

**MINUTES OF A REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY,
THURSDAY, FEBRUARY 2, 2006 at 3:30 P.M., BRINSON BOARD ROOM,
ADMINISTRATION BUILDING, 1701 W CARROLL STREET, KISSIMMEE, FLORIDA.**

Present were Chairman Gemskie, Vice Chairman Toro, Director Hart, Director Cumbie, Director Kasper, General Manager Welsh, Vice President and General Counsel Lacerte, and Recording Secretary Ambrosi. Mayor Linda Goodwin-Nichols was absent

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

B. PLEDGE OF ALLEGIANCE TO THE FLAG

The Board and staff recited the Pledge of Allegiance.

C. AWARDS AND PRESENTATIONS

**1. 5-YEAR SERVICE AWARD, JON LATIOLAIS, APPRENTICE LINEMAN,
ENGINEERING & OPERATIONS**

Jon was recognized by the Board as being a hard worker who is dedicated to completing his tasks in a timely fashion. The Board congratulated Jon for his five years of service.

**2. 5-YEAR SERVICE AWARD, LOI HOANG, ACCOUNTANT/ANALYST,
FINANCE & RISK MANAGEMENT**

Mr. Welsh congratulated Loi and related a story about Loi escaping from the Communist invasion of Vietnam in 1975. Mr. Welsh also congratulated Loi on his MBA and CPA status. Chairman Gemskie presented Loi with a watch.

**3. 5-YEAR SERVICE AWARD, MELVIN DUMEY, APPRENTICE LINEMAN,
ENGINEERING & OPERATIONS**

Melvin was unable to attend but Mr. Welsh stated that his service award would be presented to him at a future meeting.

**4. 10-YEAR SERVICE AWARD, PETE PEREZ, METER READER
SUPERVISOR, CUSTOMER SERVICE & MARKETING**

Mr. Welsh introduced Pete to the Board and recognized him for his dedication to KUA, his fellow employees and to the community at large. Chairman Gemskie presented Pete with a watch.

**5. 10-YEAR SERVICE AWARD, MIKE REAGAN, POWER PLANT SHIFT
SUPERVISOR, POWER SUPPLY**

Mike was unable to attend but Mr. Welsh stated that his service award would be presented to him at a future meeting.

**6. 15-YEAR SERVICE AWARD, DANIEL HERNANDEZ, LINEMAN FIRST
CLASS, ENGINEERING & OPERATIONS**

Although Daniel was unable to attend the meeting, Mr. Welsh wanted to point out to the Board that Daniel has worked for KUA for fifteen years, rather than the five that was mistakenly printed on last month's agenda. Mr. Welsh apologized for the confusion.

**7. 25-YEAR SERVICE AWARD, TERRY LUKE, LINEMAN FIRST CLASS,
ENGINEERING & OPERATIONS**

Terry was unable to attend but Mr. Welsh stated that his service award would be presented to him at a future meeting.

**8. 25-YEAR SERVICE AWARD, VIRGIL MINSHEW, LINE CREW
SUPERVISOR, ENGINEERING & OPERATIONS**

Virgil was unable to attend but Mr. Welsh stated that his service award would be presented to him at a future meeting.

**9. EMPLOYEE OF THE MONTH FOR FEBRUARY – HENRY KURNICK,
UTILITY PLANNER, ENGINEERING & OPERATIONS**

Henry was unable to attend but Mr. Welsh stated that his awards would be presented to him by his supervisor at a later date. Chairman Gemske stated that most award recipients were unable to attend the meeting because of the change in meeting dates.

D. **HEAR THE AUDIENCE** - none

E. **CONSENT AGENDA**

ACTION: Director Kasper made a motion, seconded by Director Toro to approve items #1 through 6 on the consent agenda as written.
MOTION CARRIED 5-0

1. APPROVAL OF THE MINUTES FOR JANUARY 4, 2006, REGULAR MEETING

2. RENEWAL OF ANNUAL SOFTWARE MAINTENANCE AGREEMENT-HTE

Recommendation: Approve continued maintenance for HTE Software and authorize the Board Chairman and Secretary to sign appropriate documents for the annual agreement.

3. FOUNDATION FOR OSCEOLA EDUCATION, INC. SPONSORSHIP

Recommendation: Staff recommends approval of a \$10,000 sponsorship to support the Foundation for Osceola Education, Inc. This is a worthwhile effort worthy of the KUA's consideration as part of our sponsorship program.

4. FESTIVAL OF RHYTHM & BLUES SPONSORSHIP

Recommendation: Staff recommends approval of a \$7,500 sponsorship to support the 2006 Festival of Rhythm & Blues. This is a worthwhile effort and worthy of the KUA's consideration as part of the sponsorship program.

5. AWARD OF IFB #017-06 REPLACEMENT OF METER TEST SYSTEM

Recommendation: Approve award of IFB#017-06 to AVO Megger for the total amount of \$95,746 with funding from Project #D06K05.

6. AWARD OF IFB #019-06 ANNUAL REQUIREMENT FOR PRE-STRESSED CONCRETE POLES

Recommendation: Approve award of IFB #019-06 to Accord Industries for the total amount of \$57,500.

F. **PUBLIC HEARING** - none

G. **INFORMATIONAL PRESENTATION (REQUIRING NO ACTION)** - none

H. **OLD BUSINESS**

1. OSCEOLA CENTER FOR THE ARTS – CAPITAL CAMPAIGN UPDATE

Chris Gent, Manager of Corporate Communications explained to the Board that The Osceola Center for the Arts' original capital campaign request which was approved by the Board in 2003 has changed in the scope of the request only. Ed Moore, Director of the Center for the Arts updated the Board on the progress of renovations and stated that the nearly completed art gallery will be named after KUA.

ACTION: Director Cumbie made a motion, seconded by Director Toro to approve a \$25,000 sponsorship to fund the capital campaign of the Osceola Center for the Arts, Inc. The sponsorship would be paid over a 3-year period at \$8,333 per year, beginning with the current budget year. Funds for this project would be incorporated into future budgeting processes.

MOTION CARRIED 5-0

I. NEW BUSINESS

1. AMENDMENT NO. 2 TO THE CONTRACTUAL SERVICES AGREEMENT (CSA) WITH GENERAL ELECTRIC (GE) FOR CANE ISLAND UNIT NO. 3

Ben Sharma, Vice president of Power Supply explained that this request is a three-part process. The first part includes maintenance of the steam turbine, the second is an upgrade of the CEM System and the third is a modification of the Hydrogen Seal which is necessary to prevent hydrogen leaks. Mr. Lacerte explained that the software license agreement contains poor terms in reference to liability by GE, however, this was non-negotiable.

ACTION: Director Toro made a motion, seconded by Director Kasper to approve the Amendment No. 2 to the Cane Island Unit 3 Contractual Services Agreement to include the maintenance services (as described) for the steam turbine (for \$1.7 million), the upgrade of the CEM System (for \$225,672) and Hydrogen Seal modification and installation (for \$149,022) and authorize the Chairman and the Secretary to execute the attached Amendment.

MOTION CARRIED 5-0

2. CHANGE IN CUSTOMER DEPOSIT POLICY

Mike Geraghty, Vice president of Customer Service & Marketing explained the request for a change in customer deposit policy. The first part of the request would change the retention period of residential deposits from one to two years. The second change would enable KUA to retain general service (commercial) deposits for the life of the account. Mr. Geraghty explained that the change is necessary to improve bad debt percentages. Mr. Geraghty addressed questions posed by Directors Hart and Kasper about applying the lifetime deposit to new commercial customers only. This change would not affect current corporations with good credit who expand to other areas.

ACTION: Director Cumbie made a motion, seconded by Director Kasper to send revised tariffs to the Florida Public Service Commission for their review. The revised tariffs would increase the retention of the Residential Deposit to two (2) years and retain the General Service deposit for the life of the account.

MOTION CARRIED 5-0

3. ACCESS OSCEOLA INTERLOCAL AGREEMENT

Chris Gent, Manager of Corporate Communications presented a new agreement to the Board which includes the addition of Osceola County Government and the addition of TWA as a 2 Tier partner.

ACTION: Director Hart made a motion, seconded by Director Cumbie to approve the Access Osceola interlocal agreement.

MOTION CARRIED 5-0

J. STAFF REPORTS

- 1. MONTHLY PROGRESS REPORT ON ENGINEERING & OPERATIONS DEPARTMENT PROJECTS**
- 2. MONTHLY PROGRESS REPORT ON POWER SUPPLY DEPARTMENT PROJECTS**
- 3. MONTHLY PROGRESS REPORT ON INFORMATION TECHNOLOGY DEPARTMENT PROJECTS**

Jef Gray, Vice president of Information Technology updated the Board on both the history and future of KUA as an internet service provider. Mr. Gray presented a new business model which includes the outsourcing of dial-up, many new features including dial-up accelerators and improved SPAM blocking as well as the ability to advertise on-line.

Chairman Gemskie called for a brief recess at 4:35 p.m.
Meeting reconvened at 4:50 p.m.

Mr. Gray addressed questions from the Board relating to profitability, legal concerns and the possibility of WIFI throughout Kissimmee.

Director Hart asked Ken Davis, Vice president of Engineering & Operations about the CADI report which was included in the Engineering report. Mr. Hart was concerned that although the frequency of outages is down, the duration of these outages has been extended. Mr. Davis stated that this is something that he is looking into and will report back to the Board on this further at the March meeting.

4. CONDENSED FINANCIAL REPORT – QUARTERLY – DECEMBER 2005

Joe Hostetler, Vice president of Finance & Risk Management presented the quarterly financial report to the Board as well as an update on current investments.

5. PENSION FUND INVESTMENTS UPDATE

Joe Hostetler, Chairman of the Pension Board stated that the pension fund is strong and has increased from approximately \$26 million to \$37 million in a two year time frame.

K. HEAR INTERNAL AUDIT, ATTORNEY, GENERAL MANAGER, DIRECTORS

Ruth Lentz, Internal Auditor had nothing to report.

Grant Lacerte, Vice President and General Counsel gave the Board a synopsis of legal matters from the past year and advised the Board that he is currently working on ninety-seven matters, which includes ethics training for the Board. Board members will attend ethics training on April 20, 2006, at 12 noon in the KUA boardroom.

General Manager Welsh informed the Board of a suggestion made to continue the learning process of Board members through staff presentations over the next six months. Staff has developed a recommended schedule to insert into the regular meeting schedule. Option A would include a replication of work-force indicators as presented by APPA or Option B which would present to the Board what they are already getting in monthly reports but expand on this concept by addressing what members should be getting out of the reports as well as answering their questions. At the end of the time frame, Board members could give input as to how adequate the information is and whether they would like the reports changed. After a discussion, the Board agreed that Option B and the recommended schedule should be adopted.

Mr. Welsh presented the Board with copies of the agenda for the preliminary budget directional meeting scheduled for February 15, 2006 at 3:30 p.m.

Mr. Welsh presented the Board with the electronic form of the annual report.

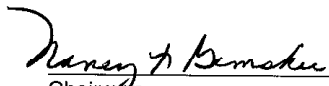
Mr. Welsh advised the Board that staff is currently working on sinking the monitors for better viewing at Board meetings Mr. Welsh thanked the Board for agreeing to change the meeting time to better accommodate the needs of staff during a recent tragedy.

Director Hart requested more project status reports on new technologies we may be contemplating in various areas so that the Board can better explain future KUA projects at APPA meetings. Mr. Welsh stated that we will begin these reports at the preliminary budget direction meeting scheduled for February 15, 2006.

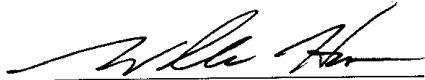
Director Toro advised the Board that he will not be able to attend the March 8 meeting or the APPA Legislative Rally due to a prior commitment.

Chairman Gemske complimented KUA staff for their recent handling of arrangements following the death of KUA employee, Nakeyshi Calas.

Meeting adjourned at 5:55 p.m.


Chairman

2/2/06
2306

A handwritten signature in black ink, appearing to read "W. L. H.", written over a horizontal line.

Secretary