MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY HELD WEDNESDAY, AUGUST 24, 1994, AT 6:00 PM, BOARD ROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA

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

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

B. AWARDS AND PRESENTATIONS

1. FMEA SAFETY AWARD FOR KISSIMMEE UTILITY AUTHORITY

KUA was able to achieve the FMEA's Safety Award in Category IV for "No Lost Time Accidents" (Administration, Finance, Engineering, Personnel and Stores) which was received at the Statewide meeting this year. Chairman Hord read and presented the Certificate to our Safety officer, Neville Turner, Director of Personnel & Risk Management.

2. 10-YEAR SERVICE AWARD - JAY BUTTERS

Jay Butters, Power Plant Operator, with 10 years of service at KUA under his belt, has also been a key player in the Cane Island start-up group for Unit 1. Jay has made a substantial contribution to our organization on a regular basis and is responsible for the lights being on 24 hours a day, 7 days a week literally through his efforts. Kudos on your achievements, Jay!

Jay was presented with a vase as his choice of award with the Board's congratulations for a job well done.

3. 10—YEAR SERVICE AWARD - MIKE PHILLIPS

Tonight we also recognize 10 years of service for Mike Phillips, Power Plant Operator. Mike came on board as an Assistant Operator on August 18, 1984 from the City and was promoted to Operator on November 28, 1994. A conscientious worker, Mike has contributed significantly over the years and his efforts are much appreciated. Unfortunately, Mike was unable to be present for this honor but his award will be given to him at an appropriate time by his Supervisor.

4. 5-YEAR SERVICE AWARD - PHIL LANIER

Phil Lanier came on board as an Assistant Operator Trainee on August 28, 1989 and was promoted to Assistant Power Plant Operator in February, 1990. Phil is also making a vital contribution to KUA and is well liked by his co-workers. His personal hobbies lie in growing plants and trees. Phil was unable to attend tonight's presentation due to other commitments but will receive his service award later on.

5. EMPLOYEE OF THE MONTH - RAFAEL NAZARIO

Mr. Welsh stated this is a very special award where the chosen nominee is selected by his fellow employees. Rafael Nazario was honored by being selected Employee of the Month for September. Rafael has a tremendous positive outlook on life and as Apprentice SCADA Technician is an asset to KUA. Rafael was introduced to the Board and presented with a plaque and a $100 U.S. Savings Bond. He will also receive a reserved parking space and a day off with pay. Congratulations, Rafael, on this achievement!

C. HEAR THE AUDIENCE – None

D. PUBLIC HEARING - None

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

1. MONTHLY CONSTRUCTION PROGRESS REPORT OF CANE ISLAND PROJECT

Greg Harrington, KUA's Owner's Rep at Cane Island, gave a brief presentation, via slides and video, on Units 1 and 2 and an overall review of the Project. He pointed to shots of the generator, steam turbine, boiler, exhaust stack, cooling tower, condenser, etc. The sound of the start-up of Unit 1 was heard.

Mr. Harrington said overall on Unit 2 we are 85% complete and general construction (architectural finish) is about 95% complete. Mechanical construction is about 34% finished.

In response to Mr. Ken Guthrie, Director-Elect, Mr. Harrington stated that the status of the oil spill is that we are still working on remediation which is costing us about $14,000 to date.

Mr. Welsh reported that per the Board's previous approval for a Maintenance/Operations Supervisor, he commended Staff on the recruitment and selection process for that position. Via a rigorous screening process of external and several internal applicants for that position, he was pleased to announce that our own Larry Mattern, Computer Instrument Technician, was selected as having the best qualifications for Maintenance/Operations Supervisor for Cane Island.

Congratulations were extended by all the Board members to Larry for having been selected. Larry joined KUA three years ago, having come from Pennsylvania. He was key and pivotal in the start-up project from day one. Mr. Harrington also extended his best wishes to Larry and the rest of the group for being so helpful to him and Mike Goering during the construction and start-up phase. Nice going, Larry!

Considering the earlier mishap and delay with Unit 1, several members commended everyone on the work put forth where we can now reap the benefits. Both units are on the original schedule.

F. OLD BUSINESS

1. REQUEST FOR SCHOLARSHIP DONATION FROM KUA

General Manager Welsh said that he, Attorney Ed Brinson, Director Larry Walter, and Ken Smith, President of the Foundation for Osceola Education, Inc., met recently to discuss several considerations concerning this Scholarship proposal. None of this was conclusive and the consensus was that the recommendation to the Board be that no further action on the Scholarship Fund be taken at this time pending the completion of the Strategic Plan under the Jobs 2000 Task Force.

Mr. Ken Smith addressed the Board on this issue, emphasizing he wanted to ensure that the Board and Staff and the citizens of this County understand the magnitude of the education problem. He stated that less than 30% of the children who graduate from High School in Osceola County attend any kind of formal training after graduation, a problem which should concern all of us. Mr. Smith distributed a printed color copy of a special education license tag to be available in November to raise additional funds to enhance the educational system.

Director Lowenstein stated that he felt the program is worthwhile; however, that as a Board member he cannot accept it. He felt any excess funds should go 1nto COPA or to help lower our rates.

Chairman Hord stated this educational problem was not indicative only to Osceola County--it’s nationwide and perhaps worldwide. He believed it to be a worthwhile cause but stated this is an organization for the ratepayers. We don't do it for other organizations and it's not part of our Charter or philosophy.

2. <u>LOAD MANAGEMENT REVIEW</u>

Mr. Welsh stated we would like to give a brief history of the development of Load Management rebates and some concepts of what could be done in terms of restructuring the rebate program. This may reduce the economic impact on our rates and what it may end up costing us from a Customer Relations standpoint. Staff would like to suggest a time frame, if it is the Board's desire to restructure these, on how we might work this into an overall conservation program which we will have to develop and do it next year. The Public Service Commission (PSC) and Investor-Owned Utilities (IOU's) are having hearings and negotiations on some 30 programs for the large IOU's, and the municipals throughout the state will be compelled to examine each one for their cost effectiveness and be putting them in place. In terms of restructuring, the rebate program should be packaged with an overall look at conservation programs which may entail additional rebates for energy efficiency and conservation measures taken by our customers.

Joe Hostetler, Director of Finance, went back to 1989 when the PSC required energy conservation plans for all utilities in Florida. KUA had stated we would implement a Load Management Program which was first introduced to our Board of Directors in March, 1991. He capsuled Lakeland's system after which our program was styled. Mr. Hostetler gave an overview of the KUA program development, as well as the voluntary and mandatory programs, up to the present time.

The Load Management Program involved all departments within KUA--our ratemaking, finance, etc. Mr. Hostetler explained "control" as using it (the system). "Testing", according to Mr. Sharma, Director of Power Supply, is testing the system to see if the software works, and that the schedule is operational.

Mr. Welsh stated that through Load Management you do not save any energy. You save in the purchase of capacity contracts, or in the installation of new units.

Chairman Hord expressed concern in how much would it cost in a contract to offset this deal. The response was it saved us from installing a 6.5 MW generation unit. In depth discussion followed on how the system works and where the savings come from. Discussed was the number of megawatts required for Load Management in order not to buy other capacity. You shave your peak and you shift your peak time to a valley time on an annual basis. This inconveniences the customers somewhat, so its really a peaking type of device. Discussion continued.

Mr. Hostetler showed projections for the last six months. Rebates this year have amounted to about $500,000, projected at about $1 million a year. Eighteen percent (435) of our customers are on our Load Management system at this time. The average rebate is around $12.20 per month.

Via charts, Mr. Hostetler discussed the voluntary and mandatory system and credits offered on various loads.

Three alternatives were presented: (1) Expand Load Management Program participation and credits to include all customers; (2) Eliminate rebates; and (3) Change the rebate structure.

Staff's basic recommendation is to lower the value of rebates under the current Load Management Program and substitute other conservation programs at the same time.

Staff stated that we are not taking the rebates away from the customer; we are only going to pay them for the months that they use it. We are taking a second look at the major program.

Director Bobroff inquired that if you eliminate it all except for one or two days a month, do you get credit. Chairman Hord clarified that point, that if you use it on any given day or more than one day in any given month you get credit for that entire month. Director Bobroff said he had interpreted it in a different way. Mr. Welsh stated that if you use the capacity you get $12.00. He added that we are recommending a logical way to go and that we are leaning towards alternative #3.

Director Walter suggested several scenarios in order to save fuel, to which Mr. Welsh replied that you do not save any fuel or energy. Director Walter stated we might be better off, instead of furnishing credits, not to build those and lower the rates.

Director Gant gave his philosophy as to why we started this system in the first place, how we could use the system more often and why we're discussing the amount of rebate now. His original comment had been to start the system up and wait till we get all these customers on and then start operating. Now that we're up to 6.5 MW of accumulated power now is the time to make it look effective and kick it into operation. This seemed to be an impractical way to do it. Its a system he said he wished we had discussed the amount of the rebates in more detail earlier.

Mr. Welsh stated that rebates are the customer's choice by selecting and signing up for any of three levels. These numbers were established on an embedded cost basis. Discussion continued that instead of going on an embedded cost basis, of going on an immediately avoidable cost basis thereby cutting the rebates in half. Effectively, you would get rebates on the months we use it and on the months we don't use you won't get the rebates.

Chairman Hord said these rebates are not cast in stone and that we set the standard. However, Mr. Welsh did not recommend that tack, adding that we find a good way to package it and minimize the negative effects that we're going to buy.

Director Gant suggested that if you could take the rebates and reflect it totally in our savings, and that's what we rebated, then we might have a more realistic program down the road in the future.

Chairman Hord queried why, out of a five-month period, there are only five days when you need this and why aren't there more days during June, July and August.

Responding to Chairman Hord, Mr. Ray Brennick, Manager of Systems Control, stated that we can make it a dispatchable resource. The other philosophy is to use it as a peak load shaving resource comparing it to the emergency diesels that we have at Hansel. Our utilization of the system up to now has been emergency reserve utilization of the resource. Where we try to get some hard dollars out of it is to come in and offset some transmission charges on our contractual arrangement with Florida Power Corporation, which is why we don't use it that much. We don't get down to the point of emergency so we haven't used it.

Mr. Welsh stated that turning it on doesn't save a penny. The savings come in where he hasn't purchased capacity for that top of the peak. If he runs out of capacity, there are units down and he hasn't any other generation capacity, there's a resource to shave the top of his peak as a last resource. It would only inconvenience the customers yet not save a nickel.

Numerous questions on testing, why the system was turned on only on certain days, and other issues, were posed. Staff stated that you have to match load to capacity. Our Dispatchers constantly monitor our usage and make adjustments.

Concerning Chairman Hord's question on how often we're going to be testing, Mr. Brennick stated that software systems continue to evolve daily so what we're actually doing is bringing revisions to the software and updating the technology. We are still refining the system and have still to determine whether we pay rebates during testing conditions, and we need to work out details of the tariffs, etc.

If it were to cost $86,000 to turn on the system, it would be prudent to use it only when absolutely necessary. You would want to test when you have it spent already and its free. An alternative type testing is used now where you didn't go live and without knocking customers off the line.

With the increase in population, the demand side would also increase.

Several Directors stated that the business community is paying for the residential community, a form of being penalized, and this did not sit favorably with them, being businessmen themselves.

It is Staff's recommendation that it would be best (if it is desired by the Board to reduce the rebates) to eliminate the rebates in the months when they are not being used and to package that with the overall conservation programs that are being examined and put into effect next year. Chairman Hord felt we are just delaying the inevitable and trying to "sugar coat" it. He felt he (the commercial and industrial community) is subsidizing all the residents receiving $12 per month and "that ain't right!" We all recognize this once the big dollars start jumping out at us.

Mr. Welsh stated we had just begun a big PR program enticing the customers under these present conditions. The question is, how much should we be paying for it and could we be paying less. Everybody is charged because they get the benefit of those capacity dollars.

Mr. Welsh clarified for Director Bobroff that customers would receive the payment in the months we do use it; now they get it all the time even when we don't use it.

Director Bobroff stated we, in effect, made a contract with our customers when we installed the program that they would get a discount for using it. If we totally cut out the discount we are being unfair with our residential customers who have the system. He suggested that on the months we pay the full amount and no usage is made, that a $1 rebate be made instead of the normal payment.

The meeting recessed from 7:55 to 8:05 p.m.

Chris Beck, Director of Customer Relations, made a brief presentation on the Load Management program from her department's perspective.

Ms. Beck stated we had a remarkable marketing relations program when we first introduced the Load Management system, one of the few tools we can really use to work with the customer to lower the bill. We have close to 8,000 units installed at this point, not all in use yet. Any change will create resistance. Ms. Beck stated that any change will be perceived as a downgraded service and she was concerned about that. Two mailings have gone out in 19 months selling the program based on customer rebates on a monthly basis. Seven articles in the Energy Informer also pushed the LM system heavily. With the downgrading of the service added to the ECCR (Energy Conservation Cost Recovery) charge now tacked to the COPCA (Cost of Power & Conservation Adjustment), it will seem like a double whammy to the customers and create some major problems with our credibility. Ms. Beck also emphasized that we heavily advertised in selling this particular package and then to go back and change the package the customers bought would create some difficult problems.

Mr. Welsh stated it would have to be a well-thought-out educational campaign, with a time span in between our saying we might be altering our rebate program and offering other alternate programs. Time is required for this to settle in. Having one package with some positive and some negative alternatives for the customer with some gaining, some losing rebates, would have less of a customer impact. He stated whatever the Board wanted to do and when this could be accomplished. (Staff would do their best in implementing any direction given by the Board.)

Chairman Hord noted, aren't the customers really paying for it themselves with the way we're doing it right now. Mr. Welsh said, yes. But Ms. Beck said you have to approach it from the customer's point of view. Mr. Welsh stated that about 8,000 customers are provided the service and are being inconvenienced, that all the customers enjoy the benefits of that service and the cost is spread among all the customers. Discussion continued on the charges and who was charged for it.

Director Lowenstein stated that to save the 6.5 MW of energy costs around $86,000 per month. ECCR generates $86,000, plus all our other conservation costs. Therefore, he said, it's a "wash" and that we're playing "Robin Hood". Mr. Welsh agreed that's how it works, in a roundabout way. Discussion followed.

It was Staff's recommendation that it would be best to eliminate the rebates when they are not being used and to package that with the overall conservation programs. We must be very careful how we introduce the new programs and put them into effect.

In response to Director Lowenstein who asked when the other alternate programs might be expected to come on line, Mr. Sharma stated that with the conservation goals docket covering various hearings will take place in

1995 and that our programs would probably not come on line until FY 1996. Mr. Welsh stated that basically sometime in December, 1994 or January, 1995 we would have the filing for the hearing in 1995. Out of that we would determine exactly what programs we would implement before FY 1995. Doing it before FY 1996 gives us an additional budget year to prepare for budgetarily.

Director Gant stated that waiting two years on those programs, if we were to go anywhere, was not a good direction. That this Board needs to understand very clearly what the impact of the program is, what it means to KUA, and for the Board and Staff to discuss it until it's thoroughly understood by everyone.

Director Walter stated that the whole reason for conservation measures in the system is to ultimately make it more efficient and hopefully reduce the final cost to the customer sometime in the future. Reducing that cost, all ratepayers would benefit. We're in an intermediate stage now and he won't be happy until we find some way to let all of our ratepayers benefit in this improvement to the system, whether it's today or two or more years from now. The whole rate base somewhere along the line has to have a benefit to it, not one side paying, the other not.

Director Bobroff stated that originally it was not to affect the rates as Director Walter stated, but it was to save us from investing in additional power to meet the peaking. It might not be for 10 years before arriving at that point, but meantime we're preparing for it. That was the whole purpose of it. There was no discussion of rate changes or anything else in connection with this.

Director Gant stated that with the new network it is more difficult buying out of a pool and reserves are not necessary, that it's worth something but you just can't put a dollar value on it.

Further discussion followed on Staff's suggestions and the merits of them. Chairman Hord stated he had no trouble compensating customers if they're asked to do something; however, he was reluctant to compensate them when they haven't done anything for us, i.e., paying them monthly when we're not using their power or interrupting their power. Looking back to day one he felt that was our mistake--it's a free ride. We got caught up in the enthusiasm of it and wanted it to happen, but that we overreacted monetarily. Suddenly we have a million dollar shortfall a year and during these tight times we're trying to keep the rates down--what will we do. With more customers signing up, the problem will get bigger and bigger. We have to deal with it. Personally, he doesn't like the idea of waiting until the other programs come along. October of 1995 could very well become October, 1996. We are prolonging facing the music.

Chairman Hord asked if Mr. Welsh cared to speak for favored alternative #3. Mr. Welsh stated that telling the customer we're keeping the rebates, that they're only going to receive them now when it's used, and when it's not used they won't get them, leaves something to be desired. He felt that they're getting something for having "the box" on the wall. Discussion continued.

Director Walter asked what the potential problem would be if we encouraged everyone to sign up for Load Management, give them a rebate, but the rebate would be for two or three years--a definite time period. If it's not ever stopped it never rolls over to the benefit of all the people on the system. He was concerned not about paying them for what they did, But trying to end it down the line so the numbers don't become $20 million a year, and syphoning it back in again. It was for all the users of the service.

It would be impractical and illogical for businesses to be on this system because they cannot stop their machines at the wrong times, but yet they still have to pay under COPCA. This is not the right way.

Staff is trying to present the implications of changing the rebates and the Board has to fully understand it as they will have to live with the implications of the program. The question was how could we reach the point when Load Management might be cut off eventually. At the Board's direction, Staff will do the best job possible, considering there might be some potentials. Director Walter stated we need to find ways and means of cutting it off. Mr. Welsh reiterated we need time between campaigns of pushing the program to changing and packaging it.

Director Lowenstein suggested perhaps shaving 30% off the top of these categories, but this still only reduces the total. A second alternative would be to eliminate the mandatory level and reduce the other levels. Mr. Welsh stated that many variations are available but we evaluated it best by cutting this rate in not paying it when it's not being used.

Chairman Hord suggested sending fliers to customers stating that when the system was established we anticipated we would be using the LM more than we are; however, historically we find we are only interrupting the service, e.g., 40% of the time, therefore it's the decision of the Board of Directors (hypothetically) to compensate you the same method as we have been but we can only do this for the time we interrupt your service.

Director Walter still noted that it's the fairest way to pay for it, but the problem is still that we will pay for it forever. He would rather first pay for the equipment and it then becomes a benefit to the system in due time. Then it's time to quit paying for it. Would this not eventually show up in the efficiency of the system, he asked. Mr. Welsh did not prefer going this route.

Director Bobroff stated that on an issue like this the integrity of KUA as viewed by our customers is as important as any dollars can be. If we move on it we should see that we achieve what we want but not have customers claim KUA is dishonest and our word is void. He did not want that kind of an organization.

Mr. Welsh said that Staff's recommendation was that if we want to cut it, cut it by eliminating the rebates when its not used and that this change go into effect when we bring back our entire package of new conservation programs, including the positives and negatives.

Director Gant stated that this be placed on a special agenda after each Director has had a chance to review the impact that this will have on the system now and in the future. Several ideas discussed are workable and he explained how they would work. We're looking at ways to impact clients so we don't upset our operation.

Mr. Welsh said we can start the wheels turning to put it into effect, but we would have to change our billing programs, plus file a tariff with the PSC which they review, followed by a Public Hearing. Chairman Hord expressed concern that at some point you give customers no compensation for the interruption caused them, whereas if you pay as you go, you are compensating them during the months that you're interrupting, for some undetermined period. Director Gant felt it should be tied to a time frame and it is worth something.

Director Walter stated that there should be a Master Plan for how it's going to work. He explained how it might work via certain scenarios by having an outline of a Master Plan of how we do all conservation measures to benefit the system.

It was the consensus of the Board of Directors to table this issue tonight and continue discussions at a Special Meeting on Load Management scheduled for Wednesday, September 7th, at 6:00 p.m.

Director Gant wanted to look at the numbers projecting from the buildup now and expanding the new program out some 5-10 years and how they would impact the system. It would be helpful to have a time limit so that some varying scenarios would taper off and we could ascertain the impact on the system declining. He suggested keeping it the same after two years and at the end of five years ending it.

Discussion followed on the repercussions of a customer selling his house and buying another and who would get the rebate, the seller or buyer. Staff had tried to ascertain the best way to cut Load Management rebates. Mr. Welsh stated that if we don't simplify it now, on September 7th we won't have the answers. His philosophy was not to give the rebate when you're not using it. On the 7th we should focus on the timing and the implementation of the program, delay it, work it in, etc.

Chairman Hord clarified the two methods discussed: One, pay as you go (pay the customer when he uses it), the other, pay him 12 months for two years and then pay as you go for three years, followed by mandatory and with no compensation after five years. This was the consensus of the all the members. One issue to be considered is if a resident changes title (while on voluntary), it then becomes mandatory. They felt that it be "once installed, it becomes mandatory". Most preferred it that way.

Chairman Hord asked that Staff furnish the Board (prior to a decision at the upcoming meeting) with a breakdown on our customers: how many are houses, how many are apartments which might affect the two-year stipulation, etc. At the Special Meeting we could or could not take action. Discussion continued.

3. <u>CASH DEFEASANCE OF A PORTION OF THE SERIES 1987 BONDS</u>

Mr. Welsh noted that Staff will show some numbers and recommend that now is not the time to move on this issue immediately.

Mr. Hostetler gave an overview on KUA's financing recap on 1993 outstanding bond issues for construction on the Cane Island Project. As noted in the Agenda Item, our latest Ten Year Plan projected no bond issues would be needed for the Ten Year Plan period. Interest rates have increased to the point where a cash defeasance of the 1987 bond issue may be advantageous on a present value basis. Mr. Hostetler pointed out what the effect a cash defeasance would have on our Ten Year Plan. Defeasance allows you to pay less in interest costs, it's the interest expense that goes down. You're giving up cash, you're taking debt off the books. The reinvested earnings will be higher and debt service coverage will be higher. You're getting out of higher debt in the books. Discussion followed and questions were responded to by Staff.

In response to Director Gant's earlier question of why can't we do an internal defeasance and accomplish the same thing, Mr. Hostetler stated that to do a legal defeasance, the bond counsel must give you a letter stating that what you've done accomplishes relieving that debt off the books, even though the debt is still on the marketplace. That debt will be satisfied by that third party you gave the cash to. You hold the money internally. Legally you cannot take the debt off the books so you'll not get this reduction in interest expense. The cash is invested and we won't use it for anything else. Rating agencies or bond counsel do not care. You do have control of your cash, but the debt is there. Whereas when you do a cash defeasance for all legal and practical purposes the debt is gone.

Director Gant questioned our benefit in that scenario which was explained by Staff. The gist of the discussion was that it will buy us everything we're talking about except you don't get it off the books and your coverages don't go up by locking yourself into this defeasance negotiation. Director Gant said the only advantage of doing this is you're taking the debt off our system and you lose control of the $20 million. Discussion continued on where the money is invested and at what interest rates.

Mr. Clint Dunlap, Evensen Dodge, Inc., Orlando, noted that in this case it's better to buy a portfolio of securities that defease the bonds to maturity because the yield curve is very steep. If you call them on the first call date you might be able to earn say 5%, versus defeasing them to maturity would earn around 7.5%.

Mr. Welsh commented that basically you should go out and buy securities that would pay your debt service. By doing this yourself you would have those bonds in your control and they could liquidate the bonds at a profit or a loss. If you're going to the call date you would have the option to keep the cash and not make the call, giving you some flexibility. What it costs you to do that is you don't get the debt off the books and you don't get the increase in your coverage ratios.

Director Gant stated that we don't need to go to the bond market if we don't need the coverage.

Mr. Welsh suggested we might want to wait on moving on this cash defeasance. We may take a little bit of a loss because we're liquidating bonds at a loss and that we may have more cash remaining from the Cane Island Project than what we're anticipating right now. Waiting would give us a clearer picture. A clearer picture would be possible from the construction side of the Cane Island monies after the first of the year, possibly in the $4 to $5 million range. This could be spent in capital investments, e.g., moderate projects.

Chairman Hord noted that Staff's recommendation is to consider defeasance but at the same time wait several months to see what the final tab is on Cane Island. Mr. Welsh stated there is some risk-taking involved due to fluctuating interest rates.

Director Gant again stated you should wait and hold off and only go to the bond market when you need to borrow money.

Mr. Hostetler stated that we had funded interest expense through the projected date of operations and now it's coming up in August/September. By resolution we could also recapitalize some of the construction fund money which we don't need and fund the interest expense for that four to five-month period.

Bond Counsel would go along with that because it's for a planned project. It freezes up the cash to do this defeasance. If the Board favored that Mr. Hostetler could bring back a resolution prior to the end of this fiscal year.

4. ALTERNATIVE INVESTMENTS OF DEBT SERVICE FUNDS

This is a potential way that Mr. Hostetler can work his money harder and Staff is suggesting that we get some proposals to see if it really looks good. If so, we can go into the bid process.

Mr. Hostetler said our bond resolution requires that every month we take one-sixth of the next interest payment, paid April 1st and October 1st, and one-twelfth of the principal payment paid every October, put that money aside so its available to meet the interest and principal payments. Instead of making an entry on the accounting records, he would send the funds to a third party who, in turn, would invest that money (less their profit) and guarantee a certain rate of return over and above that received now. A Request for Quotation (RFQ) would give us the numbers to see if it's worthwhile and determine if it's risky.

Several suggestions were made. Mr. Dunlap explained what yields might be in T-bills and other sources. Variable rates did not seem to be the course to follow.

Director Gant suggested we come back with a guarantee of some sort. Mr. Hostetler concurred. The firms are usually bonded and secure.

Director Gant asked that Staff bring back some mechanism on how it works. The Board needs to know in detail what the scenario is. This will be brought back at the September meeting with some basic information.

G. NEW BUSINESS

1. PROJECT AUTHORIZATION - FEASIBILITY ANALYSIS TAMPA ELECTRIC CO. SUBSTATION AND TRANSMISSION LINE

Motion by Director Gant, seconded by Director Walter, that we accept Staff's recommendation and establish a project for the TECO Substation/Transmission Line feasibility analysis with initial funding in the amount of $25,000, to be transferred from the Reserve for Future Capital Outlay.

Motion carried 4 – 0
Director Bobroff absent from room

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

Chairman Hord inquired what the routing was of the lines out of the Carroll Street Substation. Mr. Welsh said the primary route is to Carroll Street with 69 kV from the Airport, turn at Bermuda and go on to Osceola Parkway.

Director Bobroff noted that on the Engineering Report it would be helpful to have "percent completed" included for the overall project. Mr. Welsh stated this would be done.

2. **CONDENSED FINANCIAL REPORT - JULY, 1994**

Mr. Hostetler made a brief report on our financial status stating we are above the projected line and we had another good month. We are 6.7% above budget for the year which translates into $698,000 net reinvested earnings for the month, cumulated $4.1 million of net reinvested earnings for the year. Variances are pretty much on an even keel over the year.

Several questions were answered by Staff.

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

The report was accepted as submitted in the Agenda packet.

4. **SELECTED DEPARTMENT HIGHLIGHTS - TRANSMISSION DISTRIBUTION**

Ken Lackey, Director of Transmission & Distribution, used overheads in highlighting his department's construction projects and routine operations. He showed charts for the six-month period February through July, 1994 on trouble call response information, transformer usage, pool usage report, contractor underground cable usage, low voltage cable usage, and fuel report for all KUA vehicles.

I. **CONSENT AGENDA**

Motion by Director Gant, seconded by Director Lowenstein, to approve the Consent Agenda, with the exception of Item I.1 which was pulled by Director Bobroff.

2. **AMENDMENT OF THE FY 1995 BUDGET**

3. **ALTERNATIVE INVESTMENTS OF DEBT SERVICE FUNDS**

4. **AGENCY AGREEMENT WITH FLORIDA MUNICIPAL POWER AGENCY (FMPA)**

5. **AWARD OF CONTRACT - ANNUAL REQUIREMENT OVERHEAD/ UNDERGROUND WIRE - IFB #037-94**

Motion carried 5 - 0

1. **APPROVAL OF MINUTES OF JULY 27, 1994, REGULAR MEETING**

Director Bobroff asked that several corrections be made to the July 27, 1994 Minutes. On page 1262, C. pare. 2, it should read "Buenaventura". Page 1264, G.1. under "The Kissimmee Utility Authority End User Computing Master Plan", Director Bobroff seemed to recollect he had made a particular point under this subject and asked that it be included. Mr. Welsh stated that the point Director Bobroff had made was to ask for a clarification on whether we were moving as fast as we possibly could under the Plan. He was informed that we were. Page 1267, second line, should read: "participation in community affairs".

Motion by Director Walter, seconded by Director Lowenstein, to approve item 1. as corrected by Director Bobroff.

Motion carried 5 - 0

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh stated he had received an appointment, after Board approval for his doing so, in the Environmental Education Foundation of Florida, Inc. (EEFF). This is a 24-person Board and at the last meeting he was nominated and elected to Treasurer of that organization.

The PERC (Public Employees Relations Commission) Hearing Officers session to determine the unit of employees that will be in the election is scheduled for September 21st and 22nd (in the KUA Board Room).

The Landis & Gyr Users Conference will be held October 5, 6 and 7 in Orlando this year. Landis & Gyr are the suppliers of our Energy Control System which will be the demonstration system for the Conference.

ATTORNEY - No comments

DIRECTORS

Director Lowenstein inquired if, during hurricane season, we are fully prepared to cope with emergencies. Mr. Welsh stated that we are ready and have done extensive disaster preparedness plans for hurricanes, cold spells, etc. This might be something for Ken Lackey to review during his next departmental highlight report.

Director Lowenstein said that this was the last Regular Meeting he was attending with Chairman Hord. (Director Lowenstein will be out of town during the Regular September meeting.) He stated that it has been a great pleasure having Chairman Hord serve on this Board.

K. ADJOURNMENT: Meeting adjourned at 10:15 p.m.

Richard L. Hord
CHAIRMAN

ATTEST:

SECRETARY