

MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD
WEDNESDAY, DECEMBER 13, 1989, AT 6:00 PM, ADMINISTRATIVE BUILDING,
KISSIMMEE, FLORIDA

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

MEETING CALLED TO ORDER at 6:00 PM by Chairman Hord. (Mayor Van Meter arrived at 6:12 P.M.)

Prior to the commencement of the meeting, Director Bobroff complimented management and staff on the Five Year Fiscal Forecast as being the best report produced to date for its clarity, informative style and professionalism. The other members concurred.

I. FIVE YEAR PLAN

A. INTRODUCTION & OVERVIEW - GENERAL MANAGER

General Manager James C. Welsh also expressed appreciation to everyone involved for their input into the Five Year Plan. He presented an overview of this Plan and asked that the Board review it from the "big picture" standpoint rather than in a detailed, budgetary way. It represents a projection of our needs and where we are headed. Yearly, we will go through the budget process on a detailed basis. The Forecast is a plan to view the future of our financing requirements, debt needs, rate needs, and so on.

Mr. Welsh indicated the decisions to be made and directions to be set by the Board are basically in terms of the capacity additions. The two options under consideration are installing diesels at the existing site or a combustion turbine at a new generating facility and our impact of financing these projects over the next five years. He stated that this is not an economic analysis. Staff's recommendation was the combustion turbine option and to have a detailed economic feasibility study done, compared to other options available. It would necessitate a feasibility study on a proposed site.

General Manager Welsh pointed out the need for additional Dispatchers at Marydia, which Chairman Hord brought up at the last meeting. He also said the eventual replacement of our Chief Systems Operator, retiring in 1992, required a decision.

The System Dispatch and Operation Review Study was touched on. This Study was accomplished last year and summarized in a question-and-answer report.

B. REVIEW OF EXISTING INDEBTEDNESS - DIRECTOR OF FINANCE

Joe Hostetler, Director/Finance, used overheads to detail the current history of our bonding and indebtedness. He reviewed past bonding to refund the City of Kissimmee's revenue certificates, financing certain acquisitions and improvements, providing initial deposits for renewal and replacement and improvement costs, to name a few. He did not feel KUA would need to plan for the issuance of bonds for major capital exploration unless we go to the 50 MW option for Stanton Unit II. Bond call features were reviewed.

C. DEPARTMENTAL HIGHLIGHTS - DEPARTMENT DIRECTORS

Each Department Director highlighted the projections for his/her own Department as to their particular needs and plans for the next five years, as reported in the Five Year Fiscal Forecast (1990-94). Mr. Welsh added that these are five year projections and that these plans would be scrutinized yearly as to any additions/reclassifications/deletions necessary at that particular time. The Department Directors explained projected expansion plans, etc., affecting their departments, due to the changing and increasing growth rate in the area.

Many cost-effective improvements were highlighted for more efficient and faster handling of customer services. The needs for additional personnel to provide support in various areas was given by each to coincide with added growth.

Mayor Van Meter indicated that he did not see the reasoning behind the projected rate of growth, e.g. in Materials Management personnel. Chairman Hord emphasized the growth we are seeing brings on the direct and indirect labor. Staff indicated we would ensure our costs are justified at each year's planning.

Jim Tillman, Director/Materials Management, stated we are attempting to consolidate and take advantage of volume discounts, hopefully producing considerable savings for KUA.

Brief discussion involved the approximate total acreage on North Bermuda that KUA is considering purchasing.

Chairman Hord stressed that when looking to purchase future property, it is wise and necessary, in today's environment, to have an "Environmental Pre-Acquisition Audit" performed. He said the banks and bond markets require this. The report consists of aerial surveys, soil samples, Environmental Protection Agency (EPA) records, etc., in case there is some contamination or other liabilities by prior owners. He added that the minimal cost of approximately \$3,000 is well worth the effort to avoid future problems.

Chairman Hord asked the Personnel Director for a report on KUA employee turnover rate for the 1988/89 fiscal year, noting the areas of excessive turnover.

The meeting recessed from 7:35 to 7:50 P.M.

D. OPTIONS AND RECOMMENDATIONS ON OPTIONS

Mr. Welsh touched on the various scenarios available to us. Option 1 is the purchase and installation of one diesel generator in 1991 and a second diesel generator in 1992. Option 2 is the construction of a gas turbine facility at a new site in 1992. Both options assume the participation with Orlando Utilities Commission in Stanton Energy Center Unit #2 for 20 MW of capacity. It was determined that KUA can fund either option internally. It is staff's consensus that the gas turbine option should be studied further and, if economically feasible, a site evaluation would then be required.

E. ENGINEERING/ECONOMIC FEASIBILITY

Considerable discussion took place on the pros and cons of pursuing one option over the other and our need to have a gas turbine feasibility study. The engineering/economic feasibility evaluation would detail the cost of operations under both scenarios. The Power Supply Study had indicated the diesel option is the most economical option versus just pure purchase power. A further brief study indicated that the combustion turbine provides the most economical alternative even to the two diesels, in the long run.

Chairman Hord asked the estimated cost of such an engineering/economic feasibility study. Mr. Welsh replied our estimate is about \$10,000.

The consensus of the Board was that a study be undertaken for an approximate cost of \$10,000 for the economic feasibility of constructing a gas turbine facility. The staff will negotiate the scope of services and fees with Black & Veatch and bring it to the Board for final approval at the next regular meeting.

Director Gant reiterated his position that it is not appropriate for KUA to continue storing profits and not return a portion to the ratepayers.

Chairman Hord also added that when looking at retained earnings of sales, the number is high and he agreed with Director Gant. He asked what is a fair margin of profit? One of the challenges of the Board is to provide services at a fair price to the ratepayers, he said, and that should standards be changed to satisfy a 10% return on income, the price could be reduced by 10%. This, in turn, would bring KUA more in line with other utilities in the area.

Discussion continued on possibly restructuring our industrial and residential rates. Mr. Welsh suggested returning to the Board in April with a rate study and an alternative restructuring ratio of the residential and commercial customers.

Director Gant suggested that before cutting rates, we need to look at what our position would be if we could afford to bond, for say, a million dollars. Going to 50 MW would require us to bond, Mr. Welsh said.

F. SITE EVALUATION STUDY

This subject had been covered earlier in the discussions. If the combustion turbine option was chosen, a feasibility analysis on the proposed site would be undertaken.

II. FUNDING REQUIREMENTS FOR ADDITIONAL DISPATCHERS AND CHIEF SYSTEM OPERATOR TRAINEE

At the November 1 Special Meeting on Power Supply, Chairman Hord saw the need for having two dispatchers on each shift at the Marydia Control Center. At his request, staff furnished a report on the additional cost per shift. Also under consideration was the necessity and urgency of hiring a replacement for our Chief Systems Operator, who is considering retiring in early 1992. Early training and continuity would enhance the development of the new control center and the SCADA system. Staff recommended that the Board approve the 1990 budget adjustments necessary to begin this program. Staff felt this program should be accelerated and brought into this budget year and time frame, providing us with abilities for more economical dispatching and additional training.

It was decided that recruitment begin during spring, 1990, and employment commence on October 1, 1990. It was agreed that the best course of action for a new system site be on a "lease purchase option" for land on which to place the building housing the new SCADA system, both to coincide with the development of the system.

Staff's direction by the Board was to implement parts "B" and "C" of memorandum dated November 29, 1989, from A.K. Sharma to J.C. Welsh, on the above personnel replacement requirements but with "C" occurring on or after October 1, 1990, as detailed above.

Mayor Van Meter left the meeting at 9:15 P.M.

III. SYSTEM DISPATCH AND OPERATION REVIEW STUDY - RESPONSES

Mr. Welsh invited questions from the Board on the Black & Veatch recommendations in the System Dispatch and Operation Review Study, dated December 1, 1989, and responses by the Power Supply Department. He stated that conducting this Study has been extremely helpful in improving our operations and, in that light, recommended that a similar study be done toward the end of the 1991 budget year.

The General Manager concluded by informing the members that Distribution Operations, including the crews and garage functions, has relocated to the North Bermuda Distribution Center.

Mr. Welsh reminded the Board members of the KUA Christmas Party at 6:30 P.M. on Saturday, December 16th, at the Hilton Gateway.

ADJOURNMENT: Meeting adjourned at 9:35 P.M.



CHAIRMAN

ATTEST:



SECRETARY