

MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, MAY 1, 2000, 6:00 P.M., BRINSON BOARDROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA.

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

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

B. **PLEDGE OF ALLEGIANCE TO THE FLAG**

The Board and audience recited the Pledge of Allegiance. Chairman Walter welcomed the Orlando Utilities Commission (OUC) staff.

C. **INTRODUCTION - JIM WELSH**

Mr. Welsh noted that recently KUA saw an opportunity to possibly work with OUC and the Florida Municipal Power Agency (FMPA) on a joint project for future power. Mr. Welsh noted that there could be many benefits by approaching developers together rather than approaching them separately and perhaps in some way competing with each other. He reported that the purpose of the meeting was to obtain the KUA Board's direction whether KUA should go forward in attempt to partner with OUC and FMPA.

The general manager noted that OUC and FMPA have worked with KUA in the past on other projects. There has been a long history of success in creating larger projects that have greater value, greater economies of scale and ones that demand greater attention throughout the state in terms of the regulators and developers. He noted that there has been a history of trust in the relationships through the various projects and without that trust a joint partnership would not work.

Director Gant asked which companies would be impacted by the legislative decision recently by the Supreme Court. Mr. Welsh said it would effect power marketers who would want to come into Florida and build a plant without having an electric utility or a Florida customer base.

D. **JOINT PROJECT CONCEPT RECAP - BEN SHARMA**

Ben Sharma, director of Power Supply, reviewed the timetable that brought OUC, FMPA and KUA to present discussions. He also indicated the amount of energy that would be needed at various levels in the future and how those levels could possibly be met by a joint effort. Mr. Sharma said that future units should be more energy efficient than anything built to date. The heat efficiency rate of a 500 MW unit as opposed to a 250 MW unit was discussed.

E. **OUC'S PERSPECTIVE AND PROPOSED TIME LINE - FRED HADDAD**

Mr. Sharma introduced Fred Haddad, vice president of Power Resources at OUC. Mr. Haddad acknowledged Byron Knibbs, director of Business Marketing, and Claston Sunanon, director of Power Marketing, also from OUC. Mr. Haddad gave a presentation that gave OUC's approach to the uncertainty of deregulation and how this particular project would fit into the strategy of facing the new market. He noted that with the recent regulatory ruling on the Duke merchant plant operation, the opportunity to buy from someone else is severely limited. He stressed the crucial time period for getting the request for proposal out to potential developers.

Mr. Welsh noted that if direction were given by the Board to continue with this joint proposal, a memorandum of understanding would be delivered to OUC by May 12, 2000.

Director Toro asked if it would be more expensive to build two units at separate locations. Mr. Haddad noted that both companies would actually save money than if each utility went out separately.

F. FMPA'S PERSPECTIVE - CLAUDE L'ENGLE

Claude L'Engle, general manager of FMPA, indicated that his position was different from KUA and OUC, in that FMPA does not have a site, but they have an option for 75 MW of capacity at Cane Island. He also noted that unlike OUC and KUA, where generation plants are located in the area of the load, FMPA's are scattered all over the state. Mr. L'Engle said that FMPA would be willing to work with OUC and KUA on developing a memorandum of understanding to the satisfaction of all parties.

Chairman Walter recessed the meeting from 7:14 PM to 7:20 PM.

G. DISCUSSION

Director Toro asked if the dollar amount proposed would include transmission. Mr. Haddad and Mr. Welsh confirmed that it was not included and transmission handled by the individual parties in the joint project. Mr. Haddad noted that the amount would include preparation of the application, need for power application submittal, hearings and consultants, legal support, and the request for proposal by a third party. Mr. Haddad indicated that OUC would be going through with this project on their own should FMPA or KUA decide not to join the process. If approval should be granted, the addition of KUA and FMPA into the process would add 10% to 15% to the administrative cost. Mr. Welsh noted that these details would need to be worked out in the memorandum of understanding.

Chairman Walter asked if KUA could pull out of this project after the need hearings if all the details were not beneficial to the KUA ratepayers. Mr. Welsh suggested to OUC that the costs incurred by the addition of KUA would be picked up if withdrawal should be necessary. Mr. Haddad commented that the scope of the project in some areas would be changed if this should happen but further stated that as long as OUC did not incur additional incremental costs, the withdrawal could be feasible.

Director Gant was concerned about any long-term agreements with a third party that would monopolize the Cane Island site and limit KUA's use of the property. Mr. Welsh noted that as much flexibility as possible would be negotiated.

H. RECOMMENDATION

ACTION: Motion by Director Toro, seconded by Director Shearer, to approve the concept of a joint effort between KUA, FMPA, and OUC for developing future power project(s) and authorize the President and General Manager to negotiate a Memorandum of Understanding between the parties to effect such an effort and bring back for final Board approval.

Motion carried 4 - 0

It was the consensus of the Board to schedule a special board meeting for May 10, 2000 at 6:00 PM to discuss and approve the final Memorandum of Understanding.

Chairman Walter thanked OUC and FMPA for giving the presentation and participating in the discussion.

I. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

General Manager Welsh handed out the back up for an agenda item that was placed on the May 3rd meeting.

Attorney Brinson noted that one vendor submitted protest stating that he was improperly evaluated in the bid process for mechanical construction at Cane Island 3. The vendor will be given the chance to attend the special meeting on May 3rd to voice his concern.

Mr. Welsh gave the Board a map detailing where the KUA annual picnic would be held. He reminded the Board that the picnic would be at Chisholm Park from 10:00 AM to 5:00 PM.

Chairman Walter stated that the FunFest would be held at the lakefront from 10:00 AM to 4:00 PM and invited everyone to participate.

J. ADJOURNMENT

Chairman Walter adjourned the meeting at 8:30 P.M.


CHAIRMAN

ATTEST:


SECRETARY