MINUTES OF A REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, MARCH 7, 2007 at 3:30 P.M., BRINSON BOARD ROOM, ADMINISTRATION BUILDING, 1701 W CARROLL STREET, KISSIMMEE, FLORIDA.

Present were Chairman Gemskie, Director Toro, Director Hart, Director Cumbie, Director Kasper, Mayor Jim Swan, General Manager Welsh, Vice President and General Counsel Lacerte, and Recording Secretary Ambrosi.

A. MEETING CALLED TO ORDER at 3:30 p.m. by Chairman Gemskie.

B. PLEDGE OF ALLEGIANCE

The Board and staff recited the Pledge of Allegiance.

C. AWARDS AND PRESENTATIONS

1. **5-YEAR SERVICE AWARD – BARNEY THOMPSON, APPRENTICE LINEMAN, ENGINEERING & OPERATIONS**

2. **10-YEAR SERVICE AWARD – RICKY JOHNSON, MANAGER OF SUPPORT SERVICES, CUSTOMER SERVICE & MARKETING**

3. **10-YEAR SERVICE AWARD – RUTH LENTZ, SUPERVISOR OF ACCOUNTING, FINANCE & RISK MANAGEMENT**

4. **25-YEAR SERVICE AWARD – EDDIE BUCKMAN, GIS TECHNICIAN, ENGINEERING & OPERATIONS**

Mr. Welsh welcomed Eddie into the Quarter Century Club and recognized her as a dedicated employee. Chairman Gemskie presented her with a gift for her years of service.

5. **EMPLOYEE OF THE MONTH FOR MARCH – MARK CHABROL, POWER PLANT OPERATOR/MECHANIC, POWER SUPPLY**

General Manager Welsh recognized Mark as someone with a great attitude who is always helpful to fellow employees. The Board presented Mark with a plaque, a certificate for a day off with pay, a check, tickets to the Center for the Arts, a good parking space, a meal at Sonny's and a free tire rotation .

D. HEAR THE AUDIENCE

E. CONSENT AGENDA

ACTION: Director Kasper made a motion, seconded by Director Hart to approve items #1 through 7 on the consent agenda as written.
MOTION CARRIED 5-0

1. **APPROVAL OF MINUTES FROM REGULAR MEETING OF FEBRUARY 3, 2007**

2. **AWARD OF BID IFB #015-07 PAD MOUNT TRANSFORMERS**

Recommendation: Authorize award of bid IFB #015-07 to Gresco Utility Supply-Cooper for the total amount of $157,532.

3. **AWARD OF BID IFB #017-07 JUNCTION BOXES**

Recommendation: Authorize award of bid IFB #017-07 to Wesco Distribution for the total amount of $122,620.

4. **AWARD OF BID IFB #018-07 – TRANSMISSION LINE CONDUCTOR FOR PLEASANT HILL TRANSMISSION LINE**

Recommendation: Award of bid IFB #018-07 to American Wire Group, Inc. for the total amount of $307,373 to be funded from Project D04E08.

5. **AWARD OF BID IFB #019-07 PAD MOUNT TRANSFORMERS 37.5 KVA**

Recommendation: Award of bid IFB #019-07 to Electric Supply for the amount of $227,000.

6. ENGINEERING SERVICES – SUBSTATION 12 RELAY UPGRADE PROJECT

Recommendation: Authorize Black & Veatch engineering services in the amount of $170,000 for Project D07E04

7. NEPTUNE ROAD UNDERGROUND DISTRIBUTION – AWARD OF CONTRACT FOR CONDUIT INSTALLATION

Recommendation: Authorize the award of contract for conduit installation for the Neptune Road Distribution underground project to the Fishel Company for the not-to-exceed amount of $900,000.

F. PUBLIC HEARING

1. PROBLEM SOLVING WORKSHOP REGARDING STANDARD 15 OF THE PUBLIC UTILITY REGULATOR POLICIES ACT OF 1978

Ben Sharma, Vice president of Power Supply advised the Board that this public hearing has been advertised in the paper three times and staff has not received any responses from the public. He then explained that Standard 15 is part of the Energy Policy Act of 2005 which requires electric utilities to provide interconnection to their distribution system upon requests from customers owning their own generation.

ACTION: Director Cumbie made a motion, seconded by Director Toro to approve staff's recommendation that KUA Board adopt the interconnection standards to KUA's distribution facilities by interested customers as per the attached interconnection standards and other requirements.

MOTION CARRIED 5-0

Grant Lacerte, Vice president and General Counsel advised the Board that the President and General Manager was scheduled to bring back staff's recommendation on the adoption of the interconnection standards at a future meeting. The Board questioned whether they should rescind the motion to adopt the standards. There was a brief discussion on the matter, but Mr. Lacerte felt that the motion could stand because the time for public intervention had passed and no one from the public came to participate verbally at the hearing this evening. Accordingly, the standards could be considered adopted and the rest of the procedural schedule dismissed.

G. INFORMATIONAL PRESENTATION (REQUIRING NO ACTION) - none

H. OLD BUSINESS - none

I. NEW BUSINESS

1. PURCHASE OF PROPERTY AND EASEMENT FOR THE OSCEOLA PARKWAY SUBSTATION

Ken Davis, Vice president of Engineering & Operations advised the Board of the proposed substation. Director Cumbie questioned the time of acceptance for the contract of September 30, 2007. Mr. Davis stated that there are many contingencies in the contract with respect to environmental regulations. Mr. Davis anticipates all parties signing the contract, but closing would be contingent on the addendums in the contract.

ACTION: Director Toro made a motion, seconded by Director Kasper to authorize the purchase of property and easement for the Osceola Parkway Substation for the total amount of $1,735,200 and authorize the President & General Manager or his designee to execute the necessary contract and closing documents.

MOTION CARRIED 4-0
Director Hart abstained

2. PLEASANT HILL TRANSMISSION LINE – APPROVAL OF SETTLEMENT FOR PARCEL 137

Ken Davis, Vice president of Engineering & Operations advised the Board that this appears to be a good settlement. Director Cumbie asked if the seller of this parcel has any conflict with KUA. Mr. Davis stated that there are no conflicts that he is aware of.

ACTION: Director Kasper made a motion, seconded by Director Toro to authorize agreement for Parcel 137, Pleasant Hill Transmission Line Project of the total of $299,602.

MOTION CARRIED 5-0

Mr. Lacerte reminded the Board that in 2004, the Board authorized the President & General Manager to sign off on authorizations for right-of-way purchases. Mr. Lacerte stated that he recently reviewed this authorization and is of the opinion that this recommendation is still appropriate for current projects. Mr. Lacerte also stated that the Board would continue to be advised of settlements and always has the option to direct that all settlement approvals come back before the Board.

Director Kasper asked if money or the theory itself is the reason that this is being brought back to the Board. Mr. Lacerte stated that it is the theory itself. Director Toro asked if this could be challenged. Mr. Lacerte stated that any item could be questioned; however, he feels that our appraisals, negotiations and settlements are fair.

J. STAFF REPORTS

1. REPORT ON INFORMATION TECHNOLOY DEPARTMENT PROJECTS

Jef Gray, Vice president of Information Technology briefed the Board on the status of CIS and FIS upgrades. He also talked about future plans of the Wi-FI project and assisting and managing other municipal networks.

Chairman Gemskie called for a recess at 4:20 p.m.
Meeting reconvened at 4:50 p.m.

K. PRELIMINARY BUDGET DIRECTION

1. INTRODUCTION – JAMES C. WELSH, PRESIDENT & GENERAL MANAGER

Mr. Welsh advised the Board that this is the preliminary budget process portion of the meeting. Mr. Welsh advised the Board that the two new substations, Osceola Parkway and Neptune Road, are included in the budget. Mr. Welsh updated the Board on other capital projects and advised the Board that staff would ask for a recommendation on how to proceed with market level increase for planning purposes only. Mr. Welsh stated that a surge protection program and an Automatic Meter Reading (AMR or AMI) system would also be discussed.

2. FINANCIAL OVERVIEW – JOE HOSTETLER, VICE PRESIDENT OF FINANCE & RISK MANAGEMENT

Joe Hostetler, Vice president of Finance & Risk Management advised the Board that 4.5 additional positions would be proposed for staffing in the next fiscal year. He updated the Board on a proposed increase in total customers as well as in total growth. He stated that 86% of KUA customers are residential customers.

3. HUMAN RESOURCES OVERVIEW – WILBUR HILL, VICE PRESIDENT, HUMAN RESOURCES

Wilbur Hill, Vice president of Human Resources presented an overview of current personnel. He advised the Board of increases in both Engineering & Operations and Customer Service & Marketing. The proposed budget includes a net increase in 4.5 positions for 310 employees in the workforce.

Mr. Hill advised the Board that the municipal average of market level increases is 3.3%; however, staff is currently recommending a 3% market level adjustment for planning purposes only. He advised that the Consumer Price Index is currently averaging 2.9.

ACTION: **Director Kasper made a motion, seconded by Director Toro to approve staff's recommendation of a 3% market level adjustment (MLA) for planning purposes.**

Motion carried 5-0

4. DEPARTMENTAL O&M AND CAPITAL BUDGETS

a. POWER SUPPLY – BEN SHARMA

Mr. Sharma gave an overview of his budget. He stated that there would be a reduction of one employee in his department. Major capital projects include Cane Island 1, 2 and 3 upgrades, work at the Hansel combined cycle unit, upgrades at Stanton Unit 1 and a steam generator replacement at Crystal River, Unit 3.

Director Hart asked if the oil water separator at the Hansel unit should be completed sooner. Mr. Welsh stated that staff is going to further evaluate this to determine if dual fuel is even necessary at this point. Chairman Gemskie asked what the purpose of the scrubber unit was. Mr. Sharma stated that it is a chemical scrubbing process. Director Toro asked if FMPA pays for portions of this. Mr. Sharma stated that Joe Hostetler's presentation includes a breakdown of FMPA's portion.

b. INFORMATION TECHNOLOGY – JEF GRAY

Jef Gray, Vice president of Information Technology stated that IT is adding 1.5 positions, which includes one full time system technician. Capital projects include upgrades and wireless projects.

c. ENGINEERING & OPERATIONS – KEN DAVIS

Ken Davis, Vice president of Engineering & Operations stated that additional personnel are being recommended for System Operations, Line Operations and Materials Management. Capital highlights include the Neptune Road transmission line upgrade and several substation upgrades. Mr. Davis stated that mobile computing will be better used and will include GPS tracking. Director Toro questioned handheld inspection tracking. Mr. Davis stated that inspections of poles could easily be logged into systems for reference.

d. CUSTOMER SERVICE & MARKETING, MIKE GERAGHTY

Mike Geraghty, Vice pPresident of Customer Service & Marketing stated that additions of 7.5 employees are being recommended for Support Services. This is largely due to growth in water services and in field services largely due to the high number of cut-offs, which average between 1,300 and 1,600 customers at any given time.

Director Hart asked would KUA be reading meters in Polk County if Toho Water takes over Poinciana. Mr. Geraghty advised the Board that this could happen if a contract is agreed upon but would likely not occur this year. Mr. Hostetler stated that negotiations for a new contract are ongoing with Toho Water and we could have a new contract in as soon as thirty days.

Mr. Welsh advised the Board that an AMR/AMI system is possible in the future to not only read meters, but to do turn-ons and turn-offs as well. Director Cumbie asked if the same meter reader reads the water and electric meters. Mr. Geraghty stated that this is the case. Director Toro asked what would happen to current meter readers if KUA goes to AMR. Mr. Geraghty stated that water meters would still need to be read. He also stated that KUA is still in the test pilot phase of the program.

Mr. Geraghty stated that the work from home program is running well. Employees are monitored at home and statistics show higher volume than that of those persons in the office.

f. FINANCE & GENERAL MANAGEMENT – JOE HOSTETLER

Joe Hostetler, Vice president of Finance & Risk Management detailed current staffing. Mr. Welsh stated that the feasibility of some type of security for the front lobby is currently being addressed and may be included in the budget. Mr. Hostetler reviewed some of the features of Great Plains software and advised the Board that the conversion is going well for the most part. Director Toro questioned, "third party modules". Mr. Hostetler stated that this includes deductions for child support and certain types of taxes.

Mr. Hostetler gave the organizational chart of the executive area and indicated no new personnel or capital recommendations. Director Hart asked when the parking lot is slated to be completed. Mr. Welsh stated that it is slated to be completed this fall.

g. HUMAN RESOURCES – WILBUR HILL

Wilbur Hill, Vice president of Human Resources presented his departmental budget which included no major changes in personnel or in capital projects.

Chris Gent, Manager of Corporate Communications discussed community sponsorships. He advised the Board that the cap continues to be the cost of annual residential bills times the cost of a postage stamp. The proposed cap will be. Twenty percent of community sponsorships have been funded by the ISP; these include Chamber of Commerce types of functions. Mr. Gent detailed plans for a Neighborhood Block Party Express partnership which includes a trailer to take events into neighborhoods.

Mayor Swan commented that this Board will probably be asked for a lot more help than they have historically been asked for by community organizations due to public service cuts coming out of Tallahassee.

L. HEAR ATTORNEY, GENERAL MANAGER, DIRECTORS

Grant Lacerte advised Board members that major issues to address in Washington DC and in Tallahassee are greenhouse gas issues, renewable resources concerns and telecom issues.

Mr. Welsh alerted the Board that KUA received APPA's Reliable Public Power Award. He commended Ken Davis and his staff for doing a great job in this area.

Mayor Swan stated that he was very proud of the way KUA rebuilt its entire system back in the hurricanes of 2004.

Director Hart congratulated Ben for all of his great work over the years. Chairman Gemskie asked Ben to come forward. Mr. Welsh read a proclamation which Chairman Gemskie presented to Ben Sharma. Mr. Sharma thanked the Board and Jim for all of their support throughout the years. He thanked all his colleagues and friends at KUA. Mr. Welsh shared a story of Ben's interview and thanked him for his years of service.

M. ADJOURNMENT

Meeting adjourned at 6:30 p.m.

Nancy Gemskie
Chairman

Secretary