board action.

Mr. Welsh informed the Board there will be an FMPA meeting, followed by a social hour, at 10:00 A.M., December 16, 1988, at the Gold Key Inn, Orlando, and that Chairman Hord and he would be attending. He asked any others wishing to attend to please let him know.

ATTORNEY

Attorney Brinson commented on the status of the Dickerson problem and said that, with the extremely capable assistance and persuasion of Johnny Williamson, Distribution Supervisor, Generation & Transmission, the obstructing trees in question will be cut down on December 2nd.

D. ADJOURNMENT: The meeting was adjourned at 9:44 P.M.


CHAIRMAN

ATTEST:


SECRETARY