

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD
WEDNESDAY, OCTOBER 23, 1996 AT 6:00 PM, BRINSON BOARD ROOM,
ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

Present at the meeting were Vice-Chairman Walter, Secretary Lowenstein, Assistant Secretary Guthrie, Director Hord, Director Ralston, Attorney Brinson, President and General Manager Welsh, and Recording Secretary O'Rourke. Vice-Mayor Dorsett was absent.

A. MEETING CALLED TO ORDER at 6:00 p.m. by Vice-Chairman Walter.

1. INSTALLATION OF NEW MEMBER

Mr. Bill Ralston took the Oath of Office pledge from Attorney Edward Brinson for a five-year term, effective October 1, 1996. Vice-Chairman Walter and the other Board members welcomed Director Ralston to the Board of Directors.

2. ELECTION OF OFFICERS

Nomination was made by Vice-Chairman Walter to nominate Director Hord as Chairman. Seconded by Director Guthrie.

There were no other nominations for Chairman.

Motion carried 4 - 0

Director Hord said he appreciated the opportunity to serve the Board as Chairman.

Nomination was made by Director Lowenstein to reappoint Director Walter as Vice-Chairman. Seconded by Director Guthrie.

There were no other nominations for Vice-Chairman.

Motion carried 4 - 0

Nomination was made by Director Lowenstein to nominate Director Guthrie as Secretary. Seconded by Director Ralston.

There were no other nominations for Secretary.

Motion carried 4 - 0

Nomination was made by Director Walter to nominate Director Lowenstein as Assistant Secretary. Seconded by Director Ralston.

There were no other nominations for Assistant Secretary.

Motion carried 4 - 0

B. AWARDS AND PRESENTATIONS**1. 5-YEAR SERVICE AWARD - JEFF MILLER**

Mr. Welsh stated that Jeff came to work for KUA as a Meter Reader in 1991. Jeff is a very accurate reader and is very familiar with the entire service territory. Mr. Welsh said Jeff is also known for his good relationships with customers. Jeff recently made a special trip to AHospice of the Comforter@ to show the Hospice Manager how to read the electric meters so they could do daily electric and water reads as part of their energy conservation program.

Chairman Hord presented Jeff with a three-bladed knife and the other Board members joined him in congratulating Jeff.

2. 5-YEAR SERVICE AWARD - JOE MITCHELL

Joe began working for KUA in 1991 as a Meter Technician in the Engineering Department. Joe is primarily responsible for ensuring that all metering systems are functioning properly and maintained to the highest level of accuracy. During his tenure here at KUA, Joe has become a key member of our metering division.

Joe was unable to attend the meeting, but his 5-year service award will be presented to him by his Department Director at a later date.

3. 5-YEAR SERVICE AWARD - MARY O-ROURKE

Mr. Welsh stated Mary started working as a Clerical Assistant in the Personnel Department in 1991. In 1993 Mary was transferred to the Engineering Department and promoted to the position of Engineering Services Specialist. In January 1996 Mary was promoted to Executive Secretary in the Executive Department. Mr. Welsh said Mary is always a pleasure to work with and is very professional in all her business activities.

Chairman Hord presented Mary with a crystal box and the other Board members joined him in congratulating Mary.

4. 5-YEAR SERVICE AWARD - JOSE VECCHINI

Jose began working for KUA in 1991 as an Assistant Water Quality Technician for the Hansel plant. In 1995 Jose was selected April's Employee of the Month. Jose has been based at Cane Island since its opening. Jose is a dedicated employee with a great depth of knowledge in the water quality area.

Jose was unable to attend the meeting, but his 5-year service award will be presented to him by his Department Director at a later date.

5. EMPLOYEE OF THE MONTH - SHARI BANEY

Mr. Welsh stated that Shari Baney was here for a very special award tonight and that was the Employee of the Month award. Mr. Welsh said Shari is the epitome of efficiency, social grace, a team player and a "can do" attitude. Not only is Shari exceptional in her professional field, but also shines brightly as a volunteer for many KUA activities which helps KUA's public image in the community. One example is all the work Shari does for the children's Christmas party every year. Mr. Welsh said Shari is the most recognized employee within KUA for positive "How'd We Do" cards plus her boss always comments about the money she saves KUA through her astute purchasing knowledge. Mr. Welsh said Shari is a Buyer in our Purchasing Department and she is always very positive, cheerful and efficient.

Chairman Hord congratulated Shari and presented her with a plaque. Director Lowenstein presented Shari with a check. Shari will receive a special parking space for the month and a day off with pay.

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

D. **PUBLIC HEARING** - No comments

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

F. **OLD BUSINESS**

G. **NEW BUSINESS**

1. AWARD OF PROPOSAL FOR EMPLOYEE-S INSURANCE BENEFITS, RFP #004-96

Mr. Neville Turner, Director of Personnel and Risk Management, highlighted the health insurance coverage KUA has now, the health insurance coverage that is recommended we go to and the cost of this. Mr. Turner stated KUA put out an RFP and we got back 18 proposals. There was an evaluation team of four people including Neville Turner, Helena Huston, Benefits & Insurance Administrator, Gabe LaSanta, EOC Representative and Barbara Layton, Contract Administrator who individually reviewed each proposal and made recommendations. Mr. Turner said the evaluation team is recommending Prudential HealthCare of Central Florida and for the 1997 calendar year, monthly rates would be less than what KUA is currently disbursing.

Chairman Hord asked if this was PruCare? Mr. Turner said no, it was not. PruCare is inside it and a couple of years ago PruCare was one center downtown and everybody had to go there, but it is not that way now. They use a network.

Director Lowenstein asked if employees would be able to go to the doctor of their choice who is in the program and if there is enough representation within the community. Mr. Turner said yes,

employees would be able to go to the doctor of their choice and there is a listing of 11 doctors for the HMO.

Mr. Turner then highlighted the life insurance plans. Mr. Turner said the evaluation team is recommending Phoenix Home Life. KUA is currently with Phoenix and the rate remains unchanged.

Director Lowenstein made a motion to approve Prudential HealthCare of Central Florida for health insurance and Phoenix Home Life for life and AD&D insurance; seconded by Director Walter.

Motion carried 5 - 0

Mr. Turner highlighted the dental plans and costs that were received. Mr. Turner stated since this dental plan would involve additional employee benefits, it would be subject to negotiations between KUA and the IBEW. This would be presented to the union bargaining agent as part of a proposed benefit package to be included in the next contract that is negotiated for the fiscal year 1996/97 to be effective January 1, 1997 or the date the contract is ratified, whichever is later. Mr. Turner said the evaluation team is recommending Delta Dental Insurance Company.

Director Lowenstein asked how many dentists are on the list for Delta. Mrs. Huston stated as of September there were 16 offices in Kissimmee and 1 office in St. Cloud, for a total of 17 locations.

Mrs. Huston said there are two different plans under Delta. One is an HMO type plan where there are co-payments and the other plan is a PPO type plan.

Director Ralston asked if the dentists just sign up for this if they are willing to accept these rates. Mrs. Huston said she did not know if this was a capitation type plan, but the dentists would be like an HMO doctor and they would sign up and agree to a certain fee. It would either be a fee per patient or a fee per service. Mrs. Huston was not sure which Delta uses.

Director Walter made a motion to approve Delta Dental Insurance Company for dental insurance; seconded by Director Ralston.

Director Guthrie asked why it was necessary to put in the language about the union negotiation. Mr. Welsh stated KUA is purchasing the dental plan for all the employees it can by law. KUA would like to offer the dental plan to the unit employees, but cannot just unilaterally put this into effect. We would have to go to the bargaining table and negotiate the dental plan into the 1996/97 contract. Director Guthrie asked why KUA did not just buy the dental insurance for the non-unit employees. Mr. Welsh said the Board directed staff to investigate getting a dental plan that could be put into place for all non-unit employees and also directed staff to attempt to negotiate this to be included as part of the unit's package.

Director Ralston stated he thought it made a big difference whether or not capitation was involved in this plan. Director Ralston said the dentist is paid upfront so much for each employee, whether anyone shows up or not. Mrs. Huston said she did not know if capitation was involved or not, but could have an answer on this by noon tomorrow.

Mr. Ron Walls of Lupfer-Frakes Insurance stated he doubted if this was a capitated type plan.

Director Guthrie made a motion to approve Delta Dental Insurance Company pending information on capitation. If it is capitation, then the approval is not given and will be reconsidered on October 30, 1996; seconded by Director Walter.

Motion carried 5 - 0

Director Lowenstein made a motion to remain with our current local representative, Ron Walls of Lupfer-Frakes Insurance to represent KUA on Prudential HealthCare of Central Florida; seconded by Director Walter.

Motion carried 5 - 0

2. INFORMATION TECHNOLOGY STRATEGIC PLAN

Mr. Welsh stated this started with an auditor's comments and his advice to us that we needed to have a strategic plan that we update on a regular basis.

Mr. Dennis Wick, Director of Information Systems, stated work began on this project in March 1996 and is entitled InfoTech 2000.

Mr. Wick said it was the efforts of six committees made up of numerous employees representing every department within the organization who assembled the information for this strategic plan.

Mr. Wick said the strategic plan is basically to be used as a road map to help guide us into the future. It allows us to see where we are today and not only the places we would like to go, but the direction we would head in to get there. The need for a solid infrastructure on which to build an effective and functional Utility Information System must be one of the highest priorities. The AS/400 which we currently use and the Novell networks that are in place provide a cornerstone on which we can build this infrastructure. In addition to the required functions related to utility billing, which is still our main job, the AS/400 and the Novell systems will provide data banking for all of our KUA information needs. The end result of all this will be the development of a fully integrated Utility Information System which will provide the information needed throughout all of KUA to make our employees the most knowledgeable and the best informed in the industry. Mr. Wick stated that the team work that went into this project want to insure its success because this was not just the dream of one person or one department, but the forward reaching goal of the whole company acting in union as one.

Director Guthrie asked why we are still maintaining two different versions for word processing and spreadsheets. Mr. Wick said the spreadsheets are coming closer and closer together, but as far as word processing we are still maintaining two, Microsoft Word and WordPerfect. Mr. Wick stated all new employees and all training is headed towards Microsoft Word. Mr. Wick said the intent is to draw people away from WordPerfect by attraction rather than by forcing them.

Director Lowenstein made a motion to authorize the use of this plan as a guideline for our Information Technology decisions being made during FY 1997; seconded by Director Guthrie.

Motion carried 5 - 0

**3. EXPERIENCE SO FAR WITH FLORIDA MUNICIPAL POWER POOL (FMPP)
AND STAFF RECOMMENDATION**

Mr. Welsh stated that KUA joined the Florida Municipal Power Pool (FMPP) on January 1, 1996 on a trial basis for one year.

Mr. Ben Sharma, Director of Power Supply, stated per the terms of this agreement, KUA has to notify FMPP by December 1, 1996 whether or not KUA intends to continue in the pool. Mr. Sharma said some of the staff of the Power Supply Department who are really involved in the day to day life of the pool will express their feelings regarding KUA's continuation of membership in the pool.

Director Lowenstein asked from a dollars and cents situation, have we achieved any savings by being in the pool? Mr. Sharma said yes, the report from the pool shows that we have had savings. Mr. Sharma stated we cannot simply compare this year with last year because of all the variables.

Mr. Larry Mattern, Maintenance/Operations Supervisor, stated the first problem we encountered back in January when we got into the pool was their taking unit 2 off line because it was not the cheapest power at that time. Mr. Mattern said that was a problem because we were shut off and cycled and cycling causes additional maintenance costs. The second problem was the appearance of dispatching inequities and we thought how could a unit with a worse heat rate than us be called to run ahead of a very efficient unit like Cane Island #2. The third problem was that calculations are based on heat rates and we did not know if they were using the same methods we were. The fourth problem was the start up and maintenance costs.

Mr. Mattern said there were benefits to be realized though. One of the first benefits was if we do have a unit up and running and for some reason we have mechanical failure and it trips off-line, there is relatively inexpensive power available in the pool

itself because the computer starts units according to how cheap they can run. Another benefit is flex outages. We can take an outage in a slow period now with maybe just a day or two advance warning instead of a year in advance. Mr. Mattern stated other benefits are testing and troubleshooting are made easier because of the pool system's larger size, there will be additional generation opportunities and benefits as the pool expands, increased awareness and efficiency at the power plants due to pool competition and pooling to compete in the uncertainty of deregulation and retail wheeling.

Mr. Mattern said the positive experiences we have had as we've dealt with the pool are our participation and input seem welcome, KUA is a major player on committees that contribute to pool operation and dispatch policies, pool information is readily available if you ask and there are numerous training sessions and information seminars available.

Mr. Mattern stated we have seen good and bad experiences, but there really is nothing out there that we cannot find a solution to. Already we have removed our O/M rider from the dispatch cost, added a maintenance recovery factor for cycling, shortened start up times at both plants improving the heat rate at Hansel, continue to work through representation on various committees to insure fair and equitable dispatch and to keep a competent, well trained KUA representative full time at the OUC offices to insure all the pool benefits are realized.

Mr. Mattern stated we have seen much more positive things than we have negative and from a generation standpoint Mr. Mattern recommends that KUA continue participation in the FMPP.

Mr. Randy Christian, Supervisor of Dispatch Operations, showed charts comparing 1995 and 1996 to see how we are doing in the pool. The first chart was the comparison of monthly net energy for load. The difference between '95 and '96 was the winter load in '95 was much lighter because it was milder. Mr. Christian stated overall it is a fair comparison between the two years and there was very little difference in the colder months and again in the summer months.

The second chart was the comparison of monthly economy benefits. Mr. Christian said KUA had always been very aggressive in our economy transactions. We tried to pass on as much benefit to our customers as we possibly could. Mr. Christian said he was concerned that going into the pool this may not be the case and we would be lost in the mix. In April 1996 there was a trend beginning to develop in the reduction of economy benefits and this was due entirely to Stanton II coming on-line. As the output from Stanton II increased, our dependency on economy transactions decreased taking the benefits with it. This continued until August when Stanton II was forced off-line for part of the month. This exhibits that the pool is indeed aggressive in trying to get the economy benefits maximized. Total benefits for 1995 were \$1,070,899. Total benefits for 1996 were \$923,971 with a net difference of \$146,828. When you take into consideration the power marketer activity in '95 and the addition of Stanton II in '96, the \$146,828 is not that drastic a drop.

The third chart was the comparison of monthly COPA charges. This is not the COPA that is passed on to our customers, but the actual monthly COPA. This is the total fuel dollars divided by the net energy less the base load. The first significant increase occurred in April of 1996 and that was the first month that KUA received a billing adjustment from the pool. Most of the money we were billed in April was later returned in credits in later months. The next increase occurred in July because Stanton II became commercial in June. Due to a delay in the energy portion of the billing from FMPPA, the dollars were not accounted for until July.

Mr. Christian feels the pool is doing as well as we could do if we were operating on our own and recommends that KUA continue participation in the FMPP.

Mr. Ray Brennick, Engineer, highlighted issues relating to the scheduling of natural gas fuel for the KUA units. Mr. Brennick stated that each morning the pool coordinator determines which units, for the members of the pool, will run and those units are taken on a pool basis. One of the problems you run into on a daily basis is forced outages. Power plant outages cause delivery imbalances and delivery imbalances are a problem for the pipeline because the pipeline imposes severe cost penalties for imbalances. Mr. Brennick said by the pool being able to move these scheduled gas deliveries between the plants when these forced outages occur, is a big benefit.

Mr. Brennick also spoke about reduced control area reporting requirements. When we joined the pool we were relieved of having to do certain daily and monthly reports.

Mr. Brennick feels the FMPP is a benefit to us and KUA should continue participating.

Mr. Robert Miller, Manager of Bulk Systems Planning, stated in the comparison that Mr. Christian made between 1995 and 1996 one of the big differences in the reason that the cost did not show up to our benefit was the big difference in the fuel cost between '95 and '96. There was approximately a 31% lower fuel cost in 1995 and that was a big thing to overcome. Mr. Miller also said even if a unit has a better heat rate, it may have other operating constraints that may force it to operate in what we would consider out of economic order. Another comment Mr. Miller made was that after joining the pool, we started pooling fuel because we found that would be a lot more flexible. Conceptually it is always desirable to pool units and benefits will accrue because you pool. These benefits will accrue from load diversity.

Mr. Miller stated we have had good experiences in working with members of the pool and he thinks KUA should continue participating in the FMPP.

Director Lowenstein made a motion to approve KUA-s continuation of membership in FMPP beyond December 31, 1996; seconded by Director Guthrie.

Motion carried 5 - 0

There was a brief recess taken between 8:10 p.m. and 8:20 p.m.

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

Mr. Welsh said no verbal presentation was planned. Mr. Ken Davis, Director of Engineering, was available for any questions or comments you may have.

2. MONTHLY CONDENSED FINANCIAL REPORT - SEPTEMBER 30, 1996

Mr. Joe Hostetler, Director of Finance, gave a brief presentation on the monthly financial report. This month marks the end of the fiscal year. Mr. Hostetler stated we rolled over \$21 million of capital budget to finish some Cane Island projects. We also released over \$3 million back to the reserve for future capital outlay due to projects completed under budget or were not completed at all. Mr. Hostetler stated according to the investment policy that was passed, we have decided to move all of our investments over to the First Union Bank. They were lower on projected fees for safekeeping services.

Mr. Hostetler went over the sales graph and explained that we are 8% above the budgeted sales for the month of September and year to date we are 5% above budget.

Mr. Hostetler stated the net reinvested earnings are \$622,636 for the month of September and the debt service ratio for the month is 2.58. The net reinvested earnings for the year is almost \$7.6 million and the debt service ratio for the year is 2.80.

Mr. Hostetler said the depreciation study that was looked at five or six years ago has been redone and we found that we under-depreciated for a number of years and this has been corrected. New depreciation rates will be effective October 1st of this year. Mr. Hostetler said we will see depreciation expense come down somewhat.

Mr. Hostetler highlighted the investments that matured during FY 1996, the called securities and the investments that were purchased during 1996.

Mr. Hostetler said the project report has been condensed to four basic columns and will be presented to the Board quarterly.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

Mr. Welsh said no verbal presentation was planned. Mr. Ben Sharma, Director of Power Supply, was available for any questions or comments you may have.

I. CONSENT AGENDA

Chairman Hord asked if there were any questions or comments on any item from the Consent Agenda or if anything needed to be removed.

Director Walter asked that item #6 be pulled due to a conflict of interest.

Director Guthrie asked that item #5 be pulled.

Director Walter made a motion to approve items 1, 2, 3, 4, 7, and 8; seconded by Director Lowenstein.

1. APPROVAL OF MINUTES OF SEPTEMBER 25, 1996 MEETING
2. QUIT CLAIM DEED FOR 8 BROADWAY PARKING LOT
3. AWARD FOR REPLACEMENT OF INLET DUCT - IFB 030-96
4. AWARD FOR CONSTRUCTION-TYPE FORKLIFT - IFB 031-96
7. APPROVAL OF REVISED GAS SUPPLY CONTRACTS - KUA RESOLUTION 96-7
8. APPROVAL OF CONSERVATION EASEMENT DEDICATED TO SOUTH FLORIDA WATER MANAGEMENT DISTRICT (SFWMD)

Motion carried 5-0

Item #5 - Director Guthrie wanted to make sure from Mr. Brinson that we do have a veto power on what the former property owners can do on the easement. Mr. Brinson stated the Northwest parcel of the property is the area agreed on that if for some reason we have not properly insulated the pipe so they could move into that area if they ever desire to, they will put us on notice and give us the opportunity to have it corrected. Black & Veatch states it is under a foot of concrete. Mr. Brinson said the worst thing that could happen is we would have to lower the pipe. The possibility of anything being built on this Northwest parcel is minimized. There is an easement on either side of this land and, therefore, they cannot build within this easement. Mr. Brinson stated he does not feel we are taking any risk in this agreement and it is definitely in our best interest.

Director Guthrie made a motion to approve item #5 APPROVAL OF UTILITY EASEMENT AGREEMENT - GAS METERING STATION PROPERTY; seconded by Director Ralston.

Motion carried 5 - 0

Item #6 - Director Walter stated he only wanted this pulled due to a conflict of interest and he must abstain from voting.

Director Lowenstein made a motion to approve item #6 SETTLEMENT WITH FORTY TWO CORPORATION - RICHARD L. HORD SUBSTATION TRANSMISSION LINE EASEMENTS; seconded by Director Ralston.

Motion carried 4 - 0

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh reminded the Board of the Special Board meeting on Wednesday, October 30, 1996 on the IDO project.

ATTORNEY

Mr. Brinson stated as part of Statute #286.011 he is requesting that an Attorney/Client session be held pursuant to the Statute which means we need to close this meeting and have an open meeting at which point in time we will announce there will be an Attorney/Client session. The session will last approximately forty-five to sixty minutes. This will be concerning present and ongoing litigation. Mr. Brinson said this session had been publicized and the entire session would be transcribed by a court reporter. Everything that is said would be made a matter of record and the minutes taken at this meeting would not be made a public record until after the litigation is closed.

DIRECTORS

Director Lowenstein commented that through his travels to Ireland over the last couple of weeks, one thing that stood out in his mind is that the utilities there are trying to lure industry and by luring industry, reduce the cost to them to make it viable in order to get people to work. Director Lowenstein said this is something that should be looked into for the future and he feels we could be quite effective in this manner.

Director Ralston stated that as a new Board member he accepts this responsibility very seriously and he would try to learn all the issues as well as he can and just try to do what's right.

Director Guthrie stated he was in receipt of a copy of a letter from Mr. Richard Herring concerning KUA's travel and training policy. Director Guthrie stated he would like to refer this to


CHAIRMAN

ATTEST:


SECRETARY

Attorney Brinson for an opinion at some later date.

ADJOURNMENT: Meeting adjourned at 9:00 p.m.