

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD THURSDAY, JUNE 23, 1988, at 6:00 PM, BOARD ROOM, ADMINISTRATION BUILDING, KISSIMMEE, FLORIDA.

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

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

Chairman Hord stated that in an effort to cover one item in which several members of the audience have expressed interest, he would move the first item under "OLD BUSINESS" forward at this time.

E. OLD BUSINESS

1. **IN-CITY/OUT-OF-CITY COST DIFFERENTIAL AND COST OF SERVICE ANALYSIS**

Mr. Welsh, General Manager, stated that a study has been performed by Black & Veatch on this topic and was presented to the Board two months ago. At that time two Board members were absent and it was determined to delay the item until a full Board was in attendance. Carl Wall, Customer Service Manager, coordinated the study on an in-house basis.

Mr. Mike Metzler, Black & Veatch, Project Manager of the study, addressed the Board outlining details of the study. The report has basically two phases: 1) Review of the Cost of Service and Rate Design Procedures; 2) Review of Existing Outside City Surcharge which exists by virtue of the City tax. In the review of the Cost of Service Study they analyzed the Authority's allocation procedures and assignments of cost to customer classes and find that in some rates the existing procedures are reasonable and result in equitable allocation of cost to customer classes, with the possible exception of street lighting and the area lighting service. They recommend a certain adjustment to those classes, to be made over a period of time to avoid sudden rate impacts. Also a number of changes to allocation procedures were recommended in the detail of staff's allocation functions. Regarding the Surcharge, currently the rate structure of the Authority is that a City tax applies to revenue from inside City customers and that tax applies to the total customer's bill, excluding fuel cost above the level of about one cent for kilowatt hour, which was set by Florida law in 1973. The outside City customers, while they do not pay the municipal tax, by the rate structure they pay an equivalent surcharge in equivalent amount so that the end result on the customer's bill is the same for both inside and outside City customers. From a rate standpoint in cost of service, the outside City customers are, in fact, paying more for electric power than customers located inside the City.

Mr. Metzler outlined an analysis done by Black & Veatch to determine the cost of providing service to inside and outside city customers. Several factors indicate that outside city service costs approximately 3% more than inside city. A more detailed study, he said, might find that differential to be as high as 5%.

Director Bobroff moved that we use 3% as the cost differential and that it be applied in the same way as the current equalization charge is being applied.

Discussion followed to clarify in the minds of the Board and the audience as to the intent of the motion. Director Gant noted that the company is still owned by the City and he questioned the appropriateness of providing services to outside of city customers cheaper than to inside city customers. He said that is, in fact, what is being done, even though it is a tax. Even though the money goes back to the City, it is the customer that we are talking about and the customer is the one that is paying the greater fee. Disregarding where the money goes, how it is collected, who it is collected for, the customer is still paying that additional amount of money. He said he does not see the rationale in altering the way it is now.

**Director Bobroff amended his motion to state that we use 4% as the cost differential.
Director Jones seconded.**

**Motion Carried 4 - 1
Director Gant Opposed**

Mr. Archie Gordon, President of Community Association, of BVL (Buenaventura Lakes), addressed the Board to express thanks for the action taken.

B. AWARDS AND PRESENTATIONS

1. 5-YEAR SERVICE AWARD - LARRY HOWARD

Mr. Welsh detailed Larry's 5 years of service which began June 6, 1983, as an Assistant Operator. He brought a great deal of knowledge to the organization and is presently classified as Operator. Larry was unable to attend due to his shift schedule. The award was accepted in his stead by Jeff Ling, Power Plant Superintendent.

2. JULY EMPLOYEE OF THE MONTH - ERROL LEWIS

Mr. Welsh reviewed the recommendation and the subsequent announcement of the Employees' Organization Committee relating to Errol's selection as Employee of the Month for July. Chairman Hord extended congratulations on behalf of the Board and presented Errol with the Employee of the Month Plaque. Secretary Bobroff presented the \$50 Savings Bond. Errol will also be given a day off with pay and have a reserved parking space for the month of July.

C. HEAR THE AUDIENCE - None.

D. INFORMATIONAL REPORTS (REQUIRING NO ACTION)

1. PROGRESS REPORT ON ENGINEERING PROJECTS

Ken Davis, Manager of Planning & Engineering, reviewed the Progress Report which was included in the Board packets and answered questions of clarification.

Director Gant asked, relative to the radio communications system, if KUA has had a chance to go out to the extremes of its boundaries and test the equipment. Mr. Davis said they have not done this as yet. He has talked with Motorola and a representative of the City about doing so. Director Gant suggested this be done as it is his understanding the 800 system is the best available in a small geographical area but requires boosters if the distance increases. He feels our boundaries are well within the function.

2. MONTHLY F&A DEPARTMENTAL REPORT

James Schuster, Manager of Finance & Administration, reviewed the monthly Condensed Financial Report included in the Board packets. Each section of the report was detailed in answer to questions from the Board.

3. COST OF POWER ADJUSTMENT

Manager of Generation & Transmission, Max Alderman, gave a status report on the power plant. We are presently in a mode now where we are running most all of our generation about half a day (10 to 12 hours per day). He explained that the price of Schedule D and Schedule C has increased due to the high temperatures. It is anticipated the combined cycle and most of the gas machines will be run through the hot weather.

The actual COPA rate for the month of May, 1988, is a negative \$0.00653/kWh as compared to the estimated COPA rate of a negative \$0.00614/kWh. Mr. Alderman noted that the primary reason for the decrease was lower Schedule C and natural gas costs. It was recommended to continue the cost of power adjustment of a negative \$0.00716 kWh.

E. OLD BUSINESS

1. IN-CITY/OUT-OF-CITY COST DIFFERENTIAL AND COST OF SERVICE ANALYSIS

Discussed earlier in the meeting.

2. AUTHORIZATION FOR ENGINEERING SERVICES

Mr. Welsh reported that this item involves the Lake Cecile and Denn John Substations, as do the next two items.

Ken Davis reviewed the information contained in the Board packets. He noted that initially the project was divided into 3 segments: Phase I) Conceptual Engineering; Phase II) Detailed Design; Phase III) Engineering & Construction Management. There is a need now for authorization to proceed with Phase III. In addition, through discussions with Black & Veatch, request has been made to authorize an additional 10% on the Phase III portion for extended overhead costs. Mr. Davis said the project is approximately 8 months behind due to finalization of site acquisition which has extended the time of Black & Veatch's involvement. Discussion followed with Mr. Davis answering questions from the Board. Director Gant and Chairman Hord expressed concern relative to the principle of the request by the consultants for the increase.

The second (distribution circuit exit design) and third (airport substation relay modifications) items of the request were discussed in detail as to the need for additional work. Questions from the Board were answered by Mr. Davis and Mr. Welsh on each item.

Director Gant moved to take the recommendation of staff to approve the additional engineering cost with the exception of the 10% on the engineering and construction management which amounts to \$14,390. Seconded by Director Lowenstein.

Motion Carried 5 - 0

3. DENN JOHN & LAKE CECILE SUBSTATIONS AWARD OF BID - SUBSTATION SWITCHBOARDS - BID NO. K-06 - 88D

Mr. Davis detailed the item which is the next equipment award for the switchboards at both substations. Recommendation for award to the low bidder is made contingent on contract negotiations. Discussion followed.

Director Bobroff moved, seconded by Director Gant, to award bid #K-06-88D, substation switchboards for Denn John and Lake Cecile Substations, to System Control for a lump sum price of \$556,012; contingent upon successful final negotiations of contract; authorize Chairman and Secretary to execute the negotiated contract.

Motion Carried 5 - 0

4. LAKE CECTLE SUBSTATION RIGHT-OF-WAY

Mr. Welsh stated that there is a good probability condemnation will not be required; however, in order to move fast, staff would like authorization to initiate condemnation if necessary in the event negotiations for the property break down. Discussion followed.

Director Bobroff moved that the Attorney be authorized to proceed with condemnation proceedings, if necessary, for the required right-of-way for transmission line access to the Lake Cecile Substation. Director Lowenstein seconded.

Motion Carried 5 - 0

5. DISTRIBUTION CENTER PROJECT

Kenneth Lackey, Manager of Distribution Operations and Project Manager, reviewed the information included in the Board packets. Mr. Welsh stated that contract amendments have been requested by Mr. Charles Parsons, Architect, and from K&R Engineers and Constructors, Owner's Representative. The amendment to the two

contracts is brought about by the additional scope of work due to the addition of the garage being added to the project. K&R withdrew its contract amendment request.

Director Bobroff moved to authorize staff to amend the professional services contract for the distribution center project: Mr. Charles Parsons, Architect, \$5,100. Director Lowenstein seconded.

Discussion followed with Mr. Welsh and Mr. Lackey answering questions from the Board.

Motion Carried 5 - 0

Director Bobroff asked where we stand regarding the property for the project. Mr. Welsh said the Southport Land Corp. initially sent a letter stating they were considering a land swap. Since that time, another letter has been received saying they are no longer interested. Director Bobroff asked if anything more had been done to procure the property. **(Chairman Hord abstained from discussion on this matter. He submitted Form 8B, Memorandum of Voting Conflict.)** Mr. Welsh said the main purpose for the additional land was for drainage and that this is no longer necessary. Mr. Lackey explained that Hanson and Walter are proceeding with drainage evaluation and have found a route where drainage can be run across Bermuda Avenue to the north and through an existing drainage ditch and will not have to go through the Kelly property. That was staff's only interest in the property. Directors Bobroff and Lowenstein indicated it was their impression the property was being secured to "square up" the property. Discussion continued with Mr. Welsh asking for direction from the Board to approach Southport and indicate our interest in the property to square up our land.

Director Bobroff moved that we make some effort to let Southport or Kelly know that we are still interested in the previously discussed land swap to better square up our Bermuda Avenue property. Seconded by Director Lowenstein.

Director Jones asked why it is necessary to square up the property at this time, why were the owners not approached at the time the property was originally purchased. Mr. Lackey explained the purpose of discussion regarding the land swap with Southport. Discussion continued. Director Gant said the motion would just allow staff to go back and renegotiate the position we were in before. Mr. Lackey noted that doing this will delay the project again since we are now in the midst of permitting with the County and any change in the site will stop the process again. Mr. Welsh stated the workshop scheduled for July 27 will more fully explain the need for additional land. He said the additional land would be needed in order to have an administrative facility at this location in the future. Putting the project on hold for 30 days in order to negotiate with Southport was discussed at length.

Director Bobroff amended the motion designating a 30-day time frame.

**Motion Carried 4 - 0
Chairman Hord Abstained**

The meeting recessed at 8:20 PM and reconvened at 8:27 PM.

Mr. Lackey said he needs direction from the Board regarding annexation. He stated that Hanson and Walter have recommended delaying action at this time. Mr. Welsh added that approaching Southport is more reason to delay annexation.

Director Gant moved to continue the annexation with the City (ask for a continuance) to a time certain that will allow the site plan review to be accomplished by the County and then it be heard by the City. Director Jones seconded.

Motion Carried 5 - 0

6. AUDITOR'S ENGAGEMENT LETTER

Mr. Welsh reviewed the item included in the Board packet, including the letter which retains Coopers and Lybrand to perform the Fiscal Year 1987-1988 audit. In answer to questions from the Board, Mr. Welsh explained that the fee and services contained in the engagement letter were based on the request for proposal and the proposal submitted. The emphasis can be changed and direction given by the Board; however, if this substantially goes beyond the scope of work, then another engagement letter would be required. Chairman Hord suggested the engagement letter presented be handled at this time. If the Board determines in the future that other information or work is required, the guidelines can be drawn up and presented to the auditors as a separate issue, not as a part of this letter.

Director Jones moved to accept recommendation of staff to authorize the engagement letter for the Chairman and Secretary to sign. Director Lowenstein seconded.

Motion Carried 5 - 0

F. NEW BUSINESS

1. FLORIDA CITIES FUELS COMMITTEE FUELS ACQUISITION AND SUPPLY CONTRACT

Mr. Welsh said this is a contract which will enable the project under FMPA (Florida Municipal Power Agency) to go forth for fuels acquisition which is necessary under previous contracts signed with FGT (Florida Gas Transmission).

Max Alderman, reviewed the contract which was included in the Board packets. He briefly recapped the information presented to the Board last month on this item. The contract was developed to allow FMPA to be the agent for the Florida Cities Fuels Committee to purchase gas and dispatch gas between the various cities. This is a very important part of the whole package, the ability to wheel gas between the cities. This is the first of two contracts. The second contract will provide the necessary contract for FMPA to dispatch gas between the companies. Mr. Alderman detailed the exhibits which are arranged in such a way that they can be modified from time to time.

Director Jones moved for approval of Resolution No. R88-1 as presented by staff. Seconded by Director Bobroff.

Motion Carried 5 - 0

2. CUSTOMER SERVICE REQUEST FOR ADDITION OF FIVE NEW EMPLOYEES AND CAPITAL ITEMS

Mr. Welsh stated that in the goals and objectives we talked about the need for two new employees next fiscal year in Customer Service. We have since reevaluated this thinking. The conversion has created a tremendous amount of work which is accentuated by growth. Basically our recommendation is that the people targeted for October 1 be authorized at this time and three others in addition.

Carl Wall, Customer Service Manager, reviewed the information included in the Board packet. He further detailed the increasing work load which creates the necessity for additional employees in the department. Discussion followed with questions from the Board answered by Mr. Wall and Mr. Welsh.

Director Bobroff moved for approval of staff recommendation to add five new Customer Service Representatives and capital items effective July 1, 1988. Director Lowenstein seconded.

Motion Carried 5 - 0

G. CONSENT AGENDA

Director Bobroff moved to approve the Consent Agenda. Director Gant seconded.

Motion carried 5 - 0

1. APPROVAL OF MINUTES OF MAY 26, 1988, MEETING
2. LINE EXTENSION CONTRACT FOR SIMPSON ROAD, PHASE 2
3. BID #K12 - 88 - TRANSFORMERS
4. BID #K13 - 88 - TRANSFORMERS 3
5. BID #K14 - 88 - SECTIONALIZERS
6. BID #K15 - 88 - URD WIRE
7. BID #K18-88 - 15 KV URD PRIMARY CABLE
8. LINE EXTENSION CONTRACT, UNIT 10, 1st ADDITION OF BVL
9. BUDGET AMENDMENT - FLAGPOLE AND TYPEWRITER
10. NOTIFICATION TO BANKS OF CHANGE OF OFFICERS

H. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

Mr. Welsh distributed copies of the revised meeting calendar which indicates the July meeting changes.

KUA received two safety awards from FMUA (Florida Municipal Utilities Association) for zero loss time accidents in two categories. These include the safety program at the power plant and the line crews.

Mr. Welsh introduced Ollie Rundio who will begin Monday, June 27, as Secretary II in the Executive Office. Ollie will eventually be functioning as Recording Secretary for the Board meetings.

Attorney Ed Brinson detailed the law suit between KUA and Better Plastics. Based on the PSC (Public Service Commission) rule, we paid them \$107,674.17, representing an overcharge for a number of years starting in 1972 through 1986. The rule did not provide, in our opinion, that we needed to pay interest on that amount of money. Better Plastics then sued us on the interest only. In Circuit Court, Judge Powell ruled with us, at that time determining we did not owe anything even though they contended we owed \$59,000 in interest. The matter was appealed in District Court in Daytona, which three judges heard and ruled against us. They overruled Judge Powell but they certified it as great public interest to the Supreme Court of Florida. Yesterday the mandate came down. That is, in effect, that we are now required to pay to the plaintiff the interest on the overcharge. The actual figure has not been determined as yet. Mr. Brinson asked the Board for authorization to pay Better Plastics the final figure as determined through agreement between Mr. Brinson and the plaintiff's attorney.

Director Lowenstein moved to place this item on the agenda. Seconded by Director Bobroff.

Motion Carried 5 - 0

Director Bobroff moved to authorize KUA Attorney Brinson to settle payment according to the formula set forth by the Supreme Court of the State of Florida, to be paid from Contingency Funds. Director Lowenstein seconded.

Motion Carried 5 - 0

Mr. Welsh distributed copies of the budget which will be reviewed at the July 20, 1988, workshop meeting at 5:00 PM.

Director Hord addressed all members of staff stating that the Board looks at everything in dollars and cents, which is the purpose of the Board. He suggested that in the future when items were presented relating to additional personnel or expenditures that information should include income revenue versus expenditures and not just expenditures. Cost justification is essential.

I. ADJOURNMENT - Meeting adjourned at 9:23 PM.


CHAIRMAN

ATTEST:


SECRETARY

IF YOU MAKE NO ATTEMPT TO INFLUENCE THE DECISION EXCEPT BY DISCUSSION AT THE MEETING:

- You should disclose orally the nature of your conflict in the measure before participating.
- You should complete the form and file it within 15 days after the vote occurs with the person responsible for recording the minutes of the meeting, who should incorporate the form in the minutes.

DISCLOSURE OF LOCAL OFFICER'S INTEREST

I, Richard L. Ford, hereby disclose that on June 23, 1988:

(a) A measure came or will come before my agency which (check one)

inured to my special private gain; or

inured to the special gain of _____, by whom I am retained.

(b) The measure before my agency and the nature of my interest in the measure is as follows:

*Property at North Bermuda Avenue,
that could be obtained by KMA.*

Date Filed

June 23, 1988

Signature

Richard L. Ford

NOTICE: UNDER PROVISIONS OF FLORIDA STATUTES §112.317 (1985), A FAILURE TO MAKE ANY REQUIRED DISCLOSURE CONSTITUTES GROUNDS FOR AND MAY BE PUNISHED BY ONE OR MORE OF THE FOLLOWING: IMPEACHMENT, REMOVAL OR SUSPENSION FROM OFFICE OR EMPLOYMENT, DEMOTION, REDUCTION IN SALARY, REPRIMAND, OR A CIVIL PENALTY NOT TO EXCEED \$5,000.