
MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY HELD
MONDAY, APRIL 17, 1995 AT 6:00 PM, BOARD ROOM, ADMINISTRATION
BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

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

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

The following Agenda Item was taken out of context since it required little time.

Motion by Director Bobroff to place the following item on the Agenda for discussion and approval. Seconded by Director Guthrie.

Motion carried 5 - 0

C. CHANGE ORDER TO MAGNETER'S CONTRACT FOR OVERHAULING HANSEL STEAM TURBINE UNIT #22

This was a Change Order necessitated for the overhaul of the Hansel Steam Turbine Unit #22. It was always anticipated that the inspection would be done and an evaluation was made on how to proceed.

Director of Power Supply, Ben Sharma, stated that it was not an unexpected item, that when we awarded the contract to do the overhaul in January, 1995 we knew there might be a problem and now we found two rows of damaged blades. This total additional expense amounted to \$113,298 for which Staff required approval. This had been budgeted for and had been approved in the Budget and is included in the maintenance costs.

Motion by Director Lowenstein to approve the Change Order of \$113,298 to Magnetek's contract for the overhaul of the Hansel No. 22 Steam Turbine, to include the additional work described in the Agenda Item quotation; and further authorize the President and General Manager to execute the Change Order. Seconded by Director Bobroff.

In response to Chairman Gant, Mr. Sharma stated that Attachment "B" (Option #1 and 2 through 7) itemized the various costs.

Motion carried 5 - 0

B. FMPA'S PRESENTATION ON THE ALL-REQUIREMENTS PROJECT

Mr. Welsh stated that at the request of the KUA Board of Directors, this Special meeting was called in order that FMPA's (Florida Municipal Power Agency) General Manager, J.C. "Claude" L'Engle, and Robert C. Williams, Director of Engineering, might give a presentation on FMPA's All-Requirements Project. Some years ago we had considered the option of becoming involved with the All-Requirements Project, also known as "IDO" (Integrated Dispatch Operations). The decision made by the Board at that time was that they felt we should remain more independent as far as making decisions and not become directly involved with the IDO Project of FMPA.

The purpose of revisiting this subject was because we are in changing times and live in a changing industry and should pursue this further. The question was raised, did we want to

proceed further at relooking at the All-Requirements Project. This would involve some engineering analyses and a study. Tonight's meeting was to revisit this, especially for the benefit of the newer Board members who were not familiar with it.

Mr. Welsh elaborated on our options as to which route we may want to consider, particularly in view of Cane Island coming on line which changes the scenario. Now we will bring in a much different capacity mix, and half of Cane Island's generation capacity is in the FMPP (Florida Municipal Power Pool), of which FMPA is a part. He suggested we might evaluate all our options simultaneously, basically, stay as we are, go into the All-Requirements Project which would automatically pull us into the FMPP, or don't go with the All-Requirements Project of FMPA but join the FMPP as a pool member. We would then still maintain our independence as a generating utility and provide our own generation planning and needs.

Mr. Claude L'Engle, General Manager of FMPA, addressed the Board and introduced Mr. Bob Williams, their Director of Engineering. He gave a broad overview of what the Agency is about. The All-Requirements Project provides and delivers electric capacity and energy to the six participating cities by combining their needs, their advantages being economies of scale, economic dispatch, spreading resources among various types of units and fuels and combined long range planning.

The only reason to look at anything like this is to stay competitive to save money. If we can't do that, then it should not be considered, Mr. L'Engle said. FMPA has 26 state members, to which the Cane Island site was added. It's a project-oriented agency which puts together generation projects for those members who want to participate. Through overheads, Mr. L'Engle gave a broad-brush overview of IDO, which creates planning and operating efficiencies, the need for "network transmission" (where you transmit from multiple power resources to multiple load centers but no scheduling for individual units, for one overall price), the substantial savings estimates, and numerous other facets of this Project. He noted that the entire industry in the past three to four years has undergone a revolution -deregulation is at hand which will make utilities subject to competition. Retail wheeling is being considered across the nation.

As our service territory grows, FMPA would provide for our generating resources. Various agreements bind our working relationship with FMPA.

Mr. L'Engle responded to members' questions and numerous discussions followed in order to clearly understand what each entity would entail concerning KUA. Mr. Williams elaborated on various issues brought up by the Board and Staff. Pros and cons on doing a study, the costs entailed, the bonding issues, what would benefit KUA most, and the savings realized were also discussed.

In a nutshell, if we were to join the IDO Project, we would lease FMPA our capacity forever, buy all our power supplies from the group forever, and we, as a group, would jointly decide when to build capacity, when to buy added capacity, etc. The All-Requirements group would make the decision for KUA to do this; however, each member has one vote. This is a pooling interest.

Mr. Myron Rollins, Black & Veatch, Kansas City, was present and also addressed the group and responded to concerns and questions of the Board and Staff.

Attorney Ed Brinson left the meeting at 7:05 p.m.

Chairman Gant stated that we would have to look at the numbers concerning savings before we would even consider the project and many issues would all have to be relooked at.

Discussion ensued on if we were not involved with IDO, who has the right to build an additional unit and who pays for it, who would administer it, who would operate it, and other concerns. Various scenarios were bandied about looking for the best options to our mutual satisfaction and advantage.

Chairman Gant asked Mr. Rollins for his opinion on this concept. Mr. Rollins said the concept is one for all and all for one, so if we can't accept that concept we should not get involved. Also, we might go halfway and become a member of the Pool without becoming a member of IDO. We would get the operational cost savings without the planning expenses. He noted his philosophy on FMPPA concerning bonding and our outstanding bonds for generation. Traditionally, KUA paid cash.

Mr. Welsh stated the real difficulty is capturing both the debt service and the operating cost and segregating it from everything else.

Mr. Rollins said that the Pool itself almost has to be a winner. The IDO Project has an extra cost associated with it potentially--but these are generalities, he said. KUA might realize benefits from capacity, share in the transmission cost for the other members, and administrative costs. Mr. L'Engle said that under All-Requirements, the administrative costs are about one percent of the bill.

Discussion followed on the costs of doing a study to see what savings can be realized.

The members thanked Mr. L'Engle and Mr. Williams for their in-depth presentation and explanations and for their time.

Mr. Welsh asked the Board for some general direction, if they wished to take another look at this issue and proceed further, to come back to discuss some concepts and the costs involved. Director Bobroff felt we needed time to think this over. Mr. L'Engle added that if this is not good for Kissimmee and we can't save money, we shouldn't join. Mr. Welsh suggested bringing this back at a future Board meeting, perhaps in May.

Mr. Welsh felt the overall concept of joining FMPPA or as an IDO participant, or the FMPP, are so long-range in nature that it would not affect the upcoming Budget significantly. A decision would not be made in time to formulate this by budget time in June.

Chairman Gant stated he was interested in learning the advantages and disadvantages of the Power Pool (FMPP) and then we could go on from there.

Mr. Welsh stated that another workshop could be held just on the Florida Municipal Power Pool, perhaps with Tom Washburn of OUC (Orlando Utilities Commission) making a presentation. The members were keen on that idea, to find out what the numbers would be and how it would work for us. Mr. Welsh said that to see the numbers would entail a study, which would be quite costly getting an evaluation through an outside consultant, possibly in the range of \$60,000.

Mayor Pollet left the meeting at 7:30 p.m.

Staff was asked to check out how to approach doing a study, doing it in-house or via a consultant, the difficulty in doing it, etc. Mr. Rollins was asked to outline the difficulty in determining savings with any Power Pool.

Clarification was given on the Power Pool and its concept. The Pool is a Commitment Pool. There are three different levels: 1) Dispatch (hourly), 2) Commitment (1-2 weeks; we must make own plans of when to build a unit, when to buy capacity, when to have generation capacity, construct capacity, which we're doing now), and 3) Planning Pool (the IDO Project, long range planning for 1, 10, 20 years, etc.). Mr. Welsh graphically explained that concept. Discussion continued.

IDO is a pool for planning purposes, when to build the capacity and when to bring it up. KUA does all it's planning, construction and operations independently. If we were to join IDO, the planning and construction of units in the future would be made jointly with the IDO Project. If we were to join FMPP, commitment decisions which we now do independently, Staff would coordinate through OUC to jointly pool our decisions. All-Requirements right now do all the planning for their six cities and then they joined a commitment pool and became a part of FMPP for commitment and dispatch purposes. FMPP is a member of FCG (Florida Electric Power Coordinating Group) for dispatch pooling purposes.

Mr. Rollins agreed with Mr. L'Engle that KUA sign up for one year and if we did not like it we could get out.

Chairman Gant suggested we take a look at how it would impact our KUA operations via in-house analysis and then decide if we want to spend some \$60,000 and/or try it for a year.

It was suggested that arrangements be made for a presentation at a Special Meeting by someone from OUC to give us an overview of their experiences with the Florida Municipal Power Pool. This Special Meeting was scheduled for Thursday, June 8th, at 6:00 p.m.

- D. OTHER - No comments
- E. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS - No comments
- F. ADJOURNMENT: Meeting adjourned at 8:15 p.m.


Chairman

ATTEST:


Secretary