

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY,
WEDNESDAY, DECEMBER 16, 1998, 6:00 P.M., BRINSON BOARDROOM,
ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE,
FLORIDA.

Present were Chairman Hord, Vice-Chairman Walter, Secretary Guthrie, Director Toro, Director Gant, Attorney Brinson, General Manager Welsh and Recording Secretary Fizer. Mayor Attkisson was absent.

A. **MEETING CALLED TO ORDER** at 6:00 P.M. by Chairman Hord.

B. **INSTALLATION OF NEW MEMBER**

Attorney Brinson administered the Oath of Office to George A. Gant. Director Gant will serve the remaining three years of a five-year term left vacant by Bill Ralston. All board members congratulated Director Gant.

C. **ELECTION OF OFFICERS**

Chairman Hord noted that since this was the first regular meeting of the fiscal year in which five board members were present, that election of officers was in order.

ACTION: Director Walter nominated Chairman Hord for Chairman of the Board. Director Guthrie seconded the nomination.

Chairman Hord declined the nomination.

ACTION: Chairman Hord nominated Director Walter for Chairman, seconded by Director Guthrie.

Motion carried 5 - 0

ACTION: Director Toro nominated Director Guthrie for Vice President, seconded by Director Hord.

Motion carried 5 - 0

ACTION: Director Hord nominated Director Toro for Secretary, seconded by Director Guthrie.

Motion carried 5 - 0

ACTION: Director Hord nominated Director Gant for Assistant Secretary, seconded by Director Guthrie.

Motion carried 5 - 0

Chairman Walter said he would try to serve the position of Chairman as well as the former Chairman.

D. **AWARDS AND PRESENTATIONS**

1. **15-YEAR SERVICE AWARD - BERNIE SCHELMETY**

General Manager Welsh honored Bernie Schelmety for 15 years of service by reviewing his community and work history. Director Hord gave Mr. Schelmety an award and all board members thanked him for his service. Mr. Schelmety will be retiring on December 30.

2. EMPLOYEE OF THE MONTH - SCOTT YELVINGTON

Scott Yelvington of Power Supply was honored as January 1999 employee of the month. General Manager Welsh noted that it is a prestigious honor to be selected by fellow employees as employee of the month. Chairman Walter awarded Mr. Yelvington a plaque and informed him that he would be receiving a parking space and a day off with pay. Vice-Chairman Guthrie presented Mr. Yelvington a check.

3. PRESENTATION BY LUPFER-FRAKES INSURANCE

Sam Lupfer IV of Lupfer-Frakes Insurance made a presentation to Chairman Walter. Mr. Lupfer noted that the plaque awarded was to commemorate a 40-year relationship between KUA and Hartford Steam Boiler Inspection & Insurance Company. He said that a crystal steam engine replica was presented to General Manager Welsh at the recent PowerGen conference in Orlando to also recognize this long-term relationship.

E. HEAR THE AUDIENCE - None.

F. PUBLIC HEARING - None.

G. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

1. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FY 98

Director of Finance Joe Hostetler said the internal auditor and Finance staff worked together to develop the CAFR. Mr. Hostetler reviewed the report and answered questions. He introduced Jim Hanlon, a partner with Price Waterhouse Coopers, external audit company responsible for KUA's annual audit. Mr. Hanlon reviewed the opinion letter to the Board and he also reviewed the terms of the financial statement.

Joe Trpik, engagement audit manager with Price Waterhouse Coopers, reviewed a report that dealt with laws, regulations and contracts. He also reviewed the management letter to KUA.

H. OLD BUSINESS

1. FINAL APPROVAL OF CONTRACT WITH GENERAL ELECTRIC FOR CANE ISLAND UNIT 3

Ben Sharma, director of Power Supply, noted that on November 18, 1998, the Board approved staff's recommendation to award the contract to General Electric (GE) with certain conditions. Mr. Sharma noted that negotiations have been completed and because of the inclusion of certain additional items recommended by the engineers for operational safety, the final contract price of the gas turbine unit stands at \$33,473,450 compared to the \$32,923,000 in the original recommendation. This amount does not include spare parts or the delivery from the rail site to the plant.

Attorney Brinson noted that once GE has delivered the unit to the rail site it may be more advantageous for KUA to bid another contract for delivery to the plant. He noted that during negotiations GE agreed to add KUA as an insured rather than holding a certificate of insurance.

ACTION: Motion by Director Hord, seconded by Director Toro, to approve the final contract to supply the Cane Island Unit 3 gas turbine by GE with the negotiated terms and conditions which will include an additional \$550,450 added to the base price, resulting in a revised contract price of \$33,473,450 and authorize the Chairman and Secretary to execute the contract.

Motion carried 5 - 0

I. NEW BUSINESS

1. APPROVAL OF CANE ISLAND/INTERCESSION CITY TRANSMISSION INTERCONNECTION AGREEMENT WITH FLORIDA POWER CORPORATION

General Manager Welsh noted that Mr. Sharma negotiated an interconnection agreement with Florida Power Corporation (FPC) which would allow a 230 KV transmission interconnection from Cane Island to FPC's Intercession City plant facilities. This is necessary because of the future installation of the 250 MW Unit 3 at Cane Island.

It was noted that there is no cost to KUA to interconnect to FPC's system. There is a right-of-way fee of \$1,000. Discussion was held and it was reported that Florida Municipal Power Agency (FMPA) will be bearing 50% of the cost of construction of the line, as well as the right-of-way fee.

ACTION: Motion by Director Toro, seconded by Vice-Chairman Guthrie, to approve the Cane Island/Intercession City Interconnection Agreement with FPC and authorize the Chairman and Secretary to execute the same.

Motion carried 5 - 0

2. PLAN FOR FUTURE BOARD VACANCY

Vice-Chairman Guthrie requested that this item be discussed by the board. At the December 8th City Commission meeting, members of the Commission expressed some concern that a mechanism should be developed to insure broader and newer membership to the KUA board in the future.

Discussion was held on limiting the number to two terms per board member. Director Gant suggested that the Board work on it over a period of time and come up with a solution that would be satisfactory to the Commission. He said that KUA board may want to pattern their number of terms after the city commission seats.

ACTION: Motion by Vice-Chairman Guthrie, seconded by Director Hord, to direct the General Manager and the KUA attorney to draft a resolution which would reflect "If a person has served for two terms, either full five-year term(s) or a partial term(s), then that person would not be considered eligible for nomination to the City Commission for their approval."

**Motion carried 4 - 1
Director Gant voted no**

General Manager Welsh requested clarification that since Mayor Attkisson was not present, did the Board want him to communicate to the City Commission the action taken by the Board? **It was the consensus of the Board that the General Manager give this information and the resolution to the City Commission.**

J. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON T&D PROJECTS

The T&D report was written. Director Hord asked Ken Davis, director of T&D, the status of the transformers at the Lake Cecile Substation. The failure problem is being evaluated to form a contingency plan should other transformers fail. Mr. Davis said it would be more cost effective to buy a spare transformer instead of a portable one. He reported that Hartford Steam Boiler will be helping KUA determine if there is something that can be done to prevent failure of the transformers.

Chairman Walter asked that a report be given at the next board meeting that would detail the analysis on the transformers and any costs for repairing the failed units. Vice-Chairman Guthrie noted that reliability is an important factor in the competitive environment.

2. MONTHLY CONDENSED FINANCIAL REPORT, OCTOBER 1998

Joe Hostetler noted that in October megawatt sales were up by 9%. Mr. Hostetler also reviewed fuel and purchased power costs, total operating revenue and total operating and maintenance expenses for October 1998.

Mr. Hostetler reported that discussions are being held with the City of Kissimmee on contract rates. He said there may be a possible revision to the actual contract. It will not change the provisions listed in the tariff but will reflect technical changes. Mr. Hostetler said this would be brought back at the January board meeting.

He said that staff is also working on the competition comment pointed out by the auditors in the CAFR that KUA has partially implemented preparation for competition. Mr. Hostetler noted that part of the preparation is unbundling rates and this will be brought back to the board at the Ten-Year Plan meeting on March 2, 1999. Also at that time a full cost of service study and any recommended rate changes will be discussed in conjunction with the Ten-Year Plan.

3. MONTHLY CONDENSED FINANCIAL REPORT, NOVEMBER 1998

Mr. Hostetler noted that October and November 1998 reports reflect the best start financially for KUA since 1992. He said that much of the success is weather related and a portion is from system growth.

4. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

The Power Supply report was written. Ben Sharma reported that the basic application for site certification for Cane Island Unit 3 has been accepted. He also noted that final language has been accepted by the Administrative Law Judge for the land use hearing. Mr. Sharma also reported that his staff had saved money recently by conducting a study on noticeable voltage near a gas pipeline. The savings came from not having an outside company complete the study.

Mr. Sharma explained to Director Gant the recently approved Swap Agreement that involves buying natural gas at a set price.

5. DECEMBER 1998 INTERNET SERVICES PROVIDER UPDATE

Dennis Wick, director of Information Systems, gave a December Internet Services Provider update that included implementation of the accelerated business plan, marketing of commercial accounts and holiday marketing. He noted that the dial-up customer base is 1,805. Mr. Wick played the commercials that are being aired on television during the holiday season.

Chris Beck, director of Marketing, noted that she has been talking with St. Cloud about placing the KUA.net advertisement flyers in their utility bills.

Chairman Walter recessed the meeting at 8:04 P.M. The meeting resumed at 8:15 P.M.

6. COMMUNITY SPONSORSHIP PROGRAM

Chris Gent, communications manager, provided the Board with a summary of KUA's Community Sponsorship Program activity for FY 1998. It was noted that these programs touched 131,700 individuals.

7. COST REDUCTION REVENUE RAISING PROGRAM - CR3

Director of Finance Joe Hostetler reviewed the program highlights of the CR3 program. He detailed each department's goals for 1998 and any changes for 1999. It was a concern of the Board that the goals be realistic and more stringent. Discussion was held on possibly changing some of the goals with the input of board members.

Director Hord questioned why employees would receive a portion of new revenues. General Manager Welsh explained that 10% of the net earnings less the cost would be given back to the employees and 90% to the customers.

8. KUA GUIDELINES AND GOALS FOR PRESIDENT AND GENERAL MANAGER

Chairman Walter indicated that he needed additional time to review these guidelines.

ACTION: It was the consensus of the Board to move this item to the January board meeting.

K. CONSENT AGENDA

ACTION: Motion by Vice-Chairman Guthrie, seconded by Director Hord, to approve the consent agenda.

1. APPROVAL OF MINUTES OF OCTOBER 28, 1998 REGULAR MEETING
2. APPROVAL OF MINUTES OF NOVEMBER 4, 1998 SPECIAL MEETING
3. APPROVAL OF MINUTES OF NOVEMBER 18, 1998 REGULAR MEETING

Motion carried 5 - 0

L. HEAR GENERAL MANAGER, ATTORNEY AND DIRECTORS

General Manager Welsh reminded the Board that the local legislative delegation from Tallahassee would be in the boardroom for a public meeting on Thursday, December 17 at 4:00 P.M. He also noted that the KUA Children's Christmas Party would be held at the Ice Factory on Sunday, December 20 beginning at 4:00 P.M.

The general manager inquired about setting up a facility tour for the Board. After discussion the tour was scheduled for January 22 and the Board would arrive at the Cane Island facility at noon. Mr. Welsh wished all a happy holiday and a prosperous New Year.

Attorney Brinson announced the birth of his granddaughter and wished all a happy holiday season.

Director Toro welcomed Director Gant to the Board and wished all happy holidays.

Director Hord also wished all the best of the season.

Director Gant said he was happy to be a part of the KUA Board and wished all happy holidays.

Vice-Chairman Guthrie congratulated the Finance department on an excellent job in the preparation of the CAFR.

Chairman Walter wished all happy holidays.

M. **ADJOURNMENT** - Meeting was adjourned at 9:26 p.m.



CHAIRMAN

ATTEST:



SECRETARY