

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY HELD
WEDNESDAY, NOVEMBER 16, 1994, AT 6:00 PM, BOARD ROOM, ADMINISTRATION
BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA

Present at the meeting were Chairman Gant, Vice-Chairman Walter, Secretary Bobroff, Assistant Secretary Lowenstein, Director Guthrie, Mayor Pollet (Part-time), Attorney Brinson, President & General Manager Welsh, and Recording Secretary Rundio.

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

B. **AWARDS AND PRESENTATIONS**

1. **5-YEAR SERVICE AWARD - NEIL BEVILLE**

Neil Beville, Fleet Service Mechanic, Transmission & Distribution Department, was unable to attend the meeting this evening due to his attending some classes. Neil is a hard worker and helps in any emergency. He has attended hydraulic and anti-lock brake school and has received his certificate in refrigerant recycling procedures. Neil has a great sense of humor. His service award will be presented to him at a later date.

2. **5-YEAR SERVICE AWARD - MICHAEL GERAGHTY**

Mike Geraghty is Manager of Collections and Cashiering and supervises 11 people within his division. He is presently attending Barry University and his major will be in Human Resource Management. Mike was attending class tonight and was unable to be present. His service award presentation will be made to him personally at a later time.

3. **5-YEAR SERVICE AWARD - TERRY HICKS**

Mr. Welsh acknowledged Terry Hicks, who joined KUA as a Utility Worker in 1989. Terry has recently transferred to the Power Supply Department also as Utility Worker.

Terry is very congenial and willing to do what is asked of him. He pitched in to help with clean-up after a fire next door to our 8 Broadway building several years ago. In 1993, Terry was selected KUA's Employee of the Year. He was congratulated on his performance and hard work over these five years taking care of multi-jobs at several of our facilities. Good job, Terry!

Chairman Gant and members extended their congratulations and Terry accepted a pocket knife as his service award.

4. **5-YEAR SERVICE AWARD - DAVID MANHARAN**

David Manharan, Fleet Service Mechanic Foreman, Transmission & Distribution department, was instrumental in starting our garage maintenance facility and has done an excellent job under the leadership of Department Director Ken Lackey. David is a very loyal, dedicated and hard working employee who sets standards for himself and goes that extra step to get the job done. David has also undertaken several college courses and seminars to enhance his job skills. Great to have you on board, David!

Chairman Gant presented David with something unmentionable-an oil lamp as his award.

5. EMPLOYEE OF THE MONTH - PEGGY LUELLEN

Due to a prior commitment, Peggy Luellen, Customer Service Rep II, was not present to receive her special award, that of Employee of the Month. Peggy is very professional and courteous towards customers and employees alike. She recognizes when to act on a situation and does so willingly. Her fellow employees felt Peggy deserved the honor for her continued dedication to her work.

Peggy will receive a plaque and check, a day off with pay and a reserved parking space. The appropriate presentation will be made to her by her Department Head at a later time.

C. HEAR THE AUDIENCE

Chairman Gant asked if there was anyone in the audience who wished to address any item not on the agenda. There was no response from the audience.

D. PUBLIC HEARING - None

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

1. MONTHLY CONSTRUCTION PROGRESS REPORT OF CANE ISLAND PROJECT

Mr. Greg Harrington, KUA's Owner's Rep from ER-3, gave a brief presentation on Cane Island. He stated that Unit 1 finally passed the emissions test with flying colors two weeks ago and we're one step closer to declaring the Unit commercially operational. Officially, that date will be January 1, 1995. No other governmental measures need to be addressed concerning Unit 1.

We are in a start-up mode for Unit 2. Construction is 82% complete overall. Fire protection system 91%; the paint contractor is 50% complete; and performance contracts are 85% complete. We have to finish the performance testing for Unit 2, which is the bulk of the contract. Fru-Con, which has the balance of the plant for Unit 2, is approximately 70% finished. Combustion turbine is scheduled for first firing in late December and the steam turbine is scheduled for first hot roll the first part of January.

Director Lowenstein inquired into the status of the previous oil spill. Mr. Harrington stated that this is coming right along. We dip out product from the wells installed on site on a daily basis. This issue was covered in an agenda item under Consent Agenda.

Director Guthrie asked whether the problem of approximate location of the well to the percolation pond had been resolved and, if not, would it impact future work at the site.

Mr. Harrington stated the only delay would be the potable water permit to use that water but would not delay anything on the plant site. Certificate of Occupancy has been received from the County and we're occupying and utilizing the buildings. Black & Veatch is looking at several alternatives for fixing this situation and we hope to take the least cost approach to doing it.

The least cost approach to fixing it will be to move the southern pond causing the problem. It's a choice of moving the well or moving the settling pond and the latter appears to be the best approach. This is still being evaluated. The well has to be 200 feet away, depending on the capacity of the well.

Mr. Welsh added that through a conversation with Don Schultz, Black & Veatch (B&V), discussion was had on whose responsibility this was. At this point, there is no doubt it is their responsibility and they have no problem with that.

F. OLD BUSINESS - None

G. NEW BUSINESS

1. APPROVAL OF INTERCHANGE SERVICE CONTRACT BETWEEN KUA AND ENRON POWER MARKETING, INC.

Mr. Welsh stated we have many interchange service contracts with many people, but this one is unique due to the changing of laws enabling us to do it. This opens up the market for giving us an added opportunity and the ability to realize some sales or purchases that otherwise maybe we wouldn't have.

Mr. Ben Sharma, Director of Power Supply, outlined the concept and what we are recommending to the Board tonight. We currently have 18 such contracts. We take advantage of selling within the State of Florida. By the transmission access laws of the Energy Policy Act of 1992, it appears this kind of business has been made more difficult. Our ability to sell was within Florida, with few exceptions. These new entities can act as the marketer group to buy and sell wherever they can at the market price. He explained how the interchange service would work. With Enron we can hope to sell not only within the State of Florida, but to other customers in other states. The benefits to KUA were highlighted in the Agenda Item. We would like to go ahead because we are not obligated to sell or buy and there is no reservation fee attached to it.

Attorney Brinson stated he has read the Interchange Service Agreement as to form only.

Motion by Director Lowenstein, seconded by Director Bobroff, to approve the Interchange Service Contract with Enron Power Marketing, Inc., and authorize the Chairman and the Secretary to execute the contract.

Director Walter stated that this is a non-exclusive agreement and asked if we are going into it because it allows us to go out of state. Mr. Welsh said we have similar service contracts with 18 utilities throughout Florida and we will have such an agreement with whomever we do service.

Motion carried 5 - 0

2. ADDING A SAFETY & ENVIRONMENTAL ADMINISTRATOR TO THE FY 95 BUDGET

Mr. Welsh stated that during the last couple of Budget years during the Budget process he resisted, in an effort to rightsize on the way up, adding personnel in the area of environmental administration as well as safety. Recently, requirements for safety are burgeoning and our needs are growing. Also, regarding environmental oversight, we relied on Plant Superintendents or Mr. Sharma to ensure our bases were covered. With more plants comes more responsibility concerning our environmental obligations. Staff's recommendation at this time is that we add a Safety & Environmental Administrator. Evaluations were done on adding this position, which would be located centrally within Personnel & Risk Management. The bulk of the work would be done in Power Supply areas and cross various departments.

Director of Personnel & Risk Management, Neville Turner, reviewed the market research that was done in terms of pricing this position. Mr. Turner compared similar positions with other like utilities in Florida and noted what responsibilities and salary ranges were there. The salary range would be within \$35,650 - \$49,451. More emphasis was being placed on environmental than safety and recommended a salary range at \$35,283 - \$49,749 which represents a 41% spread, with \$9,000 in benefits. Staff recommended the Budget be amended to approve this position.

Motion by Director Bobroff, seconded by Director Lowenstein, that we approve a full-time professional Safety and Environmental Administrator in the 1995 Budget.

Discussion followed. Director Walter noted that it might be difficult finding an appropriate person for this position who had a strong technical background. Mr. Welsh felt that neither area deserved a full-time person. The technical needs should be met first, having strong potential and good experience. Director Walter stated that five years of experience does not seem sufficient; it's nice experience in one discipline or the other, but not enough to spread between the two areas.

Chairman Gant felt the arena of safety had priority over the environmental part. Mr. Welsh felt both were equal to this operation, but which area is easier to train more quickly. Discussion continued. As we continue to grow and OSHA requires more regulations of utilities, we eventually may have two people assume these responsibilities. Director Walter thought we might require someone with ten years of experience and perhaps some engineering. Our pay scale was akin to an entry level Engineer and Senior Engineer type position.

Director Bobroff inquired what the government's system of reporting required of us. Mr. Sharma responded that at the Hansel Plant we have to test for and submit a quarterly report for air emissions, and from April, 1995 we have to comply our permit conditions to match with Title V of the Clean Air Act. Other environmental requirements are wastewater reports at Cane Island (gallons coming in and going out of the pipeline), reports to the South Florida Water Management District, a monthly report on the water being used from the ground there, etc.

Director Lowenstein noted that every utility is facing these problems. He asked if this was discussed with Florida Municipal Power Agency (FMPA) where they could have a joint pool to service all the utilities, or would it be adequate. Mr. Welsh said FMPA had an environmental officer but that, no, it would not be adequate. Discussion ensued.

Chairman Gant noted that we have actually approached most independent producers in the state, and asked if we found any that did not have officers or programs of these types. Mr. Turner replied that some had safety and environmental departments and some only had one person. The smaller ones had none.

Motion carried 5 - 0

3. HOMESTEAD'S OFFER OF SALE OF STANTON COAL CAPACITY

This had been analyzed from a production costing standpoint and some sensitivity runs were made. Basically, we feel it's time to move forward with serious negotiations on the Stanton contract with Homestead and bring back a negotiated contract for the Board's approval at a later date based on this analysis.

Mr. Sharma gave a brief synopsis of the analysis which brought us to the recommendation on Homestead which we are giving to the Board tonight. He compared several scenarios in the taking of 15 MW of Stanton capacity. A third alternative was to construct Cane Island Unit 3 in 1997 (a 120 MW combined cycle unit) which would be jointly owned by KUA and FMPA on a 50/50 basis. It would be to KUA's benefit to begin negotiations with Homestead to acquire the Stanton capacity. Unit 3 scenario is the lowest revenue requirement scenario but that this is not a concrete assumption. He elaborated on further options and negotiations.

In response to Director Bobroff's question as to what exactly we are buying, Mr. Welsh emphasized that FMPA bought the capacity for Unit 2. They bought and financed it on a contract with KUA that we would be responsible for the cost of that capacity and would have the rights to it, but technically they own it. They can't do anything with it but give us the benefits and we are obligated to pay for it.

Director Lowenstein inquired whether our projection to take the entitlement to 2015 extended beyond that year or whether it reverts to Homestead. Mr. Sharma stated it goes beyond that date; it is ours until we relinquish it.

Chairman Gant stated, for the benefit of our new Board members, that had this discussion taken place 15 years ago there would not have been any question in anybody's mind that we should grab this 15 MW of coal fired generation and run with it. But today the heat rates on a gas turbine and where combined cycles occur becomes somewhat competitive with this as far as base cost and production cost, or kilowatt hour cost, is concerned the question is not as clearcut as it used to be. This base plant and coal fired plant would be expected to operate 40-50 years. The gas turbine may operate that long; probably longer for a coal-fired plant than a gas combined cycle used to be. In the long haul, even if the dollars were equal and gas and coal prices stay similar, it seems like a great benefit to Kissimmee to have this as a base. He felt we should take advantage of this opportunity before we lose it.

Mr. Welsh said the technical analysis where we compare price-wise basically shows the three alternatives are competitive and they're basically equal. Within the accuracy of those projections we're looking at equal cost based on what we know. We know the coal price at Stanton is much more firm and a reality, whereas the others are conjecture. For example, in Cane Island, we are conjecturing we want to get partnership. Concerning FPC (Florida Power Corporation), we are conjecturing that the rates we are forecasting do hold and that they don't have a series of rate increases. On Stanton 1 and 2 we know what the debt service and heat rate is. We're looking at our overall fuel mix; we should be more heavily into coal. He felt this is a prudent action and an economic justification for doing this. Some discussion followed.

Following negotiations, this will be brought back to the Board.

Motion by Director Lowenstein, seconded by Director Walter, authorizing Staff to negotiate with Homestead, as well as FMPA (Florida Municipal Power Agency), for the acquisition of up to 15 MW of Stanton capacity currently held by Homestead through FMPA.

Director Guthrie questioned whether the summer and winter load factor percentages of 52% and 48% on page 4, pare. 5 (2.0 Demand and Energy Forecast) were reversed. Mr. Sharma stated these are correct. Mr. Welsh said that as the peak goes down the load factor goes up.

Motion carried 5 - 0

4. AWARD OF BID - FIBER OPTIC CABLE AND EQUIPMENT

This Agenda Item needs to be expedited and would come before the Board before the next monthly meeting; therefore, Staff is asking for authorization to have the President & General Manager approve the award of bid for the fiber optic cable and the equipment to the lowest acceptable bidder. The cost would be approximately \$230,000, which is above the General Manager's authorization limit as a rule.

Motion by Director Walter, seconded by Director Bobroff, that the Board approve the premature award of bid for fiber optic cable and equipment to the lowest acceptable bidder; and authorize the President & General Manager to make the decision based on the lowest acceptable bid.

This would be brought back to the Board as to what action was taken.

Motion carried 5 - 0

5. ACQUISITION OF GAS RESERVES

This item has been discussed at previous meetings and is an informational item only.

Mr. Sharma stated we do not have a recommendation and are not asking for any action. It is only an update on how we are going to firm up our gas supply in the future. We can firm up in two ways. We can go ahead and have firm contracts with gas producers with an escalation clause for 20 years (normally preferred for 10 or 15 years); the other choice is to buy the interest in the reserves itself. He elaborated how this would be done under different scenarios. Our intent would be to have them provide us some amount of gas for all the time at a fixed price, or we should know the price in advance. Recently, Mr. Sharma attended two workshops concerning the feasibility of acquiring gas reserves. FGU (Florida Gas Utility) will be sending a questionnaire to the 16 FGU members as to their interest. Some will drop out. Through a consultant, we would see which is the best source of gas. We would have to get a bond and legal counsel and unavoidable expenses.

Director Bobroff referred to several years ago where we might shop for gas fields in western states. This is the same kind of deal. Mr. Sharma stated only two companies have done what we're trying to do; they have precedence over KUA. He elaborated on the procedure and savings which could be realized over five years. No decision has been made except for spending about \$20,000 for FGU on coming to this state. As we progress, information will be given the Board.

Chairman Gant asked if the group working on this now feels that going out and buying gas at the wellhead is feasible for them to accomplish. Mr. Sharma said yes. Chairman Gant felt with this many utilities the prices would be stabilized over a long period of time to go to certain fields to provide the gas we need. It seemed like a reasonable thing to do, he said.

Mr. Welsh stated that we are heading in the right direction. He agreed with Chairman Gant's concerns.

6. EXCESS LIABILITY INSURANCE

Mr. Welsh stated that FMPA had hired a Risk Management Consultant to look at all of FMPA's risk management. KUA is a beneficiary of that since we share an equal interest in Cane Island. The consultant, Bill Brown, of Risk Management Group, Inc., recommended to FMPA that they look at having us increase their general liability coverage since that was an area where their risk management profile could be enhanced. We concluded and concurred with that and asked this consultant to help us in the acquisition of additional coverages and to advise us in the evaluation of bids. This was done on an ad hoc basis. A revised recommendation was submitted to the Board tonight for their approval.

Mr. Neville Turner, Director of Personnel & Risk Management, introduced Mr. Bill Brown.

Mr. Brown highlighted his organization's capabilities and background. The Risk Management Group is an independently-owned consulting firm. They do not sell insurance and are compensated solely on a fee basis.

Mr. Brown gave an in-depth presentation as detailed in his memorandum dated November 15, 1994 to Mr. Turner wherein he summarized KUA's excess general liability insurance needs.

Three companies had submitted proposals of which AEGIS (Associated Electric & Gas Insurance Services, Ltd.) submitted the most detailed information. The coverage in question is liability insurance that will climb above the primary level of general liability. Mr. Brown said his firm is recommending AEGIS which is the least expensive and has the broadest coverage. He recommended KUA take \$25 million liability coverage for all of our operations which would cover Cane Island, with a \$500,000 deductible. He recommended keeping the coverage we now have with Florida League of Cities and drop the excess of \$1 million.

Some discussion was had regarding "sovereign immunity" which Attorney Edward Brinson explained in legal terms and how it would affect KUA in this instance.

Mr. Brown answered members' questions and discussion continued.

Mayor Pollet asked how much we have in reserve. Mr. Brown answered, just over \$2 million. Mayor Pollet inquired how much excess coverage do we have now. Mr. Brown said we have \$1 million. Mayor Pollet suggested that overnight we're going from \$1 million and that we use the \$1,000,000 limit instead of \$500,000. Mayor Pollet said it would save us \$40,000 a year. He expressed his concerns as to where we should go and how much coverage we need.

Attorney Brinson asked for a clarification on contractual liability. He understood Mr. Brown to say that all these companies cover contractual liability as long as they are dealing with another public entity. Mr. Brown replied that the only program that has any restriction on contractual liability is the Florida League. They will only cover you if you deal with another public entity. He elaborated further.

Mr. Welsh read Staff's recommendation as stated in the Agenda Item.

A brief recess was taken at 9:15 p.m.

Motion by Director Bobroff, seconded by Director Guthrie, authorizing acquisition of \$25,000,000 excess liability coverage (\$500,000 deductible) with AEGIS (Associated Electric & Gas Insurance Services Ltd.) for an annual premium of \$137,500; and authorizing the President & General Manager to execute the policy documents. Further, to then discontinue the purchase of \$1,000,000 specific excess liability coverage from the Florida League of Cities.

This would save us in excess of \$70,000 in premiums. Mr. Welsh stated for the record that the reason for the \$25,000,000 limit, in his mind, is concerning the catastrophe which occurred at Cane Island, that we have sufficient general liability for that and that that is our position. There are many people in the case trying to indicate that we have every liability for that and he thinks they are wrong and he thinks we will be successful in convincing a judge and jury that they're wrong in that contention. However, if we were 100% liable under different circumstances this \$25,000,000 coverage would not be enough--it would be barely enough to cover all the equipment and generator, etc. which were destroyed.

Director Walter felt that he differed with the conclusion--that neither KUA or any other business can afford to buy the ultimate insurance policy. He was not particularly in favor of the recommendation. He was more for the recommendation at \$15 million and \$1 million deductible which furnishes better coverage.

Director Lowenstein said he felt the same as Director Walter did.

Chairman Gant expressed concern that by discontinuing the \$1 million we are not discontinuing our basic coverage with the Florida League. We would still have our \$100,000/\$200,000 basic coverage. Our sovereign immunity in that area is still covered. He agreed that the \$15 million is adequate. He had a problem going with the \$1 million deductible. Our fund never was intended for this purpose, he said. He stated that at one time we were self-insured and once we stopped adding to the fund it only accumulated interest over time.

Director Lowenstein moved to amend the original motion changing the limits of the general liability from \$25,000,000 to \$15,000,000. Seconded by Director Walter.

The difference in the premium cost is \$12,000.

Director Bobroff stated that in his nine years we never needed it until possibly this last year. He hoped we never need it.

**Motion carried 3 - 2
Director Bobroff voted no
Director Guthrie voted no**

Director Walter moved to amend the original motion by increasing the deductible from \$500,000 to \$1,000,000. Seconded by Director Lowenstein.

Chairman Gant voted for the previous one.

**Motion failed 2 - 3
Chairman Gant voted no
Director Bobroff voted no
Director Guthrie voted no**

Chairman Gant asked the members to vote on the main motion, as amended.

**Motion carried 4 - 1
Director Walter voted no**

Mr. Brown was thanked for his presentation.

Mr. Welsh said our intentions now are to proceed to review our property (boiler and machinery) insurance as we add Unit 2 to our inventory. We are asking Mr. Brown to assist us in submitting quotes for this coverage. That will be the bulk of our risk management, but we are doing both on an ad hoc basis. We are considering at a later time to do an overall review through the Risk Management Group and have a comprehensive report of our whole risk management profile given to the Board and any recommendations that may come out of that.

Mayor Pollet said apparently we're considering canceling the \$70,000 premium with Florida League. He asked are we part-year into that and, if so, how much of the \$70,000 do we lose. Also, where's the additional \$55,000 coming out of the budget to pay for this additional premium we just passed. Mayor Pollet had requested that budget information be provided, with recommendations for expenditures.

Mr. Brown stated he didn't have a definitive answer because this point has not been raised with the Florida League. The League has been over-delayed in their renewal terms to their members. They have given a benchmark figure for how much of the renewal premium is in that \$1 million. He did not have the exact figure. He submitted that this would be effective October 1st. A meeting is scheduled soon to change this coverage with them.

Mayor Pollet presumed that Florida League would still try to bill us for the October/November coverage since we're still covered even though we haven't paid it. Mr. Brown said that's right. Mayor Pollet said in our budget we apparently approved the \$70,000 for the premiums and now we're going into \$125,000. His question was, did this Board approve the \$70,000 without it even being in the budget and where is it coming from?

Mr. Welsh responded it could come from that insurance reserve or alternately it could come from the Reserve for Future Capital Outlay.

Mayor Pollet felt the Board should know what fund that money is coming from or we're not doing our job.

Mr. Welsh stated the recommendation was deficient in that it should have specified from what account these funds would come. Mr. Turner said we had prepared to budget 15% for this under department 24. It was Staff's contention that the premium line item may have sufficient funds to cover this.

Mr. Brown responded to Mayor Pollet's inquiry of why the premium was so drastically discounted. The premium last year was \$265,981 compared to this year's at \$172,278. Mr. Welsh stated there may be enough to cover this. Mayor Pollet inquired why there was a decrease in premium by some \$90,000 in one year without a significant reason for it. Mr. Brown said that we went from a \$5,000 deductible to \$10,000 deductible and there is a discount. Florida League, Mr. Turner said, gives an additional discount and we raised the deductible last year on general liability and Workers' Comp.

Chairman Gant stated we need to look carefully where this funding comes from. It's for the basic liability insurance and the million we drop in excessive coverage is only a small portion of this (\$70,000).

Mr. Welsh said we will be able to handle it with the already budgeted line items. If that's not the case, we will come back with a report to the Board and make a recommendation.

Mayor Pollet suggested that in the future when a recommendation like this is brought to the Board that they be shown in the budget what was budgeted so that they know whether we're going over budget or under budget. Staff should be cognizant what's budgeted or what we may exceed. Mr. Welsh stated it was an oversight not having been included in the recommendation.

Mayor Pollet left the meeting at 8:30 p.m.

7. AGREEMENT WITH OUC FOR WHEELING OUC POWER TO ST. CLOUD

Mr. Welsh asked Mr. Sharma to brief the Board on how he was able to negotiate a contract with Orlando Utilities Commission (OUC) which allows us to achieve some profits amounting to about \$120,000 extra this year and in future years if we hadn't negotiated a contract with them as opposed to FPC.

Mr. Sharma said that OUC finally won the contract to be the wholesale supplier and take care of all the electric power needs for the City of St. Cloud. He emphasized how the new negotiations will work and how they affect KUA. Staff has negotiated with OUC for wheeling KUA power to St. Cloud on a non-firm basis. KUA would charge OUC \$1.40/MWh of energy wheeled through our system, giving us an additional revenue of around \$10,000 per month.

An agreement effecting this will be signed by the President & General Manager.

This is only an informational item and no action is required by the Board. Brief discussion followed.

8. WAREHOUSE/TRAINING FACILITY AT CANE ISLAND

This is also an informational item presented by Mr. Sharma. We realized somewhat late that Black & Veatch's designs at Cane Island did not include adequate space for storage and smaller equipment and spare parts. We also do not have facilities for training of Cane Island employees and would like to combine this in the one building. We are looking at our total in-house requirements and attempting to find an ideal location for this facility without jeopardizing our future expansion plans. It is proposed to be built by the water treatment building. He highlighted the concept and details.

Chairman Gant suggested we anticipate and meet our needs for the next 10-20 years.

A recommendation for an award of architectural services and a final design for an RFP (Request for Proposal) for the construction of this facility will be submitted. The Board will receive updates.

Mr. Greg Harrington stated that a basic pre-engineered metal building, with office/HVAC, small parts storage, training, etc., is being considered.

9. AWARD OF CONTRACT FOR ENGINEERING AND INSPECTION SERVICES FOR THE TWO FUEL OIL TANKS AT HANSEL STATION

Mr. Sharma stated what the regulations are regarding all field-erected storage tanks containing pollutants such as diesel fuel. These must be brought into compliance through performing baseline internal inspections and repairs. KUA has two 500,000 gallon diesel fuel tanks at the Hansel plant affected by this Department of Environmental Protection (DEP) regulation, with a deadline of December 31, 1999 but KUA will comply as early as possible. Funds have been allocated in this fiscal year and proposals from two firms have been received for this work. The work will include project development, inspections, cleaning, development of plans and specs for repairs, assisting KUA in soliciting bids, monitoring repair work and compliance with the tanks. It is Staff's thinking that, considering the costs, perhaps after Cane Island 2 is in place, we may ask the Board to abandon one of these tanks since it is rarely used.

Brief discussion followed whether we should postpone doing this at this time. Chairman Gant was concerned about spending the \$47,400 at this time rather than in 1998.

Mr. Jeff Ling, Manager of Production, stated that the existing tanks are set on an oil sand base with a concrete circle around the outside, and not on concrete. One of the problems we foresee is we don't know how the secondary containment rules will go, whether the existing standards of an internal coating will suffice or whether these tanks may have to be lifted and a membrane or other secondary containment under the tank would have to be fitted. The rules are still being made. Only a few contractors do this type of work. The rules state you have to have a secondary containment that will accommodate 110% of the capacity of the tanks and we don't have that. He explained further what is necessary to get this project on the road. Tanks sit on concrete now due to changes in secondary containment rules.

Director Walter questioned whether we can bid on these professional services covering inspection and evaluation. Attorney Brinson checked the statute on this. Director Walter also questioned where the money was coming from. Mr. Welsh said the funds are included in the 1994 budget.

Previously, in discussing the insurance, Mayor Pollet had requested that budget information be provided, with recommendations for expenditures.

Director Bobroff stated that of all the budgets and recommendations he has not found a single recommendation coming from the President & General Manager that was not supported by some budget item that we had checked on and passed with the budget. We have never had to micro-manage.

The basic question was whether this type of service would be subject to competitive negotiations. The procedure we have gone through meets the requirements of competitive negotiations. We put out an RFP for these services, they present their qualifications and that's the basis of our evaluations.

Mr. Brinson stated that certain disciplines come under the act. Director Walter said the reason he brought up the question was because the person signing the letter was a professional engineer. Mr. Brinson read an excerpt from the statute and they (Tank Engineering) met the criteria. This was publicly advertised.

Motion by Director Walter, seconded by Director Lowenstein, that we approve the award of contract for Engineering and Inspection Services (for the two fuel oil tanks at Hansel Station), as detailed in their attached proposal to Tank Engineering and Management Consultants for a not-to-exceed price of \$47,400.

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

Director Lowenstein inquired into item 2.0 regarding easements at the Richard L. Hord Substation Project. Mr. Davis, Director of Engineering, said that was for the transmission line from the Airport to here and then on to Marydia.

2. CONDENSED FINANCIAL REPORT - OCTOBER, 1994

Mr. Joe Hostetler, Director of Finance, gave a brief update on the October, 1994 Financial Report. He said that we had budgeted sales of \$5.5 million and we had only reported \$4.9 million. We are 10% behind on accounting revenues; actual MW sales are about 5.4%. We'll know what our actual revenues will be for October by next week. By having early Board meetings during these months it's difficult to get an accurate budget picture.

He highlighted reinvested earnings and said we have a high variance for one month and this will be revisited next month.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

The report was accepted as included in the Agenda Item.

4. SELECTED DEPARTMENT HIGHLIGHTS - CUSTOMER RELATIONS

Ms. Chris Beck, Director of Customer Relations gave an in-depth presentation on bad debts in the last fiscal year. She said they had taken a look at bad debts of 23 utilities in Florida, the average being about .56 of 1%. We are considerably below the state average. She stated one employee processes unpaid accounts and bad debt write-offs and heads up the collection effort. She elaborated that it's a team effort and everyone researches these in the collections area. Ms. Beck said the collection effort is never written off of the system--it is there forever. If a customer ever returns to the system, that account is still there with the write-off and the amount and that account must be paid before services are rendered again. The collection effort is ongoing. Ms. Beck said that having correct staffing helps minimize bad debts.

Ms. Beck showed an overhead profiling the write-off status for residential customers covering one month's electric. A brief question and answer period followed.

Ms. Beck also touched on diversification and tampering of residential meters.

I. CONSENT AGENDA

Motion by Director Walter to approve items 1, 2 and 5 of the Consent Agenda. Items 3, 4 and 6 were pulled by Director Lowenstein. Seconded by Director Guthrie.

1. APPROVAL OF MINUTES OF OCTOBER 26, 1994, REGULAR MEETING

2. CHANGE ORDER: TWO-YEAR REQUIREMENT FOR UNIFORM RENTAL SERVICES

5. GRANT OF EASEMENT TO ORANGE COUNTY FOR WATER AND SEWER LINE

Motion carried 5 - 0

3. CHANGE ORDER TO GENERAL ELECTRIC'S UNIT 2 GAS TURBINE CONTRACT TO INCLUDE SPARE PARTS

Director Lowenstein inquired that when we purchased the gas turbine whether spare parts were included. Mr. Welsh said no, that we always knew we would have to purchase some additional spare parts. Mr. Sharma referred to the Agenda Item which explained the original contract for equipment which excluded the provision for spare parts.

Motion by Director Lowenstein approving Staff's recommendation on item 3. Seconded by Director Bobroff.

Motion carried 5 - 0

4. AWARD OF CONTRACT FOR PREPARING CONTAMINATION ASSESSMENT REPORT OF THE CANE ISLAND OIL SPILL

Director Lowenstein wanted further clarification on this report.

Mr. Sharma explained we had already done two parts of it, the immediate screening of the oil spill and the initial remedial act of scooping up of the oil and cleaning up the affected area. He detailed the additional action required under the Florida Administrative Code. Director Lowenstein inquired if the amount specified was the final cost. Mr. Sharma stated that he did not think so, but it could be. If the contamination was so small we may not have to do it again. This report goes to the Department of Environmental Protection. Originally we spent around \$14,000.

Mr. Harrington gave a brief update on accomplishing these results. In response to Director Walter, Mr. Harrington said we are looking into the possibility of other parties being responsible for this contamination. A letter was sent to Black & Veatch by Mr. Sharma requesting their interpretation of this.

Motion by Director Lowenstein, seconded by Director Bobroff, to approve item 4.

Motion carried 5 - 0

6. CHANGE ORDER TO HENNESY CONSTRUCTION SERVICES' UNIT 2 GENERAL CONSTRUCTION CONTRACT

Director Lowenstein asked to be enlightened on this Change Order. Mr. Welsh stated that this was one of the operational features which we overlooked and later finally realized we will have a lot of maintenance and operational personnel requiring locker and shower and washroom facilities on the main floor. Using the second floor is unacceptable.

Mr. Sharma stated that not the entire amount of \$62,258 is an increase to the project cost. The major cost would have been incurred had the facilities been included in the original design. However, now we lost the benefit of a competitive bid for the addition.

Motion by Director Lowenstein, seconded by Director Walter, to approve item 6.

Motion carried 5 - 0

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh reminded everyone of the Employees Annual Christmas Party scheduled for 6:00 p.m. to Midnight, Saturday, December 3rd.

On December 6th, from 2:30 to 4:00 p.m., we will host tours at Cane Island for the PowerGen Conference attendees. Approximately 153 people have signed up for this tour. Any members interested were welcome to attend.

Mr. Welsh distributed a pamphlet on the Children's Christmas Party to be held on December 17th, from 4:30 to 7:00 p.m., at the Skate Reflections for those interested.

Mr. Welsh wished everyone a Happy Thanksgiving.

ATTORNEY - No comments

DIRECTORS

Director Lowenstein said he had discussed this with Mr. Welsh, about having lights on Bermuda Avenue which is nearing completion. Ken Davis said that we are working with the County to meet the standards and where to put the poles.

Director Lowenstein also noted that a portion of Hwy. 192 West is very dark. Mr. Davis said that the lighting is provided by the State. Our lighting goes to Poinciana Boulevard.

Director Lowenstein stated there is a lot of material around concerning rates and deregulation. Years ago we addressed the IDO (Integrated Dispatch Operations) which came through FMPA and which we turned down because we felt we could do everything better ourselves. He wondered if today we can combat rates in multitude. He would like to see lower rates or be as competitive as we possibly can be. He felt it needed to be addressed whenever the time is right.

Mr. Welsh informed the newer Board members by highlighting the extended "IDO Project" (Integrated Dispatch Operations) by FMPA. They currently have an All-Requirements where they serve all the bulk power requirements of the six municipals. They are currently our partner in the Cane Island Project. About five years ago we looked into the concept of FMPA having ways for generating cities such as ourselves by joining that All-Requirements Project whereby they would basically lease our generation from us with the combined pool and we would still buy all our requirements with them. They would give us capacity payments for our capacity and it was a joint effort. Then, several utilities jumped on board who also wanted to become part of the expanded All-Requirements, known as the IDO Project. At the time of that consideration, we said that the KUA Board elected that we do not go in that fashion, that we wanted to provide for our own capacity needs and bulk power.

What Director Lowenstein was saying now, we see the landscape of our industry changing competitively. This may be something which we may want to revisit.

Mr. Welsh stated that the good news is that if we do want to revisit it, the IDO Project is dependent upon the court systems gaining transmission capabilities. Having the ability to wheel through the Florida system as a transmission system itself, as opposed to having

individual point-to-point wheeling arrangements which would have made that project infeasible. Florida Power and Light especially was opposing it, and we opposed them through FMPA in the courts.

The IDO Project has had several FERC rulings that basically they've won. They are still finalizing this in the legal arena and are ready to continue on. At one point we were on our way towards Cane Island 3, and when the favorable court ruling came and IDO looked like it would become a reality, FMPA dropped back and said, before we go any further on this Cane Island Project, it looks like IDO will be coming into play and we'll pull a lot of capacity into the All-Requirements Project from these generating cities. That may change our capacity needs and we will again look at our Cane Island 3 partnership. It changed because of these rulings. The good news is, if the Board wanted to look at that we can explore those options.

Director Lowenstein said it all comes down to dollars and cents.

Director Walter complimented Mr. Turner for his coaching abilities at the Beaucroatic Bash.

K. **ADJOURNMENT**: Meeting adjourned at 9:35 p.m.


CHAIRMAN

ATTEST:


SECRETARY