

MINUTES OF GOALS & OBJECTIVES SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD THURSDAY, MARCH 24, 1994 AT 6:00 PM, BOARD ROOM, ADMINISTRATION BLDG., 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

Present at the meeting were Chairman Hord, Vice-Chairman Gant, Secretary Bobroff, Assistant Secretary Lowenstein, Director Walter, Attorney Brinson, and President & General Manager Welsh. Mayor Pollet was absent.

1. MEETING CALLED TO ORDER at 6:00 p.m. by Chairman Hord.
2. UNDERGROUNDING DISTRIBUTION FACILITIES OSCEOLA PARKWAY EXTENSION

This item was continued from the previous night's meeting.

Mr. Welsh indicated that we have been trying to develop a policy to cover all cases. After further reflection, Staff does not believe that a policy for undergrounding can cover all cases. Staff is recommending that these be handled on a case-by-case basis.

Mr. Ken Davis, Director of Engineering, indicated that there were some real operational benefits for undergrounding the differential along Osceola Parkway. These included the interference with the planned lighting configuration.

Chairman Hord questioned why all our customers should be penalized due to lighting configuration.

Mr. Ken Lackey, Director of Transmission & Distribution, indicated that the overhead is more difficult to work with. It will pose some special operating considerations because of the planned six-lane highway which would have to be spanned with overhead lines to serve establishments on the south side.

Director Walter asked if this takes into account all of Osceola Parkway and inquired what Florida Power Corporation is doing on their portion. Mr. Lackey indicated that he believes that they are planning on going with an underground system.

Director Gant suggested that Staff approach the County with respect to undergrounding and ask them to share in the cost.

Chairman Hord stated that he thought it was the consensus of the Board that Staff should approach the County Commission and present them with a concept of their participating in achieving an underground system for the Osceola Parkway distribution facilities.

Mr. Welsh indicated that he would approach the County Staff first and then ask to speak to the County Commission on this issue.

Director Lowenstein asked if we can maintain and work the 230kV system being built by us at this time. Mr. Lackey indicated that our crews do not have the equipment or the training to work this level of transmission.

Mr. Welsh indicated that all maintenance on the 230kV system is currently being done by contract work. We will continue with this until it becomes of such a level as to be cost effective to develop the equipment and staff in-house to do this.

Director Lowenstein asked if we can put an underground system in the medium of Main Street as it is being redone. Mr. Lackey indicated that it would be too dangerous to operate this system in the traffic medium.

Director Gant questioned if by our going on the north side of Osceola Parkway there would be a feeder on the south side. Mr. Lackey indicated that it is envisioned that eventually we would have a feeder on the south side of Osceola Parkway in this area.

Chairman Hord questioned whether we have a policy currently in place for putting in lines or moving them. Mr. Welsh stated that our current policy is that we would build lines overhead unless it is operationally justified to put them in underground or unless someone is willing to pick up the differential cost of putting in the underground system.

Director Gant questioned if it would be cost effective for us to put the PVC for an underground system on the south side if we were to put in an underground system on the north side. Mr. Davis indicated that we do the PVC on the road crossings but leave the parallel PVC for the south side to be taken care of by line extension contracts.

3. INTRODUCTION AND OVERVIEW

Mr. Welsh indicated that this is the last separate Goals and Objectives session that we are planning to have. In the future the Goals and Objectives session for the following year's Budget will be covered during the presentation of the 10-Year Plan. Mr. Welsh outlined the planned presentations for the rest of the meeting.

4. FINANCIAL HIGHLIGHTS

Mr. Joe Hostetler, Director of Finance, detailed the financial highlights of the Goals and Objectives. He indicated that in the prior year's 10-Year Plan we had projected a 6% rate increase in 1995, followed by a 4% in 1996 and another 4% in 1997. Due to refinancings and other economies achieved, the rate change in 1995 had been deferred to 1996 at which time a projected 7% increase was needed, followed by no increases in subsequent years.

Director Bobroff expressed concern that our projected coverages in future years were right at 1.5. He felt that this was getting extremely low.

Mr. Hostetler pointed out that our bond covenants require a 1.25. Our own policy recovers a 1.5 He indicated that this was at the minimum level which we would like to go and would like to be above that.

5. ENERGY CONSERVATION COST RECOVERY (ECCR) RATE AND OTHER TARIFF SHEET CHANGES

Mr. Hostetler stated that the Energy Conservation Cost Recovery (ECCR) rate was first suggested by our external auditors, Coopers & Lybrand. Other major utilities throughout the state have already incorporated this in their rates.

Based on this recommendation to the Board, the Board had directed Staff to expedite exploring the possibilities of putting this rate into service.

Also, the Board had requested that the 7% increase projected in the 10-Year Planning Meeting for 1996 be reconsidered. It was asked to see if there was a way that this could be phased in rather than going with a full 7% level.

Based on this direction by the Board, Staff has reviewed what other utilities are doing, explored this rate on a cost-of-service basis and has developed a rate structure to include an Energy Conservation Cost Recovery rate cost. This rate would capture all peak load and energy demand conservation costs and make it a direct pass-through on the bill. This adjustment would be made twice a year, once in October based on budget. In April a true-up would be based on actual audited figures for the prior year.

Mr. Hostetler showed figures which showed that this rate would definitely be able to diminish and defer the projected base rate increase of 7% in 1996.

Mr. Hostetler detailed our Fiscal Policy.

Chairman Hord elaborated on the portion that says that capital items less than \$100,000 must be pulled out of current operating funds. Those items greater than \$100,000 or line extension items may utilize the Reserve for Future Capital Outlay. This is referred to as our "Pay As You Go" policy.

Mr. Welsh indicated that it is our intention to combine this Energy Conservation Cost Recovery rate with our COPA (Cost of Power Adjustment) rate on the bill. This would then be referred to as our Cost of Power and Conservation Adjustment. This was an idea that was first brought up and suggested by Director Gant.

Director Gant pointed out that having this rate in effect should encourage more people to get on our Load Management Program. (The Load Management Program can earn customers rebates of up to \$15.50 per month. Initially, this Energy Conservation Cost Recovery rate should only cost \$2-3 per month.)

Motion was made by Director Lowenstein, seconded by Director Walter, to authorize Staff to file the needed Tariff Sheets with the Florida Public Service Commission and advertise for a Public Hearing to be held by the KUA Board on April 27, 1994.

Motion carried 5 - 0

6. PERSONNEL OVERVIEW

Mr. Neville Turner, Director of Personnel/Risk Management, presented an overview of personnel changes planned for the coming Budget year. An increase of approximately 23 employees is planned to be recommended. This is mainly due to staffing requirements of Cane Island.

Mr. Turner reviewed recent levels of the Consumer Price Index, as well as projected levels. Recently the Consumer Price Index has been slightly below 3%. It is projected to be slightly above 3% in the future. Mr. Turner indicated that we recommend that a 3% Market Level Increase be considered by the Board and we recommend that we use this for the purpose of developing the Budget. We will have a final recommendation to the Board during the Budget sessions on what the ultimate level of the Market Level Increase for the Pay Plan should be.

Director Gant questioned if we were looking at the marketplace as well as the Consumer Price Index in considering what the Market Level Increase should be.

Mr. Turner indicated that we are currently in the process of doing a salary survey for this purpose.

Mr. Welsh indicated that with no objections from the Board we would consider for planning purposes to develop the Budget based on a 3% Market Level Increase for the Pay Plan.

7. DEPARTMENT GOALS & OBJECTIVES

Each Department Director went over their Organization Chart and specific goals for their departments. There were detailed questions presented by the various Board members concerning items outlined in the Goals & Objectives Report. Each of these items was clarified and explained by the various Department Directors during their presentation.

A break was taken in the meeting from 8:00 to 8:10 p.m.

8. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER - No comments

ATTORNEY - No comments

DIRECTORS

Director Gant asked if having the General Manager take the notes for the Meeting Minutes was working out. Mr. Welsh indicated that it was not. He felt that it was detracting too much from his participation in the meeting. It is his intention to have this as the last meeting under normal circumstances where we would not have another person taking notes to assist him in producing the Minutes.

Chairman Hord expressed his pleasure with the Budgetary Goals & Objectives as put together by Staff. There seems to be little Staff requirements and little capital requirements. They are kept to the absolute minimum and this, he felt, was very commendable on the part of the Staff putting the Budget together.

Director Walter indicated that he felt the documentation on the Budget Goals & Objectives was very nicely put together. It made it very easy for him, as a new Board member, to digest and figure out what was going on.

Mr. Welsh stated that he was very proud of the efforts the Staff had put in on the Budget so far and he thanked the Board for their compliments.

9. ADJOURNMENT: Meeting adjourned approximately 9:00 p.m.


CHAIRMAN

ATTEST:


SECRETARY