

SPECIAL JOINT MEETING OF KISSIMMEE UTILITY AUTHORITY BOARD OF DIRECTORS AND THE BOARD OF OSCEOLA COUNTY COMMISSIONERS HELD WEDNESDAY, DECEMBER 29, 2010 AT 3:30 PM, BRINSON BOARD ROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA

Present from KUA were Chairman Fred Cumbie, Vice Chairman James Kasper, Director Reginald Hardee, Director George Gant, Director Kathleen Thacker, General Counsel Grant Lacerte, General Manager James Welsh, Mayor Jim Swan and Recording Secretary Leticia Rivera. Present from Osceola County were County Manager Don Fisher, Interim Commission Auditor Scarlet Gibson, Deputy County Attorney Kate Stangle, County Commissioner Brandon Arrington, County Commissioner John Quinones and County Commissioner Michael Harford.

A. MEETING CALLED TO ORDER

Chairman Fred Cumbie called the meeting to order @ 3:31 p.m.

B. PLEDGE OF ALLEGIANCE TO THE FLAG

County Commissioners, KUA Board members and staff recited the pledge of allegiance.

Mr. Welsh welcomed and thanked the County Commissioners for attending this meeting.

C. STAFF REPORTS

1. DEPOSIT POLICY OVERVIEW

Slobodan (Bud) Ajdukovic, Manager of Customer Service provided an overview of KUA's deposit policy. Mr. Ajdukovic advised that KUA wants to ensure that resources will be available to continue providing economical and reliable electrical service.

Mr. Ajdukovic advised that KUA initiates a credit check for all requested services. Mr. Ajdukovic provided an overview of the deposit policy for residential and commercial accounts.

Mr. Ajdukovic advised that in many cases, if an account is not secured, KUA encounters write offs. For FY 2009 KUA had \$2.3 M in write offs and FY 2010 KUA had approximately \$2 M in write offs; the bulk of which comes from residential customers. KUA has two collection agencies to assist in collecting some of these fees.

Mr. Ajdukovic provided an overview on KUA's additional deposit request. He advised an additional deposit is assessed when any of the following occur: service is disconnected for nonpayment, checks have been returned by the bank for insufficient funds, customer has write off accounts, customer has filed bankruptcy or tampering/diversion is found. After the review of the account, KUA generates a letter and sends the letter to the customer to inform them of the additional deposit request. KUA does not require payment on the additional deposit right away; KUA bills it 30 days after the letter is generated. KUA is consistent with other utility companies in this aspect.

Communication to our customers regarding information on additional deposit is communicated in KUA's policies, welcome packages, Power Source Newsletter, KUA's website under the Schedule of Fees, KUA's rate book and also on the disconnection notices. The disconnection notices now include the explanation on late fees and additional deposits.

All additional deposit requests are carefully reviewed by KUA staff and only the most egregious accounts are assessed.

Commissioner Arrington asked if deposits collected by KUA are placed in a money market account and does it gather any interest? Mr. Ajdukovic stated interest is applied

to the customer's account which is refunded back to the customer minus payment of the final bill when the account is closed.

Dr. Gant asked if there are a lot of companies doing credit checks.

Mr. Ajdukovic advised TransUnion, Experian and TRW are the three major companies. KUA uses Online Utilities which has the ability to determine if a customer has left another utility with bad debt.

Commissioner Quinones complimented KUA on providing more information to the customer on the possibility of a double deposit. Commissioner Quinones advised that his concern was that KUA had not enforced this policy as much as KUA is doing now. Commissioner Quinones then asked how many of those customers that received the notices actually have had to pay a double deposit.

Mr. Ajdukovic advised KUA has been doing this process since the late March, early April 2010 time frame; KUA has done 4,000 letters to customers, roughly 7-8% of the total customer base. KUA worked with customers to reduce some deposits or spread out the payment over time. KUA is now current and every month a report is generated and the audits are completed.

Commissioner Quinones asked if the letters that were going back 3 months been dealt with already? Mr. Ajdukovic advised yes. KUA has assessed the deposit or heard from the customer and worked through it.

Commissioner Harford questioned how comfortable KUA is with the credit companies with regard to inaccuracies on credit reports. Mr. Ajdukovic advised that Online uses Experian solely and, if there is an issue with a customer's credit report, KUA's procedure is to advise the customer what the deposit will be and generate a letter that informs the customer of the process to correct or get more information on their credit report. When the customer follows this process, KUA is notified when the process is completed and makes an adjustment on the deposit, if needed, due to inaccuracies.

2. RATE OVERVIEW

Joe Hostetler, Vice President of Finance & Risk Management provided a rate overview. The Authority's last "base rate" increase was in July of 2005. Based on KUA's most recent customer and load forecast, that rate level should be sufficient to cover expenses for the next several years. This past year KUA has consistently maintained electric rates in the lower quartile for Florida rate comparisons. The primary components of the electric rates are Customer Charge, Energy Charge, Demand Charge (for commercial customers) and the Cost of Power Adjustment (C.O.P.A.). The C.O.P.A. is designed to adjust for monthly fuel fluctuations over or under the fuel estimated in the base rate.

Commissioner Arrington informed that he has a personal issue with regards to his bill and the fuel charges. Mr. Welsh advised that Bud Ajdukovic will review the bill line by line after the meeting. Mr. Welsh advised that at times the bill can be confusing.

Commissioner Harford advised that he lives in the County and no water or sewer is included in his bill. KUA used to have actual numbers to show usage and now KUA has bar graphs which to him are worthless. Commissioner Harford informed he would rather have a number to let him know what his kilowatt hours were last year versus what they are now so he could get a better comparison. Mr. Welsh asked his staff if there is a way to get both on there. Mr. Welsh advised KUA's interpretation was that people would like the visualization presentation versus the numbers. Mayor Swan advised that the kilowatt hours are on the top portion of the bill and also the daily usage is located on the bottom.

Mr. Welsh announced that in three months KUA will have available for all customers, EBill. EBill will have lots of room to include more information as needed.

Commissioner Harford excused himself at 4:05 pm.

Director Hardee congratulated Joe Hostetler who was recognized by the Orlando Business Journal as Chief Financial Officer of the Year.

3. SYSTEM RELIABILITY HISTORY

Ken Davis, Vice President of Engineering & Operations provided a brief presentation on KUA's system. Mr. Davis provided a visual map of KUA's service territory. He also defined the duration of interruptions for the average customer (SAIDI), the frequency of interruptions for the average customer (SAIFI), the repair time experienced by the average customer who experiences an interruption (CAIDI), the momentary interruption events per average customer (MAIFI), and (ASAI) which is a measure of the average availability of the distribution system to serve customers.

Mr. Davis also explained the reliability improvements that KUA has put in place throughout the years such as the protection systems, which can sense abnormalities in the system.

Commissioner Arrington asked if looking for an outage works the same for underground utilities as with the above ground utilities. Mr. Davis advised that all information comes back into the substations whether overhead or underground; however, every fault will not give you that type of information.

Commissioner Arrington asked how the boundaries that KUA serves are determined. Mr. Davis advised the boundaries are set by the Public Service Commission. There are territory boundaries and agreements in place with the utilities that surround KUA. Mr. Welsh added that the boundaries have been set for decades.

Commissioner Arrington advised that the customer service line for outages that KUA has in place is great. He advised that he has personally used it and it is a good system and KUA should be applauded for that.

Director Hardee asked which utilities surround the KUA service territory. Mr. Davis advised that Progress Energy and OUC are neighboring utilities.

4. CANE ISLAND 4 PROJECT - PROGRESS AND STATUS

Mr. Welsh thanked the County Commission for their consideration in helping with licensing Cane Island 4. FMPA owns and is building and paying for Cane Island 4. FMPA is a consortium that KUA and 15 other municipals belong to for the purpose of building and operating power plants. FMPA hired KUA to manage its construction and then to manage and operate the plant.

Larry Mattern, Vice President of Power Supply also thanked County staff for moving quickly with the permitting process. Mr. Mattern provided an overview of Cane Island and the progress of completing Cane Island 4 and also detailed the benefits for the rate payor and the public in general.

5. CUSTOMER INFORMATIONAL GATHERINGS – THIS YEAR AND NEXT

At this time, Mr. Welsh handed out the invitations that were mailed to KUA customers to inform them of the customer informational gatherings. Mr. Welsh also thanked those Commissioners who participated at these gatherings.

Rachael Gmerek, Communications Specialist provided a brief overview of KUA's customer informational gatherings that KUA held throughout the year. Ms. Gmerek advised that KUA had managers and staff available at each meeting to provide information on customer service, bill payment options, customer assistance programs, service reliability, electric rates, energy conservation and hurricane preparedness. KUA

also had customer service representatives on hand with laptops for those customers wishing to discuss their individual account issues. KUA will have these sessions again during the summer of 2011.

Commissioner Arrington asked, as far as energy conservation, if there is a way the County can work with KUA in a grant process to try and promote energy conservation to some of our underserved and lower economic communities.

Mr. Welsh advised that KUA is in the midst of working with the County now. Greg Woessner, Vice President of System Compliance & Operations advised of a grant that he and Carolyn Scott had worked with the County on for approximately \$250,000. Commissioner Arrington asked his staff to keep looking for opportunities where the County could include KUA. Mayor Swan advised that KUA performs energy audits daily.

Dr. Gant advised that KUA should expand the audit system as much as possible; it helps people more than anything else. Director Hardee advised the outreach programs were personal and beneficial to the community.

Mr. Welsh thanked the County Commissioners for attending this meeting and also recommended to the Commissioners that if they are presented with a KUA issue, they should call him directly with any information they have and inform the customer that the issue will be handled and someone will contact them soon. Mr. Welsh will then report the outcome back to the commissioner, so that they may be kept informed. The same arrangement is in place if someone reaches out to Mr. Welsh with a County issue.

Mr. Welsh advised that the minutes will be drafted and sent over to the County for approval and reminded all that after the meeting a demonstration of the iPad will be done by Leticia Rivera for those interested.

County Manager Don Fisher advised that he and Mr. Welsh meet twice a month to discuss a lot of issues. Mr. Fisher shared with Mr. Welsh recently an issue about \$800 power bills. Mr. Fisher advised he learned in working with Brian Wheeler and Jim Welsh that the power bill is combined with Toho Water Authority and KUA. Mr. Fisher advised they have been communicating and will follow up with regards to perhaps joining energy audits with the NSP program and developing further programs through the Community Energy Block Grant program.

Commissioner Quinones thanked KUA for hosting this meeting and said that everyone has been very responsive, especially to the customers who have concerns with their utility bills.

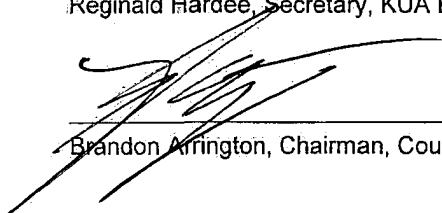
Director Hardee advised that it has been a great opportunity to interact with the County Commissioners.

D. ADJOURNMENT

Chairman Cumbie adjourned the meeting at 4:50 pm.


Fred Cumbie, Chairman, KUA Board of Directors


Reginald Hardee, Secretary, KUA Board of Directors


Brandon Arrington, Chairman, County Commissioner