

**MINUTES OF A REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY,
WEDNESDAY, DECEMBER 10, 2008 at 3:30 P.M., BRINSON BOARD ROOM,
ADMINISTRATION BUILDING, 1701 W CARROLL STREET, KISSIMMEE, FLORIDA.**

Present were Chairman Fred Cumbie, Vice Chairman Nancy Gemske, Mayor Jim Swan, Director Reginald Hardee, Director George Gant, General Counsel Grant Lacerte, General Manager James Welsh and Recording Secretary Leticia Rivera. Director Jim Kasper was not present.

A. MEETING CALLED TO ORDER

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

B. PLEDGE OF ALLEGIANCE TO THE FLAG

The Board and staff recited the Pledge of Allegiance.

C. AWARDS AND PRESENTATIONS

1. ISA SOFTBALL CHAMPIONSHIP AWARDS

General Manager Welsh informed the Board that this item will be brought back at the January 7, 2009 meeting.

- 2. 5-YEAR SERVICE AWARD – LISA E. BILLS, METER READER, CUSTOMER SERVICE**
- 3. 5-YEAR SERVICE AWARD – RANDAL S. CORBELL, FIELD SERVICE SPECIALIST, CUSTOMER SERVICE**
- 4. 5-YEAR SERVICE AWARD – SEAN JANSON, FIELD SERVICE SPECIALIST, CUSTOMER SERVICE**
- 5. 10-YEAR SERVICE AWARD – ROB MORRIS, INTERNET PROGRAMMER/ANALYST, INFORMATION TECHNOLOGY**
- 6. EMPLOYEE OF THE MONTH FOR DECEMBER – MARIBEL URREA, LAN SUPPORT SERVICES, INFORMATION TECHNOLOGY**

Jim Welsh, President and General Manager congratulated all of the employees.

D. HEAR THE AUDIENCE

E. CONSENT AGENDA

ACTION: Director Gemske made a motion, seconded by Director Hardee to approve consent agenda items 1-6.

Motion Carried 4-0

- 1. APPROVAL OF MINUTES FOR NOVEMBER 5, 2008 REGULAR MEETING**
- 2. CIS INFINITY MAINTENANCE SUPPORT**

Recommendation: Approval of the CIS Infinity Maintenance Agreement

- 3. APPROVAL TO ISSUE A NOTICE OF HEARING TO CONSIDER CERTAIN STANDARDS OF THE PUBLIC UTILITIES REGULATORY POLICY ACT (PURPA) OF 1978 (STANDARD 16)**

Recommendation: Approve the Form of Notice to be published in the local media for a Public Hearing to be held in July, 2009, to consider Standard 16 of PURPA.

4. APPROVAL TO ISSUE A NOTICE OF HEARING TO CONSIDER CERTAIN STANDARDS OF THE PUBLIC UTILITIES REGULATORY POLICY ACT (PURPA) OF 1978 (STANDARD 17)

Recommendation: Approve the Form of Notice to be published in the local media for a Public Hearing to be held in July, 2009, to consider Standard 17 of PURPA.

5. APPROVAL TO ISSUE A NOTICE OF HEARING TO CONSIDER CERTAIN STANDARDS OF THE PUBLIC UTILITIES REGULATORY POLICY ACT (PURPA) OF 1978 (STANDARD 16A)

Recommendation: Approve the Form of Notice to be published in the local media for a Public Hearing to be held in July, 2009, to consider Standard 16A of PURPA.

6. APPROVAL TO ISSUE A NOTICE OF HEARING TO CONSIDER CERTAIN STANDARDS OF THE PUBLIC UTILITIES REGULATORY POLICY ACT (PURPA) OF 1978 (STANDARD 17A)

Recommendation: Approve the Form of Notice to be published in the local media for a Public Hearing to be held in July, 2009, to consider Standard 17A of PURPA.

F. PUBLIC HEARING - None

G. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION) - None

H. OLD BUSINESS

1. BOND UPDATE

Joe Hostetler, Vice President of Finance & Risk Management provided a current update on the Bond issue. Mr. Hostetler advised the Board that staff has continued to watch the bond market and has been working on updating KUA's remarketing document (official statement) and completing the audited annual financial statements which will be included in the official statement.

Mr. Hostetler provided the Board with six options that are available and detailed each option.

Chairman Cumbie asked in theory if it would be possible to pay off the whole debt. Mr. Hostetler advised in theory, yes. Chairman Cumbie asked if this could be an option 7. Director Gemske added it would not behoove us to spend our reserves.

ACTION: Director Hardee made a motion, seconded by Director Gemske to authorize staff to complete the official statement (OS) to have the flexibility to issue fixed rate bonds. Also, authorize staff to terminate the swap agreement and unwind the credit facility at any time the financing team determines it is advantageous to do so up to the January 7, 2009 Board meeting.

Motion Carried 4-0

2. SALE OF TRANSMISSION LINE SEGMENT TO PROGRESS ENERGY

Ken Davis, Vice President of Engineering & Operations provided an overview on the sale of the transmission line to the Board. Mr. Davis informed the Board that Progress Energy is ready to wire the funds to KUA tomorrow morning.

Director Gemskie questioned Progress Energy's access to the easement for the railroad. Grant Lacerte, Vice President and General Counsel stated that KUA is allowed to assign the crossing agreement so long as the railroad consents to it. Mr. Lacerte stated that KUA's sovereign immunity is referenced many times in the documents.

ACTION: Director Gemskie made a motion, seconded by Director Hardee to authorize the sale of a portion of transmission line between the PEF Meadow Woods South and KUA Employee Substations for amount of \$5,803,012; authorize the President and General Manager (or his designee) to execute all documents necessary to complete the sale.
Motion Carried 4-0

3. CEO PERFORMANCE REVIEW PROCEDURES

James Welsh, President & General Manager reminded the Board that CEO performance goals were established at the November meeting. Mr. Welsh advised the Board that a procedure for the CEO performance review has been completed based on a fixed percentage as per the Board's recommendation.

ACTION: Director Dr. Gant made a motion, seconded by Director Hardee to adopt the percentage rating system for KUA's CEO as indicated on the attached worksheet and the indicated schedule for goal review and the General Manager's evaluation.

Motion Carried 4-0

I. NEW BUSINESS

1. RATE STABILIZATION FUND

Joe Hostetler, Vice President of Finance & Risk Management provided the Board with an overview on the rate stabilization fund. Mr. Hostetler advised the Board that staff is recommending a transfer (build-up) to the rate stabilization fund.

Director Hardee asked if the monies to be transferred are any part of the available funds. Mr. Welsh stated that the transfer is out of KUA's net income for 2007 – 2008 fiscal year.

ACTION: Director Hardee made a motion, seconded by Director Gemskie to authorize staff to transfer \$3,650,927 to the Rate Stabilization Fund.

Motion Carried 4-0

2. RESCIND POLICY DIRECTIVE D99-2 THAT ALLOWED FOR THE WAIVER OF LINE EXTENSION FEES

Ken Davis, Vice President of Engineering and Operations provided an overview on policy directive D99-2. This policy directive allowed for the waiver of line extension fees for eligible commercial customers. Mr. Davis detailed Staff's recommendation to rescind the policy directive.

ACTION: Director Hardee made a motion, seconded by Director Gemskie to rescind policy directive D99-1 thus eliminating the option of waiving line extension fees for eligible commercial customers who have not been offered the waiver by KUA prior to January 1, 2009.

Motion Carried 4-0

3. RESCIND POLICY DIRECTIVE D01-1 THAT ALLOWED FOR PER-LOT FEES FOR RESIDENTIAL SUBDIVISION LINE EXTENSIONS

Ken Davis, Vice President of Engineering and Operations provided an overview on policy directive D01-1. Mr. Davis advised the Board that policy directive D01-1 established the

methodology of calculating line extension fees for residential subdivisions based on a per-lot line cost. The per-lot fee was intended to be comparable to calculating 70% of the total cost to perform the work. However, the past 18 months KUA has been experiencing unusual fluctuations in the cost of materials purchased for distribution infrastructure making it difficult for KUA to project and maintain the per-lot fees at a level that is comparable to actual costs.

ACTION: Director Gemskie made a motion, seconded by Director Dr. Gant to rescind policy directive D01-1 thus no longer allowing for per-lot extension fees for residential subdivisions for customers who have not been offered the per lot fee by KUA prior to January 1, 2009.

Motion Carried 4-0

J. STAFF REPORTS

1. BUDGET REVISION CONSIDERATIONS

Joe Hostetler, Vice President of Finance and Risk Management advised the Board that the results of October and November actual sales versus budget are under budget. KUA should be proactive in its approach early in the fiscal year as it is likely KUA will continue a trend of lower sales. Staff will come back at February's board meeting with a recommended budget amendment. KUA staff has developed some internal actions that have already been implemented.

2. PRE-AUDIT ANNUAL FINANCIAL REPORT

Joe Hostetler, Vice President of Finance and Risk Management provided the Board with a brief presentation on the pre-audit annual financial report.

K. HEAR ATTORNEY, GENERAL MANAGER, DIRECTORS

Mr. Welsh informed the Board of the upcoming APPA Legislative Rally. Mr. Welsh advised the Board that KUA's Ricky Johnson, Manager of Field Service and Customer Service was elected SEMA President. General Manager Welsh polled the Board for the Winterhaven tour which is now scheduled for January 8, 2009. General Manager Welsh informed the Board that the EOC has decided against holding a holiday party this year due to budgetary cuts. The EOC has also informed it will host its spring picnic May 16th at John Denn park and that City agreed to waive the fees for KUA for the use of the park.

Susan Postans, Vice President of Customer Service read a complimentary letter from a KUA customer.

General Manager Welsh informed the Cane Island IV January 4th hearing has been canceled due to no intervention and the Judge will issue a final order on January 5th and mobilization will start April 1st.

Director Hardee inquired if IT had to take any action on the push on Standard 508; a Congressional act to have agencies make their electronic and Web information more available to the general public. Jef Gray, Vice President of Information Technology informed the Board that KUA has not yet been informed of this.

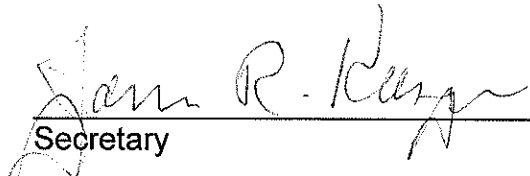
Dr. Gant asked when the oil tanks are scheduled to be removed. Larry Mattern, Vice President of Power Supply stated that complete removal will be done 60 days after the contract is signed.

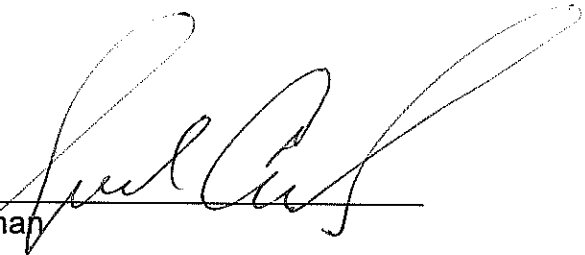
Chairman Cumbie informed the Board that he attended Outdoor Days at OHP and KUA had made an excellent fluorescent light bulb presentation.

Chairman Cumbie thanked everyone for re-electing him Chairman at the November meeting.

L. ADJOURNMENT

Meeting adjourned at 5:45 p.m.


Secretary


Chairman