

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, JUNE 25, 1997 AT 6:00 PM, BRINSON BOARD ROOM, ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA.

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

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

B. **AWARDS AND PRESENTATIONS**

1. **10-YEAR SERVICE AWARD - JIM GREEN**

General Manager Welsh announced that Jim Green could not attend the Board meeting to receive the 10 year award. Mr. Welsh recognized Jim for the 10 years of wonderful service he has given to KUA and noted that he is presently a Power Plant Operator. Ben Sharma accepted the award on behalf of Jim to be given to him at a later time.

2. **10-YEAR SERVICE AWARD - MARY JOHNS**

Mr. Welsh announced that Mary Johns would be receiving a 10-year service award and gave a brief history on her employment with KUA. He indicated that Mary Johns and Estelle Pulaski have worked together in the Finance Department for many years and because of that he wanted to present their awards at the same time.

3. **10-YEAR SERVICE AWARD - ESTELLE PULASKI**

Mr. Welsh gave a quick history on Estelle Pulaski's employment with KUA and thanked her for the ten (10) years of service. Estelle and Mary were presented their awards by Vice-Chairman Walter and both were congratulated by the General Manager and the Board members for their service to KUA.

4. **EMPLOYEE OF THE MONTH - STEVE CARTER**

The General Manager announced that the Employee of the Month for July was Steve Carter. Steve was unable to attend the Board meeting to accept the award. Mr. Welsh said that Steve was nominated by multiple nominations from other employees outside of his department. Steve is currently a Meter Technician in the Engineering Department. He will receive an Employee of the Month Plaque, a special parking space, a check, and a day off with pay. The plaque and check were given to Ken Davis for presentation at a later time.

Mayor Attkisson arrived at 6:10 p.m.

C. **HEAR THE AUDIENCE** - None.

D. **PUBLIC HEARING**

1. **RESOLUTION NO. 97-1 - FISCAL YEAR 1998 BUDGET**

General Manager Welsh announced that the budget process began in January of this year and several workshops have been held on the 1997-1998 budget. Joe Hostetler, Director of Finance, was introduced and gave the presentation on the Final Budget. Mr. Hostetler noted that since the budget was reviewed extensively at the May Board meeting, he would present only the highlights. He

requested discussion on the establishment of the new rate stabilization fund or the debt defeasance fund, the proposed rate decrease and the refunding of the Series 1987 bond issue. Mr. Hostetler emphasized that the \$1.8 million decrease is a sustainable rate decrease that can be maintained. He reported that this decrease was obtainable by the departments holding their controllable costs to the 1997 budget level for the 1998 budget and the refunding of the 1987 Bond Series. Mr. Hostetler reviewed the projected megawatt sales as opposed to actual sales and the original budget compared to the amended budget. It was noted that the total 1998 budget was amended to \$98,858,408. This reflects the 2.5% decrease and other items taken into consideration since the May 1997 Board meeting.

Director Lowenstein asked if the interest on the bonds has varied very much in the last six months and noted that the stock market has not been consistent in the last few days and that might affect the bond interest. Joe Hostetler said he did not see a significant difference in the rates. He assured the Board that as KUA begins to approach the actual issue and the need to return to the Board becomes evident, the Board will be informed.

Vice-Chairman Walter asked if anyone in the audience would like to speak on the Budget Resolution.

Mr. Richard Herring, 514 Verona Street, Kissimmee, Florida stated that the Public Service Commission requires that public utilities hold commercial deposits for two years. Mr. Herring questioned why KUA holds commercial deposits for three years. General Manager Welsh said this is a more conservative approach to protecting the revenue stream. Mr. Herring said that going into deregulation KUA should think about keeping the deposits for only two years and giving back some of the interest. Chris Beck, Director of Customer Relations, confirmed that KUA keeps the commercial deposits for three years and pays compounded monthly interest to the customer. She indicated that some of the larger utilities are looking at the customer's credit rating and establishing their amount of deposit from those ratings. Mr. Welsh concurred with Mr. Herring that KUA should be more competitive.

Mr. Herring commented on the 1998 Annual Budget Report. He said that he felt the 2.5% rate decrease would not impress the ratepayers. He continued to say that people are not complaining about the high rate because KUA gives good service. He suggested that KUA take the \$1.8 million and reduce the debt. Mr. Herring complimented the Board on trying to get a reduction, however, he did not know if the rate reduction was a wise thing to do.

Motion by Secretary Guthrie, seconded by Director Ralston to accept staff's recommendation and approve the Fiscal Year 1998 Budget and Resolution No. R97-1.

MOTION CARRIED 4 - 0

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION) - None.

F. OLD BUSINESS

1. FIBER FOR COMMUNITY SUPPORT

General Manager Welsh introduced Ken Davis, Director of Engineering. Mr. Davis noted that after the last Board meeting, staff was directed to come back with guidelines for the Fiber for Community Support function. He was asking for approval of the concept of providing fiber optic services as a community support project on a case-by-case basis. Mr. Davis said each project would be brought to the Board for approval and he noted that KUA has

prepared a policy statement to cover this. He made a correction to the last paragraph of the policy statement. It should have read, A...agencies using the ICN or KUA, at the discretion of the..@.

Vice-Chairman Walter asked how the current procedure for waiving fees for fiber optic service is outlined. Mr. Welsh answered that without the policy statement KUA is not in the business of doing this at all.

Ken Davis noted that the KUA Board gave approval in May 1996 for the General Manager to sign agreements (similar to line extensions) and not be brought back to the Board.

Vice-Chairman Walter asked if the Board could consider waiving fiber optic fees without having a policy. It was his opinion that the policy would not be needed, since the special instances have to come back to the Board.

Secretary Guthrie noted that he did not have any particular concerns. He said that all the individual cases have to come back to the Board and the policy may be unnecessary. He further stated that the policy does set guidelines for work not currently being done. Mr. Welsh explained the difference in having a set policy and not having a policy.

Vice-Chairman Walter said his concern was that there are no guidelines in this policy to effectively create a cost benefit. Mr. Walter also said that in trying to create goodwill we could in fact create the opposite.

Ken Davis emphasized that the number one consideration when determining which agencies will receive the fiber optic system without cost, will be whether or not it will be good for the overall development of the system. He said it would be difficult to put a dollar amount on this service.

Mayor Attkisson added that the major government agencies would understand what KUA procedures for installation of fiber optics would be and a written policy would not be necessary. He said he thought it was an excellent idea to build the network but he did not foresee it being built on charity. He also said he thought the government agencies could afford to build it.

Director Ralston asked if this fiber optic system installation would be for more than just governmental agencies. Mr. Davis replied that for this particular type of concept those are the targeted agencies. He noted this would continue to build KUA's infrastructure of fiber optics.

Mr. Welsh suggested that this policy be reworked and staff would prepare an itemization on the criteria for the program. He recommended it be brought back to the Board at a later date.

Motion by Director Lowenstein, seconded by Director Ralston to direct staff to better define the policy statement for the Fiber Optic Services.

MOTION CARRIED - 4 - 0

Director Ralston reported that he had attended a meeting last week and had discussions about bundling services, using telecommunications and fiber optics. He said he thought the fiber optic service is very important but he also wanted the resolution to be better defined. Mr. Welsh noted that anytime we expand the institutional communications network, it creates a more valuable network for KUA.

G. NEW BUSINESS**1. TRANSFER OF FUNDS TO COVER CRYSTAL RIVER UNIT 3 OUTAGE EXPENDITURES**

General Manager Welsh noted that KUA has been part owner of Crystal River 3 (CR3) for many years and this is the first time KUA has had a major departure from their budget due to expenses associated with outages. Ben Sharma, Director of Power Supply, reported that the CR3 problem started as a small one and compounded into a larger problem. Florida Power has estimated each participant's share of the cost of the current long outage and several significant modifications of the CR3 nuclear unit. Mr. Sharma reported that after you subtract the amount already proposed in the 1997 and 1998 budgets, the total amount to be paid would be \$904,874. He said this amount would be transferred from Reserve Funds if Board approval is received.

Vice-Chairman Walter noted that this is a bill just like any other bill since we own a part of Crystal River. He said the only concern would be to verify that these are legitimate charges.

Director Lowenstein expressed optimism that this will not happen during the 1998 budget year.

Motion by Director Lowenstein, seconded by Secretary Guthrie to accept staff's recommendation and authorize the transfer of \$904,874 from the Reserve for Future Capital Outlay to CR3 (dept. 1122) budgets for FY 1997 and FY 1998 to be distributed as shown in the agenda item.

MOTION CARRIED 4 - 0

Director Ralston asked for verification on the amounts listed in Mr. Sharma's report on the Operations and Maintenance expenditures. He asked Mr. Sharma if it costs more to operate a nuclear unit than the other types. Mr. Sharma said it does take more and Mr. Welsh also agreed. After further discussion, it was determined that Mr. Ralston's question was "Does it take more to operate a nuclear unit when it is non-operational than when it is operating?" Mr. Sharma then noted that most of the costs listed in his report are maintenance costs, not operating costs. Mr. Sharma reported that KUA owns .6754% of the CR3 plant.

2. OSCEOLA ECONOMIC DEVELOPMENT TASK FORCE (OEDTF)

General Manager Welsh noted that there is a group in the County that has been meeting on an informal basis to discuss economic development issues within this county. He noted that the group is composed of elected or appointed members of each of the five governmental entities in the county and also staff members from these entities. He said that at the last meeting it was the consensus of the group to obtain direction from each individual board on appointing a board member and staff member to the OEDTF. Chairman Hord has taken part in these meetings and Mr. Welsh noted that Mr. Hord told him at that he would make himself available if the Board so desired to appoint him to this task force. Mr. Welsh said that Mr. Hord indicated he would also support any other nominations. Mr. Welsh recommended that the KUA Board of Directors appoint one of its members to the newly established OEDTF and that the President and General Manager of KUA or his designee also be named to represent KUA on the task force.

Motion by Director Lowenstein, seconded by Director Ralston to nominate Richard Hord and President and General Manager Jim Welsh to represent KUA on the Osceola Economic Development Task Force.

Richard Herring asked permission to speak to the motion. Mr. Herring asked who the board represented. Discussion was held on the Florida Sunshine Law and if the task force would be governed by this law. Mr. Herring voiced his opinion by saying another layer of bureaucracy has been created.

Attorney Ed Brinson said that this Board (OEDTF) would probably be governed by the Sunshine Law and would have to comply.

Director Lowenstein and Director Ralston withdrew their motion.

Mayor Attkisson said the city would be involved in some way also. He said it was his understanding that the agencies involved would be asked to share monies to the cause and public records would have to be kept. General Manager Welsh said he did not think it was the group's intentions to not comply with the Florida Sunshine Law.

Vice-Chairman Walter suggested that the agenda item be tabled and returned to the Board when Chairman Hord could be present. He noted this would give Chairman Hord an opportunity to express his opinion. Director Ralston agreed with comments made by Mr. Herring. Secretary Guthrie said he would like to know more about this task force and why it is needed.

It was the consensus of the Board to bring the agenda item on the Osceola Economic Development Task Force back to the July Board meeting.

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.

Secretary Guthrie questioned why the Hord Substation was under budget by such a large amount. Mr. Davis noted that when originally budgeted, there were costs for purchase of property and purchase of right-of-way. He explained that previously purchased KUA property was used and the purchase of right-of-way was much less than expected. Mr. Welsh directed the Board's attention to the revised cost estimates on the report which is revised each month.

2. MONTHLY FINANCIAL REPORT - MAY 31, 1997

Director of Finance, Joe Hostetler presented the condensed financial report for the month of May, 1997. Mr. Hostetler noted that KUA is 8% behind budget for megawatt hour sales only. He emphasized that the bottom line is much better than budgetary figures that were proposed for this month. Mr. Hostetler gave a presentation which included the year-to-date Budget for 1997, Excess (Deficit) Sales Over/(Under) Budget, Billed Revenue Summary - Base Month and Year to Date, and Sales by Class, Demand, Customer Charge and Surcharge Variances Metered Sales Revenue variance. He did note that year-to-date KUA has almost \$5 million of savings from actual to budgeted. There were no questions or comments.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

Mr. Welsh announced that a written report has been prepared and Mr. Ben Sharma, Director of Power Supply, was present if there were any questions.

Director Lowenstein asked for an explanation on the amount of generation dollars at CR3. He also asked questions about the diesel unit operations. Mr. Sharma verified that the amount for generation was \$7,085.85 and he explained that the diesel units are more expensive to run. Director Lowenstein drew attention to the FMPP adjustment listed in the report. Mr. Sharma pointed out that the power pool is selling to Georgia and all utilities within this pool will benefit.

Mr. Welsh noted that the COPCA for the month of July will decrease by 25%.

4. **SELECTED DEPARTMENT HIGHLIGHTS - PERSONNEL & RISK MANAGEMENT**

Neville Turner, Director of Personnel & Risk Management, gave a presentation which highlighted all the insurance activity for KUA. Those highlights included Workers Compensation, Health Insurance, Dental Insurance, Life Insurance and Retirement. There were no questions or comments.

5. **KISSIMMEE UTILITY AUTHORITY-S HOME PAGE - INFORMATION SYSTEMS**

Dennis Wick, Director of Information Systems, was introduced by General Manager Welsh. Mr. Wick gave a brief background on the history of the KUA Home Page. He gave a computer presentation and provided direction to those present on how to access the home page. Also he went over the agencies that could be accessed from the KUA home page. Mr. Wick noted that Professor Jim Johnson, Program Director of Computer Technology at Valencia Community College, has aided KUA in the development of the security devices for this service. Professor Johnson is on a work study program at KUA as an intern. Mr. Welsh thanked Professor Johnson for his help and expertise.

Director Ralston asked if this could be used for Customer Service transactions. Mr. Wick reported that in the near future, all of the functions now performed by the Phone Bank in Customer Service will be able to be accessed on the Internet. Director Ralston also inquired about search engines and licenses.

Secretary Guthrie reported that recently a Request For Proposal for the Power Supply Contract was published on the InterNet. He further stated that out of 50 vendors, only two or three asked for paper hard copies with the remaining vendors getting the information off of the Internet. President Welsh confirmed these figures.

Mayor Frank Attkisson made the suggestion to use this tool to help in marketing efforts for KUA. He said that this could be used for advertising for some of KUA's commercial customers and General Manager Welsh suggested this be named Customer Links. It was the consensus of staff that this would be a great idea.

6. **NUISANCE OUTAGES CAUSED BY WILDLIFE - TRANSMISSION & DISTRIBUTION**

Director of Transmission & Distribution, Ken Lackey, brought in a scaled down model of a distribution pole with all the hardware. Mr. Lackey explained the function of each part on the pole and the approximate cost of each. He noted that KUA has identified the majority of power outages/operations as being caused

by various wildlife. He also said the larger number of these incidents have been caused by squirrels that have gotten between the energized conductors and a grounded piece of equipment. Mr. Lackey presented several improved wildlife protectors that should improve these outages.

Mayor Attkisson asked if the developer has an option to put electric lines overhead or underground. Mr. Lackey said it is their option, however, it was noted that it is a City Ordinance that electrical lines in the City are required to be underground. Discussion was held on the cost to KUA of overhead installation versus underground installation. Mr. Lackey said the underground is more expensive initially but has less maintenance calls.

I. CONSENT AGENDA

Motion by Director Lowenstein, seconded by Director Ralston, to approve the consent agenda with corrections as noted.

1. **APPROVAL OF MINUTES OF APRIL 23, 1997 REGULAR MEETING**
2. **APPROVAL OF MINUTES OF MAY 21, 1997 SPECIAL MEETING**
3. **APPROVAL OF MINUTES OF MAY 28, 1997 REGULAR MEETING**

MOTION CARRIED 4 - 0

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

General Manager Welsh reported that he was elected to the American Public Power Association Board of Directors for a three year term. He said that the next three years would be a very interesting time with all the changes coming up within the industry and would be a very beneficial time.

Mr. Welsh also referred to the article in the June 25th newspaper which reported on the City Commission Meeting from Tuesday, June 24. Mr. Welsh said the City Commission did not take action and indicated that Mayor Attkisson planned to comment on this.

ATTORNEY - No comments.

MAYOR ATTKISSON

Mayor Attkisson reported that he made a formal presentation to the City Commission on June 24th. The Mayor said he looked at three areas to bring in industry: the airport area, the parkway area and the commercial U.S. 192 area. His suggestion was for the City to study the effect of a \$0 property tax for those areas along U.S. 192. He said for the City to be able to do this, there may be a need for extra cash in the next few years. Mayor Attkisson suggested that KUA maintain their current rates. Instead of reducing rates in October, KUA could take the extra dollars and transfer them to the City to specifically be used for this service.

He further stated that as KUA goes into deregulation, the City would return the money back to KUA if needed. This would allow the City to tell developers they must use KUA's service if they want to annex into the City without the ad valorem tax. Mayor Attkisson said he needed to meet with Chairman Hord and exchange a flow of ideas to see if this would be something practical for KUA to do.

Vice-Chairman Walter said that the Mayor should talk with the Chairman. He also said that the material printed in the paper and what was being presented to the Board were difficult to discern. He said his concern was that the Board's function is to run the most cost-effective utility for the customers as possible. Vice-Chairman said that the rate decrease may have not been much but if KUA continues to decrease rates, it soon adds up to a significant amount for our operation. He said KUA keeps getting more and more efficient and we continue to provide quality service. Vice-Chairman Walter further stated that he has not heard all the concepts but he hoped KUA continues to be a lean, more efficiently operated organization and that we contribute those savings, as much as we can, back to the customers.

DIRECTOR LOWENSTEIN

Director Lowenstein asked if KUA is prepared for hurricane season. General Manager Welsh said that KUA is prepared as possible and the whole staff goes through a day of emergency preparedness to get ready for hurricane threats. Ken Lackey reported that the Hurricane Disaster Plan is updated each year in March.

Director Lowenstein also added that even though some of those present said the 2.5% decrease in rates is "just a trickle"; three or four years ago, KUA decreased rates by 15%.

DIRECTOR RALSTON

Director Ralston noted that he found out at the recent APPA conference that several states will be fully deregulated in January and that every other state in the union with the exception of Tennessee is working toward deregulation. Director Ralston said that KUA would not be defending a territory in the future, but kilowatt hours would be a commodity. He also questioned if KUA has begun to cut enough to become competitive. His concern was that he did not foresee customers wanting to pay more for electricity and not have a property tax. He said he wanted to know more about Mayor Attkisson's concept.

SECRETARY GUTHRIE - No comments.

VICE-CHAIRMAN WALTER - No comments.



CHAIRMAN

ATTEST:



SECRETARY

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