

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, NOVEMBER 20, 1996 AT 6:00 PM, BRINSON BOARD ROOM, ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

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

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

**B. AWARDS AND PRESENTATIONS**

**1. 15-YEAR SERVICE AWARD - RANDY CHRISTIAN**

Mr. Welsh stated that Randy came to work for KUA as a Groundman in 1981 and then went into the Power Supply department as a Dispatcher. Randy has worked his way up to the position of Supervisor of Dispatch Operations. Randy has been commended for his outstanding performance in handling customer problems and with KUA's admission into the FMPP, Randy has also shown his capability of adaptation into this new environment.

Randy was unable to attend the meeting, but his 15-year service award will be presented to him by his Department Director at a later date.

**2. 5-YEAR SERVICE AWARD - MARY JO CAPONE**

Mary Jo began working for KUA in 1991 as a Cashier in the Customer Service Department. Mary Jo came to KUA with over twenty years of banking/cashier related experience. Mary Jo has taken on the important responsibility of tracking the cycling of disposable items so all materials are retained for at least one week.

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

**3. 5-YEAR SERVICE AWARD - CAROLYN SCOTT**

Mr. Welsh stated Carolyn started working as a Clerical Assistant in the Power Supply department in 1991 and in 1992 Carolyn was promoted to Administrative Secretary. In June 1995 Carolyn was promoted to Executive Secretary in the Executive department and then in January 1996 promoted to Assistant to the President and General Manager. Mr. Welsh said Carolyn is always a pleasure to work with and is very professional in all her business activities.

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

**4. APPA ANNUAL REPORT AWARD**

Mr. Welsh stated this is a tremendous honor for KUA to be the recipient of the Award of Excellence for the 1996 Annual Report

Contest. The contest, sponsored by the American Public Power Association (APPA) recognizes APPA-member utilities for annual reports that are well written, creative and provide clear and complete financial data.

Mr. Welsh said the talent of Chris Gent needs to be recognized for the publication itself and the information inside the report comes from the Finance department.

Chairman Hord presented the award to Joe Hostetler, Director of Finance and the other Board members joined him in congratulating Joe.

#### **5. EMPLOYEE OF THE MONTH - JESSIE CANDLE**

Mr. Welsh stated that Jessie Candle was here for a very special award tonight and that was the Employee of the Month award.

Mr. Welsh said Jessie has an eagle eye at catching anything that could slip through the cracks before a customer finals. Mr. Welsh stated Jessie always has a positive attitude and is never too busy to help someone solve a problem. Jessie has been very active in KUA activities including serving on the EOC, the Walkathon and the Bowlathon. Mr. Welsh said Jessie has a wide ranging knowledge of the inner workings of utility billing and has developed methods for ensuring the correctness and timeliness of the final billing process. No job is too big or too small for Jessie.

Chairman Hord congratulated Jessie and presented her with a plaque. Director Guthrie presented Jessie with a bond. Jessie will receive a special parking space for the month and a day off with pay.

Mayor Attkisson arrived at 6:15 p.m. Chairman Hord welcomed the new Mayor to the Board.

#### **C. HEAR THE AUDIENCE**

Mr. Steven Bailey, 1409 Bermuda Avenue, Kissimmee, Florida stated he has a home-based business providing information and selling energy efficient lighting to businesses here in Florida. Mr. Bailey had information from the University of Central Florida in that they have a loan program to provide assistance to businesses to do retrofit lighting. Mr. Bailey said he visits many businesses and takes audits, which he has gotten assistance on from KUA's energy conservation department and one of the questions always asked is how much is the bulb. Mr. Bailey asked the Board if they might take a look at the funds that are provided through the loan program at the Florida Energy office and find out if some of those funds could not be diverted to a rebate program. Those funds provide loans to purchase the bulbs, put them in and then pay back the loan through their energy savings. Mr. Bailey said to purchase a bulb in the rebate program would give them a bulb at a lower cost and give them a pay back a lot sooner. Mr. Bailey stated these were compact fluorescent bulbs which KUA recommends in retrofit projects. The duration for this type of bulb is normally 10,000 hours.

Chairman Hord stated the Board is interested in anything that will conserve energy, but without knowing more details the Board could not give Mr. Bailey an answer tonight. Chairman Hord

suggested that Mr. Bailey and a staff member get together to find out the details, do some research and then the Board will take it into consideration.

Mr. Welsh stated that Ms. Chris Beck, Director of Customer Relations would be contacting Mr. Bailey to coordinate this. Ms. Beck would also be working with Mr. Ben Sharma, Director of Power Supply to evaluate this energy conservation program for its cost effectiveness.

D. PUBLIC HEARING - No comments

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

F. OLD BUSINESS

G. NEW BUSINESS

1. BOND SERIES 1987 REFUNDING

Mr. Joe Hostetler, Director of Finance, stated if KUA has a need for building another unit at Cane Island, which would run in the neighborhood of \$10 million, we would want to go out in the bond market and get that money and not use internal funds. The first thing KUA would do after establishing the need and the cost would be to bring our Financial Advisor, Craig Dunlap into the process. Once Craig is brought into the loop we would develop some strategies. Mr. Ed Brinson would also be brought into the loop to review the documents along with the engineering firm, Black & Veatch. Black & Veatch would give us the assurance that what we are doing is feasible from an engineering standpoint. Our external auditors would also be brought in to do a refunding analysis and a comfort letter stating the amount of escrow money that KUA is coming up with is enough to pay off the debt of which we are replacing with new debt. Our bond counsel would insure that all the legal documents are prepared properly and what KUA is doing is in fact legal under the environment in which it operates. After an official statement which tells the whole story as to why we are doing the bond issue is prepared and after the Board gives authority to do the issue, KUA would go out and sell the bonds to a group of underwriters who in turn would sell them to investors from insurance companies, mutual funds or individual investors.

Mr. Hostetler stated at the February 21, 1996 Ten Year Plan Board meeting, for the years 1998 through 2001 KUA had projected net reinvested losses of \$1.2 to \$2.4 million. We also went below the Board's level of a 1.5 debt service coverage and we would also violate the policy parameter of a \$5 million reserve for a future capital outlay cash balance that we maintain. This was one option that was presented, but the Board was uncomfortable projecting net losses. One other option presented was for a 2.75% rate increase in 1998. Mr. Hostetler said our goal is to accomplish all the parameters without having this rate increase.

Mr. Hostetler stated during the construction of Cane Island KUA grossed up the amount of proceeds that we borrowed to cover the interest we would have to pay on the bonds during the construction period. For FY 1997 the amount of money between \$10.4 million and \$17.9 million was covered by capitalized interest which means you don't pay the interest expense on the bonds during construction out of the money you collect from the customer. The bond proceeds pays that for you. 1997 is the last year that will occur and in 1998 KUA will have to pay the entire \$18.1 million out of current operations and that is the hurdle we are trying to get over. If KUA can pay this without a rate increase, we will be home free for the remaining ten year period because our growth will keep us above the level that we will have to be at to maintain all the parameters and to pay the interest.

Mr. Hostetler stated we would like to refinance the 1987 bonds because we have debt sitting out there that has an interest rate higher than what the current market is today. Mr. Hostetler said the call date on these bonds is October 1, 1997.

Mr. Hostetler stated when we get into the ten year plan and see what 1998 looks like, we are going to take a hard look at the O & M expenditures. If we have to, we can delay some capital improvements and keep that money in the bank earning interest which will help on the income statement.

Mr. Hostetler said one option is to do a pure refunding around July 1, 1997 and based on the recent rates this would be a savings of approximately \$3.5 million. Another option is to do a forward refunding, but the savings drop quite a bit because we would be paying somebody a premium to accept the risk that we would accept between now and July 1, 1997. The other option is a taxable tax exempt issue with a premium risk that we would be transferring and we would have to pay for that.

Mr. Hostetler stated he does not want to pay a premium to investors to accept the risk and he would rather wait to do the refunding. The critical thing is how the Board feels about a possible rate increase because there may not be savings out of the refinancing because the interest rates are not favorable. Mr. Hostetler said he doesn't want to put in a rate increase because we are approaching deregulation and the customers will remember this increase when competition comes.

Director Lowenstein stated deregulation is in the wind and if we are running this tight how will it affect us. Mr. Hostetler said if deregulation comes, we obviously do not want any rate increases or we will lose our customers. Mr. Hostetler said by doing a refunding we would lower our interest costs which would help in a competitive environment. Mr. Hostetler said the risk is if we don't do anything now and we wait, we may miss an opportunity of getting lower debt because it will not be economically feasible to do it.

Director Lowenstein made a motion to approve staff's recommendation to work with the bond counsel, etc. to be prepared to do the refunding, but not to authorize the refunding until it is brought back to the Board by staff. Also approved Resolution No. R96-10 which authorizes staff to proceed with the development of the necessary documents and to advertise or negotiate for a proposal to purchase the Electric System Refunding Revenue Bonds and approved the Engagement Letter for Robert Freeman, Squire, Sanders & Dempsey for an amount not to exceed \$65,000; seconded by Director Guthrie.

Motion carried 4 - 0

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

Mr. Welsh said no verbal presentation was planned. Mr. Jeff Sizemore, Engineer, was available for any questions or comments.

2. MONTHLY CONDENSED FINANCIAL REPORT - OCTOBER 31, 1996

Mr. Joe Hostetler, Director of Finance, gave a brief presentation on the monthly financial report. Mr. Hostetler went over the sales graph and explained that we are 7% below the budgeted sales for the month of October and year to date we are 7% below budget.

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.

Director Lowenstein asked if we are in good shape with FMPP. Mr. Welsh said yes, that is correct.

4. SELECTED DEPARTMENT HIGHLIGHTS - CUSTOMER RELATIONS

Ms. Chris Beck, Director of Customer Relations, gave a brief presentation highlighting several programs and projects from the Customer Relations department.

**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 Lowenstein asked that item #4 be pulled.

Director Lowenstein made a motion to approve items 1, 2, 3, 5, and 6; seconded by Director Ralston.

1. APPROVAL OF MINUTES OF OCTOBER 23, 1996 REGULAR MEETING
2. APPROVAL OF MINUTES OF OCTOBER 30, 1996 SPECIAL MEETING
3. ADDENDUM TO SQUIRE, SANDERS & DEMPSEY L.L.P.
5. CONTRACT FOR INTERCHANGE SERVICE BETWEEN KUA AND PAN ENERGY TRADING AND MARKET SERVICES, L.L.C.
6. CONTRACT FOR INTERCHANGE SERVICE BETWEEN KUA AND AQUILA POWER CORPORATION

Motion carried 4 - 0

Item #4 - Mr. Dennis Wick, Director of Information Systems, stated the recommended upgrade of the AS/400 has been in the Ten Year Plan and was approved in the FY 1997 adopted budget. Due to competitive incentives and IBM promotional activities our scheduled increase in disk storage is not only coming in 10% under budget, but will include a significant performance upgrade as well.

Director Lowenstein made a motion to approve item #4 AS/400 UPGRADE; seconded by Director Guthrie.

Motion carried 4 - 0

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

**GENERAL MANAGER**

Mr. Welsh stated he has had some discussions with Mayor Attkisson about the brand new City Commission (60% of them are new) and they thought it would be a good idea if there was a joint meeting of KUA and the City Commission sometime in the next few months to acquaint the Boards with each other and also to acquaint the City Commission a little bit more with the municipal electric utility industry in Florida. Mr. Welsh said he has asked Barry Moline, Executive Director of Florida Municipal Electric Association (FMEA) to do a presentation at the meeting and also would like to invite Ken Medlin, head of AT&T in Central Florida to explain how deregulation affected his industry.

Mr. Welsh and the Board agreed to have this meeting on Wednesday, February 12, 1997 at 6 p.m.

**ATTORNEY** - No comments.

**DIRECTORS**

Mayor Attkisson stated he looked forward to four years of sitting on the KUA Board and thanked everyone for the warm welcome.

Director Ralston congratulated the new Mayor and welcomed him.

Director Guthrie welcomed the Mayor and said he was glad to have him here. Director Guthrie asked Mr. Brinson if the lawsuit went to the jury. Mr. Brinson said he hadn't heard anything, but Mr. Welsh said the latest word he had was the jury would begin deliberating tomorrow.

Chairman Hord stated item K - Management Review was being pulled from the agenda and would be scheduled for another time due to the fact that one of the Board members was absent.

  
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CHAIRMAN

ATTEST:

  
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SECRETARY

**ADJOURNMENT:** Meeting adjourned at 7:40 p.m.