

MINUTES OF ORLANDO UTILITIES COMMISSION (OUC) POWER SUPPLY WORKSHOP MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD THURSDAY, MARCH 30, 1989, AT 6:00 P.M., ADMINISTRATIVE BUILDING, KISSIMMEE, FLORIDA.

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

Also in attendance were Mr. Ted Pope, General Manager, and Mr. W.H. (Bill) Herrington, Manager, Electric Operations, both of Orlando Utilities Commission, (OUC).

A. MEETING CALLED TO ORDER at 6:06 P.M., by Vice-Chairman Gant, sitting in for Chairman Hord, who was unable to be present.

Secretary Bobroff was also absent. Vice-Chairman Gant said this was a special workshop to review the Power Supply proposal by the OUC representatives.

1. ORLANDO UTILITIES COMMISSION (OUC) POWER SUPPLY WORKSHOP MEETING

General Manager James C. Welsh stated the Board and KUA are in the process of making one of the most important decisions, that of setting a major direction in terms of our power supply. He indicated the various options from getting involved with the FMPPA-IDO project, Florida Power Corporation (FPC), Orlando Utilities Commission (OUC), and/or building on our own in the future. The OUC representatives were invited to give us a presentation to share some of their thoughts regarding their capacity plans and how we may fit into those plans, their philosophy, etc., to assist us in making those decisions within the next several weeks.

Mr. Welsh introduced Mr. Ted Pope, who said OUC is interested in arranging bulk sales to the Kissimmee Utility Authority (KUA) and keep their sales in the Central Florida area. He said OUC and KUA have had a good relationship in our participation agreements. He feels confident they can supply KUA with adequate power capacity.

Mr. Bill Herrington's presentation included using numerous slides to show their existing capacity and peaks and their projected capacity in the year 2010. Their current plan is the Stanton II addition in 1997. He explained the capacity adequacy issue on the graph, saying you must have more capacity than what you peak. Based on very conservative numbers and electrical load growth, the numbers show there will be capacity shortages in Florida due to its high growth rate. He said as we purchase power from OUC, we purchase their ability to procure fuel for our energy needs. He indicated that OUC has the second best fuel mix in Peninsular Florida, efficient fossil fueled units, high reliability, and aggressive fuel procurement. They have professional procurement staff and sophisticated computer monitoring of prices. He showed statistics on the Indian River Plant and also the Stanton Energy Center, each running 12-month equivalent forced outage rate and also availability rate.

Mr. Herrington indicated TECO (Tampa Electric Company) has the best fuel mix but their costs are higher, whereas OUC has the best and cheapest fuel and a 20-30 year tradition of reliable operation of their generating units. He said they have an aggressive fuel procurement program, with low energy costs. He concluded his talk by saying they should be able to give us a good, reliable bulk sales contract.

Mr. Welsh questioned if OUC would be willing to offer an equity share or an undivided ownership interest in the Stanton II plant similar to what we currently have in the Stanton I plant. Mr. Herrington indicated that the capacity of Stanton II was a large amount for OUC to absorb. He said he could not commit to offering undivided ownership in the unit at this time, but he assumed that they would ask us and other joint owners to discuss that or purchase power from the unit sometime in the future. Mr. Welsh inquired when OUC might make a decision as to seek undivided ownership participation or purchase power participation on Stanton Energy Center II. Mr. Herrington replied they are on a six-year lead time for the construction of the unit. The unit is currently scheduled for 1997 and hence no decision on what to offer in terms of purchase power or ownership in the unit would be made until 1991 at the earliest.

Mayor Van Meter asked Mr. Welsh how this meshes with the IDO proposal.

Mr. Welsh replied that we're looking for alternatives to IDO. With IDO, we want to bind together as municipals and as a group supply our bulk power needs. The IDO would then be going to OUC and FPC and/or building themselves and negotiating capacity purchase or a bulk power sales type of agreement.

Mayor Van Meter inquired what our time frame is for our energy needs. Mr. Welsh said we'll have ongoing energy needs without the IDO project and indicated economics will direct us towards FPC as our answer without IDO.

Director Gant indicated next week our engineers (Black & Veatch) will confirm our engineering needs and these presentations are in preparation for that in gaining as much knowledge as we can without commitment at this time.

Mr. Herrington assured the Board that they are pursuing the sale of excess capacity.

Discussion followed on types of contracts, capacity credits, bulk sales, and the All-Requirements project comparison.

Mr. Welsh asked what OUC's pricing philosophy is on their bulk power sales. Mr. Herrington replied, "market price."

In answer to Director Lowenstein's inquiry as to how much excess capacity OUC has available, Mr. Herrington replied 20 MW. Director Lowenstein said we're talking 10-year term and it has to be beneficial to both parties. Mr. Herrington said 8-10 years, which influences the number of megawatts.

Vice-Chairman Gant and Mr. Welsh thanked the speakers for presenting their plan. Mr. Herrington said they appreciated having the opportunity to talk to the Board and then left the meeting.

Mr. Welsh gave his observations to the Board members on OUC wanting to sell their capacity at market prices. He stated what FPC is willing to offer at this point is a long-term deal based on a pricing mechanism that is regulated, making the difference. FPC will sign a 10-year contract with extensions of a PR (Partial Requirements) nature. He elaborated on our current contracts with OUC and FPC.

Vice-Chairman Gant stated the Board needs to know our daily average power requirements and how that would impact us if we decided to purchase more power and leave ours dormant. If we can buy power from OUC or FPC at a price equal to what we can produce it by running the combined cycle, would we not be better off to buy more base power and use that for our own peak system? He was concerned OUC said they have 20 MW now, which in all likelihood won't be available next year, and the cost might be prohibitive. He said we're faced with a

decision on whether to buy a block of power now, and we need the tools to make it. Vice-Chairman Gant was anxious to get answers to numerous questions at our next meeting.

Mr. Welsh said that next week we would have numbers on the various proposals to enable the Board to come to a knowledgeable conclusion.

At Director Lowenstein's inquiry, Mr. Welsh said the All-Requirements (AR) project has been in force two years and that the IDO is an expansion of the All-Requirements project. Mr. Welsh said it has been running very effectively and smoothly, and economically passed the projections. Director Lowenstein said, basically speaking, that's the prototype of what we're talking about. Mr. Welsh said we would be going into that project with them, sharing capacity.

Director Lowenstein asked if we buy from FMPA how the wheeling charges are affected. Mr. Welsh replied they're not, that you get the power and pay a certain amount capacity and energy based on the average system cost and average system energy cost. The economic dispatch will entail the pool of OUC, Lakeland and the FMPA cities that are part of the expanded All-Requirements project and the IDO.

Discussion continued on the various options in different scenarios.

Director Lowenstein also asked how the nuclear portion affects rates. Mr. Welsh said everyone's nuclear is an excluded resource which means supplying all your power excluding what is supplied by nuclear. Nuclear, he added, is non-dispatchable and is the lowest energy cost source.

Mayor Van Meter said, in looking at all these various alternatives, we are looking to see what effect our decisions will have on our rates. He indicated that after several years of anticipated lowered rates, KUA still is the highest in the state and questioned when our rates will decrease. He queried how can we see or know how each of the power supply projects (FMPA-IDO, FPC, OUC) will affect our rates. Mr. Welsh replied that, because of our high growth rate, it is difficult to keep costs down. They can be stabilized or kept from rising. Vice-Chairman Gant said that originally the Board had taken the position that we wanted to finance our in-house operation to expand the system rather than borrow to finance it. That might have brought quite a considerable reduction in rates, he said. Mr. Welsh indicated that we plan to reduce our rates in the near future (next month).

Director Lowenstein asked, since Ocala has been in the All-Requirements program for two years, would it be possible for comparison purposes to obtain spread sheets (financial statements) of their rates and structure before and after the All-Requirements program, as well as now, to ascertain what their savings are. It was uncertain what Ocala's accounting practices are. It is important to obtain their bulk power costs with and without the IDO.

Vice-Chairman Gant stressed we should look at any project on a long-range basis and as cheaply as possible.

Mayor Van Meter expressed his concern over FMPA's presentation the previous evening on projected savings of \$1 million the first year, yet scenario is applied they can always be had a problem with He didn't know what like an answer on projections in their sit came in over 12 times that. That same to KUA where we can save \$18 million, but wrong in the other direction. He said he their missing it by such a wide margin. the justification for it is, but he would that. Mr. Welsh replied that in their study, R.W. Beck took the most conservative

projection of cost and did not take into account the savings they could achieve through a broker. They broker their capacity on a day-to-day, hour-to-hour basis and don't project those things because they're unknowns until you get out in the market.

Vice-Chairman Gant said probably we can get by for ten years, but if we don't consider these companies on a long-term arrangement, and forget the dollar values, it is because we can assume we can face the market with the same level of competitiveness or delivery of power. If we don't have the power to deliver and don't consider it long-term, we won't make it. He also believes that if we do go with FMPPA-IDO, it won't be because they try to convince us of any great savings. They need to convince us it won't cost us a million dollars, and that they could deliver it as cheaply as we're getting it. If we can sell ourselves on the idea that they'll fight every stroke for us, alleviating us from worrying about it, that would be the ideal situation. However, it's difficult to sell this idea. This is the anxiety about a ten-year contract, he said.

Attorney Ed Brinson said that regarding legislation, we should consider siting as a consideration, which will be almost impossible to get a coal-fired site in the future because of the environmental people. If a site isn't used within a certain time it will be lost.

Vice-Chairman Gant questioned the General Manager as to the KUA average system load needs. Mr. Welsh guestimated it as averaging 80 MW.

Vice-Chairman Gant concluded that it's difficult to make any type of decisions without the power supply numbers, which are expected at next week's Power Supply meetings. Mr. Welsh indicated a decision cannot be made from the presentations. We need the analysis and evaluations which will be resultant from the Power Supply Study being conducted by our Engineers. The presentations by potential suppliers just give us the feel for their operation and the organization we'll be dealing with.

C. ADJOURNMENT: Meeting adjourned at 7:35 P.M.



CHAIRMAN

ATTEST:



SECRETARY

