

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, MAY 25, 1994, AT 6:00 PM, BOARD ROOM, ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

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

**A. MEETING CALLED TO ORDER** at 6:00 p.m. by Chairman Hord.

**B. AWARDS AND PRESENTATIONS**

**1. 30-YEAR SERVICE AWARD - ROBERT CULPEPPER**

Mr. Welsh introduced Robert Culpepper, Foreman, Transmission & Distribution Department, a long-time employee of KUA. Robert started with the City of Kissimmee, joined KUA and worked his way up through the Linemen's rank to Foreman. We are very proud of Robert's 30 years of tremendous service and significant contributions to this organization. He is also a dedicated Boy Scout Leader in the community for nine years.

Chairman Hord presented Robert with a service award candlesticks! for which he took a bit of ribbing! The members congratulated him for his many years of loyal service.

**2. 10-YEAR SERVICE AWARD - KEN DAVIS**

Ken Davis, Director of Engineering, has completed ten years of service with KUA and Mr. Welsh acknowledged originally hiring Ken and wanting someone of his caliber and professionalism to join this Utility. Ken's capabilities and professionalism are shown in his daily work and he undertakes all tasks and challenges without hesitation. Mr. Welsh thanked him for his many contributions and going that extra mile in his responsibilities over the years.

The Board congratulated Ken for his services and Chairman Hord noted during the presentation that "Ken's going to be on time as he selected a clock!" and thanked him. Director Bobroff added that Ken has taken KUA through several major construction projects outside of this electrical system which went very smoothly and were cost effective.

**3. 5-YEAR SERVICE AWARD - JESSIE CANDLE**

Jessie Candle, Customer Service Rep, who has put in five productive years of service, was unable to attend but her award will be presented to her at an appropriate time by Chris Beck, Director of Customer Relations.

**4. 5-YEAR SERVICE AWARD - PETE PERRINO**

As a five-year employee, Pete Perrino, Manager of Budget & Audit, in coordination with his division, has produced quality budget work. Pete has played a significant part in bringing about an end product in compiling our annual budget which is enhanced through his contributions to KUA. Mr. Welsh also added that while employed here, Pete married Peggy Underwood, also a KUA employee.

Congratulations were extended by the members to Pete and he was presented with a crystal box as his award.

5. **5-YEAR SERVICE AWARD - DOCILY PERRY**

Docily Perry, Secretary/Customer Relations, was unable to be present due to a personal family commitment; however, Ms. Beck would present the award to her at an appropriate time.

6. **EMPLOYEE OF THE MONTH - ED PENNINGTON**

Mr. Welsh introduced Ed Pennington, Fleet Service Mechanic, and stated that his fellow employees spontaneously nominated him for this honor. Then he was chosen Employee of the Month from all those nominations. Ed started work at the City and later took on the job of Meter Reader with KUA. His real potential was realized in his work experience as a garage mechanic which was tremendously valuable to us and he has undertaken additional responsibilities in hydraulics for KUA in that respect.

Chairman Hord and the members congratulated Ed on this honor and presented him with a plaque and a check for \$50. Ed will also receive a reserved parking space and a day off with pay.

C. **HEAR THE AUDIENCE** - No comments

D. **PUBLIC HEARING**

The Public Hearing was announced.

1. **RESOLUTION R94-3: ENERGY CONSERVATION COST RECOVERY (ECCR) RATE AND OTHER TARIFF CHANGES**

Mr. Welsh gave some feedback on when we lowered our rates in 1992 by 15%. We did long term projections to ensure this would stay in place for a long period of time. Those rates would remain fixed according to our projections until 1995 at which time we would probably need a 6% increase, followed by a 4% increase in 1996 and another 4% in 1997. In our last Ten Year Plan we were able to achieve some economies through refinancing, through Power Supply where we negotiated with FMPA (Florida Municipal Power Agency) to participate in the Cane Island Project. We would save millions of dollars over the life of the contract, and realize a savings in terms of the initial capital cost because of this partnering with FMPA where they share the common costs. Also, all the departments had gone through a cost-cutting measure where possible. That 6% will be pushed out by one year to 1996, at which time we will need 7%.

The Board had asked Staff to phase this in rather than do it all in one year. They also asked us to look into the Energy Conservation Cost Recovery (ECCR) rate which had been recommended to the Board by our external auditors, Coopers & Lybrand. Most of the major utilities in the state had put such a clause in their rate mechanism and recommended we consider it also. This is the rate that is before us tonight; its been up before the Public Service Commission (PSC). That would result in a 2% or 3% increase at this time. The 7% increase would be deferred beyond 1996 and definitely be diminished, with a possibility of being eliminated altogether. This will be better defined in the upcoming Plan.

Mr. Joe Hostetler, Director of Finance, detailed the tariff changes by class, via overheads. The ECCR rate that Staff is recommending will recover all conservation related costs, including

Load Management (LM) equipment and credits received by customers. This would be effective June 1, 1994. The costs we anticipate to recover would be for the period June 1st through September 30, 1994 and see if we are over or under collected and he noted when adjustment would be made. The demand related costs for that period would be \$447,616 and energy related costs \$89,285, totaling recoverable costs of \$537,001. This would be allocated to the various departments. He summarized how the costs were developed.

Mr. Hostetler stated that Staff would be submitting a monthly report showing what we've incurred and what we billed out, what the balance is, etc.

Chairman Hord compared the Residential with General Service Large Demand and stated the latter pays almost as much as Residential yet they do not get any credit.

Mr. Welsh stated that the cost of Load Management is due to the fact that we are achieving a peak reduction. Most of those costs are distributed to the customers causing the peak, regardless of where that capacity was bought.

In response to Director Bobroff, Mr. Hostetler confirmed that LM credits to the customers total \$242,340.

Chairman Hord stated that only Residential receives any credit where half of our expense is attributed to that category. Yet that category isn't paying 50% of the sum total shown. Mr. Welsh replied that we are buying capacity from the residential consumer, not from General Electric (GE) or Westinghouse, where we could get the most participation the quickest.

Chairman Hord inquired how much of that \$537,000 in costs for this 4-month period are we going to recover by literally using the Load Management system. How many times will we use it, how many megawatts or kilowatts we save by doing it.

Mr. Welsh replied that at its inception the Board opted not to do a cost analysis to show exactly what the costs would be and if it was justified. Some other utilities have done the study and for them the Load Management system was cost effective rather than buying the capacity. We are trying to serve the entire system load.

If the ECCR was not being put in effect, we would be having a 7% increase in 1995. Discussion continued.

Chairman Hord stated that the downside is that the people who receive credit are being subsidized by those who are helping pay for it and not receiving the credit, according to the figures shown.

Director Walter inquired how many customers partake in the LM program. Mr. Welsh replied about 6,000 to 7,000 out of an approximate 36,000 customers. The whole idea of conservation is for the customers' cost to go down. Mr. Welsh stated that according to other utilities, their payback period was from five to ten years. Mr. Welsh said that saving kilowatts eventually totals megawatts and thus avoids having to purchase a generator.

Mr. Ben Sharma, Director of Power Supply, clarified for Chairman Hord that using the Load Management for even one day (e.g., March 28th) saved purchasing capacity from Florida Power Corporation and saved a transmission charge for the whole month.

Director Bobroff queried about having a salesperson sell Load Management to customers. Mr. Welsh said we already do that through our Communications Specialist, Chris Gent.

Mr. Gent summarized an extensive promotional campaign in place for the Load Management system. He stated that beginning June 1st we will have an ad campaign in the newspapers, KUA vehicles will carry bumper stickers with information, and there will be bill stuffers via the customer newsletter. We are targeting the area to get as many customers to sign up as possible. From this we will gauge our campaign for the summer based on the initial sales pitch in June.

Director Walter's concern was that the credits never run out because if the whole system goes on Load Management, we will be paying credits for that, and he was unsure if it benefits the whole system. Mr. Welsh stated that we calculated the savings of LM and take half the savings and distribute it back to where we're buying that capacity from. The entire savings would go to the system as a whole. Basically, we are distributing in credits what we're projected to save per kilowatt in LM. Discussions continued on the pros and cons of our customers using LM and whether credits should be given them in the long run.

Being a Public Hearing, Mr. James Scott, of Beunaventura Lakes (BVL) voiced his opinion. He flatly stated he was against any increase in the electric bill because there is an 8% surcharge of which a certain amount goes to the City and also to the County. He suggested withdrawing some from those accounts in lieu of an increase.

Mr. Welsh stated that we have a Tripartite Agreement with the City and County where we are contractually obligated to continue to do that at this time.

Mr. Scott said we should continue with the same decrease and leave it that way, stating that the more the customers pay the more the City and County receive and its unfair to the public.

Mr. Welsh said his recommendation to the Board would be to keep the Load Management rebates in place. He said we are trying to stave off an increase projected to go into effect in October 1995 of 7%. Basically, we have a 2-3% increase now that will defer that past October, 1995 from one to two years, shrink it and possibly eliminate it altogether. He thinks that's a good deal and added we want to minimize electric rates anytime we possibly can.

Director Walter requested additional information on the analysis between just buying the Load Management and putting it in the homes. He felt it might be more cost effective to buy and install the units than continue to do the credits, possibly even phasing them out over the years and not continue to pay them. He wants the best service we can have for the customers at the most economical rate.

Chairman Hord reiterated Director Walter's request for Staff to bring back a report on what the savings could be if the Utility bears the installation costs and pays no compensation.

**Motion by Director Walter to approve Resolution R94-3 (Energy Conservation Cost Recovery Rate and Other Tariff Changes), as recommended by Staff. Seconded by Director Bobroff.**

Director Gant commented that initially he had reservations which he expressed and that he voted against most of the motions at its inception for the reason that we couldn't show how much money we would save until the system was up and running. In the early stages it would not be very cost effective and we talked in terms of not implementing it until we got enough customers signed up. He noted the only public input we received was opposed to our requiring that they participate (even though we intended to give credits). He stated he would vote for the motion because after discussing it and looking at the issues, its good for KUA operations because those are the rates we expected we would ultimately have to increase next year. Director Gant stated he would like to revisit this subject every few months to see exactly how it is going.

**Motion carried 4 - 0  
Director Lowenstein absent**

Chairman Hord stated that this is much like what the City is doing in that they found a way to get revenue by charging long distance phone calls 7% tax in place of really facing the music. As a businessman, he asked why he should be penalized to subsidize the City income (and he may say this to the City Commission, he said) to address the police problem. He said he feels this reflects the same analogy. He noted that as any business plan you find the numbers don't add up and relook at them; there isn't anything that says it's cast in concrete and it has to remain that way forever. He felt the other members have reservations and maybe the Load Management needs to be revisited in its entirety because it is a penalty out of our operation of at least \$242,000 in four months. We are not saving generators; it's cash we are putting out the door. For the good of the Utility and the community a person should have LM and be allowed to be shut off 4-5 times a year, certainly not a great inconvenience, and not get any compensation to better our overall operating situation, perhaps that's the action that he's taking.

**E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)**

**1. MONTHLY CONSTRUCTION PROGRESS REPORT OF CANE ISLAND PROJECT**

Mr. Greg Harrington, ER3 and KUA's Owner's Representative, gave the usual update on the monthly report card on Cane Island progress, via overheads and videos.

Mr. Harrington stated that on May 20th, the second Partnering Session was held in the Board Room which involved all the contractors, Black & Veatch and the KUA Staff. A revised report card was put together with some change orders. With certain modifications this gave a more realistic reflection of what's going on and involves everybody. He said that during April they missed two milestones. Unit 1 combustion turbine delivery which was originally scheduled for April 26th was delivered May 12th, and was a successful transport. This missed milestone is recoverable. The second milestone was the combustion turbine for Unit 2, delivery of which was anticipated on the 18th. The actual delivery was early May, and is also recoverable. The one crucial piece missing is the generator for Unit 1 which has at this date not been delivered on site. Much focus is being placed on this.

At Chairman Hord's query, Mr. Harrington stated that generator is still in Tampa, after six weeks. Problems from various agencies (Department of Transportation, permitting, etc.) were compounded along the way, causing numerous delays.

Chairman Hord inquired what we can and are doing about the delay. Mr. Welsh clarified events taken place to date, his contacting the highest officials of General Electric and offering to help if we can, or staying out of the way. It's their operation and responsibility to get the generator on site by the deadline. GE was awaiting a permit from DOT, awaiting a new vehicle to transport the generator, and then it was found that the weigh scales broke at the Plant City weigh station because of the 100 ton weight. Then the truck was not permitted to move, without being given an explanation. ER3 is working through the trucking company and through the other contractors to hasten this. The first unit weighed 82 tons and following many delays, the unit was finally delivered. The second unit was delivered without incident, via railroad.

Chairman Hord urged that someone should contact the Governor's office in Tallahassee and cut the red tape and get the move completed as quickly as possible. He had serious concerns about the unit sitting six weeks off site and costing us money.

Director Bobroff expressed those same concerns.

Chairman Hord inquired into the plan of action to be pursued by this Board and Staff. Mr. Welsh said he had offered to get involved with top officials in the City and State, but that we cannot legally interfere with GE's operation.

Mr. Harrington offered a concern with our going over the line due to a pending lawsuit over the train accident.

Attorney Ed Brinson said we cannot exercise any concern. We bought the unit to be delivered on site. If something does happen, they would say we are exercising control.

Mr. Gerald Hardage, ER3, said they have been extremely frustrated over the entire incident and trying not to take control contractually on contracts over which they have no authority has been the key. The key is that GE has a contract to supply the generator. Black & Veatch in two strongly worded letters has put GE on notice that they are responsible for the cost.

Attorney Brinson stated that regarding the lawsuit we are being asked very specific questions which we could easily answer: we didn't control it, we didn't do it. We don't want to get in that position if something happened.

Mr. Welsh stated we have a contract with GE and will hold their people to make good on the contract; however, if we should interfere and it was misconstrued we want to avoid that. All we can do is stress to GE that we are at their disposal to do anything, including talking to the Governor, if they feel strategically it would be worthwhile pursuing at this time. GE is choosing to do everything they can.

Director Bobroff requested copies of all the reports and correspondence dealing with this delay be given to the Board members. Everything, he stressed.

Attorney Brinson stated we are in serious litigation concerning the accident, including from the truck driver and trucking company, railway, etc. It was his strong suggestion when we select a major supplier to see if they can do the job. If they don't do the job we have a contract with them. He urged that we do what we're asked to do, which might be stay out of the way.

In response to Director Bobroff, Mr. Hardage said there is no penalty clause in late deliveries. We go for actual damages. Due to the first accident, everyone is trying to cover themselves.

Mr. Hardage stated that in talking with Don Schultz, Black & Veatch, that the state has agreed to let the trucker use the other truck.

Director Walter stated he felt Staff is doing everything it can and that we need to revisit this again when its delivered and find out what the situation is.

Mr. Welsh said the only information we can forward to the Board are the two letters we sent to General Electric. Mr. Hardage distributed some correspondence to the members.

Videos of Cane Island were shown, with Mr. Harrington highlighting the building progress in various phases and percentages of completion. Brief discussion followed.

**G. NEW BUSINESS**

Mr. Welsh introduced the following Agenda Item as a new addition for review and approval by the Board.

**1. TAFT/CANE ISLAND/LAKELAND TRANSMISSION LINE CHANGE ORDER FOR THE GENERAL CONSTRUCTION CONTRACT**

**Motion by Director Walter, seconded by Director Gant, to add this item to the Agenda.**

**Motion carried 4 - 0  
Director Lowenstein absent**

Mr. Welsh gave a summary overview on this item. Basically, we know we will incur a delay in construction of the above line due to a Turnpike project, the Southern Connector. The DOT gave us the permit to construct this line and later we found we were required to get permission by the Turnpike Authority. The Turnpike must install pilings before we can construct the line. We must now negotiate the delay costs with the contractor, Terry's Electric, Inc. The bottom line here is that Terry's started out with a \$300,000 demobilization cost, some of which we felt was unjustified. We optimized the rescheduling of that job. The problem now comes down to cost. Terry's sees this at \$80,000. Considering further calculations, Staff now feels that the most objective real cost is around \$39,000.

Mr. Welsh stated that Terry's must have an answer by Friday on whether we want to proceed with this Change Order on whether we want to proceed with the changes on how we're constructing this line. Otherwise, Terry's will have to continue under the existing contract which would preclude the reoptimization that we're proceeding on. Mr. Davis negotiated with Terry's, coming up with a differential of \$40,570.

Mr. Welsh told Terry's he would go to the Board with Staff's recommendation, that if we had no other choice, to approve the Change Order for \$80,000, not because we thought it was cost justified but because it was the most economical thing to do. We feel Terry's is taking advantage of our need to continue with this project. He told Terry's that Mr. Davis didn't feel it was cost justified, but felt this was taking unfair advantage, considering all the business dealings we've had over the years. Terry's indicated they feel justified in asking for these costs and asked that the Change Order be approved in order for him to continue, but that Ken Davis, Jim

Welsh and some of their people should discuss these costs, and if they find they're unjustified, they would do it for our price.

Ken Davis briefed the Board, via overheads, what portion was involved where the bridge is going in at Osceola Parkway. He also went over a detailed summary sheet showing the project delay costs as requested by Terry's Electric. A comparison was shown and discussed on a line-by-line basis with Terry's rates versus costs calculated by Black & Veatch. Terry's original additional cost of \$71,000 was based on the fact that we release all of his retainage on the job with the exception of the stringing operation. After discussions with the General Manager, Mr. Davis told Terry's that we will want to hold all of the retainage and not release it until the job was over. The biggest difference is the \$41,400 for an additional 1,000 man-hours due to decline in productivity during holidays, traffic congestion, etc. Ken Davis could not see these as valid reasons. We agreed on some other items. Contract completion date is December 1st, but we are extending it to January 1st, and they pay the true extension of the contract of one month.

In response to Director Walter, Mr. Welsh said he would recommend to the Board they approve the \$80,000 Change Order and if it was legitimate, we would pay it; if not, we would consider paying the lesser amount.

**Motion by Director Bobroff, seconded by Director Walter, to approve the General Manager's recommendation of the Change Order specified not to exceed \$80,319; further, to revisit this item with Terry's Electric, Inc., and to execute the Change Order after negotiating our position versus the contractor's position and hopefully lean towards our position.**

Director Gant referred to an earlier instance where a delay occurred but where Terry's declined to charge additional costs. Mr. Davis said that was the Clay Street line where a \$75,000 delay charge (due to being pulled off the job for any reason) was possible over a six-month period for a right-of-way. That figure was bid in the contract. But the-contract worked out.

Chairman Hord commented that in normal business practice if a delay causes inconvenience, its only fair for compensation. However, fair is fair to all parties concerned and said we do a lot of business with this contractor and we'd like to think we're going to do a lot of business in the future. We appreciate his being a local contractor, etc., but the bottom line from his position is that "fair is fair" and that when Staff goes back to negotiate the situation let's be fair about it. Staff and the other members concurred

**Motion carried 4 - 0  
Director Lowenstein absent**

The meeting recessed from 8:05 to 8:15 p.m.

#### **H. STAFF REPORTS**

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

There were no questions or comments to this report, as contained in the packets.

##### **2. CONDENSED FINANCIAL REPORT - MARCH, 1994**

Joe Hostetler highlighted this report through overheads. He stated that every month we have exceeded our budget at this point in the year and are doing well for the month of April. We should end up with a pretty good year.

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Director Gant's questions on investments were responded to by

Mr. Hostetler.

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

Ben Sharma verbally briefed the Board on our FPC (Florida Power Corporation) nominations which the members had requested at an earlier date.

Discussion followed on the capacity charge for peaking for this nominations contract. New rates just went into effect recently.

Director Gant touched on COPA briefly. Mr. Welsh clarified the rates under our new formula and how it works under our current rate structure. Director Gant was concerned for this particular month about our increasing our rate structure by purchasing power, not what it costs us to do business, but in increasing our rate. He stressed that by adding purchase power into COPA really wasn't the full intent of COPA to begin with; it was the fuel costs we tried to recoup, not total cost of purchasing power. By including the whole purchase power in this like we're doing now, will it make our rate higher this month than it should be. He added, the answer is yes, but can we do anything about it. Mr. Welsh responded that fuel and purchase power is a variable cost and it gets recovered directly. Discussion continued.

**4. SELECTED DEPARTMENT HIGHLIGHTS - CUSTOMER RELATIONS**

Ms. Chris Beck, Director of Customer Relations, stated that over the years we have introduced new programs that have been beneficial to all of our customers. Short discussion ensued on the use of credit cards and the payback charges. She said starting in July a new program will be introduced, the "Power Box". This is a container for a gift certificate program and only one other utility does this. Customer Service will sell Power Gift Certificates for \$25 through the Cashiering office which the customer can in turn use as gifts for others. A good marketing program would be in place every month for various occasions, Mother's Day, Christmas, Graduation, housewarming, etc., and it is expected to be well received by the public. This is mainly a promotional thing.

Also, Ms. Beck introduced a card which can be used by customers to pay someone else's bills. She highlighted the procedure involved.

Chris also exhibited a counterfeit \$100 bill received by a Cashier to show the members and Staff. It was only one of about 9-10 received over the five years and she related how alert and proficient our Cashiers are in promptly spotting these through the feel of the bills. These bills are turned over to the Secret Service who follow up on it.

**I. CONSENT AGENDA**

**Motion by Director Walter, seconded by Director Bobroff, to accept the Consent Agenda as submitted,**

1. **APPROVAL OF MINUTES OF APRIL 27, 1994, REGULAR MEETING**
2. **APPROVAL OF MINUTES OF MAY 11, 1994, SPECIAL MEETING**
3. **AWARD OF CONTRACT - PERFORMANCE TESTING OF CANE ISLAND UNITS 1 AND 2**

Motion carried 4 - 0  
Director Lowenstein absent

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh informed the Board that on Saturday evening, July 16, at 7:00 p.m., we are having KUA night at the Astros Baseball field, at no cost. Tickets will be distributed to members, employees and friends. He stated, for example, that the Employee of the Month may be asked to throw out the first pitch.

For the record, Mr. Welsh informed the members that their Board nomination was presented to the City Commission, who approved Mr. Kenneth Guthrie to the KUA Board. Congratulations were extended to Mr. Guthrie, who was in the audience, and that all were looking forward to working with him.

Mr. Welsh reminded the members that the Special Meeting of the Budget presentation is scheduled for June 1, at 4:30 p.m., rather than the usual 6:00 p.m., in order to accommodate several Department Directors attending their children's graduation ceremonies that evening.

ATTORNEY - No comments

DIRECTORS

Chairman Hord related back to the Load Management discussed earlier. He stated that Director Walter had not been a part of our initial discussions and decision, but Chairman Hord thought it important enough to hold a Special Workshop to review again how it was conceived, why we started, what the economics of it are, etc.

Mr. Welsh said we could do it at a separate Workshop or attempt to do it under a Staff report at the next Regular Meeting.

Chairman Hord said it would not hurt to revisit this issue.

**It was the consensus of the Board that this discussion take place when all Board members are in attendance. Mr. Welsh suggested that at the June 22nd meeting a brief presentation be given on Load Management and Staff respond to questions of the Board. Everyone was in agreement to this.**

Director Walter said his concern is not how you developed this but how the cost is disbursed and if it continues on forever, how does it effect us. He was concerned that if everyone signed up for Load Management we would have to repay about a million dollars in credits. He wondered if the credit should be a part of the Load Management program; therefore, he wanted more information.

Chairman Hord stated he wants to reevaluate the whole philosophy and economics of this ECCR. Mr. Welsh stated it would be discussed at the June 22nd meeting.

K. ADJOURNMENT: Meeting adjourned at 9:00 P.M.

ATTEST:

  
SECRETARY

  
VICE-CHAIRMAN