

MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, SEPTEMBER 8, 1993, AT 6:00 PM, BOARD ROOM, ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

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Present at the meeting were Chairman Hord, Vice-Chairman Gant, Secretary Bobroff, Assistant Secretary Lowenstein, Mayor Pollet, Attorney Brinson, President & General Manager Welsh, and Recording Secretary Rundio. Director-Elect Schoolfield was also present.

(Prior to this meeting, the Board of Directors took a tour of the Relay and Meter Lab facilities at the Bermuda Avenue Building.)

A. MEETING CALLED TO ORDER at 6:00 P.M. by Chairman Hord.

B. NEW BUSINESS

1. AWARD OF CONTRACT - SUPPLY OF STEAM TURBINE GENERATOR CANE ISLAND UNIT NO. 2 - IFB #038-93

Mr. Welsh stated we have an award of contract for the Steam Turbine Generator evaluated by our Engineers, Black & Veatch, who will make a presentation on the evaluation methodology and basis for Staff's recommendation.

Present were representatives from Asea Brown Boveri (ABB), General Electric (GE) and Westinghouse who would present some considerations on this. A brief meeting was held earlier in the day with Westinghouse reps who expressed some concerns about the evaluation process and subsequently have developed some additional concerns.

Ben Sharma, Director of Power Supply, stated that four proposals were received and opened on August 2, 1993 for this Steam Turbine for Cane Island Unit 2, and that Hobart Jacobs and Steve Edwards, Black & Veatch, would make presentations. The low bid went to Asea Brown Boveri whose equipment meets the specifications and which is of acceptable quality.

Mr. Sharma stated that Staff agreed with Black & Veatch's analysis and recommended that the award of contract for this Steam Turbine Generator be given to Asea Brown Boveri for a not-to-exceed price of \$6,460,900 and upon successful completion of the terms and conditions. However, the contract would not be signed (at this meeting) until we conclude the terms and conditions negotiations.

Director Bobroff inquired where the generator we bid on was manufactured. Mr. Edwards replied that the ABB and Westinghouse offerings are manufactured offshore and the other two are manufactured stateside. Director Bobroff asked about the interchangeability of spare parts for this equipment and at what additional costs. Mr. Edwards indicated certain equipment would require fewer spare parts and reduced inventory, but that it was difficult to pinpoint the costs precisely.

Mr. Edwards addressed the Bid Analysis, as included in the Agenda packets, by detailing the Evaluated Cost Summary, STG Proposal Bid Pricing Comparisons, Technical Cost Adjustments, Balance of Plant Cost Adjustments, Commercial Cost Adjustments, and Cost of Energy Adjustments. Numerous discussions were had on the above categories to which Mr. Edwards responded. The breakdown of the contract price by ABB is as follows:

Mr. Edwards said a fax was submitted by Westinghouse to Black & Veatch on August 25th which was utilized in the evaluation. Subsequent to that fax, a letter also dated August 25th was received by B&V where the initial substance of the letter was the same as the fax and inadvertently Black & Veatch assumed it was a hard copy letter of the fax whereas, in fact, the letter contained additional information. This additional information was overlooked and would have eliminated the \$50,000 penalty against Westinghouse and eliminated the \$20,000

Lump Sum Bid Price	\$5,961,500.
Technical Cost Adjustments	99,000.
Microprocessor Based Protective Relay System	28,500.
Spare Parts	<u>371,900.</u>
Total	\$6,460,900.

Of the four bidders, Westinghouse submitted two offerings; the SC23 and SC20. The SC23 is an alternate machine but with different last stage blades which gives additional output over their other offering.

Mr. Edwards stated that their approach in coming up with the adjustments was to estimate B&V costs to bring all the bids into compliance with the specifications and get everyone on an "apples to apples" basis; these are B&V estimates to get them to comply.

adjustment, as well as the \$64,000 line item for static excitation, totaling \$134,000. The other items were still valid adjustments. The error was not realized until this afternoon.

Mr. Welsh addressed the bid process as to what was included and what was not, and what pricing clarifications are allowed prior to or after the bid. Guidelines are followed by B&V to keep the bids in line. A new bid procedure has been instituted to be used in the future called, "Complex Bid Procedure", e.g., when the bids come in they won't be allowed to be examined by the other bidders. Under this set of circumstances we can say certain items were not included and ask what they will charge for them without knowing prices of other bidders. They would bid their own item. Discussion continued.

The delivery schedule, terms of payment and commercial terms negotiation were discussed for the four companies. Questions were posed by members and responded to.

Mr. Dick Shubert, General Electric (GE), asked how the terms of payments were arrived at. Mr. Edwards referred to page 3-9 (para. 4, 5) of the Bid Analysis, which he read aloud. Mr. Shubert stated that in comparing GE's terms of payment against the others, he did not see any significant difference for GE to be penalized \$200,000. Mr. Edwards stated that with the bidders' different terms and percentages of the contract value in the first month, B&V evaluated these on a month-by-month basis. Discussion followed.

Mr. Edwards' presentation covered the summer/winter kilowatt output, differential output weighted average and the capacity charge (calculated for the FMPA/KUA value of energy) giving the cost of energy adjustment over a 10-year payback period with a reasonable amount of certainty. He said it is difficult to judge fuel prices, etc., for a 20-year period.

Mr. Tim Eves, Florida Sales Manager at Westinghouse, noted that in the evaluation for the SC23 it was less than \$100,000 more expensive than the ABB machine and, considering the significant output difference originally bid between their and ARE's machine, they felt the evaluation could only go in their favor for the SC23. He said Westinghouse is aware of our guidelines of not accepting any pricing information after bids are opened. He stated ABB changed their output in several cases and felt that was a pricing decision. Multiplying that out per kilowatt it more than makes up the difference between the Westinghouse evaluated price and the ABB evaluated price. He asked that the Board consider not allowing that change in output in this evaluation.

Mr. Ziggy Biernacki, General Electric, asked what the numbers were changed to after the submittal which guaranteed points in the contract and proposal. Mr. Edwards said the output for the ABB machine at 25 degrees was revised to 42,710 kW from 42,370 kW at the time of the proposal. ABB had rechecked their calculations and found these to be the numbers which should have been submitted. The numbers were changed on the 95 degree day also.

Chairman Hord disagreed with this procedure as it alters the formula and favors a better bottom line.

Mr. Carl Stendebach, ARE's Business Development Manager, explained the performance calculation just discussed which was brought about by adding an additional blading stage in this particular machine offered, an error if you will. This is an improved performance brought about on that basis. He addressed our concerns regarding performance and said they have not failed to meet performance guarantees on any of their machines in this category. He admitted some lack of performance offered in the original stage and later found this could be improved.

Director Lowenstein inquired how readily spare parts are available if they are not in stock in order that machines not sit idle while awaiting replacements. Mr. Stendebach stated that if these parts are not in inventory, they would be available on special order and he felt confident that on critical parts any manufacturer would have custom delivery requirements necessitated domestically or internationally.

Mr. Shubert, of General Electric, stated that on delivery of parts, one area to consider is that they have 117 of these units in operation in the United States with parts available domestically. Another consideration is cost of spare parts submitted in each bidder's proposal. ARE's ratio for domestic suppliers is 2-1. The change in the output of the Steam Turbine allowed ABB a \$408,000 evaluation credit.

Tim Eves, Westinghouse, commented that whether or not there are technical grounds for the above change, it is a substantial change. They came in with a few changes in the control system (after discussions with B&V) and were rejected because of the rule, he said. Regarding terms of payment, he said ABB and Westinghouse agreed to the specified terms. He did not recall any terms in the specs, yet ABB and Westinghouse are penalized with significant amounts.

Mr. Edwards replied it was the manner in which the terms are applied, not dates or the amounts. So, the exception was a relatively minor point which is not included in those dollars. The dollars are strictly a calculation of the cost of the money in making those payments. He said the specification did not ask for any specific terms of payment, varying from one vendor to another to offset his costs.

Chairman Hord inquired how much difference does it affect the cost of energy adjustment for ABB if they used the previous figures. Mr. Welsh replied \$8,000, going to \$940,875. Chairman Hord asked if the other three bidders were also asked for an alternate design. Mr. Edwards replied that they were not. Chairman Hord asked if that seemed fair.

Mr. Welsh stated that the direction given the Engineers is that any clarifications or added information brought in is acceptable from an original bid. On price adjustments it is not. Scheduling might be an acceptable change.

The delivery date of the Steam Turbine Generator by ABB is August 1, 1994, and is anticipated to be in commercial operation by January 1, 1995.

In response to Mr. Shubert, Mr. Edwards said the cost of ABB spare parts as quoted in the original proposal was significantly higher than the prices given by the other bidders. The difficulty on the spare parts was if they all included different spare parts in a different scope of spare parts. ABB included more spare parts than the others, so its logical that their price would be higher due to this inventory. Spare parts are open to the bidder. B&V had no way to evaluate spare parts. Comparisons were made for the bidders' prices, etc., and further discussion continued.

Mr. Welsh stated that, in summary, we gave a set of guidelines to our technical engineers and asked that they objectively evaluate a very complicated process. They were asked to impartially and fairly make the best call.

Director Bobroff asked why all the players' numbers were not brought up or down to a certain figure. Mr. Edwards said the parts vary from vendor to vendor in terms of what needs to be stocked and so on.

Director Bobroff also said there has to be some way to equalize all these figures and was not sure we have a good recommendation. He also said some weight should be given for equipment and parts manufactured in the U.S., especially in today's economy, which is totally not taken into consideration in these bids. Chairman Hord stated the only way to do that would be to direct Staff to do it.

Mr. Welsh stated that the Board is making the decision on receipt of technical information and it is their prerogative to decide what is in the best interests of KUA based on bid prices, etc. They can make a qualified judgment or non-quantified judgment in this case, or direct Staff to give preference to domestic suppliers.

Delivery was touched on briefly. There are no liquidated damage clauses included in the contract but there are contract guarantees.

Paybacks over a 10-year period were discussed. Chairman Hord asked what savings would be realized if the Unit ran 11 or more years. B&V assumed that any differential had to be paid back within a 10-year period to be of benefit to KUA. Energy costs were applied over a full 30-year period. Chairman Hord inquired what the savings would be of an SC23 versus an ABB in the 11th year based on the 25 and 95 degrees output. Mr. Edwards said it would be very close to the \$533,000, shown on Table 3-5. The question was asked what the difference was between the 20 years and 30 years. Mr. Edwards said there might be a difference in the 31st year. Mr. Sharma clarified the benefits achieved.

Director Gant asked, with a particular output of a steam turbine, what happens if we were to make it operational and those conditions did not meet those specs. Do we have rights to relief? Mr. Edwards said they would not release final payments on the machine until they met their obligations. A performance test would be done on the machine or modified to meet the guarantees. Otherwise, we would settle with them or hold back the funds.

Discussion again centered around the receipt of the fax and letter from Westinghouse which created the misunderstandings originally. Mr. Edwards clarified for Attorney Brinson the pages which were included in the evaluation. Attorney Brinson stated that the rules of the court now are that you can rely on the fax and assume that the hard copy will follow.

Tim Eves remarked that working under a time constraint a series of faxes was sent, and the letter incorporated all the different faxes. The letter was a compilation of all the responses to all the items that were raised in the Black & Veatch letter. He was unsure whether they were referring to the control system where they offered extra information. The price option for a control system that meets the intent of what we want to buy is compatible with our system. The B&V letter asked them for proposal information. Mr. Eves said he was not sure if "proposal information" means "give us an option for your system", or "give us a description of your system". They read "proposal information" and sent us an option price for that system. Their option price was \$70,000; the evaluation number was \$200,000. They did offer extra information. Terms of payment was not requested. We asked about the schedule. B&V asked about the schedule and they offered additional schedule information on how long it takes to build and deliver it and to install it. In response to meeting the August 1 delivery date and having it in commercial operation by January 1st, they commenced the engineering and have forgings on order, which reduced the lead time, at their own risk.

Chairman Hord requested additional clarification on ARE's total \$533,000 figure (Table 3-5, Cost of Energy Adjustments), whether it is over a 10-year or 30-year period. Mr. Edwards replied that B&V looks at the energy costs over a 30-year period. They capitalize costs to do that and apply present-worth factors to try to come up with a value equivalent to the value of a kilowatt today. They tried to get that repaid within 10 years. Chairman Hord asked how much do we save in the 11th year of operation of the SC23 versus the ABB. Mr. Edwards did not have that figure available, but thought it would be close to 10% of that value. Mr. Eves clarified that the breakeven point is the 10th year; in the 11th year it would be more, but had no calculations handy.

The meeting recessed from 7:40 to 7:56 p.m.

Mr. Welsh summarized this award of bid, saying our recommendation is based on a technical evaluation by our Engineers. There were admittedly some close calls in terms of what should be included or not included in the evaluation, differences of opinions, etc. The Engineers gave their best shot possible. Another factor is that the Board is charged with this responsibility and needs to evaluate in terms of making the overall decision in the best interests of KUA. He again noted that ABB units were offshore, GE is domestic for construction and parts, Westinghouse is primarily offshore for both of their bid units, and Dresser Rand onshore/offshore.

Director Gant questioned reliability, the rpm's on the life expectancy of the ABB unit over a period of time. Mr. Edwards stated that the higher speed machine was less desirable than the lower speed turbines. ARE's history is good. The 10,000 rpm would be less desirable than the 3600; everything else is even. The time limit for longevity was discussed for that unit as well as other bidders' units, but data for the others was not available in terms of evaluation.

Carl Stendebach (ARE) pointed out that the machine they offered consists of two casings with a generator in the middle. He explained how this works and clarified quick start-ups, performance, high pressure and low pressure sections which cause the generator to be driven by both sides. Director Gant was concerned about the reliability and how long these units have been in operation. Mr. Edwards assured him ARE's equipment is accepted to be reliable in its performance, as were the other machines. Discussions were held throughout Mr. Stendebach's presentation.

Jeff Ling, Manager of Power Production, said that in his experience of steam turbine generators he has no strong feelings or preferences in any of the submissions discussed. Concerning the technology presented by the manufacturers, they seem to be on the same plane. They are all developed technologies. He did observe of the ABB machine that the 10,000 rpm turbine is bound to be a very light piece of equipment to be designed at those speeds, the shaft length will be short giving less mass support between the bearings which should make for a fairly free running turbine. Being a cylinder machine, it will be optimized for efficiency at the inlet pressures of the two cylinders, giving an advantage there.

Director Bobroff asked, out of all these units, which would be most easily maintained. Mr. Ling said they are about the same in that respect. He responded to members' questions.

Mr. Welsh stated we are down to a pretty close call when it comes to dollars. He felt we had a fairly objective proposal and he concurred with the Engineers' recommendations in the overall best interests of KUA.

Director Lowenstein moved to approve Staff's recommendation for award of contract to Asea Brown Boveri (ARE) for the supply of the Cane Island Unit 2 Steam Turbine Generator equipment for the not-to-exceed price of \$6,460,900; and authorize the Chairman and the Secretary to execute the contract upon successful negotiation of Scope of Work and terms and conditions with ABB. Seconded by Director Gant.

Motion carried 4 - 0  
Director Jones absent

Director Gant left the meeting at 8:25 p.m.

C. CONSENT AGENDA

Director Bobroff moved to approve the Consent Agenda, as submitted. Seconded by Director Lowenstein.

1. AWARD OF CONTRACT - FURNISH THE FIELD ERECTED FUEL OIL STORAGE TANK FOR CANE ISLAND UNIT 2  
Change Order approved for \$240,796 - Advance Tank & Construction Company

2. AWARD OF BID - TRANSMISSION LINE POLYMER INSULATORS, IFB #062-93  
Awarded to low bidder, Lapp Insulator Co. - \$175,411.89.
3. AWARD OF BID - TRANSMISSION LINE CONDUCTOR, IFB #063-93  
Awarded to Graybar Electric - \$144,214.50.

Motion carried 3 - 0  
Directors Jones and Gant absent

D. OTHER - No comments

E. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh stated that we have not received any response from any governmental entities to leasing the third floor of this Administration Building.

Mr. Welsh noted that the DEP (Department of Environmental Protection) submitted a letter to us concerning what they thought was a potential violation of our monitoring system at the existing gas turbine at the Hansel Plant regarding the water injection and fuel injection in that engine. Attorney Brinson, Ben Sharma and Jeff Ling met with the DEP officials and, following some tense negotiations, he said kudos go to Jeff Ling in locating an important document from 1984 justifying our actions. Attorney Brinson said that at an enforcement hearing DEP offered us two options: 1) to go for a consent agreement; or 2) to challenge this through litigation in court. We took the consent agreement option. Substantial fines were proposed by DEP. That document of '84 justifies what we have been doing; we will comply with the new technology but do not feel any fine is necessary.

The members were reminded that on Thursday, September 23rd, at 5:30 p.m., (the day following the Regular Meeting), a tour is scheduled for the Cane Island facilities. Everyone will meet here at 5:30.

ATTORNEY - No comments

DIRECTORS

Director Lowenstein suggested that the Management Review be held at the end of the Regular Meeting during that month, thereby eliminating the November 10th meeting. The Board members agreed.

F. ADJOURNMENT: Meeting adjourned at 8:30 p.m.

  
CHAIRMAN

ATTEST:

  
SECRETARY