

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, JULY 23, 1997 AT 6:00 PM, BRINSON BOARD ROOM, ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA.

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

A. MEETING CALLED TO ORDER at 6:00 PM by Chairman Hord.

B. AWARDS AND PRESENTATIONS

1. 15-YEAR SERVICE AWARD - CAROLE CASTO

General Manager Welsh announced that Carole Casto would be honored with a 15-year service award. Mr. Welsh said Carole would be unable to attend but would be given her award at a later time. He noted that Carole worked for the City of Kissimmee and began with KUA in the Customer Service Department in 1982. She is a Distribution Service Specialist in the Transmission & Distribution Department. Mr. Welsh emphasized that with Carole's diverse background she understands the inner workings of KUA and this makes her a valuable employee when working with customers and contractors.

2. 10-YEAR SERVICE AWARD - PAT MOYHER

General Manager Welsh presented Pat Moyher with a 10-year Service Award. He noted that Pat started with KUA as an Apprentice Electrician in 1987 and he is working as an Electrician in the Power Supply Department at the Cane Island facility. Mr. Welsh noted that Pat has done quite a bit of cross training which makes our production division more and more efficient. Pat was thanked for his service by Mr. Welsh and was introduced to the Board of Directors.

3. EMPLOYEE OF THE MONTH - BILL FISHER

Bill Fisher was asked to come forward and receive the Employee of the Month Award. General Manager Welsh reviewed the process of selection for the Employee of the Month and noted it was an honor to be selected for this award. Mr. Welsh said that Bill Fisher has been with KUA for six years and works as a Planner in the Engineering Department. He noted that it has always been a pleasure to work with Bill and he thought the award was well deserved. Bill was also introduced to the Board of Directors and was presented with the award and a \$50 check. Vice-Chairman Walter announced that Bill would also be receiving a day off with pay and a designated parking space.

C. HEAR THE AUDIENCE - None.

D. PUBLIC HEARING - None.

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)  
None.

**F. OLD BUSINESS**

**1. TELECOMMUNICATION STRATEGIC PLAN STUDY BY R.W. BECK**

General Manager Welsh noted that this study has been underway for quite some time. He asked Director of Engineering, Ken Davis, to highlight the process that was taken for the study. Mr. Davis noted that the study was completed by R.W. Beck to help plan what needs to be done with the KUA telecommunication system both for KUA's needs and potential revenue or other uses of the system. Mr. Davis said that the study indicated that there is not a large amount of interest from the commercial market for using the system. He said most of the interest comes from the City, County and school system.

Ken Davis introduced Steve Stein and Sean Croup from R.W. Beck. Mr. Croup gave a short visual presentation of the report. He noted that the purpose of the report was to find a way to maximize the use of the fiber optic system that KUA has in place and different ways to increase the revenue for KUA. He reported that strategic planning interviews were held with staff and it was indicated that the report should take a conservative approach. Interviews were conducted with some of the local agencies and area companies to determine their interest in the fiber optic system. Mr. Croup noted that from these discussions, a set of strengths, weaknesses and threats were determined to see what was best for KUA. He reviewed these evaluations with the Board. Mr. Croup reviewed House Bill 313 and said that it basically states that municipals will be taxed if they provide telecommunication services. He said it would require that separate records be retained and any telecommunications activity would need to operate as a separate company. Mr. Croup explained this in detail. He said House Bill 313 does not apply if KUA wants to serve a public facility. Mr. Croup reviewed the goals listed in the telecommunications study.

Bob Bobroff of 1201 East Parade Street, Kissimmee, Florida asked if the school system is included in the public facility list. Mr. Croup said the schools would be considered institutional and they have shown an interest in this concept.

Chairman Hord paraphrased and said what it comes down to is that it is a good idea to work with the intergovernmental bodies within our service territories but do this as a stand alone venture.

Director Ralston asked if hospitals fall into the public facility category. General Manager Welsh noted that we have no public hospitals in KUA's service area - they are private.

Director Lowenstein asked if intergovernmental agencies included the City of St. Cloud and how they would figure into this venture. Mr. Croup said the study did not consider them but had contacted some schools that are outside the KUA service area. He also noted that if they were interested, KUA could work with the City of St. Cloud in the same fashion as other agencies outside the service area.

Chairman Hord thanked Mr. Croup for the presentation. Ken Davis noted that KUA is currently working on the goals listed in the presentation. He said he perceived that KUA should look into each goal individually. He further stated that one of the main goals is to get the infrastructure in place for the fiber optic system.

Chairman Hord asked what the cost of the programs would be according to the presentation. Mr. Davis explained that for the most part the program is on a cost-sharing basis and some agencies will pay for the entire cost. Chairman Hord asked if KUA would be marketing this fiber optic system and Ken Davis said that KUA did not want to put that kind of investment into it since there is not a great deal of commercial interest at this time. Chairman Hord asked for clarification on what the Board of Directors should vote upon.

General Manager Welsh said that KUA's recommendation is to approve and accept the building of the Institutional and Community Network and adopt the policy statement as submitted. He noted that the policy statement has been more defined than when it was submitted last month. Ken Davis noted that primary, secondary and higher educational systems have been added to the group of agencies, as compared to only the local school board as was previously presented.

Director Ralston asked that KUA give consideration to providing Internet service to the schools if they are willing to pay for it. Mr. Welsh asked Mr. Davis if an agency connected to the KUA fiber would have an express lane to the Internet service. Mr. Davis noted that Information Systems Director, Dennis Wick, is checking into this concept. Mr. Welsh noted that KUA is looking into the possibility of becoming an Internet provider and marketing those services to a wide range of customers.

Chairman Hord asked if this would be affected by House Bill 313. Ken Davis said that this type of service is not considered a telecommunication service as described under the bill. Mr. Welsh went on to say that staff would verify this before making a final recommendation on being an Internet service provider.

**Motion by Vice-Chairman Walter, seconded by Director Lowenstein to approve and accept the building of the Institutional and Community Network and adopt the policy statement as submitted.**

**MOTION CARRIED 5 - 0**

Director Guthrie questioned the wording in the policy statement on the sharing of costs by KUA. General Manager Welsh changed the language to make the policy more clear. Director Guthrie also asked what projects requesting this service would come before the Board. Mr. Welsh revised the wording on this detail to say "No commitments of expending KUA funds shall be made for any circuits or services under items B or C prior to approval by the KUA Board."

**2. INSTITUTIONAL COMMUNICATION NETWORK**

General Manager Welsh noted that this was covered under the previous item.

**3. INTERGOVERNMENTAL TASK FORCE ECONOMIC SUBCOMMITTEE**

General Manager Welsh reported that this item was brought to the Board in June and the Board members had requested this be brought back when Chairman Hord was present. He noted that since that time the group involved with this task force has met unofficially. He said the group's consensus is that the meetings should be in the Sunshine. According to Mr. Welsh the group said there is an Economic Development Subcommittee under the Intergovernmental Task Force which involves local agencies. He said it was the group's suggestion that the entire KUA Board as a whole become a member of the Intergovernmental Task Force. There will be a meeting held on August 18<sup>th</sup> at 6:30 p.m. hosted by the County. The staff's recommendation is that the KUA Board appoint one of its members and an alternate to the Economic Development Subcommittee of the Intergovernmental Task Force.

Mr. Welsh confirmed that the committee wants a Board member and an alternate Board member. Mr. Welsh would assign himself or another member of the KUA staff for support as needed.

Attorney Brinson questioned whether it would be a problem with two Board members present at these meetings at the same time. Mr. Welsh explained that this is why they want one Board member and an alternate, so as to not have two present at one time.

**Motion by Director Lowenstein, seconded by Vice-Chairman Walter to appoint Chairman Hord as a designated Board member and an alternate to the Economic Development Subcommittee of the Intergovernmental Task Force.**

**MOTION CARRIED 5 - 0**

Director Guthrie asked for an explanation on the purpose of the group and why it is needed in view of all the other groups in the county that are trying to get economic development in the county and the region. Chairman Hord gave a brief review of the purpose of this group. He emphasized the importance of the governmental bodies banding together to expedite the competitive push in Osceola County to gather new business into the county. **Chairman Hord appointed Director Ralston as the alternate Board member for this subcommittee.**

Mr. Welsh noted that the previous Jobs 2000 was not a failure in that many good ideas came out of it. He said perhaps the Jobs 2000 committee was a precursor for this economic subcommittee.

**4. SERIES 1997 BOND ISSUE UPDATE**

General Manager Welsh noted that the Board has discussed the planned refunding of the Series 1987 outstanding bond issue over the last several months. He indicated that staff had recommended a variable rate program versus a fixed rate program. Joe Hostetler, Director of Finance, gave a presentation which showed how and why the recommendation of the staff has changed to request that the Board approve Resolution 97-2 which details a fixed rate program over a variable rate. Mr. Hostetler noted that conditions have changed and KUA does not believe the risk of variable rates (TECP or tax exempt commercial paper program) is worth the potential additional \$2 million present value savings. He noted that in order for KUA to take full advantage of the fixed rate refunding, KUA should proceed as quickly as possible.

Chairman Hord asked if the \$55 million refunding would be used for 1987 bond series only or would it also include the 1991 bonds. Mr. Hostetler informed him that this refunding is for the 1987 bonds only.

Bill Jahnes with Merrill Lynch explained the 1991 bonds. He noted they would not be refunded unless they meet the same criteria as is present for the 1987 bonds. He said that with the current move in interest rates, the bond issue request may possibly increase by \$10 million to include some 1991 bonds.

Chairman Hord asked again if the Board would be approving up to \$70 million and that was confirmed by Mr. Jahnes. General Manager Welsh indicated that the transaction that is being proposed will result in no "new" money. Refunding a bond issue is getting money but using it to pay off old bonds or "refunding" bonds so no "new" money (total debt remains about the same). When KUA builds something like Cane Island or a substation, "new" money is needed and total debt goes up.

Vice-Chairman Walter asked why KUA did not want to do a variable rate. He asked if it was because the fixed rate is at an all time low and can only increase. Mr. Welsh said that is most likely the case but the future is not for certain. He reviewed some of the advantages and disadvantages of the variable versus the fixed rate.

Joe Hostetler introduced Craig Dunlap of Dunlap & Associates, KUA's financial advisor. Mr. Dunlap reported that he had discussed with staff how the fixed rates were going to change, and out of that discussion came the decision for KUA to issue bonds through a negotiated process in lieu of a competitive process. He explained the yield curve in both variable and fixed interest rates. Mr. Dunlap explained the urgency of getting these bonds issued as soon as possible.

Director Lowenstein wanted to know what the fixed rate and the variable rate with the 1987 bonds would be today. Mr. Dunlap reviewed the comparisons. Director Lowenstein also asked about the current coupon rate.

Director Guthrie asked about the competitive process versus the negotiated process. Mr. Hostetler and Mr. Dunlap explained this and how the financial team in place plays a large part in this decision. He said the timing

issue, the flexibility issue and the supply issue are all major concerns for refunding this 1987 bond series at a fixed rate as soon as possible. Mr. Dunlap said he would make a commitment to the Board that if the bond issue is negotiated he would keep the interest rates down consistent with that of a competitive sale.

**Motion by Vice-Chairman Walter, seconded by Secretary Guthrie to approve Resolution 97-2.**

**MOTION CARRIED 5 - 0**

**G. NEW BUSINESS - None.**

**H. STAFF REPORTS**

**1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS**

General Manager Welsh noted that the engineering report is a written report and there would not be a verbal presentation. There were no questions.

**2. QUARTERLY FINANCIAL REPORT - JUNE 30, 1997**

Joe Hostetler, Director of Finance, stated that the Governmental Accounting Standard Board (GASB) has come out with a standard on investments. Mr. Hostetler summarized the new standard and indicated that he would have more details for next month's board meeting.

Mr. Hostetler handed out a corrected Capital Projects Board Report. He indicated that KUA did not meet the June budget sales for megawatt hours because of the mild weather experienced in the last few months. He emphasized that this has not affected KUA's material financial position. Mr. Hostetler gave a computer generated presentation on the revenues, expenditures and investments for this quarter. He also noted that the cost of fuel is higher this year than last year.

Chairman Hord questioned the comparison of budget versus actual for Power Supply's line item 19 under Other Operations and Maintenance, which includes a reserve amount. Mr. Hostetler reported that this was established after an outage in 1991 that required over \$1 million in repairs. Chairman Hord asked if the budget was overstated and Mr. Hostetler confirmed this. The Chairman also asked about the Professional Services budget item and Ben Sharma, Director of Power Supply said he would review this item and let the Board know in next month's report. Mr. Hostetler noted that the excess in Labor and Fringe Benefits is because of positions that have not been filled and these positions will be eliminated in next year's budget. Chairman Hord suggested strongly that when the budget is prepared next year that more accurate figures be used.

**3. COST OF SERVICE STUDY**

General Manager Welsh reported that a Cost of Service Study has been prepared to send to the Public Service Commission to approve the 2.5% rate decrease across the board.

Joe Hostetler briefly explained how a Cost of Service Study is prepared. He gave a visual presentation

on the different customer classes which KUA serves and the cost of service for each. He listed in the presentation the classes of service as Residential, General Service Non-Demand, General Service Demand, Industrial and Lighting. Mr. Hostetler indicated that a Cost of Service Study is prepared to review individual class usage and cost. He noted that since KUA is doing across the board decrease, the charts show that decrease. Mr. Hostetler pointed out that the reason for the 0% over and under recovery after the 2.5% decrease, is because of the establishment of the Rate Stabilization Fund approved by the Board recently.

Chairman Hord opened discussion of the 2.5% across the board rate decrease. He noted that KUA's biggest concern in the upcoming deregulation era should be the larger consumers. He said from the charts given, it appears that the greater demand customers are supplementing the residential customers. Chairman Hord questioned whether the 2.5% decrease should be across the board or adjusted to fit the customer usage.

Secretary Guthrie said he would be willing to look at this concept anytime, however, he pointed out that the Board has approved the 2.5% decrease to go into effect October 1 and these are the figures that should be accepted. Secretary Guthrie said the budget can be revised at any time. He said KUA is better off as far as inequities after the decrease. Secretary Guthrie said that this should have been brought up at the time of the vote.

Vice-Chairman Walter agreed with Chairman Hord and suggested that the Cost of Service Study be prepared and presented prior to any future vote on rate decreases. He said KUA has told the public that a 2.5% rate decrease will take effect October 1 and it is a little late to change.

General Manager Welsh indicated that every time a rate change has taken place, KUA has done a Cost of Service Study and looked toward more cost-based rates. He said this time that was not done and the 2.5% was applied across the board as the directors voted. He indicated that the Public Service Commission should approve the 2.5% decrease since the Cost of Service Study does not show a dramatic change. Mr. Welsh pointed out that going toward cost of service is always painful for the customer classes when talking about a rate increase. He said when decreasing rates it is easier to correct cost of service problems and it is more palatable.

Director Lowenstein agreed that there needs to be follow-through on the approved 2.5% decrease. He indicated that Chairman Hord's comment was very well taken and lower and lower rates need to be obtained to stay competitive.

**Motion by Vice-Chairman Walter, seconded by Director Lowenstein to authorize KUA staff to send the Cost of Service Study to the Public Service Commission showing the revised rate tariffs to be implemented by October 1, 1997.**

Director Ralston indicated that he would like to receive information on the individual rates for each class of customers. He was given a pamphlet which showed these individual rates.

Chairman Hord called a short break.

**4. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS**

General Manager Welsh indicated that a written Power Supply report was provided and that Ben Sharma, Director of Power Supply, was available for questions.

Secretary Guthrie asked for cost estimates on the Hansel Plant repairs. An emergency shutdown of the steam turbines occurred on June 27, 1997, which was a result of an electrical failure in a transformer supplying power to auxiliary equipment. This caused damage to bearings on Steam Turbine No. 22 and its generator. The damage was the direct result of lubricating oil supply starvation to the bearings when the auxiliary power supply failed. Ben Sharma gave an update on the status of those repairs. Discussion was held on the bid process and the length of time the unit will be out of service. Jeff Ling, Manager of Production in Power Supply, estimated that the down time would be approximately two months.

Chairman Hord was concerned about how much money was being lost by this outage. General Manager Welsh estimated maximum \$5,000 to \$6,000 per week would be lost. He did note that the insurance would cover the cost of repairs after the \$50,000 deductible. Jeff Ling reported that the Power Plant has some spare parts in stock that will be used and this will save money and time on the repairs. Mr. Ling also explained the bid process on the steam turbine repairs.

Director Lowenstein wanted to know why KUA does not hire the first company who can perform these repairs instead of waiting for bids. General Manager Welsh indicated that KUA wants to get the best price and service for the dollar. He also said that the insurance money is handled as if it were KUA's money.

**5. SELECTED DEPARTMENT HIGHLIGHTS - INFORMATION SYSTEMS**

Dennis Wick, Director of Information Systems gave a brief presentation on the Records Management Operations of KUA. He explained the retention methods of optical storage and how it is used to comply with the state retention regulations. There were no questions or comments.

**6. MARKETING UPDATE**

General Manager Welsh introduced Chris Beck, Director of Customer Relations. Ms. Beck gave a briefing on the Marketing Plan and Key Accounts Program. She emphasized that the Marketing Plan is just that, and is not a public relations plan. Ms. Beck's presentation included the strengths, weaknesses, opportunities, and threats as they pertain to KUA in the marketing territory. The new marketing team members are Chris Beck, Ken Davis, Docily Perry, Charles Lee, Robert



Miller, Chris Gent, Dennis Wick and Jonathan Schaeffer. Ms. Beck noted that the final presentation on the Marketing Plan should be made at the September board meeting. She briefly outlined the goals of this marketing team.

Director Lowenstein commented that the first thing consumers will look at is price, then reliability and suggested the presentation reflect this. General Manager Welsh agreed with this suggestion.

Ms. Beck reviewed the Marketing Plan's strategic alliances, rate decreases, system reliability, and contract rates and how these may affect KUA customers. Ms. Beck thanked Joe Hostetler for his efforts in helping to prepare this plan.

Director Lowenstein asked if outside consulting firms should be engaged in preparing the contract rate structure. General Manager Welsh said to save dollars this is being prepared in-house by KUA staff. Mr. Welsh expressed the importance of being able to do this in-house because in the future the rate-making process may be undertaken more than once a year. He continued by saying that it is important that staff understand what KUA's true cost of service is and be able to make these decisions.

Chris Beck reviewed the Key Account Program and thanked Chris Gent for his help in producing an article in the Public Power magazine. This article was handed out for review by the Board. She also gave credit to Chris Gent for the annual report and emphasized how this report has become a good marketing tool.

Chairman Hord suggested that staff go to the key accounts and work with the energy managers in their companies. General Manager Welsh said that is currently being pursued.

Director Lowenstein noted that in a recent meeting he had attended it was noted that if a utility wants to come into a territory, then they have to give the local utility the right to also service their area. He questioned KUA's ability to compete with the larger utilities such as ENRON.

General Manager Welsh reported that he recently talked with the City Manager about having a joint meeting of The City and the KUA Board. The discussion centered around having speakers at the meeting to give updates on deregulation.

**I. CONSENT AGENDA**

**Motion by Director Lowenstein, seconded by Vice-Chairman Walter to approve the consent agenda.**

1. APPROVAL OF MINUTES OF JUNE 25, 1997 REGULAR MEETING
2. POLICY DIRECTIVE NO. D97-2 - POLICY DIRECTIVE ON GENERAL COUNSEL

**MOTION CARRIED 5 - 0**

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

GENERAL MANAGER - No comments.

ATTORNEY - No comments.

DIRECTOR LOWENSTEIN - No comments.

DIRECTOR RALSTON - No comments.

DIRECTOR GUTHRIE - No comments.

VICE-CHAIRMAN WALTER - No comments.

CHAIRMAN HORD

Chairman Hord noted that somewhere in the not too distant future, in economic development, incentives will be offered from and by various groups or agencies. He noted there has never been a reason to talk about this at KUA but now that KUA is going into a marketing program, it is important that this be reviewed. Chairman Hord asked whether KUA should amend the upcoming 1997-1998 budget to add a line item for economic development incentives. He described how one central Florida municipal agency accomplishes this.

Director Lowenstein agreed this should be considered.

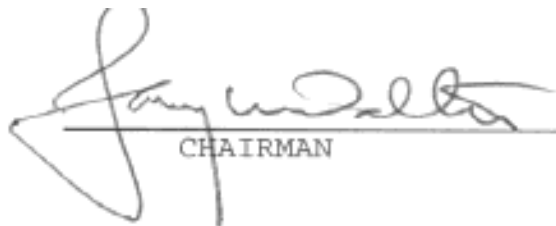
Mr. Welsh said the idea is very good and the next step should be to study the concepts put forth by the Economic Development groups.

Secretary Guthrie stated he thought it was a very important topic and that perhaps it should be put on as an agenda item.

K. ADJOURNMENT - Meeting adjourned at 9:20 p.m.

ATTEST:

  
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SECRETARY

  
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CHAIRMAN

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, AUGUST 27, 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, General Manager Welsh, and Recording Secretary Fizer. Chairman Hord was absent.

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

**B. AWARDS AND PRESENTATIONS**

**1. 20-YEAR SERVICE AWARD - EARL SWEENOR**

General Manager Welsh said that the first order of business would be to recognize Earl Sweenor for 20 years of service with KUA. Mr. Sweenor began working for the City of Kissimmee in August 1977 as an Equipment Operator. Mr. Welsh noted that through several promotions, Mr. Sweenor became a System Load Dispatcher and was selected as Employee of Month in 1981. Mr. Sweenor was unable to attend the meeting and Mr. Welsh said his twenty year service award would be given to him later.

**2. 20-YEAR SERVICE AWARD - SARAH TOMPKINS**

General Manager Welsh presented Sarah Tompkins with a 20-year Service Award. He commented on Ms. Tompkins' abilities and dedication. Mr. Welsh reported that Ms. Tompkins started with KUA as a dispatcher/clerk on August 2, 1977, and she is working in the Marketing Department as a Customer Service Representative. Mr. Welsh noted that she is the "first woman to achieve 20 years with this utility" and he stated that he is hopeful that she will be a Quarter Century Club member in a few years. Mr. Welsh also noted that at one time Ms. Tompkins keyed in every utility bill that went out of Kissimmee Utility. She was introduced to the Board and was presented with a service award gift.

**3. 5-YEAR SERVICE AWARD - CANDY LANCASTER**

Candy Lancaster was asked to come forward and receive a 5-year service award. General Manager Welsh reported that Ms. Lancaster started with KUA in 1992 as a night AS400 operator and while in that position excelled in all functions of her job. Ms. Lancaster was promoted to an end-user support specialist in the Information Systems Department. Mr. Welsh explained how critical Ms. Lancaster's position is to all employees at KUA who work on the network and user systems. He personally thanked Ms. Lancaster and introduced her to the Board members. She was presented a service award gift by Vice-Chairman Walter.

**4. EMPLOYEE OF THE MONTH - STAN DELONJAY**

General Manager Welsh introduced Stanley Delonjay as Employee of the Month as selected by fellow employees. Mr. Welsh read comments from Mr. Delonjay's co-workers on his dedication, professionalism and giving attitude. Mr.

Welsh said that Mr. Delonjay has been with KUA for eight years. Mr. Delonjay was congratulated by Mr. Welsh and introduced to the Board members. Vice-Chairman Walter presented Mr. Delonjay with a plaque and Director Guthrie presented him with a \$50 check. It was also noted that the Employee of the Month will receive a day off with pay and a special parking space for the month.

**5. FEMA ANNUAL SAFETY AWARDS**

General Manager Welsh said there were two safety awards given by FMEA to KUA. The first one was for zero lost time in the Power Plants and related facilities. Vice-chairman Walter presented this award to Ben Sharma, Director of Power Supply. The second award for safety in Personnel, Administration, Directors Board, Engineering, Planning, Public Information and Purchasing, was presented to Ken Davis, Director of Engineering.

**C. HEAR THE AUDIENCE**

Richard Herring, of 514A Verona Street, Kissimmee, addressed the Board. Mr. Herring brought to the Board's attention the Line Extension Cost that was charged to Give Kids The World. He reported that 37% of the bill is for built-in overhead charges. Mr. Herring said with deregulation at least five years away, he did not know if KUA has the customer base to reduce the extension charges, but said "I encourage you to look very carefully at overhead charges." He thanked the Board for the opportunity to speak.

**D. PUBLIC HEARING - None.**

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

**F. OLD BUSINESS**

**1. PUBLIC SERVICE COMMISSION (PSC) REVIEW OF RATE CHANGE**

Mr. Welsh noted that the Board has asked for a 2.5% across the board rate reduction. He said this has been discussed with the Public Service Commission staff which proposed some minor modifications that they suggested would be more in line. The Public Service Commission's suggestions only came to 2.3%, but the Finance Staff made a minor change to make up the full 2.5%. Joe Hostetler, Director of Finance, displayed a chart which detailed how the distribution will be made to KUA customers. General Manager Welsh said that staff's recommendation is to incorporate the Florida Public Service Commission's (FPSC) modifications and an additional change to the General Service Demand (GS) class. He said this additional adjustment will allow KUA to realize the full 2.5% rate reduction as intended.

Vice-Chairman Walter noted that this adjustment appears to be minor and asked for a motion.

Motion by Director Lowenstein, seconded by Director Ralston to accept staff's recommendation and incorporate the modifications by the PSC and staff.

Motion Carried 4-0

G. NEW BUSINESS - None.

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

General Manager Welsh noted that the engineering report is a written one and there would not be an oral presentation. There were no questions.

2. MONTHLY FINANCIAL REPORT - JULY 31, 1997

Joe Hostetler, Director of Finance, handed out books from Merrill Lynch showing results of the closing of the refinancing. Mr. Welsh noted the gross savings in KUA's debt service is \$6.3 million.

Mr. Hostetler reviewed the KUA financial results for July 1997. He noted that the budget was not made that month and that year-to-date KUA is about 8% below. He noted that the budget was aggressive and this year was only .6% above last year. Mr. Hostetler said the weather played a large part in the lower figures. He said savings in the operating departments more than compensated for the revenue shortages.

Vice-Chairman Walter requested that Mr. Hostetler do a comparison of 1996 and 1997 budgets to verify that the decrease in budget revenue is because of the weather. Walter commented that part of this decrease could be due to customers conserving energy and probably the bulk of it is weather related. He asked that a closer look be given to this situation.

Director Lowenstein noted that the Morning Minute employee telephone message indicates that KUA is using more megawatts than in the past and would like that researched as well.

Mayor Attkisson asked if temperatures would be compared to last year. General Manager Welsh replied that KUA would attempt to do comparisons of weather factors to customer usage.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

General Manager Welsh indicated that a written power supply report was provided and that Ben Sharma, Director of Power Supply, was available for questions.

Director Lowenstein wanted to know if KUA has enough reserve and Mr. Sharma assured him that there is.



**MAYOR ATTKISSON**

The Mayor reported that he had gone to the League of Cities meeting and one of the issues discussed was deregulation. He said the group was very concerned with this issue and they support FMPA's views on deregulation.

**DIRECTOR LOWENSTEIN** - No comments.

**DIRECTOR RALSTON** - No comments.

**DIRECTOR GUTHRIE**

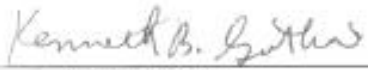
Director Guthrie reminded everyone that at the next meeting the General Manager's annual performance review will be discussed.

**VICE-CHAIRMAN WALTER** - No comments.

K. **ADJOURNMENT** - Meeting adjourned at 6:51 p.m.

  
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CHAIRMAN

ATTEST:

  
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SECRETARY