

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY HELD THURSDAY,  
FEBRUARY 27, 1992, AT 6:00 PM, BOARDROOM, ADMINISTRATION BUILDING,  
KISSIMMEE, FLORIDA

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

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

B. AWARDS AND PRESENTATIONS

1. 25-YEAR SERVICE AWARD - DENNIS CHARLESTON

Following introductions to the Board members, Mr. Welsh praised Dennis Charleston for his achievements and dedication over a 25-year period with KUA. From Lineman in February 9, 1967, Dennis progressed to Journeyman Lineman and fills in as Foreman when necessary. He has seen tremendous growth and changes in KUA over the years. Dennis was one of many who spent long, cold, hungry hours during the "Big Chill" in December, 1989. Great to have you on the KUA team, Dennis!

Chairman Hord thanked him for his contributions and presented him with a service award.

2. 5-YEAR SERVICE AWARD - JAY TAYLOR

Jay Taylor's employment with this organization as Apprentice Lineman on June 12, 1989 progressed to Journeyman Lineman on March 2, 1991. Jay is commended for being an excellent worker, conscientious and thorough at all times. His contributions and dedication are appreciated by all.

The Board presented Jay with a service award, with thanks.

3. MARCH EMPLOYEE OF THE MONTH - GARRY BRANDT

Mr. Welsh introduced Garry Brandt to the members. Garry, Project Accountant/Finance, was spontaneously selected and honored by his fellow employees as March Employee of the Month. He has been quite involved in the community and an asset to KUA. Garry's family and relatives were present for this service award presentation. Congratulations, Garry!

Garry received an Employee of the Month plaque and a U.S. Savings Certificate. He will also receive one day off, with pay, and a reserved parking space for March.

C. HEAR THE AUDIENCE

D. PUBLIC HEARING - None

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION) - None

F. OLD BUSINESS

Item 3. was taken out of sequence, to be discussed at this time.

3. FMPA FINANCING - SEC II

In attendance from FMPA were Claude L'Engle, General Manager, Fred Bryant, FMPA Attorney, and Bob Williams, Director of Engineering.

Mr. Welsh referred to Resolution R92-2, a Power Sales Contract and Project Support Contract in the Board packet to effect this action, as discussed with the Board at an earlier meeting. A significant issuance cost savings can be had by going this route, along with the added flexibility in bonding. If financing became tight, this would provide some relief, with coverage requirements being 100% (as opposed to 125%) for debt service. He indicated this was a good mechanism to finance and subsequently recover the necessary cost for the Stanton Energy Center 2. It was staff's recommendation to approve Resolution R92-2 and supporting contracts, indicated above.

Finance Director, Joe Hostetler, said the blanks in the contracts would be filled in when it is learned whether St. Cloud will be included in the project.

Director Gant inquired as to the additional costs by going through FMPA compared to our own ownership. He had asked for exact numbers of what the relative costs are and the advantages of going one route over the other. These numbers were not made available; therefore, he felt it would be difficult to equate now with some years down the road.

Claude L'Engle did not have actual numbers but concerning Stanton II the Agency took advantage of short-term variable note financing and it arbitrated a lot of the earnings and the cost was millions of dollars less. This was reflected in the bill the participants received showing, firstly, fuel cost of the coal being burned and, secondly, debt service.

In-depth discussion and comparisons followed regarding this concern.

Bob Williams said the fuel cost for our SEC II participation is the same as theirs. The only difference is in the fixed cost which is a debt service covering transmission, operations and maintenance costs, etc.

Director Gant felt we could not decide if we don't know the advantage of going through FMPA. Director Bobroff concurred that no figures had ever been given for comparison purposes.

Chairman Hord felt if we go alone on SEC II, our costs are debt service, O&M and whatever internal administration costs are incurred. On the other hand, if we go through FMPA they would pay the same for everything except less debt service. The actual question is, what are the administrative costs to support FMPA, divided by the participants, on a pro rata basis monthly? Mr. L'Engle said it covers hours charged to staff members, plus its share of overhead, equating to less than 2/10ths of 1%.

Craig Dunlap, Evensen Dodge & Co., gave a brief update and explained we are looking at several scenarios, one of which is the negative arbitrage problem. He listed options and discussion ensued.

Director Bobroff had several questions on future bond issues and what our COPA rate would be under FMPA, which Mr. L'Engle answered. Another concern was, in view of the rate reduction, whether we go with or without FMPA, what will it do to the total bill the customer receives. Mr. Welsh said this will not influence the overall bottom line cost to the customer, whether we finance SEC II ourselves or go through FMPA. He explained the rationale behind this.

Director Gant expressed concern where the benefit lies dollar-wise to make a decision. He would go along with the other members in their decision, but was inclined to see us own our portion of SEC II directly. He felt our position would be good either way we go.

Mr. L'Engle pointed out that the larger the project, the larger the financing, the more impact we have going to the bond market and the abilities we have to offset some of these expenses. He believes we have the opportunity to save some substantial dollars. This opportunity may not be available if we went it alone. More discussion continued.

Chairman Hord said our philosophies are similar, we are asking FMPA to be our business partner on the Cane Island Project for economies of scale, the bottom line.

**Director Bobroff moved to accept staff's recommendation to approve Resolution No. 92-2 and authorize the Chairman and Secretary to execute the Power Sales Contract and Project Support Contract. Seconded by Director Lowenstein.**

Director Gant commented that had he received accurate figures and information his decision would be easier to make.

Attorney Edward Brinson has read and approved the Resolution as to form. He added the motion should include authorizing the President & General Manager to fill in the blanks in the Resolution.

Fred Bryant stated the form of the Resolution does contain all the information and the blanks will be completed with numbers but the overall numbers will not change.

**Director Bobroff amended his motion to include authorization for the President & General Manager to fill in the blanks of the contracts.**

**Motion carried 5 - 0**

Mr. L'Engle thanked the Board. Validation has been filed, with the hearing being held on March 2nd. An Underwriting team is being put together.

Mr. Welsh announced that at a meeting of the All-Requirements group, the members voted unanimously to recommend to the Executive Committee and Board of Directors, meeting on February 28th at FMPA, that the contract between KUA and FMPA for their participation in the Cane Island Project be executed. Approval is anticipated. Both agencies will jointly meet with Lakeland and analyze participation in the repowering of their Larson Unit No. 9. If the Larson unit is pursued, the Cane Island Combined Cycle will be delayed until after that.

Messrs. L'Engle, Bryant and Williams left at 7:00 p.m.

**1. DIESEL UNIT NO. 9 AT HANSEL PLANT**

Director of Power Supply, Ben Sharma, gave an update on this issue, followed by discussion on the pros and cons of keeping the Diesel Unit No. 9 for spare parts, retiring it, or selling it as salvage.

It was the consensus of the Board that Unit No. 9 be retired from service. Repair of the Unit would not be pursued due to its 30 years of age and the high cost to repair, nor would an immediate purchase of a replacement be pursued at this time.

Some additional information was requested by the Board so that a final decision could be made as to whether to declare the Unit surplus and dispose of it in the best interests of KUA, or retain it for spare parts for other units at the Plant.

**2. CLAY STREET SUBSTATION PROPERTY UPDATE**

Ken Davis, Director/Planning & Engineering, gave a broadbrush view on latest pursuits to acquire appropriate Overoaks substation property. Mr. Lyng told Mr. Davis that there was some negotiating room but not much and gave no specific figure.

Mr. Brinson had contact with Oren Brown's attorney, Frank Townsend, today. There was suitable property in that area, Mr. Townsend said. Apparently, Mr. Brown is against someone building a wall on the adjacent 19' (adjacent to the KUA Administration Building). He would like KUA to purchase the 19' from Haselden and trade it to Brown for a five-acre piece of property he owns in the locality KUA is looking in. Chairman Hord said this is akin to a double closing arrangement. He suggested that Mr. Brinson accompany Ken Davis in this possible transaction concerning the legalities and that this be pursued. Discussion continued.

A Special Meeting was scheduled for Thursday, March 5, at 6:00 p.m., for the purpose of receiving an update from Ken Davis and Ed Brinson on the possibilities of acquiring this five-acre parcel.

Chairman Hord promised, under KUA's new philosophy, to challenge staff to save every dollar possible.

Other property options were discussed.

Chairman Hord recommended that we pursue the Brown and Lyng properties (in that order) and that we not initiate any conversations with Mr. Lyng until information on the Brown options are brought back to the Board. All members and Mr. Welsh concurred with this approach.

**G. NEW BUSINESS - None**

**H. STAFF REPORTS**

**1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS**

Chairman Hord questioned our intent to pay "plus 10 percent" over appraised values concerning right-of-way acquisition for the transmission line from Cane Island to the Clay Street substation project. He felt a fair appraisal should stand on its own. Mr. Welsh stated this (the 10%) would avoid our risking going through condemnation and additional expenses. Mr. Davis said this would be considered if absolutely necessary only after several negotiating efforts failed.

Several other issues were discussed under this report.

**2. CONDENSED FINANCIAL REPORT**

Joe Hostetler highlighted this report, stating that a new line item, "Net Income Before Extraordinary Items" has been added to the Budget and Actual report.

In response to Chairman Hord's question, Mr. Hostetler explained the footnote, "...loss on the refunding of the Series 1985 bonds", then added that this methodology is an accepted manner of accounting. Discussion followed on other line items.

A detailed discussion of a change in accounting methodology suggested by our Auditor, Coopers & Lybrand, occurred. KUA plans on implementing this change. This would eliminate depreciation as an expense item and add the non-interest portion (equity) of debt service as an expense. This "cash" basis of accounting is used by most investor-owned electric utilities and many publicly-owned electric utilities.

**3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS**

This report was accepted, as written, without questions or comments.

**4. ELECTRICAL MAINTENANCE WORKSHOP/WAREHOUSE MEZZANINE**

This report was accepted, as written, without questions or comments.

**I. CONSENT AGENDA**

Motion by Director Lowenstein, seconded by Director Jones, to approve items 1 thru 6, with the exception of item 5, pulled by Chairman Hord.

1. APPROVAL OF MINUTES OF JANUARY 22, 1992, MEETING
2. APPROVAL OF MINUTES OF FEBRUARY 5 & 12, 1992, SPECIAL MEETINGS
3. BOARD MEMBER APPLICANT SELECTION 1992 SCHEDULE
4. SEMIANNUAL REQUIREMENT FOR WIRE, IFB #91-046 (OPTION TO RENEW)
6. PADMOUNT/POLEMOUNT TRANSFORMERS, IFB #014-92

Motion carried 5 - 0

**5. 36' AERIAL DEVICE, IFB #009-92**

Chairman Hord questioned whether this item was necessary in view of the fact that business is slow and we are on an austerity program. Ken Lackey, Director/Transmission & Distribution, explained this was not requisitioned for a new line crew, but was required for about 50% use as a service truck in residential areas where a 50' device could not be maneuvered.

Moved by Director Lowenstein, seconded by Director Gant, to approve item 5.

Motion carried 5 - 0

**J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS**

Mr. Welsh distributed an updated Board Calendar.

A brief update was given on the bid awarded to United Telephone on the Carroll Street facility and NEC's formal protest in this regard. This was handled in our normal procedure for bid protests reviewed by both Ken Davis and Jim Tillman. The outcome was that NEC elected not to pursue this protest and we are in the final stages of awarding the bid to United.

ATTORNEY - No comments

**DIRECTORS**

In response to Director Lowenstein's query, Chris Beck, Director/Customer Relations, gave a brief review on the status of Load Management. A full-color brochure is being sent to customers with their bills. The interest at this time is not as high as expected but it is hoped this will escalate. Building permits from the City and County are being pulled. Mr. Welsh said media releases will be initiated.

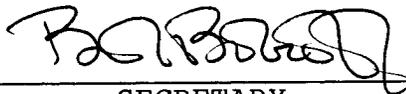
Chris Beck also responded to Director Lowenstein on the Good Neighbor Program. A meeting with the agencies involved, she said, helped put this program in motion.

Chairman Hord referred to an item discussed with the City Commission last evening regarding the possibility of the St. Cloud Utility territory being served by KUA. The City Commission and the Mayor met this idea favorably. Chairman Hord said if the Board was in agreement, that the General Manager draft a letter to the Mayor and City Commission of St. Cloud, for the Chairman's signature, to summarize our thoughts on this but with committing us in any way, and that perhaps in their future planning, if it was in their interest to discuss this, we would be receptive to this idea. The members concurred and Mr. Welsh agreed to draft such a letter.

K. **ADJOURNMENT**: Meeting adjourned at 8:25 p.m.

  
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CHAIRMAN

ATTEST:

  
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SECRETARY