

MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD  
WEDNESDAY, NOVEMBER 29, 1995 AT 6:00 PM, BOARD ROOM, ADMINISTRATION  
BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

Present at the meeting were Chairman Gant, Vice-Chairman Walter, Assistant Secretary Lowenstein, Director Guthrie, Director Hord, Attorney Brinson, President and General Manager Welsh, and Recording Secretary Scott. Acting Mayor Dorsett was absent.

**A. MEETING CALLED TO ORDER** at 6:00 p.m. by Chairman Gant.

**B. LOAD MANAGEMENT PROGRAM**

Mr. Welsh stated that the Board requested at the time we put the load management changes in effect that we establish a workshop at this time to go over what our overall goal should be in terms of load management. He said that the staff has gotten together, evaluated the system and considered several alternatives. Staff has a recommendation tonight of what we feel would be in the best interest of KUA and our customers in terms of load management in the future. The recommendation is that we lean toward customer choice and what is cost effective. Effective October 1, 1996 the rates would be cost based and be reevaluated every year, and that the installation and would be made voluntary so that our customers are given a choice.

Mr. Joe Hostetler, Director of Finance, gave a detailed presentation on the agenda item. He said that many options and/or alternatives were considered in meeting our directive to reach a fully cost-based method for load management. A couple of the options discussed included emergency (such 1989 freeze) and non-emergency (where the demand creeps up) situations and giving rebates only during the month it was used. It was determined that load management would not be used enough to be helpful in an emergency situation and as far as issuing a rebate only when the system is used was administratively too difficult. Mr. Hostetler said that with competition down the road or possibly around the corner, the customer relations aspect was considered to be critical and that to be successful we need to be competitive and customer oriented as possible. The wiring and installation being mandated but not possibly never used was also looked at and determined that to incur a little bit more cost to retrofit was a better option over the lost use of the money in the equipment setting out there. He said that depending on what comes out of this meeting as the Board directs, we can come back with more detailed numbers or analyses of the pros and cons of each option reviewed.

Director Hord asked what the rebate amount was currently. Mr. Hostetler said it was \$7.50 versus the \$12.50 we were giving before. Director Hord inquired as to the actual cost. Mr. Ben Sharma, Director of Power Supply, said that the study had shown the cost to be \$21 per year, or approximately \$1.75. Mr. Sharma explained that this cost could vary and would need to be evaluated periodically.

Director Hord questioned the usage of the system. Mr. Sharma explained that it had been used thirteen days in the past eleven months. Mr. Welsh explained that it was activated thirteen times,

but it is actually used every day as capacity. It is in our capacity reserve numbers and calculated as if it were installed generation.

Chairman Gant asked if it would not be to our advantage to still have it in the system with all the new construction going on rather than making it totally voluntary and having to go back and retrofit. Mr. Welsh said that at first we thought to have it in the system was the best option, but we have found out that we cannot just put the wiring in and later complete the system. Currently, mandatory, the customer pays \$25 for the wiring then the system pays \$140 for the equipment and labor. However, there might be half or only 10% who sign up for the program. If this is not cost effective for us, it would not be cost effective for the contractor and we felt that we would have a very difficult time to require the contractor to put them in. Chairman Gant commented with this in mind, maybe we should at some time in the future look at possibly discontinuing the program. Director Guthrie recommended that this be looked at.

Mr. Welsh said that if the customer wants to sign up and have the equipment installed, we require the wiring be put in, then we pay to have the equipment installed and the testing. Director Hord questioned why the wiring could not be put in place and the equipment installed and tested later. Mr. Welsh explained that the wiring is no good unless we can go out and test it. Mr. Ken Lackey, Director of T&D, explained that it had to be fully hooked up to the actual appliance, requiring the installation of a switch, in order to be tested to determine that the equipment was working properly. Mr. Welsh said that the additional cost for a retrofit is approximately \$75.

Director Walter said that he thought the advantage of having load management was from a reserve standpoint and if we are not paying anything more than what it costs to get it, then there is no foreseeable problem as long as the customers voluntarily do it. Mr. Welsh explained that these costs get passed on to all the customers, and what we are doing is making this fair to all customers so that we are not taking more from some customers than the benefit they are getting.

Director Lowenstein said the first item in reference to deregulation is the need to be competitive in every field, and the need to get to keep the cost as low as we can possibly get it. He asked how neighboring utilities were handling it. Mr. Welsh said there is only one utility which makes it mandatory at this time, Leesburg, and their rebate is in the \$2 to \$3 range. He added that all utilities are now seeing that it is not as cost effective as originally envisioned and are lowering the rebates. The systems are staying in place; the utilities are just trying to get to a cost base.

Director Lowenstein asked what the recommendation was. Mr. Welsh said that effective October 1, 1996 to make the load management program totally voluntary as to wiring, equipment and participation and giving a monthly rebate that is cost based. The rebate will be derived using an avoided cost-based methodology and updated each year prior to the October 1st annual change in the rebate. We recommend an automatic adjustment methodology similar to our COPCA adjustment. If the Board is in agreement, we will come back in with formal rate filings and go through that process to effect this general direction.

Director Walter asked why it needed to go all the way to October to effect the change. Mr. Welsh said that it could have taken place last October but was determined to avoid rate shock and go with a phased approach that this would be the most effective timing. Director Hord suggested that perhaps it could be moved to April 1. Director Guthrie suggested the mandatory part be dropped January 1 and the rate changes/rebates go into effect October 1. Director Walter said that what is important is that we tell our customers the whole program picture. Mr. Welsh said that is the reason for selecting the October 1, 1996 date, to keep the customer fully informed of what is happening and what is going to happen. Mr. Welsh further explained the steps that needed to take place before implementation which could be accomplished in a minimum of three months, so the earliest to drop the mandatory would be March 1, 1996.

Chairman Gant suggested that something be put together on this and brought back on the agenda at the December meeting. Mr. Welsh asked if he was referring to a calendar or schedule of events, a recommendation to go to the PSC and advertise for the public hearing. Mr. Welsh said that based on this workshop we will put together a calendar of events including the public hearing, and recommend that we proceed with that calendar. Director Gant thanked the staff for putting the time into this.

**C. REQUEST FOR PROPOSAL #001-96 - GENERAL BANKING SERVICE**

Mr. Welsh said this is our general banking contract. We have solicited bids from local banks which have been received and evaluated. Mr. Joe Hostetler, Director of Finance, will give a presentation on this process and our recommendation. Mr. Welsh distributed the revised agenda item.

Mr. Hostetler said they reviewed all the bids and developed a chart included as page 2 to the revised agenda item which lists the criteria used in the bid request. He displayed an overhead of the chart and covered the details of the criteria. Mr. Hostetler said the purpose of costing out the entire thirty-three month period was because right now we are currently on a calendar year basis (January 1-December 31) and the last three months of the year are very hectic for us so we wanted to get back on a fiscal year basis so that we would have it done long before we got into our year-end close. He explained that the compensating balance requirements represented the amount of money not earning interest, similar to minimum requirements that a bank would give you for free checking on a personal account. Mr. Hostetler explained that number 4 showed the interest earned on the balance which is automatically reinvested for us. The other advantages that Sun Bank has over the others are their own lock box operation with a local Orlando post office box address

Chairman Gant asked what services were included in the \$6,000 cost. Mr. Hostetler said the cost included the processing of all our accounts payable checks, accepting our deposits, handling wire transfers, microfilming transactions, direct deposit for employees, and an automatic debit for customer accounts. In addition, we receive an account analysis statement, have a system to access our account on a daily basis and the lock box. He explained the lock box is the major cost, between \$2000-2500, and that our current operation is not geared to handle the high volume of payments. Mr. Welsh said the charge is per transaction, not a flat \$6,000 and if the transactions grow in number so does the cost.

Discussion followed concerning the daily average balance and it was explained that the daily balance should be kept as low as possible because the State Board Administration rates were a lot better than the bank rates.

**Director Lowenstein made a motion to authorize staff to negotiate a banking service contract with Sun Bank for the period January 1, 1996 to September 30, 1998 with an optional renewal for one additional year by mutual consent; seconded by Director Hord.**

**Motion carried 5 - 0**

**D. OTHER**

**E. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS**

**GENERAL MANAGER** - No comments

**ATTORNEY**

Mr. Ed Brinson said that for the past ten years we have been working with condemning property and at times when we have done this we have made some mistakes and learned from those mistakes. He said that he was pleased to report that with the help of Ben

Sharma and Ken Davis that we have probably done the best job ever between the Hord substation and the Airport substation. He said we have eight parcels for which we got with our appraiser and told him if there was any doubt to give the landowner the benefit of the doubt, and out of the eight parcels we have had them accept six of our appraisals without any attorney fees on their part and tonight we believe we may have the seventh. This method devised by Jim, Ben, Ken and me is going to pay off in getting our rights-of-way.

#### **DIRECTORS**

Chairman Gant said a few weeks ago he attended a meeting about improving the South Orange Blossom Trail and that he thought it was a good idea to get involved in these projects and to perhaps put aside a certain amount of funds to plan and set the electric system off the highway. He said we should systematically look at these projects on a continuing basis and maybe in the next forty years we could make an impact that would be in the best interest of the community. He said the City would be a major party to this, so if we got with them and asked if they thought it would be good idea for the City and they indeed did, then they could participate in the rights-of-way and the funding of moving. He explained that this would be a long range program. Mr. Welsh said the current policy established is that if we are on the City's or any governmental agency's right-of-way and they have a project, whether it is widening or otherwise where we need to move, we will get off their right-of-way as long as they provide us with a place to go to serve the customers. This is what is occurring now in the downtown redevelopment area.

Chairman Gant said that he understood the water and sewer system at Celebration is going to be one automated system provided by the City and that perhaps this was an opportunity to look into running a major fiber optic line to Celebration by providing a line to the water and sewer system. Mr. Welsh said it was certainly worth exploring.

Chairman Gant said he had read some information on contract services for power and that if he understood the concept correctly, a user of electric contract services would use an increased amount of electric over a period of time. The purpose of the contract rates over three to five years was to encourage the utilization of additional power. Mr. Welsh asked Mr. Hostetler the status of study on contract rates. Mr. Hostetler said we are just now looking at that.

#### **F. MANAGEMENT REVIEW**

Chairman Gant said that we might take time tonight to evaluate our President and General Manager. He asked the other Board members if this was something they would like to consider tonight and they agreed.

A brief recess was taken at 7:10 p.m.

Chairman Gant asked if there were any questions or comments the members of the Board would like to make.

Mr. Welsh distributed a copy of the 1995 Survey of Management Salaries published by the American Public Power Association to each member of the Board.

Director Walter asked if we could review what was given to the employees. Mr. Welsh explained that there was a 3% market level adjustment which allowed the wage scales to be raised by 3% and then some employees were eligible for either a performance increase or a step up within their wage scale, others received a one-time performance bonus.

Chairman Gant said that he enjoyed working with Mr. Welsh and he has continued to maintain the ability to run the system in a cost-effective manner.

Director Lowenstein said that we have had a very successful year under Mr. Welsh's leadership and thought that we would continue to have success in the future.

Director Guthrie said he thought that the union snuck up on Mr. Welsh, but that since then he has taken all the right steps.

Director Walter said he wanted to commend and to thank Mr. Welsh for the attitude he was taking with our customers, because the attitude that we should win our customers rather than demand our customers like most governmental agencies is going to take this utility a long way in the future.

Mr. Welsh explained the survey and pointed out where KUA fell in each of the tables. Mr. Welsh was asked to leave the room during the members' discussion of his performance review.

Director Walter suggested that the increase should be the same as the employees' and then we must decide what type of bonus he should receive. Director Hord agreed on the 3% increase as the employees received. Director Walter said since Mr. Welsh's performance was rated as excellent he should get a performance bonus.

Director Lowenstein was also in agreement with the 3% increase and recommended a 4% bonus.

Director Walter said that if we were looking at the 6% highlighted in the scenarios, it is probably indicating the total and that considering a 3% increase and a 4% bonus would be 7%. Director Lowenstein expressed his concern of falling below the curve. Director Hord said that we are currently in the \$50-\$100 million revenue class and that we are ahead of the 3rd quartile.

Director Guthrie said he recommended a 3% salary increase and a 3% performance bonus.

Director Hord said that he would prefer a dollar figure rather than the percentage for the performance bonus. Director Guthrie agreed with a flat number rather than a percentage.

Chairman Gant said that at this time keeping the 3% and 3% for a pay increase is important and all members agreed.

After some discussion Chairman Gant stated that the concensus reached by the Board appeared to be to approve a Cost of Living increase of 3% and to approve, in addition to the Cost of Living increase of 3%, a performance bonus of \$3,000.

  
CHAIRMAN

ATTEST:

  
SECRETARY

Chairman Gant asked if there were any other comments. There were none.

**All Agreed**

Mr. Welsh returned to the dais. Chairman Gant informed him that the Board members had approved a 3% Cost of Living increase based on his base rate plus a \$3,000 one-time performance bonus to become effective on his anniversary date.

Mr. Welsh thanked them for their consideration and their kind words.

G. **ADJOURNMENT:** Meeting adjourned at 7:45 p.m.