

MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY HELD
MONDAY, AUGUST 6, 1990, AT 6:00 PM, ADMINISTRATION BUILDING,
KISSIMMEE, FLORIDA

Present at the meeting were Chairman Hord, Vice-Chairman Gant, Secretary Bobroff, Assistant Secretary Lowenstein, Director Jones, Attorney Brinson, General Manager Welsh, and Recording Secretary Rundio. Mayor Van Meter was not present.

MEETING CALLED TO ORDER at 6:00 P.M. by Chairman Hord for the purpose of discussing the:

COMBUSTION TURBINE SITE FEASIBILITY STUDY
and
TRANSMISSION SYSTEM PLANNING STUDY

I. INTRODUCTION & OVERVIEW

General Manager James C. Welsh stated that much work has been accomplished by staff and our Consultants in the Transmission Study and Site Selection Study. Booklets on these were handed to the Board for their perusal at the July 25th meeting.

Mr. Welsh said that we are looking for direction from the Board and their overall input as to where we're headed. He stated that our Engineering and Finance staff would give presentations and make recommendations, and give financial projections if those recommendations are made and implemented. He indicated that items to be studied are the Balance Sheet and Operating Statement, the bottom line or reserve level, following various scenarios with our current rate structures, and ascertain where we are headed. This would be the basis for the important decisions on the direction the Board must give to staff.

II. BLACK & VEATCH PRESENTATION OF REPORTS

In his presentation, Myron Rollins, Consulting Engineer/Black & Veatch, used poster-size maps of the various areas and sites under consideration in these Studies, the prime ones being the Cane Island and Imperial Sites. Mr. Rollins gave an in-depth presentation. He said Black & Veatch initially did a revised Load Forecast with historical growth in mind, demographic projections, and indicating a conservative 6.1% and 4.9% growth rate. Director Gant felt that the percentage should be around 9%, with the Study based on figures in that range as being more practical.

Lengthy discussions ensued on a multitude of questions. In response to Chairman Hord's inquiry, adding a third transformer to either of two of our existing substations was discussed as a less desirable option. Myron said that our substations were not set up for adding a third transformer because our distribution equipment is not rated for that class and it cannot handle the higher fault current.

Numerous overheads were shown and explained by Myron Rollins on Substation Ratings and Projected Loadings, Recommended Transmission Additions, Summer and Winter Peak Substation Loadings on our six existing and two proposed substations, Combustion Turbine Project Design Criteria, Comparative Site Costs for One and Two Combustion Turbines, Total Project Cost for Cane and Imperial Sites, etc.

Mike Simpson, Engineering Consultant/Black & Veatch, assisted in explaining many facets of the two Studies.

During the presentation, an economic comparison between the Imperial and Cane Island Sites was made based on the site development costs and the interconnection costs. Wheeling costs and the benefits to KUA's transmission system of the interconnection must be considered. A comparative cost evaluation was discussed.

The two combustion turbine sites evaluated were Cane Island and Imperial.

Cane Island Site

- 960 acres
- Approximately \$2 Million
- Room for 500 MW of Capacity
- Combined Cycle

Imperial Site

- 600 acres
- KUA would require 123 acres
- Costs approximately \$1 million
- Room for 500 MW of Capacity

Below is a thumbnail sketch of the advantages and disadvantages of each of the two sites under consideration. These were discussed at length, with questions by the Board being responded to by Mr. Rollins, Mr. Simpson and staff.

Cane Island Site

Advantages:

- Considered sewage effluent favorable
- Buffered by Reedy Creek Swamp
- Railroad and oil pipeline in vicinity
- Intercession City Substation

Disadvantages:

- Potential environmental problems from Wetlands
- Close to FPC's Intercession City Combustion Turbines

Imperial Site

Advantages:

- Already owned and used by City and settling ponds
- Treated sewage effluent available
- Minimal environmental impact

Disadvantages:

- Close to Interstate 4 and US-27
- Transmission line would have to cross Interstate 4
- No Railroad in vicinity

It was established that the overall present worth analysis of all costs showed the Cane Island option to be One Million Dollars less expensive than the Imperial Site option.

Many scenarios were discussed, as well as the addition of two new substations in high growth areas, one at Thacker Avenue and the other at Boggy Creek. In response to Director Bobroff's inquiry, Mr. Rollins said that we should attempt to purchase as soon as possible any land we deem necessary for our future needs.

Chairman Hord inquired as to the total 1990 cost of purchasing the Cane Island site, its development, the substation, gas turbine and everything required to get this project on line. Mr. Rollins responded that all costs necessary to make the plant operational were factored into the Studies.

Attorney Ed Brinson asked if the figures include right-of-way costs. Mike Simpson replied that they do include easements and legal fees based on what was encountered recently.

The meeting recessed from 8:00 to 8:12 P.M.

Mr. Rollins also addressed another alternative on transmission lines, to reroute the double circuit with the Disney Development Company and share in the cost since Disney would pay OUC (Orlando Utilities Commission) to reroute the line anyway. Disney currently owns and operates their own combined cycle units. Florida Power Corp. (FPC) operates a combustion turbine power plant at Intercession City, near the Cane Island site.

Mr. Rollins indicated that the 1990 combustion turbine cost for the 1st Unit would be \$682/kW. This covers the turbine site and all the common facilities not in the interconnection. The second turbine Unit only costs \$312/kil. A suggestion was made that perhaps the City of St. Cloud would be interested in participating with KUA on the combustion turbine cost, plus wheeling charges. Facilities charges would be negotiated, which are not included in these prices.

Discussion ensued on the cost of one and two combustion turbines, water injection, fuels considered and cost of fuels, tanks, etc., regarding Cane Island. The wetlands associated with the project will be examined and environmental problems that would adversely impact the licensing of the project was discussed.

Black & Veatch recommended that the Cane Island Site (as opposed to Imperial Site) would be the most favorable one for KUA, considering all facets that have been compared, studied and discussed.

Mr. Welsh indicated that the decision on buying the site (for \$2 million) was not necessary at this meeting but that we should decide whether we should go ahead with the Cane Island Environmental Survey and the Hazardous Waste Survey Scope of Services. A decision would need to be made five weeks hence whether or not we want an option. We have an option now but it is our decision whether we relinquish it.

Mr. Welsh suggested having a Special Meeting on Thursday, September 13th, at which time we expect to receive finalized reports from the Environmental and Hazardous Waste experts. Staff requests the Board's direction in authorizing our Engineers to initiate the Environmental Survey for \$20,000 and the Hazardous Waste Survey for \$11,000, totaling \$31,000.

Director Jones inquired whether we should be concentrating on other sites more suitable to our needs. Mr. Rollins responded that we must be relatively close to natural gas pipelines, transmission, and water. He said the Imperial site was considered first (for gas only). Costs and wheeling charges were also considered in looking for sites.

Moved by Director Bobroff instructing staff to obtain as quickly as possible the Environmental Audit and Hazardous waste Audit and other data necessary to ensure that the Cane Island Site is usable for a combustion turbine for a maximum not-to-exceed total of \$31,000; and that staff activate now the Combustion Turbine Project currently in FY 1991. Seconded by Director Lowenstein.

Discussion followed. Director Jones asked if there is a possibility that permitting fees may be a risk factor at both the Imperial and Cane Island sites. Mr. Simpson said there is no guarantee in obtaining a line permit. Chairman Hord said the Studies only verify how sound the property is but it does not verify our being able to obtain any permits. Due to the Cane Island site being closer, having more usable land, accessibility to water and a railroad, Black & Veatch recommends the Cane Island site rather than the Imperial site.

Director Gant suggested that we obtain recommendations from the Department of Environmental Resources and South Water Management, and perhaps from Disney, as to our water usage, our intentions in that area, etc., and develop a good working relationship with every agency with whom we deal. Myron Rollins said that Black & Veatch will obtain such recommendations. Chairman Hord stated he would prefer someone other than KUA approach the above agencies. Sam Ackley may be our PR person. Mr. Welsh said Black & Veatch will begin negotiations with OUC and Disney regarding the transmission lines. This would be outside the scope of environmental and hazardous waste studies authorized by this motion.

Motion carried 5 - 0

No decision has been made on this (Cane Island) site. The Board only directed staff to request our Engineers to totally evaluate the proposed site. The Board approved a September 13th Special Board Meeting, at 6:00 P.M., for the purpose of making a final decision based on the issue of Environmental and Hazardous Waste surveys.

Mr. Rollins apprised the Board of some of the risks on the combustion turbine and site:

- Lower cost purchase power offers
- High natural gas prices
- Precluded from building future units on site
- Precluded from using the City's sewage effluent
- Inability to obtain permits
- Inability to obtain interconnection

Chairman Hord thanked Myron Rollins and Mike Simpson for their presentation.

III. STAFF ENGINEERING STUDY

Ken Davis, Director/Planning & Engineering, briefly highlighted his memorandum, dated July 31, 1990, to General Manager Welsh on the Transmission System Improvements on our substations. Two alternatives were studied. One involved the installation of a 230 kV circuit breaker at Marydia and a 69 kV circuit breaker at Taft at a cost of \$525,000. The second, the need for installation of a fiber optics communication line from Taft to Marydia to BVL (Beunaventura Lakes) for our primary relaying protection. It would be the preferable alternative route for our SCADA communications and tele-metering for the Taft tie-lines. Due to recent lightning damage on the circuits, staff recommended our proceeding with this system, costing \$400,000.

Discussion followed regarding a lightning arrestor system for our microwave towers to ward off lightning strikes, and other contingencies we have in place. Chairman Hord inquired what other economical way is available to us. Ken Davis said the other alternative would be to put the circuit breakers in to accomplish this with both the tie-lines, costing about \$525,000.

Director Bobroff moved to approve the installation of the fiber optics communications line between Marydia, BVL and Taft; and that the funding of \$400,000 be made from the Reserve for Future Capital Outlay. Seconded by Director Gant.

Brief discussion followed. Mr. Welsh said that Mike Simpson, for the record, clarified that there is further, more elaborate lightning protection which could be placed on the microwave tower, somewhat expensive, as a back-up. Mr. Simpson said that "lightning eliminators" have been installed by FPC and OUC. These would not eliminate solid-state relay failures to take the same microwave system out. It would protect our SCADA system.

Chairman Hord asked if our staff could contact FPC to discuss their experience with this "lightning eliminator". He was quite concerned at our spending thousands of dollars to cure an ill that we had overlooked in not initially installing double devices. Discussion continued on power failure frequency due to lightning and other reasons, such as failure of equipment, etc.

**Motion carried 3 - 2
Chairman Hord and Director Jones opposed**

In his July 31st memo, Ken Davis also referred to and explained to the members the "ring bus" at several substations used to improve the reliability of lines. Following evaluation, staff recommended to delay the completion of the ring bus at the Carl A. Wall substation until the construction of the Boggy Creek substation. This was an informational item at this time, but will be addressed again in the next month or two, Mr. Davis said.

IV. FINANCING CONSIDERATION

Joe Hostetler, Director/Finance, gave a presentation (via overheads and a handout to the Board) on the Balance Sheet, Operating Statement and other reports projected over the next five years in conjunction with the proposed projects discussed above. He said we need to look at two considerations. He did not think we needed bond financing; that we have other accounts, e.g., a portion could be borrowed from the approximate \$10 million in operating cash on a short-term basis and, also, in 1995 the Reserve comes back up to \$5.6 million. Mr. Hostetler also believed the revenues could be higher than projected. The expenditures are the costs associated with Black & Veatch's projected cash flow requirements and adjusted for some other considerations which staff identified.

Mr. Welsh stated that what may affect the cash flow in a positive manner is the likelihood of the projects being delayed and the expenditures on the project being delayed. This would affect the cash flow in terms of the timing of the cash but also in terms of the interest earned on the monies.

Director Bobroff stated that he felt it was admirable that we will be able to do the two major projects in mind and not have to go to the bond market. Joe Hostetler said that this is correct.

Chairman Hord inquired if legally we can have short-term loans. Attorney Brinson agreed that we can, and some discussion followed.

Mr. Welsh suggested that another direction we require from the Board is to move as quickly as possible on the Thacker Avenue substation proposed land acquisition. He said, hopefully, locating the land may be nearing finalization but that in the Regular Meeting in August or September we need to set up that project.

Director Gant said it would behoove us to continue our good working relationship with Stanton for any future capacity purchases to get our fair share from them. He indicated that we need to look at base power sources. Lengthy discussion followed on previous offers from Stanton and other utilities.

V. OTHER

Director Gant brought up an issue previously discussed with staff, that of Meter Readers not always reading meters but estimating reads. Mr. Welsh said that if for some reason a meter cannot be read, an estimate is made and reported, but that all meters must be read. The members were assured that there is a random spot-check system in place to prevent estimations getting through unless absolutely necessary

VI. ADJOURNMENT: Meeting adjourned at 10:00 P.M.



CHAIRMAN

ATTEST:



SECRETARY