MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD THURSDAY, MAY 7, 1992, 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, Mayor Pollet, Attorney Brinson, President & General Manager Welsh, and Recording Secretary Rundio.

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

In a brief introduction, Mr. Welsh said an offer had been received by KUA and FMPA (Florida Municipal Power Agency) for joint participation in Lakeland's repowering of their Larsen Unit No. 9. After reviewing an analysis of this and due to the economics, staff will not be recommending participation.

Mr. Welsh stated that an update would be given on the Cane Island project and the status of that agreement. Also, discussion would follow on the Taft to Lakeland transmission line.

The General Manager asked that the Board agenda tonight a discussion on KUA's Fiscal Policy, originally scheduled for June 25th with the FASB-71 accounting changes. He felt it would be beneficial to review this prior to undertaking the budgeting process in early June.

2. **JOINT PARTICIPATION IN LARELAND'S LARSEN UNIT NO. 9**

Ben Sharma, Director of Power Supply, reaffirmed Mr. Welsh's comments and elaborated on the conditions of this participation agreement offer giving FMPA and KUA each a 50/50 ownership in Larsen Unit No. 9. The Board-approved Study of March, 1992 revealed that repowering this unit would not be economically beneficial to KUA. This participation was considered in lieu of constructing the KUA/FMPA second unit (a 120 MW capacity combined cycle unit) at Cane Island in 1995 and possibly deferring it until 1998.

Myron Rollins, Consultant, Black & Veatch, was on hand to detail Lakeland's proposal and to answer any questions. He reviewed overheads on a summary of four arrangements showing KUA's share, alternate capacity arrangements and an economic evaluation summary with and without Larsen No. 9. Arrangement 2 was the best deal, he said, but was not a real cost savings. This Study was to determine whether we should continue with Larsen No. 9 or make a decision to optimize on Cane Island; the latter seemed preferable. Mr. Rollins reviewed KUA's share of capacity from Larsen No. 9 as well as what KUA's buy-back arrangements might be in a given period. Discussion followed.

Chairman Hord commented on a former discussion that someday we install another diesel at the power plant rather than let the space remain idle after retiring equipment there. Mr. Welsh said that whenever we consider a generation expansion study, we do consider the feasibility of all options in a broad range.

3. **KUA/FMPA JOINT PARTICIPATION AGREEMENT FOR CANE ISLAND PROJECT - STATUS AND FUTURE SCHEDULES**

Mr. Sharma explained it is imperative that this agreement be signed before June 1, 1992. The purpose in bringing this up was to basically inform the Board that their approval and signature for the Joint Participation Agreement will be required at the May 27th regular meeting. He detailed the procedures being followed and highlighted the status of this project.

The FMPA Board approved the Framework Agreement on February 28, 1992 which was signed and became effective on March 3, 1992. The timetable for KUA approving and signing the Joint Participation Agreement is May 27, 1992 and FMPA's approval is expected on May 29. Closing of the Agreement is scheduled for September 1, 1992. We are looking to possibly delaying the combined cycle unit from 1995 to 1996, or to building just the first phase simple cycle in 1995, with the second phase expansion being delayed until 1997 or 1998.

In-depth discussion continued on alternate scenarios, the economics, target dates to be met, nominations for Florida Power PR by May 31st, and various other facets of this project.

In response to Chairman Hord's question, Mr. Rollins said FMPA will pay KUA 50% of expenditures incurred by us to date for the project which would amount to between $5 and $6 million at the date of closing on September 1, 1992.

Mr. Welsh stated the cost savings to KUA would be around $27 million present value dollars on this arrangement, in actual dollars totaling approximately $37-40 million over the life of the facility.

No adverse remarks or effects regarding permitting have been received. The manufacturer of the unit has targeted it for packaging in December.

4. TAFT TO LAKELAND 230 RV LOOP INTO CANE ISLAND

Discussion was had as to what route FMPA will be using to bring power out of Cane Island. Mr. Welsh referred to the contract and explained that FMPA would be going through OUC (Orlando Utilities Commission).

Ken Davis, Director/Engineering, gave a presentation on routes to be used and what activity is going on in that area. Using an aerial map, Mr. Davis graphically highlighted the line which is to be relocated by the Disney Development Corporation (DDC) by January 1, 1994. This does not fall in line with our plans for the second unit, which will come in later, but if it will save us considerable dollars it would behoove us to share the costs with them. Meetings were held with DDC in trying to iron out the agreements. DDC proposes to construct Celebration City in that area, which would require a 69 kV line owned by Florida Power Corporation to be relocated farther west. They are not ready to commit to relocation at this point. A concern is that DER (Department of Environmental Regulations) may restrict us by insisting we move lines or do additional mitigation. The dollars for that have not been figured into this. Negotiations are taking place with FMPA, DDC and OUC to develop compatible documents in this concerted effort.

Additional discussions followed on the routing of the transmission lines.

Mr. Welsh asked that "Fiscal Policy" be agendaed for this meeting.

Moved by Director Lowenstein, seconded by Director Bobroff, to agenda the Fiscal Policy.

Motion carried 5 - 0

FISCAL POLICY

At the April 15, 1992 meeting, the Board asked staff to come back with proposals for an overall fiscal policy. This was scheduled for the June 25th meeting, along with FASB-71 accounting changes. However, it was necessary to accelerate this to a closer time frame prior to the budgeting process in early June. Mr. Welsh reviewed a model of this policy, via an overhead, and explained how the policy would be changed from the traditional income statement and policy.

In response to Director Bobroff's inquiry, Mr. Welsh stated that Coopers & Lybrand, KUA's external auditors, has approved renaming of accounts which had been presented to the Board by Mr. Welsh. (i.e., "Net Income" changed to "Reinvested Earnings" and "Retained Earnings" changed to "Accumulated Reinvested Earnings".)

Mr. Welsh recapped the Financial Policy Development outline and how the process would work. A question-and-answer period ensued on clarification of terminology and format. Director Gant felt the term "Reinvested Earnings" was a misnomer, that it suggested past tense and should more appropriately be termed, "Earnings for Reinvestment". Mr. Welsh said that "Reinvested Earnings" (compared to Net Income) more accurately conveys what happens to earnings: they are reinvested. Following discussion, Chairman Hord suggested that #4 should state "Reserve for Future Capital will be maintained <u>at a minimum of $5 million</u>", rather than "> $3M-$5M". The members agreed that $5 million was adequate.

Director Bobroff asked if a monthly statement can be prepared in addition to the current one for the purpose of tracking. Mr. Hostetler said a summarized version to detail the source and use of funds could be done.

This is the Board's policy and can be modified in some respects at any time in the future. It gives justification and a reasonable basis for this tack. It was felt this policy will work for the 1992/93 fiscal year and will be established by budget time.

Mayor Pollet suggested we take these five projections to see where they would put us before making a policy decision in order to avoid having to re-do our policy decision. Having the policy in actual figures would show what effect it will have on rates for the same period of time we did projections to see if it is something we can live with. Plugging in this policy, instead of going 7 years without a rate increase it would be more like 3 years, he said.

Chairman Hord asked the members if they desired to give direction or guidelines to staff to follow this policy. Mr. Welsh asked for a guideline to draw up the current budget year under this scenario and, taking Mayor Pollet's suggestion, ascertain the status for the next 5-10 year period.

Director Bobroff suggested waiting for receipt of the figures before approving this policy. The direction given staff was to furnish these figures to the Board at the May 27th meeting.

Director Gant stressed that no dollars are stipulated in this policy. It is only a format laying out the budget. Policy changes were discussed. Staff stated this policy would be used in the 1993 budget process and, depending on the implications, would be used for the 10-Year planning process. Discussions continued on various suggestions presented.

5. **HEAR PRESIDENT & GENERAL MANAGER, DIRECTORS, ATTORNEY**

PRESIDENT & GENERAL MANAGER

Mr. Welsh stated that the Tripartite Agreement between the City/County/KUA has been approved by the City and County. The County Commission was unanimous in their decision.

The final conformed contract documents for the LM6000 from General Electric have been finalized and are ready for signature tonight.

Director Gant asked if there was concern over the buying of the generation unit without the licensing being complete. Mr. Welsh said he was very concerned. There are cancellation and/or delay provisions in the purchase contract which must be exercised soon, if at all. Chairman Hord said the Board suggested the agreement be monitored closely and that should anything come up, it be brought up for discussion.

ATTORNEY

Attorney Edward Brinson stated that surveying of the Lyng property has commenced and an audit will begin shortly. However, he was deeply concerned about the title which showed a 50-year gap from about 1927. The property is next shown to be in the wife's name, Dora Lyng. It seems near to impossible to trace the reason for the prolonged gap in the title for those years, he said. Investigations are continuing in hopes of resolving this predicament. Mr. Brinson is awaiting further word from the Lyngs.

DIRECTORS

Chairman Hord inquired into the status of Load Management as a required condition of service.

Load Management was briefly discussed and reference was made to Resolution 91-8 which could be changed with the adoption of Resolution 92-5 (providing for the installation of Load Management equipment as a condition of service on new residential electric services). Originally our policy was to make this strictly required. The changes would provide for a waiver for those customers with strong objections, waiving any rights to rebates due under the required policy. Lakeland and Leesburg have mandatory programs, with only a few minor objections from some customers. "Required" means that it is a requirement to install the equipment and that customers participate as a requirement of service.

Attorney Brinson said this program is legally defendable if they write off on the required portion.

Director Gant said he originally thought the installation of equipment was required but that participation of service was not required.

Mayor Pollet stated we should attempt to keep the rates down for the customers, which includes the required condition of service.

Director Lowenstein suggested we keep the current program in place but consider expanding it in the future to existing residences when a new service is established.

Mr. Welsh stated that a presentation was recently made on Load Management at the BVL (Beunaventura Lakes) Homeowners Association. Norman and Rose Schultz were present, KUA customers who had originally objected to not having a freedom of choice but were forced to accept the required program as a condition of service. This item will be brought back at the May 27th meeting for further discussion. The Schultzes and others would be present to express their concerns. Load Management will be agendaed for the May 27th regular meeting for the Board's decision.

6. ADJOURNMENT: Meeting adjourned at 8:55 p.m.

CHAIRMAN

ATTEST:

SECRETARY