

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY HELD
WEDNESDAY, APRIL 26, 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, President & General Manager Welsh, and Recording Secretary Rundio. Mayor Pollet arrived at 6:22 p.m.

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

B. AWARDS AND PRESENTATIONS

1. PROCLAMATION FOR LARRY HOBART, RETIRING EXECUTIVE DIRECTOR OF APPA

Mr. Larry Hobart, Executive Director, with 35 years of tenure with the American Public Power Association (APPA), will be retiring in the near future. Larry will be presented with a bound book of appreciation letters from his friends and associates and Mr. Welsh read, for the record, a Proclamation that KUA is sending along for this special occasion. The book will be presented during the Annual APPA Conference.

Motion by Director Bobroff, seconded by Director Walter, to approve the Proclamation, as read, for Mr. Hobart.

Chairman Gant encouraged all new members to get involved in national committees. They are good contact opportunities and he has found them to be quite worthwhile, a teaching program. Being part of the APPA enables members to bring back good information to the Utility. Director Bobroff concurred with this.

Motion carried 5 - 0

2. 35-YEAR SERVICE AWARD - GEORGE HUNTER

Although George Hunter, a 35-year veteran with KUA, was unable to be present for this award, he was honored in absentia for his many years of dedicated service. His award will be presented to him at an appropriate time by his Department Head. Thanks and congratulations, George, for many more great years!

3. 10-YEAR SERVICE AWARD - JOSEY AHR

4. 10-YEAR SERVICE AWARD - GARY BUKER

Josey Ahr, Customer Service Rep II, and Gary Buker, Power Plant Mechanic, were both unable to attend the meeting but they will receive their awards at the appropriate time. Mr. Welsh said he appreciated their many years of loyal service to this organization.

5. 10-YEAR SERVICE AWARD - IVETTE MARTINEZ

Ivette Martinez, Customer Service Rep II, is celebrating her 10th anniversary with KUA. Ivette works in the Credit & Collections Department and assists our customers in whatever way she can to make their association with KUA easier. Mr. Welsh introduced Ivette to the Board who congratulated her for her hard work and dedication. Chairman Gant presented Ivette with a miniature clock of her choosing.

6. 5-YEAR SERVICE AWARD - BARBARA BURKE

Barbara Burke, Customer Service Rep II, was absent; however, her award will be presented to her at an appropriate time. Thanks for your many contributions to KUA, Barbara!

7. 5-YEAR SERVICE AWARD - TAMMY ABAR

Mr. Welsh introduced Tammy Abar, Administrative Secretary, Materials Management, who joined KUA five years ago and is doing a tremendous job in that department. Tammy is often involved in extra-curricular type activities, such as our Children's Christmas Party, employees' Christmas Party, and other events. She brings added enthusiasm to her co-workers and others. The Board members thanked Tammy for her hard work and dedication. Tammy accepted a crystal oil lamp as her service award.

8. 5-YEAR SERVICE AWARD - SHARI BANEY

Shari Baney, Buyer/Materials Management, could not be present for the award due to a previous commitment; however, Shari was thanked for her contributions to her department and KUA.

9. EMPLOYEE OF THE MONTH - TONY HEY

Tony Hey, Meter Reader, Customer Service, was also absent due to a previous commitment. Tony's plaque and check will be presented to him by his Department Director, Chris Beck, at a later appropriate time. Congratulations go to Tony for having been chosen for this special award! Tony will also be given one day off with pay and receive a reserved parking space for the month of May.

C. HEAR THE AUDIENCE

Chairman Gant asked if anyone in the audience wished to make any comments. There was no response.

D. PUBLIC HEARING

Chairman Gant announced the Public Hearing. There was no audience response.

1. PUBLIC HEARING TO CONSIDER CERTAIN FEDERAL STANDARDS SET FORTH IN THE ENERGY POLICY ACT (EPACT) OF 1992

This Public Hearing was scheduled by the Board last fall. The Director of Power Supply, Ben Sharma, stated that this Public Hearing is a requirement of the Energy Policy Act (EPACT) of 1992. EPACT amended three sections of the Public Utilities Regulatory Policy Act (PURPA) of 1978, which are:

- a) Integrated Resource Planning
- b) Investments in Conservation and Demand Management
- c) Energy Efficiency Investments in Power Generation and Supply.

Mr. Sharma gave an in-depth presentation on each of these three amendments (as detailed in the Agenda Item) and elaborated on their necessity and how they affect KUA. He said that whatever plan we prepare we will have to implement. Each electric utility shall employ integrated resource planning, to be updated regularly. He stated that we have followed all requirements and are not in violation of any regulations.

Director Bobroff asked how much all this is going to cost us and will it result in higher rates. Mr. Sharma said we are taking the costly requirements out. If we go by the Federal standard it would have been costly but we are trying to protect the measures we now have.

(Mayor Pollet arrived at 6:22 p.m.)

Director Lowenstein inquired as to where are we on Load Management (LM) at this point. Mr. Sharma stated this is slated for the August/October time frame and briefly highlighted the plan--that next month Staff will bring back a timetable of analysis dealing with the effects of LM and what it is costing us, etc. After those findings, it will take until December/ January to inform our customers. It will take a certain time for Customer Relations to prepare for the new rates and also to get the information out to our customers. Next year at this time we will be through with all this work and be coming back to the Board on how we are going to handle the bonds for a 1998/99 time frame.

A time-line chart done by Bulk System Planning of scheduled major activities was highlighted and a more complete schedule will be submitted for the next Board meeting.

Discussions were held on conservation measures and cost-saving methods and other issues.

Following Mr. Sharma's presentation, Staff's recommendation to the Board was to determine:

- A) that the amended Federal standard on Integrated Resource Planning (IRP) is appropriate for KUA and direct KUA staff to implement IRP methods in all future planning processes beginning with the IRP to be developed as shown in the Time Chart;
- B) that the Federal standard on Investments in Conservation and Demand Management is not applicable to KUA because its rates are not set by a State agency; and
- C) that the ratemaking policies followed by KUA are consistent with the intent embodied in the Federal standards on "Energy Efficiency Investments in Power Generation and Supply" and, therefore, the standard is appropriate for KUA.

Chairman Gant again stated this was a Public Hearing and were there any questions. There were none.

Director Guthrie inquired who enforces these provisions, to which Mr. Sharma replied that for the Investor-Owned Utilities (IOU's) it is the Public Service Commission. For us, it is the Federal Energy Regulatory Commission (FERC); otherwise there are no enforcing agencies, although the Public Service Commission (PSC) has some enforcement authority in this respect through certain legislation.

Motion by Director Guthrie to approve Staff's recommendation of items A., B. and C. (page 5) of the Agenda Item, and as stated above. Seconded by Director Lowenstein.

Motion carried 5 - 0

Brief discussion was had on KUA's notification to customers of our conservation efforts through our Energy Informer.

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

1. MONTHLY CONSTRUCTION PROGRESS REPORT OF CANE ISLAND PROJECT

Mr. Greg Harrington gave his last monthly progress report on Cane Island, via overheads and video. This month two significant milestones were passed, the first being the emissions test for Unit II which was passed successfully. The second

milestone was the performance test, completed around April 12th and that we are awaiting a report now. Several miscellaneous things still need to be completed and they are proceeding to obtain the Certificate of Occupancy for the administration building portion, etc. The industrial wastewater percolation pond is in and the potable water tests will be submitted soon. The test results all look positive and will go to the DEP (Department of Environmental Protection) for their approval. He said the contamination substance report on the oil spill has been approved by KUA and EPA is proposing to KUA to do a remedial action plan.

Brief questions were responded to by Mr. Harrington.

Greg expressed his thanks to the Board and Staff for giving him this opportunity to oversee the construction of the Cane Island Project these past two years. He, in turn, was thanked for his hard work and efforts in making this a reality for KUA. Everyone was gratified that he did such a professional job as KUA's Owner's Rep and kept on top of things through thick and thin! Greg was also involved with local community events at Intercession City. Staff also expressed their thanks for his dedication and help. For the benefit of the new members, Chairman Gant explained the reasons why Greg Harrington was hired by KUA.

Mike Goering, Black & Veatch's Project Manager assigned specifically for this project, was also present. His job is now done here and he and his family will be heading for parts unknown for another assignment. He has done a great job at Cane Island and his efforts are appreciated. Mike thanked everyone he worked with during good times and rough times and expressed appreciation for their support.

F. OLD BUSINESS - None

G. NEW BUSINESS

1. COUNCIL ON AGING REQUEST

A letter dated April 14, 1995 from the Osceola County Council on Aging had been received requesting that KUA waive their Line Extension fees of approximately \$15,000 towards the development of their project to build a 100-unit affordable elderly housing complex to be located within the City Limits. No representative was personally present to make this request.

Mr. Welsh stated that he had informed the Council on Aging representatives that it has been the Board's policy for us not to make donations of any material kind to non-profit or charitable organizations and the reason for this policy is that this would be subsidized by our customers who had no say in this matter, or similar such propositions.

Motion by Director Lowenstein NOT TO APPROVE the request of the Council on Aging, Inc. requesting a waiver of the Utility Line Extension of approximately \$15,000 that may be charged to the development of this project. Seconded by Director Walter.

Attorney Brinson stated, in response to Chairman Gant, that he had concerns about the provisions in our bond covenant that we not give away any electricity, which means giving away the ratepayer's money and we are making the selection. We have always considered our policy concerning the legality of such requests. He feels it's a good policy and that if it ever became a legal question, he would want our Bond Counsel to give us comfort, which he may or may not give. We should continue what we're doing, he said.

Chairman Gant felt this is a worthwhile project but that the Council on Aging cannot use their federal funds for this type of project and, therefore, are asking for community support.

Motion denied 5 - 0

Mr. Welsh noted that this agency deserves our personal support, if not institutionally. He noted their fundraiser, Club Glitz Casino Night, on Saturday, April 29th, and invited anyone interested to partake of this fundraiser occasion and contribute in a roundabout manner while enjoying a night out.

2. RESOLUTION NO. R95-4 - GAS SERVICES AGREEMENT WITH FLORIDA GAS UTILITY (FGU)

Basically, it is necessary to re-do this agreement **because** of the changing utility market. Mr. Sharma highlighted the purpose of the revised agreement with Florida Gas Utility (FGU). The current agreement with FGU is five years old and has gone from five to 21 members. The greatest thing which has caused the old agreement to be revised is the open access of the transmission pipeline. Staff recommends the Board approve this revised agreement which has been approved as to form by our Attorney.

Motion by Director Bobroff to approve the updated version of the FGU Gas Services Agreement; and authorize the Chairman and Secretary to execute same. Further, to adopt Resolution No. R95-4 reflecting the Board's approval of the revised agreement. Seconded by Director Lowenstein.

Motion carried 5 - 0

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

The report was accepted as contained in the Agenda packet.

2. CONDENSED FINANCIAL REPORT - MARCH, 1995

Joe Hostetler, Director of Finance, gave his usual knowledgeable, informative and professional presentation on the Condensed Financial Report. Mr. Hostetler stated that we are at 1.4% favorable variance for MWh sales and are in a good position so far this year. He briefed the Board on his Comparison of Budget to Actual report and responded to questions.

Mr. Hostetler also elaborated on KUA's investment portfolio and presented a Quarterly Investment Report for the quarter ended March 31, 1995. He summarized our investment activity--investments purchased and the type of purchases made. Also at the request of the Board, Mr. Hostetler had compiled a graph showing the FMEA ranking of KUA's average residential bill indicating the base rate and COPA adjustments. A similar graph will be made ranking KUA's average commercial bills.

Mr. Hostetler explained our philosophy for the past several years on co-insurance and investments and stated we have done fairly well without a lot of administration time. After monitoring what the market is doing, he will re-address at a subsequent meeting some of the procedures and policies we should be looking at.

In response to Director Bobroff, Mr. Hostetler stated that the Auditors were looking for derivatives and made the statement that this is a very conservative portfolio without any derivatives.

Director Lowenstein asked, for the record, about our bonds being defeased and whether they are meeting their obligations or do we have to kick in? Mr. Hostetler said this is what is called legal defeasance. They calculate how much money has to sit in a fund using U.S. Treasuries to pay principle and interest on those associated bonds. The money is outside Mr. Hostetler's control and is in an escrow bank which monitors it and pays out the principle and interest payments. It is a done deal.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

Mr. Sharma briefly highlighted the various service schedules already used by KUA associated with our power supply contracts. He noted different situations, costs, emergency power required when a unit is down, etc. Schedule A is used for emergency power; Schedule B is for maintenance; Schedule C is buying power hour by hour between utilities (no capacity is associated with this Schedule); Schedule D is for long-term capacity firm power. Schedule J is the most unorthodox, is not based on any cost and is used for short-term negotiated power.

Mr. Sharma stated that two additional schedules (Schedules C and J) are included in the Consent Agenda for the Board's approval this evening.

I. CONSENT AGENDA

Motion by Director Lowenstein to approve items 1, 2, 3 and 5 of the Consent Agenda. Item 4 was pulled by Director Lowenstein. Seconded by Director Walter.

1. APPROVAL OF MINUTES OF MARCH 22, 1995, REGULAR MEETING
2. APPROVAL OF MINUTES OF APRIL 5, 1995, SPECIAL MEETING
3. AWARD OF BID - IFB #025-95, OSCEOLA PARKWAY LIGHTING
5. SCHEDULE J INTERCHANGE AGREEMENT WITH CITY OF LAKE LAND

Motion carried 5 - 0

4. SCHEDULE C AGREEMENT WITH ENRON POWER MARKETING, INC. (EPMI)

Director Lowenstein inquired if we have an agreement with Enron already. Mr. Welsh stated we do have an agreement in place, but not a Schedule C agreement. Mr. Sharma stated that Enron Power Inc (EPMI) is not a utility--they are a marketing group who get power from place to place. With this open transmission access all the power marketers are trying to get into this system. Enron is not in the broker group until September 1st and desire to establish this hour-to-hour transaction capability with us. Schedule C will give us the flexibility of doing this particular transaction.

Director Lowenstein asked whether wheeling is taken into account in this transaction and is it still profitable. Mr. Sharma replied that if the prices are comparable at point of delivery, that's good; otherwise no.

Motion by Director Lowenstein, to approve item 4. Seconded by Director Walter.

Motion carried 5 - 0

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS, GENERAL MANAGER

Mr. Welsh reminded the members of the Open House scheduled for May 12th, at 11:00 a.m. in conjunction with our FMPA owner partners for the dedication of Cane Island Power Park and he hoped they might be able to attend. Representatives from the six cities would be attending, as well as many other invitees. May 11th is set aside for KUA employees and May 13th will be open to the public.

The members were invited to inspect the Hansel Plant which is under considerable overhauling at this time. The tour of this Plant was scheduled for 5:30 p.m. on Wednesday, May 3rd.

Wednesday, May 10th, at 6:00 p.m. is the scheduled Special Meeting for Board Member Applicant interviews. Three applicants have shown interest - Billy J. Ralston, Richard L. Hord and Domingo Toro. Mr. Ralston and Mr. Toro had previously shown interest and applied for membership to the Board and Mr. Hord was KUA's former Board Chairman.

Mr. Welsh distributed KUA's 1994 Annual Report to the members. He complimented the Finance Department and Chris Gent, Communications Specialist, for doing such a fine job on it.

ATTORNEY - No comments

DIRECTORS

Director Lowenstein stated that he was very proud of our "Comparison of Residential Electric Rates" report and the fact that we're 28th from the top in relation to 36 listed. In commercial rates, we've done even better, he said, being 32nd out of 36. He commended Staff for doing an excellent job!

Director Bobroff read a brief excerpt from a newspaper article he clipped out, which talked about younger employees being starved for attention but work hard if they feel they are moving forward, are given opportunities to learn and receive acknowledgment that they are learning. He felt this brought about good employee/management relations.

Director Walter referred to the newly developed "Ranking of KUA's Average Residential Bill" chart and asked if a similar one could be done for commercial rates. Mr. Welsh said we would look into doing that.

Chairman Gant addressed an issue he had brought up several times in the past, that of cutting or moving some oak trees, e.g., in Brinson Park, from under power lines along Neptune Road which, as they grow bigger, would become hazardous and would have to be trimmed often and/or cut down in the future. Mr. Welsh added that the City of Kissimmee is re-doing that whole area and would be responsible for moving any trees. Chairman Gant suggested we might develop a policy at looking at the tree umbrella and where trees should be placed in order to keep them away from the big power lines.

K. ADJOURNMENT: Meeting adjourned at 8:15 p.m.

ATTEST:


SECRETARY


CHAIRMAN