MINUTES OF 10-YEAR PLAN SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, JANUARY 5, 1994, 6:00 PM, BOARD ROOM, ADMINISTRATION BUILDING, 1701 W.CARROLL STREET, KISSIMMEE, FLA

Present at the meeting were Chairman Hord, Vice-Chairman Gant, Secretary Bobroff, Assistant Secretary Lowenstein, Mayor Pollet, Attorney Frank Starr (who sat in for Attorney Brinson), and President & General Manager Welsh.

I. <u>MEETING CALLED TO ORDER</u> at 6:00 p.m. by Chairman EIord.

II. <u>10-YEAR PLAN</u>

A. <u>INTRODUCTION AND OVERVIEW - GENERAL MANAGER</u>

Mr. Welsh stated that the major highlight of this 10-Year Plan was that the rate changes projected in the previous 10-Year Plan have been deferred and reduced. The previous 10-Year Plan called for a 6% rate change in 1995, a 4% rate change in 1996, and a 4% rate change in 1997. The current 10-Year Plan projects only a 7% increase in 1996, with nothing in 1995 nor any increase beyond 1996.

There were four primary reasons for being able to effect this reduction and being able to project it: 1) the increase was due to the bond refinancing which took place in 1993 reducing debt service; 2) there was some shrinkage in the work force through personnel attrition from 241 to 230; 3) association of administrative and general overhead of the Utility with the Cane Island Project, half of which is borne by contractual arrangements with FMPA (Florida Municipal Power Agency); and 4) market level increases in the pay plan being projected at a more conservative and realistic 3% figure. Previously this had been projected at 5%.

Attorney Frank Starr arrived at the meeting at 6:10 p.m.

Mr. Welsh also noted that we had a very aggressive staffing plan for Cane Island which called for the establishment of Maintenance/Operator positions, allowing for cross-utilization of personnel between Maintenance and Operations. It was uncertain whether this plan would be effective in the long run. If required either by Maintenance or Operations, we would return to the Board recommending added increases in this staffing as necessary.

Director Gant suggested that we may want to look at phasing in the increases as opposed to having 7% in one year; perhaps this phase-in should begin halfway through 1995 as opposed to waiting until 1990.

B. <u>FINANCIAL HIGHLIGHTS</u>

Joe Hostetler, Director of Finance, handed out an Errata Sheet for the 10-Year Plan to the Board. (Copy attached to the 10-Year Plan)

Mr. Hostetler highlighted the financial pro forma statements contained in the 10-Year Plan report. He pointed out to the Board that the conservation recovery rate, which the Board had suggested be investigated, was not projected in this 10-Year Plan.

Director Bobroff suggested that our coverages were getting dangerously low (approaching 1.5) and that may indicate a need to accelerate the rate increase.

Chairman Hord asked at what growth rate these coverages were based upon. Mr. Hostetler responded that the growth rate was approximately 4%.

Mr. Welsh said that Director Gant's suggestion that we look at phasing in the rate change beginning halfway through 1995 should address some of Director Bobroff's concerns. Perhaps a 38% increase halfway through 1995, with another 35% increase in 1997 might achieve the same results.

Director Gant asked if Mr. Hostetler had gotten a feel for what the impact of the conservation cost recovery rate might be. Mr. Hostetler responded that he had not had a chance to investigate this as yet. Director Gant suggested that this rate may be an encouragement for everybody to get on the Load Management Program.

Mr. Hostetler pointed out that there would be a departure from the current Fiscal Policy in terms of expenditures from the Reserve for Future Capital Outlay. This was as a result of extra funds in the Reserve due to the planned cash defeasance being replaced by a straight refunding. This might entail spending the reserve on smaller capital items. Alternatives to this would be to look at a possible repurchase of debt or further capitalization of interest. Further investigation of this would be done by Finance personnel.

Director Gant asked that if the projected 4% growth were to become 7% would this lessen the need for a rate change. Mr. Welsh indicated that it might in the short run but in the long run it increases the need for capital funds.

Mr. Hostetler showed several overheads which highlighted the major differences in last year's 10-Year Plan versus this year's 10-Year Plan.

Director Gant suggested that the $5 million minimum for the Reserve for Future Capital Outlay may need to be revised with the growth of the system. Mr. Hostetler indicated that the amount in operating capital was self-correcting in that it was stipulated as having three months of operating funds. He also stated that we would look at changing the $5 million minimum for the Reserve for Future Capital Outlay with growth.

Director Bobroff indicated that we should look at this $5 million minimum changing as we address rate changes in the future.

Director Bobroff asked that if there was another large subdivision such as Hunter's Creek, in the northern part of our service territory, could we handle it under this 10-Year Financial Plan. Mr. Hostetler stated that the new customers would help us out early on but eventually capacity would have to be obtained for this added growth.

Director Gant stated that he felt that this was very good information presented by Finance Director Joe Hostetler. He complimented Mr. Hostetler on making a very meaningful presentation to the Board.

Chairman Hord stated he felt that the Staff had very effectively presented the meat of the plan and he complimented them on their abilities to present the necessary information to the Board.

C. PERSONNEL OVERVIEW

Neville Turner, Director of Personnel/Risk Management, presented the highlights of personnel staffing throughout the 10-Year Plan, as shown on page 1-4 of said report. He compared this to the personnel projections in the two previous 10-Year Plans developed.

Director Bobroff wanted to clarify, for the record, that a statement made by Mr. Turner may be misinterpreted as meaning that the Director of Materials Management was a part-time position. This is not the case. Mr. Turner indicated that he certainly did not mean to indicate that; that the part-time position was referring to an employee planned to be hired in the future in the Materials Management Department.

D. DEPARTMENTAL EXPENDITURES:

Mr. Welsh stated that under Departmental Expenditures we plan to have a brief verbal presentation for Power Supply and then respond to questions and comments for other departments.

1. Power Supply

Mr. Ben Sharma, Director of Power Supply, indicated that the Power Supply plans are firm only through Unit 2 of Cane Island and Stanton II, which is scheduled to come on line in 1997. The rest of projected Power Supply needs are shown as being met through purchased power. This is the base plan that we have today. The Bulk Power Supply Planning Division is continually investigating other options to improve this base plan. Any changes to this plan would improve the projections over that of the base plan.

Mr. Sharma indicated that we have a "bold" staffing plan for Cane Island. He called the Board's attention to paragraph 3 on page 11-2 of the 10-Year Plan report. The Maintenance/Operator position is currently utilized in Florida Power Corporation for only peaking units. Our innovation is to use it at the Combined Cycle Plant which is operated more than a peaking unit. This may make it less effective. We are boldly trying to implement this to achieve the savings which would result in the reduction of the number of people that would otherwise be necessary. Last year the 10-Year Plan projected 28 added personnel due to the Cane Island Project; this year only 18 additional personnel due to the Cane Island Project are projected.

Mr. Sharma pointed out that safety and other duties are performed by the maintenance personnel at this time. Some contract services may have to be utilized to augment this. Mr. Sharma stated that we may be coming back if necessary to revise this plan based on operational or maintenance needs.

Mr. Sharma further pointed out that the Cane Island capital figure in the Feasibility Study was projected to cost $162 million. Now, with most of Unit 1 equipment purchased, the current projection is approximately $142 million. Mr. Sharma stated that he would finalize these numbers and have them available at the next Regular Board Meeting.

Chairman Hord asked why the damper and silencer cost estimates for FY 1995 went from approximately $286,000 to $599,000.

Jeff Ling, Manager of Power Production, indicated that we are changing the louver damper assembly to a single gate system which is a zero leak system. We also plan to reduce thermal losses through thermal insulation of the stack. The $286,000 was a ballpark figure obtained for the damper assembly only. Since that time we have realized that the stack and silencer assembly also needed to be replaced. They were approaching the point of being dangerous. We received the quote for the engineering, fabrication and installation for the whole assembly of the damper, stack and silencer. This is reflected in the $599,000.

Mr. Sharma pointed out that reducing gas losses will always achieve economies on the unit. Just recently we achieved less than 11,000 Btu's per kilowatt hour heat rate on the unit after some repairs that reduced thermal losses.

Director Bobroff asked if we can wait to do these repairs if they are getting dangerous. Mr. Ling indicated that they would be dangerous if we let them go many more years but at this time we project to do the repairs in 1995. The danger is not imminent.

Chairman Hord asked how much of the increase in cost was caused from going to a single damper from a multiple damper system. Mr. Ling indicated hardly any of the cost was attributable to that.

Director Lowenstein asked whether the price of the equipment was for full installation. Mr. Ling indicated that it was.

Chairman Hord inquired whether most of the damper costs would be taken out of the maintenance fund established. There was some discussion as to whether this should be a maintenance cost item or a capital cost item. This will be analyzed by Staff in greater detail and a report on this will be given back to the Board at the next Regular Meeting in January.

Director Gant asked if the Hansel Plant would remain a most effective part of the system in that he noted that the energy output from the Plant is expected to decrease in the years approaching 2003. He questioned if the maintenance would be worthwhile considering the small amount of output.

Mr. Sharma indicated that production costing projections indicate that this would be in the peaking mode by 2003.

Chairman Hord asked if, with this small amount of production, it was necessary to keep this equipment. Mr. Welsh indicated that while the energy output was decreased the capacity of the unit was still necessary. If it was not obtained from these units, it would have to be obtained elsewhere even for a small amount of hours for peaking needs. He also indicated that we would continually appraise the cost effectiveness of all units to ascertain whether retirement and/or replacement was a cost effective way to go.

Director Gant asked what was the philosophy utilized in reducing the Combined Cycle in the projections in the 10-Year Plan. Mr. Welsh said that the projections were made via production costing analysis which was based on the economics of all the units in the system versus load requirements.

Director Gant inquired if there might be some more Stanton II capacity available to us. Mr. Welsh stated that there is a possibility of more capacity from Stanton II; however, the cost associated with it as currently offered by OUC (Orlando Utilities Commission) does not make it competitive with other options available to us.

Chairman Hord asked if there could be more efficient diesel units that could replace those in the existing Hansel Power Plant. Mr. Welsh indicated that we would continue to look at repowering options and our capacity in our planning for the future and recommend those if they are found to be cost effective.

2. **Information Systems**

Director Gant asked for a brief explanation on the expansion of our computer system projected.

Dennis Wick, Director of Information Systems, indicated that we have a Model E-50 in 1993 and are projecting to go to a Model F-60 in 1995.

In response to Director Gant asking if this would require a whole new system, Mr. Wick indicated that it would not. These were modular systems and any increase would introduce a reduction in cost and an increase in efficiency.

Director Gant inquired what, other than in capacity, does the upgrade on the computer system do for us. Mr. Wick stated that it increased our performance and our abilities to use the newer equipment.

Director Gant asked if the projected color printer in the 10-Year Plan was really needed. Mr. wick indicated that there could be good use for this but it would have to be proven to be cost effective. This could save us from having preprinted multi-colored bills which we currently utilize on the system.

Director Gant indicated that he thought we should look at the operating cost and include this in any cost analysis of the purchase. Mr. Wick stated that we would do this prior to recommending the purchase of this type of unit.

3. Transmission & Distribution

Chairman Hord asked, in referring to an item on page 13-8 which indicated a conversion for overhead to underground, what it was for.

Mr. Ken Lackey, Director of Transmission & Distribution, indicated that it was to begin a conversion of some of the overhead conversions, especially in the backyards.

Chairman Hord inquired if it was cost effective to do this conversion. Mr. Lackey replied that it was due to operating costs. These conversions would start in 1995. There are approximately 20 subdivisions in which it is projected to do these conversions.

4. Engineering

The report was accepted without questions or comments.

5. Customer Relations

The report was accepted without questions or comments.

6. Finance and General Management

Chairman Hord asked what the large dollar figure under "Other Operating Expenses" was due to in the 10-Year projections.

Mr. Welsh indicated that that line item contained an operating contingency which was approximately one-half percent (1/2%) of operating revenue.

7. Personnel & Risk Management

Other than a brief reference to a prior year's camera equipment under Capital Items, this section of the report was accepted without comments or questions.

8. Materials Management

Chairman Hord asked for an explanation for the racking, shelving and pole yard improvements, shown under Capital Expenditures for FY 1994. Mr. Jim Tillman, Director of Materials Management, indicated that this was a carry-over from an approved item in the 1993 budget, that there would be less racking and shelving than previously planned. Paving of the remainder of the improved property in the pole yard area would be accomplished under this project.

Director Gant asked when the bar coding would be completed, to which Mr. Tillman replied that this is in operation now but there are some things that need to be changed on the program.

Director Lowenstein asked if the bar coding and program was operational. Mr. Tillman replied that it was, but that some improvements and enhancements were necessary for it to be in complete operation.

Chairman Hord asked if the 5,000 lb. forklift was used quite a bit. Mr. Tillman answered that it was. Chairman Hord indicated that the figures showed that it is used in excess of 2700 furs. per year. Mr. Welsh noted that this seemed a little excessive and that we would check the figures on this to see if they may be in error.

III. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh reminded the Board of the joint meeting with the St. Cloud City Council tomorrow night at 7:00 p.m. at the St. Cloud City Hall, at 9th & New York Streets in St. Cloud.

ATTORNEY - No comments

DIRECTORS

Chairman Hord indicated that we should approach this (merger possibility between KUA and St. Cloud) with caution but with an open mind.

Director Lowenstein noted that there was a lot of work that had gone into developing the 10-Year Plan by Staff and that he felt they had done a fantastic job in putting it together.

Mr. Welsh thanked Director Lowenstein for his comment.

Director Bobroff noted that Eunice Berlinsky had passed away and he felt that it should noted in the records.

Mr. Welsh indicated that Bob Berlinsky, the surviving spouse of Eunice, had been very much involved in this Utility as Assistant City Manager and Acting City Manager for a number of years. Mr. Welsh had attended the funeral for Eunice Berlinsky at 3:00 p.m. today and he felt that it was very appropriate that this be noted in our records, especially due to the contributions made by Bob Berlinsky to this Electric Utility.

IV. ADJOURNMENT: Meeting adjourned at 8:30 p.m.

Richard L. Hord
CHAIRMAN

ATTEST:

Bob Bobroff
SECRETARY