

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD
WEDNESDAY, DECEMBER 16, 1992, AT 6:04 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, President & General Manager Welsh, and Recording Secretary Klinge. Mayor Pollet was not present and Director Gant was expected shortly.

A. MEETING CALLED TO ORDER AT 6:04 p.m. by Chairman Hord.

B. AWARDS AND PRESENTATIONS

1. 35-YEAR SERVICE AWARD - DANIEL ST. CLAIR

Daniel St. Clair was unable to be there to receive his service award of a mantle clock. Mr. Lackey accepted the award for him. Mr. Welsh said Dan began his career with the City in December 1957 as a groundman and since that time progressed to Journeyman Lineman. He had seen many changes in his 35 years of employment, from the construction growth to the population growth in Osceola County.

Dan is a quiet individual with a dry sense of humor who maintains a good rapport with both older and newer employees. He has an exemplary attendance record which sets a good example for everyone. He has proven to be a loyal and dedicated employee. KUA is very proud to have employees like Dan and congratulate him for his years of service. Chairman Hord told Mr. Lackey to extend congratulations and thanks for Dan's 35 years on behalf of the Board and Staff.

2. 10-YEAR SERVICE AWARD - JAMES C. WELSH

Chairman Hord reviewed, for the benefit of those who may not know, Mr. Welsh's record. He started his employment December 6, 1982 with the City of Kissimmee. Mr. Welsh served 3 years with the City and watched the start of the foundation for the Kissimmee Utility Authority. He became the General Manager when KUA was established and chartered and began operation on October 1, 1985.

Chairman Hord went on to say he has been here all of those 7 years, on the charter and the study committee, and felt that fellow Board members also concur that they greatly appreciate Mr. Welsh's contribution to KUA. Chairman Hord said he had watched Mr. Welsh mature professionally (not that he wasn't professional to start with) over the years. Chairman Hord stated he hoped we could be doing another service award 5 years, 10 years and many, many years after that. He then presented Mr. Welsh with a pen set which he had selected for his 10-Year Service Award.

3. 5-YEAR SERVICE AWARD - HARRY LOWENSTEIN

Chairman Hord inquired if there was anyone who was not on the Agenda for years of service. Mr. Welsh stated there was one individual with five years of distinguished service with KUA who was intentionally omitted from the Agenda. This was a surprise presentation for Director Harry Lowenstein! He was awarded a 5-Year service pin for his significant contributions. Director Lowenstein commented that this was the fastest five years he had seen in a long time.

4. EMPLOYEE OF THE MONTH - TERRY HICKS

Mr. Welsh introduced Terry Hicks as most deserving to be recognized Employee of the Month. Mr. Welsh read a few things that various employees said about Terry. Terry has a jack-of-all-trades job, not only does he maintain the landscaping at the Distribution Complex he also does many jobs shampooing carpets, painting and fixing anything that breaks. Another comment by an employee in a completely different department than Terry's was also read.

Mr. Welsh commented that Terry has been a big help to him in many different tasks and he has always been very helpful, very knowledgeable. He is an example to our employees. Mr. Welsh introduced Terry to the Board and Chairman Hord presented him with the Employee of the Month plaque for January 1993. Director Bobroff presented him with the certificate for a savings bond. Terry will also get a day off with pay.

5. HURRICANE ANDREW HOMESTEAD RESTORATION TEAM PROCLAMATION

Mr. Welsh stated to the Board that we are very proud of the efforts put forth by our employees in helping with the devastation by Hurricane Andrew that took place in the City of Homestead. He commended not only the employees that actually went there who were directly honored at this Board meeting but many, many other employees who were part of the support team back on the home front. The Board wanted to recognize in a very significant and direct fashion the ones who were actually there. Mr. Welsh asked them to come forward and at this time Chairman Hord read the Proclamation.

Chairman Hord then congratulated the employees and awarded each employee with a plaque inscribed with their name and "Hurricane Andrew Homestead Restoration Team, Fall 1992". The plaque also has a seal of the Kissimmee Utility Authority at the top. At this time a recess was taken to enjoy some cake and coffee in honor of the occasion.

Meeting recessed at 6:20 p.m. and resumed at 6:30 p.m.

C. HEAR THE AUDIENCE

Ben Tucker, President of Sun Bank, representing the Heart of Florida United Way addressed the Board. Mr. Tucker stated one of the reasons he was at the Board meeting was a presentation to recognize Mr. Welsh and his Staff for being a Pacesetter in the 1992 United Way Campaign. Mr. Tucker went on to say the United Way benefited much by the KUA Pacesetter Campaign and Pete Deglomine, Customer Service, deserves recognition for putting together a terrific team.

Each year a Pacesetter obligation is taken on and, as a Pacesetter, KUA agrees to attempt to increase the year-over-year giving by 25% (all on a strictly voluntary basis by employees). Mr. Tucker stated not only did Mr. Welsh's team do that but they literally increased the year-over-year by 64%. At this time he presented the laminated Certificate of Appreciation from the United Way Campaign to Mr. Welsh.

D. PUBLIC HEARING - NONE

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

1. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Mr. Welsh stated he was asking the Board to pull the item at this time because the Comprehensive Annual Financial Statements (CAFR) were really not ready for presentation in the current form that was presented in the Board packets. Mr. Welsh went on to state that Staff was planning to come back in January with some changes that would be favorable for KUA in terms of KUA's statements and financial conditions based on some discussions that have already begun with Bond Counsel. Mr. Welsh indicated if those certain actions are undertaken with the Board in January then Staff will redo the CAFR's and have them ready for February.

Joe Hostetler, Director of Finance, outlined some of the details of the CAFR. The reduced sales of about 5% was known based on the 10-Year Plan work. Two reasons for reduced sales were temperature and lower sales that weren't anticipated. In preparing the budget, Staff did not estimate the capitalization of interest expense properly. The budget was prepared last March/April when Staff was still talking about FASB-71 and still trying to develop all of the numbers. Some additional information has come out in discussions that Staff had with Bond Counsel, Financial Advisors and also the Auditors.

At the 10-Year Plan meeting it was decided to look at possibly going out in the market this year and in the very near future to capture the very low rate that existed today. Staff requested some additional time to look at the additional information and possibly be able to revise the coverage ratios based on what was done with the Series 1991 bonds less than a year ago. Mr. Hostetler stated he thought if Staff could come back in January it would be advantageous to do some things that will help our coverage ratio, publish the financial statements under that revised information and be in a more flexible position to go to the bond market in the next several months.

Director Bobroff queried if Staff was just playing a numbers game. Mr. Hostetler commented you really can't play with the numbers. There is a set of accounting standards that basically states how KUA has to apply the application of all of it's accounting standards. What was done in issuing the Series 1991 Bonds, capitalized interest was not funded which means that the current statements in October and November showed the full effect of interest expense on the 1991 Series even though the projects funded are still under construction.

Mr. Welsh pointed out we were planning on capitalizing interest but not funding them with the bond project. Mr. Hostetler was planning to capitalize the interest during construction, but since has found out under FASB-71 you cannot do that unless it is explicitly funded in the bond project. Now to be able to do that, you would have to go back and change the project list and the bond projects. Staff retrieved the CAFR's because they can be a source of misinformation.

Director Lowenstein queried if our external auditors had any comments to add to what our Director of Finance has said at this time. Mike Barrett, a partner with Coopers & Lybrand, responded by saying they basically support what management is doing as far as not issuing the CAFR at this time.

Director Bobroff queried Mr. Barrett regarding the remarks that will come from Coopers & Lybrand in the final product, will the remarks be basically what's in the latter pages now. Mr. Barrett's response was affirmative. Mr. Barrett stated the audit

is designed to determine that the financial statements present the results of operations and financial condition.

Mr. Welsh commented that Mr. Barrett pointed out the system of internal controls is in place to try to preclude fraud or defalcations or anything like that. Mr. Barrett's firm does examine the systems that are in place and then they spot check those systems. We have an ongoing continual self-appraisal through our internal audit systems. So you got checkers checking checkers etc. This is a very complex system of internal control.

2. CANE ISLAND PROJECT UPDATE BY BLACK & VEATCH

KUA's Internal Project Manager for Cane Island, Ben Sharma, stated this would be a routine presentation by Black & Veatch with KUA's progress on Cane Island. He introduced Don Schultz who is in charge of all KUA projects. Also present were Hobart Jacobs, Project Manager for both Unit 1 and Unit 2; David Lefebvre, Manager of Licensing activities; and Mike Simpson from Black & Veatch's Orlando office who is in charge of the Transmission activities.

Mr. Schultz indicated in his update some permits have been received since Black & Veatch's last presentation to the Board and Black & Veatch remains optimistic about receiving all the permits in the first quarter of 1993.

Mr. Lefebvre, in his permitting update, stated a significant milestone had been reached in getting the wetlands permits from the Department of Environmental Regulation (DER) on the Cane Island site and having the Corp of Engineers permit proposed. Mr. Lefebvre felt that all along the concept of having a power plant site at the wetlands was perhaps a unique aspect of this project; and the agencies by issuing the permits, FDER and the proposed permit by the Corps of Engineers, had brought into the concept and fully accepted the concept of that type of power plant development and site.

Director Lowenstein queried, at what point do we say go. Mr. Lefebvre replied that is a risk management decision that the Board will have to take. One type of risk would be making the decision to spend \$10 million today betting that you were going to get the permits. A different element of risk is to continue to maintain the schedule to spend \$50 thousand. Mr. Lefebvre stated he was confident we would get the permits in the first quarter of 1993 unless some unforeseen element occurs, but until all the permits are in hand you don't have an absolute guarantee.

Mr. Welsh stated what Staff has been shooting for is probably having all the things in place from SFWMD, currently targeted for March pessimistically and February optimistically. Mr. Lefebvre thought the key to the risk that you are being asked to accept is different when you are talking about a \$50 thousand risk versus a \$5 million risk.

Mr. Schultz continued the discussion with the following comments. All of the engineering so far on Unit 1 has been oriented toward procuring equipment to be ready to go forward when all the permits are in hand. Right now the gas compressor is being negotiated on. An agreement has been reached on it except for one commercial item.

The bids are in hand for the pre-engineering metal building, questions have been sent out to the two likely low bidders and that should be negotiated pretty quickly. The 160 volt primary unit substation is out for bid right now and the bids will be due in December.

The first construction contract on the site development is out and bids will be coming in on that in January. The work is still suspended on the combustion turbine equipment and we are receiving drawings from them which are being used to proceed with engineering.

The subsurface investigation on the site is completed and allowing for the go ahead with the foundation design and getting ready for the general construction package. So everything that is being done right now is oriented towards starting construction as soon as the permits are ready in March.

General Electric has not sold the combustion turbine yet; it's still available and it can probably be delivered to meet the March target date. As far as when do you decide to go ahead, Black & Veatch requested the Board to make some commitments on the transformer to support their engineering and also to support the delivery of the transformer.

Mr. Schultz stated that next month they would be coming back to the Board again and asking for some more commitments on maybe the gas compressor and possibly substation. All of this would be in support of a March 1994 commercial operation date and as things go forward we are probably looking at a month by month delay if we do not go forward.

On Unit 2 Black & Veatch is issuing the combustion turbine specs of that equipment this week. They will be taking bids on that in short order and evaluating those.

Discussion continued on the permitting process. Director Gant commented that the thing that delayed us somewhat this time was the fact that we went from the one combustion unit and added the combined cycle, so we had to go back and redo our application. They probably would not have cared if you were putting 40 units on there, rather than 2, if such an application was made the first time. We would not have had to go back through that process again.

In response to Director Gant's comment, Mr. Lefebvre told the Board it's been their experience that you have what would have happened in that scenario if we had tried to keep the permit application separate. Essentially we would have had two applications pending with most of these agencies over this summer. Mr. Welsh stated that wasn't the point, the point was could you just have made the project bigger to start with even though you weren't planning on building it bigger. Mr. Lefebvre stated Black & Veatch talked in the beginning with the County about a 1000 MW development. The detail that we have had to change instead of talking about your first installing two 40 MW simple cycle units, when FMPA came and agreed to participate all of a sudden that second unit went to 120 MW and we felt we had to go back in and correct the record. Director Gant stated you could have gone in and asked for 200 to start out with and it would not have made a difference. If that had been the case with any of these others I would have hoped you would have done that but it's too late in the game now.

Mr. Welsh commented that even if the size of the units hadn't changed, we had to go back in and alter the conditional use permit with the County because the one year had elapsed.

Director Lowenstein queried, in the future do we have to go through the same process for every unit we construct? Mr. Lefebvre responded "no" because of all the lineal gas pipeline and transmission lines, the only impacts that you would have are the site. Mr. Lefebvre stated that as he understood the County, you will have the approval for the conditional use site development plan for 1000 MW. What the County would want to do with that as you add units is to amend that so that

that you would have a three or four month process there.

A new air permit would be needed for the additional air emissions for the site. That might take 9 to 12 months to permit, but there wouldn't be any Corps permit and there wouldn't be any FDER wetlands permits. There will be modifications to the industrial wastewater facility permit from FDER. There won't be any SFWMD permits to get and you won't need the CSX Railroad Agreement. The Agreement with the City would need to be amended regarding taking wastewater and giving it back to them; but basically about 2/3 of the permits would not have to be applied for because of the actions that are being taken at this time on the site.

Director Lowenstein queried, in other words, what you are trying to tell us is that any of the permits we do require for future units would take approximately one year to obtain. Mr. Lefebvre answered, more or less.

Mr. Welsh commented that the next four agenda items, one under Old Business and three under New Business, are related to the licensability and timing of this so we will be addressing some of the questions that were already asked here.

At this point Chairman Hord requested to go to Item G.4 under New Business (Lease of Vacant Offices in the Broadway Street Building) to accommodate the people in the audience so they would not have to sit through any further Cane Island discussions.

G. NEW BUSINESS

4. LEASE OF VACANT OFFICES IN THE BROADWAY STREET BUILDING

Mr. Welsh said he had been approached by Heart of Florida United Way concerning our leasing them three of the vacant offices on the second floor of the KUA Broadway Street Building, Suite 218 (formerly Mr. Welsh's former office, the adjacent conference room and secretarial area).

Mr. Welsh further detailed the following: Their budget allows for \$800 a month and from an operational standpoint, if we were to have tenants in the building we probably couldn't think of better tenants; Heart of Florida United Way have agreed to comply with our standards; and we have asked that they utilize our maintenance services and continue to maintain the facility at the level utilized by KUA and comply with our parking regulations.

Director Gant stated that he thinks the electrical system, air conditioning and heating are all combined with the rest of it. Director Jones asked how many people would be working in the offices. Mr. Welsh replied 3 at the maximum.

Attorney Brinson asked Larry Norvell, President of the Heart of Florida United Way, if they were a corporation. He said yes, they are a separate not-for-profit corporation. Attorney Brinson said he had read the lease and it is actually a 90-day lease for both parties. Mr. Welsh stated the representatives assured us if at any time it does become necessary for us to utilize that option, for whatever purpose, they will relinquish the facility.

Moved by Director Lowenstein to accept the lease from the Heart of Florida United Way and that the Chairman and Secretary execute same. Seconded by Director Bobroff.

Motion carried 5 - 0

F. OLD BUSINESS

1. AWARD OF CONTRACT TO NORTH AMERICAN TRANSFORMER INC. FOR THE SUPPLY OF CANE ISLAND UNIT 1 GENERATOR STEP-UP TRANSFORMER

Following completion of Item G. 4 the meeting then moved back to Item 1, Old Business, and Items 1, 2, and 3 under New Business which all relate to Cane Island.

Mr. Sharma said at the July meeting, the Board approved that Black & Veatch negotiate with North American Transformer, Inc., for the terms and conditions for the supply of the generator step-up transformer for Cane Island Unit 1. In early November we came up with one set of conditions at that time and then went back for a second time and we have come up with the final arrangements for cancellation policies as well as the delaying the shipping. The price remains valid up to January 6, 1993 so we have to execute the agreement by December 31, 1992.

Don Schultz stated they were asking that the engineering be released at this time. If we have to go out and bid it again, we are probably not going to have a contract or will come to you with a contract until March which will result in another 3 months' delay on the start-up of the unit. We can make that up somehow or another; but the fact is the delivery of the transformer itself is pretty tight right now.

Mr. Welsh asked Mr. Schultz if there wasn't something from an Engineering standpoint that you are trying to tie down and move forward in terms of the rest of the design. Mr. Schultz stated the foundation work needs to be started and also the bus work. We need to get that out on the street and get that also.

Mr. Welsh stated you not only delay the delivery of the transformer but you delay a lot of other things. Director Gant queried what else can be done with this transformer, what other purpose can it serve. Mr. Welsh commented we wouldn't recommend buying it unless we were doing the project. Director Gant wanted to know if it didn't go what would you do with it. Mr. Welsh responded we are not going to buy it. Director Gant wanted to know if KUA was going to pay for the engineering and all that work that's being done. Mr. Welsh commented unless you want to stop it right now and not pay for anymore. Mr. Welsh emphasized that Staff is following an earlier direction of the Board to maintain the project schedule as closely as possible without risking a large percentage of the cost of the project. He further stated that if the Board wished that he would develop an alternative, more conservative approach which would suspend all work and cost associated with the project.

Director Bobroff moved that the contract for the Cane Island Unit 1 Generator Step-up Transformer be awarded to North American Transformer Inc. The motion died for lack of a second.

Discussion followed.

Motion by Director Bobroff to accept the recommendation by Staff to approve the award of the Unit 1 Generator Step-Up Supply Contract to North American Transformer Inc. and authorize the Chairman and the Secretary to execute the same. Seconded by Director Lowenstein.

There was further discussion and questions on the cost and on the permitting.

Mr. Welsh suggested going back to the drawing board and developing a scheme that starts cranking the project down if the Board felt they

wanted Staff to follow a more conservative plan. Mr. Schultz commented that so far Black & Veatch has done minimal engineering, just enough to support purchasing activities. Discussion continued.

Director Bobroff was emphatic that we should avoid pessimism on this project and we should proceed forward and keep it on track and on time to the maximum extent possible.

Director Lowenstein went back to a question he asked earlier, i.e., in any of the permitting, is there one permit or one group which could eliminate this project.

Mr. Lefebvre commented anyone of the permits would cause a reevaluation of the project but a way could be found to get around it. For instance, if FDER would not issue the industrial wastewater facility permit under any circumstances, we could go to a zero discharge plant; it would radically increase the capital and operating cost of the project and we would have to evaluate whether it still made sense for the Board.

For instance, if the Prevention Significant Deterioration (PSD) permit or the air permit were not issued, there is no way to build the combustion turbine project because it does emit some pollutants. That permit is out on the street for approval and the agency is happy with the permit as they proposed it. Some of the permits are vitals and some of the permits we can try to find a way around, but they will radically affect the project.

Mr. Welsh had pointed out to the Board earlier the changing of the environmental easement by SFWMD is a very unique type of situation and it's one of the most critical elements to this whole plan.

Director Jones wanted to take a look at it in a broader sense. He queried, is this scenario going to follow in the three remaining contracts, and if it is, what's the total cost going to be in four awards that we are going to make. Let's put them all in a nutshell, because we can't base our decision on \$70,000. We better look at the rest of it.

Ken Davis, Director of Engineering, commented that the next three agenda items are a little bit different as there is no commitment to anything in these items that would cost any dollars. These are, for the most part, bids that have been received, being held and not awarded yet. A point has been reached to either go back and try to negotiate a contract with the low evaluated bidder at this point, to award a contract which we could build delay clauses in, but would not be able to commit to turn them loose for anything probably until March anyway.

Mr. Welsh asked direction from the Board to award those bids and negotiate a contract. A part of those negotiations is to negotiate the most favorable extension clauses, delay clauses and cancellations clauses as we possibly can into those contracts.

Mr. Davis stated that regarding the first three items under New Business, there is zero risk of dollars with what Staff is asking to be done. We can go back and negotiate this contract with North American Transformer Inc. and we could negotiate that we are not going to release them to be doing any work until March or April.

If we try to meet the March 15 in-service date that we are shooting for, we have to release them the 1st of March. At that point we could be facing some "at risk dollars". If we don't get the authorization to go back and negotiate these contracts with the low bidders, we can still rebid them and still meet our time frame. This

would cost us extra money. We will have to go right back on January 1 and rebid them. We feel we can go back and successfully negotiate some contracts with these people with hardly any escalation clauses in them and we're not going to be risking anything to do it now.

Mike Simpson, Black & Veatch, addressed the Board stating the risk is essentially a schedule risk. If Black & Veatch cannot go back and negotiate a contract price that will be acceptable to the Board, we would then spend the next month trying to negotiate something and bring it back to the Board in January or February. If the Board decides that the prices we have negotiated with the manufacturers are not acceptable to them, they can direct us to rebid. A couple of months will have been lost from a schedule standpoint.

In order to prevent the above risk we could have Black & Veatch do one of two things. One, negotiate contracts with the low bidders we have right now; or two, go ahead and prepare new specifications and go out for rebid in early January so the revised bids could be in and ready to award in March. Essentially the material contracts have to be awarded in March or the in-service date of the following March can't be met.

Mr. Welsh asked Mr. Simpson what would happen when we negotiate those contracts. Mr. Simpson stated if the contract terms that have been negotiated are acceptable to the Board then the Board goes ahead and awards those contracts in March for those prices.

Moved by Director Bobroff to accept the recommendation by Staff to approve the award of the Unit 1 Generator Step-Up Supply Contract to North American Transformer Inc. Seconded by Director Lowenstein.

Motion Carried 5-0

G. NEW BUSINESS

1. CANE ISLAND SUBSTATION - 230 kV GAS CIRCUIT BREAKERS

Mr. Davis briefly capsulized what was discussed earlier concerning this item and gave a recommendation to the Board.

Director Bobroff made a motion to approve Staff's recommendation to authorize the modification to the General Electric Company contract awarded under IFB #019-92 for the purchase of five (5) additional 230 kV circuit breakers, at a unit cost of \$105,575, contingent upon negotiation of satisfactory contract clauses. Exercising this option will bring the total GE contract for this bid to \$643,974. Seconded by Director Lowenstein.

Motion carried 5 - 0

2. ID AWARD - SUBSTATION SWITCHBOARDS. CLAY STREET SUBSTATION PROJECT, IFB #029-92

Mr. Welsh referred to the wording in the Recommendation of this Agenda Item, "Authorize the award of bid for the substation switchboards to KEMCO Industries, Inc. for the lump sum price of \$418,706 plus the approved sub-contractors price adjustments. The award of bid will be contingent upon negotiation of a satisfactory contract; and, authorize the Chairman and Secretary to execute said finalized contract." The wording of that Recommendation is such that no further

action by this Board is required to have the contracts not only negotiated but executed by the Chairman and Secretary.

Chairman Hord asked what if you strike the last phrase of that recommendation. Mr. Davis said we could do that and bring it back for approval. Chairman Hord suggested striking the last part of the last sentence and have it read, "The award of bid will be contingent upon negotiation of a satisfactory contract being brought back to the Board."

Director Bobroff moved to accept recommendation of Staff on IFB #029-92 to REMCO Industries, as amended above to be brought back to the Board for approval prior to execution by the Chairman and Secretary. Seconded by Director Lowenstein.

Motion Carried 5 - 0

3. BID AWARD - SUBSTATION STRUCTURES & EQUIPMENT FOR CLAY STREET SUBSTATION, IFB #034-92

Mr. Welsh suggested that Staff's recommendation be amended by inserting "being brought back to the Board" after the wording, "satisfactory contract".

Motion by Director Jones to accept the recommendation as amended by the General Manager to authorize the award of bid for the substation structures and equipment to Dis-Tran Products, Inc. for the lump sum price of \$367,176, contingent on negotiation of a satisfactory contract being brought back to the Board. Seconded by Director Gant.

Motion Carried 5 - 0

4. LEASE OF VACANT OFFICES IN THE BROADWAY STREET BUILDING

In order to accommodate our Heart of Florida United Way guests this item was pulled out of context by Chairman Hord and agendaed following E.2, page 939.

5. TARIFF SHEET CHANGES

Mr. Welsh indicated there were several changes to KUA's tariffs that were discussed before. Briefly, it is changing the deposit from \$100 to \$125, changing interest by allowing it to fluctuate, and we intend not to refund interest on an annual basis, rather just refund it when the entire deposit is refunded. Currently, once a year customers are given credit for their interest. Both of these, changing the deposit and especially the refunding of the interest, are contingent upon concurrence by the City because it's not feasible for KUA to handle it in two different fashions.

We have already had some discussions at the Finance Department Staff level at the City and they are supportive about going along with it. If they don't do it we are not going to make the changes because it would not be worth the necessary computer programming to have two different systems in effect.

Ms. Beck, Director of Customer Relations, recommended that the Board direct Staff to submit three tariff changes to the Public Service Commission. These tariff changes are predicated on the fact that over the last several years the size of our bad debt has steadily increased along with the general decrease in interest rates.

Change No. 1 only involves KUA, the other two involve the City because of the City's \$25 water deposit. If we should make any changes on how we handle interest or interest refunds, etc., we would have to get the City to concur with that and change their ordinances to match what our tariff sheets are going to be. We have had some preliminary contact with the City and don't see any major objections.

At this point, Ms. Beck did a presentation, via overheads, to go over the three changes. Chairman Hord wanted to know about the interest on the water deposits, and whether the City wanted to change it. Ms. Beck responded that both deposits are tied together and you would be getting 5% interest on the electric and 5% interest on the water. To take a \$100 electric deposit and keep it separate at one interest rate and the \$25 water deposit at another interest rate would be extremely difficult. Mr. Welsh commented, not to mention it being very confusing to the customers. If we can't agree on a change it will remain as is. Discussion continued.

Motion by Director Gant, seconded by Director Jones, to accept Staff's recommendation that changes #1 and #2 be submitted immediately to the Public Service Commission (PSC) and that change #3 be submitted after program testing is completed.

Motion carried 5 - 0

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

There were no questions on the Monthly Progress Report on Engineering Projects.

2. CONDENSED FINANCIAL REPORT

Joe Hostetler, Director of Finance, had some amendments to the Condensed Financial Report that related to the earlier discussions on CAFR.

Director Gant commented he felt it was a little too early to get nervous about where we are the first two months of the year. He wanted to know if we are almost to a point where the Board needs to readdress our budget.

Mr. Hostetler said we have about \$3 million in projects that we are holding right now. The Department Directors have committed it to either a natural delay or they are purposely delaying a project. If the money doesn't materialize then we are going to hold back projects and decide which one of these we can delay until next year and which ones would not obstruct the operation.

There was some discussion about new customers being added to the system because of new construction. Mr. Welsh commented if we can get them on before our heavy load months it could make a big difference in the summer months.

Chairman Hord stated he endorsed what Mr. Hostetler had said, that just because you have some projects that were approved in the budget if we don't need it and the time isn't right from a sales standpoint, don't do it. Forget about the budget, common sense prevails. Mr. Hostetler commented that is what we are doing.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

There were no comments on the Monthly Report on Power Supply Department Projects.

1. SELECTED DEPARTMENT HIGHLIGHTS - PERSONNEL & RISK MANAGEMENT

Neville Turner, Director of Personnel & Risk Management delivered a general overview report on his department. Following his report there were no questions from the Board.

I. CONSENT AGENDA

Notion by Director Jones to accept the Consent Agenda, with the exception of Item 2, Approval of Minutes of November 18, 1992, Meeting. Seconded by Director Lowenstein.

Motion carried 5 - 0

1. APPROVAL OF MINUTES OF NOVEMBER 11, 1992, SPECIAL MEETING

3. CABLE, URD PRIMARY - EPR INSULATION, IFB #007-93

2. APPROVAL OF MINUTES OF NOVEMBER 18, 1992, MEETING

Director Bobroff stated that under the "Hear the Audience" section on Page 922, Paragraph 3, "Director Bobroff stated that we had problems in communicating with our customers during the Christmas of 1989 freeze and that we had taken steps to better communicate with them during future emergency situations." I think I said that "Our customers had problems communicating with us, just the reverse." I would like to have that corrected to show that it says what I am saying now.

Director Bobroff also stated that the minutes in general were done very well and he wished to compliment their preparer.

Chairman Hord asked for a motion to approve Item 2 of the Consent Agenda, as amended by Director Bobroff. Director Lowenstein so moved, and seconded by Director Jones.

Motion carried 5 - 0

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh wished the Board and KUA's Attorney a very happy holiday and a very happy New Year.

DIRECTORS

Director Bobroff said, " Merry Christmas, Happy New Year and thank you for the good year, Mr. Chairman."

Director Gant also wished Staff and employees a Merry Christmas.

K. ADJOURNMENT: Meeting adjourned at 8 50 p.m.

ATTEST:



SECRETARY


CHAIRMAN