

**MINUTES OF A REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY,
WEDNESDAY APRIL 5, 2006 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 Linda Goodwin-Nichols, 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 TO THE FLAG

The Board and staff recited the Pledge of Allegiance.

C. AWARDS AND PRESENTATIONS

1. FMEA PRESENTATION TO BOARD FOR HOSTING LINEMAN'S RODEO

This will be on the May agenda as most of the participants from the Lineman's Rodeo are in California at the APPA National Rodeo.

2. 5-YEAR SERVICE AWARD, MIKE KOSS, ELECTRICIAN, ENGINEERING & OPERATIONS

Mike could not attend the meeting. Mr. Welsh stated that his gift would be presented to him at a later time.

3. 10-YEAR SERVICE AWARD, RAY EADY, TRADESWORKER, CUSTOMER SERVICE & MARKETING

Ray was introduced and recognized for his great work ethic and willingness to always help. His main concern is doing what is right for KUA. Chairman Gemskie presented Ray with a DVD player.

4. EMPLOYEE OF THE MONTH FOR APRIL, JOHN MAIN, INFORMATION TECHNOLOGY SYSTEM TECHNICIAN

John was recognized as a great team player who is the type of person you can count on. His department head noted that John has received many employee accolades. Chairman Gemskie presented John with a plaque; Director Toro presented him with a day of with pay; Director Hart gave John a check; Director Cumbie presented him with a certificate for a tire rotation and a parking space; Director Kasper gave him a gift certificate to Sonny's and Mayor Goodwin-Nichols presented John with tickets to the Osceola Center for the Arts.

D. HEAR THE AUDIENCE - none

E. CONSENT AGENDA

Staff requested that items #2 and #4 be removed for further discussion.

ACTION: Director Toro made a motion, seconded by Director Cumbie to approve items #1, #3 and #5 as written.

MOTION CARRIED 5-0

1. APPROVAL OF THE MINUTES FOR MARCH 8, 2006, REGULAR MEETING

3. AWARD OF BID, PAD TRANSFORMERS, IFB #024-06

Recommendation: Recommend award of bid to the low evaluated bid as follows: 500 kVA to Electric Supply for the amount of \$37,158; 2500 kVA to Gresco for the amount of \$29,500.

5. APPROVE THE PURCHASE OF ANTICIPATED REPLACEMENT PARTS DURING THE FALL 2006 OUTAGE OF CANE ISLAND UNIT 3 STEAM TURBINE FROM GENERAL ELECTRIC

Recommendation: Approve the purchase of the anticipated replacement parts necessary during the fall 2006 outage of Cane Island Unit 3 steam turbine as shown in the attached list from General Electric for the not to exceed price of \$141,895.

2. SCHEDULE FOR BOARD MEMBER RECRUITMENT FOR TERM OCTOBER, 2006 THROUGH SEPTEMBER, 2011

Recommendation: Recommend the Board approve the schedule, advertising and questions to be asked of the candidates for recruiting a nominee to fill the upcoming vacancy.

Mr. Welsh explained that this item should have been originally placed under new business, rather than on the consent agenda. Director Hart, whose first term expires in October of 2006, asked if he should fill out a conflict of interest disclosure form as he was not eligible to vote on this matter. General Counsel Lacerte stated that since this is addressed in the charter, the form was not necessary.

ACTION: Director Kasper made a motion, seconded by Director Cumbie to approve Item #2 on the consent agenda.

**MOTION CARRIED 4-0
Director Hart abstained**

4. AWARD OF CIB, 500 MCM COPPER WIRE, AURSI #6

Recommendation: Award of bid ITB-3/1/2006-6-CB to the low bidder, Graybar Electric for the lump sum price of \$476,928

Ken Davis, Vice president of Engineering and Operations advised the Board that this purchase was made prior to the Board meeting using an emergency purchase order. The manufacturer advised staff that the current price would rise by 17% if the terms were not accepted prior to the meeting. The second lowest bidder also used the same manufacturer so their prices would rise as well.

Director Hart asked if there could be a provision for emergency board meetings to include conference calls in situations requiring emergency purchases. General Manager Welsh advised the Board that purchasing parameters and other Board language provisions would be discussed at the May Board meeting.

F. PUBLIC HEARING - none

G. INFORMATIONAL PRESENTATION (REQUIRING NO ACTION) - none

H. OLD BUSINESS - none

I. NEW BUSINESS - none

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**
- 5. CONDENSED FINANCIAL REPORT – FEBRUARY**

Joe Hostetler, Vice president of Finance & Risk Management presented the financial report to the Board.

6. FINANCIAL PERFORMANCE AREA PRESENTATION

Joe Hostetler, Vice president of Finance & Risk Management gave the board an overview of budgetary and financial information. Mr. Hostetler discussed transfers to the City of Kissimmee and Osceola County. He detailed debt service management which included a discussion on KUA's level of debt service coverage. Current bond ratings were discussed and the criteria that agencies use to rate businesses were detailed. Mr.

Hostetler stated the importance of maintaining sufficient reserves, particularly with the risk of hurricanes.

Mr. Hostetler asked if his current monthly financial report was sufficient in its present form or if the Board would prefer a more detailed quarterly report. Director Cumbie stated that it would be helpful to have a footnote explaining large variances. Mr. Hostetler stated that he could include this.

Director Hart questioned ratios and asked that a footnote be added to include medians and explanations of why KUA may be higher or lower in particular areas. Mr. Hostetler stated that he would clarify this in future presentations.

Director Toro stated that his verbal report clarifies many of his questions and he finds the report very helpful in its current state.

Director Cumbie asked how a competitor could steal our customers. Mr. Hostetler stated that in the event of deregulation, other companies could offer a lower fuel rate, but in today's market system, this is not possible. Mr. Lacerte stated that a law would have to be passed to negate current service territories.

The consensus of the Board was to change detailed reports from monthly to quarterly; however, Mr. Hostetler stated that he would not wait to report unusual information or large variances to the Board. Mr. Welsh suggested that Mr. Hostetler continue to report monthly sales. Director Hart requested that the monthly report still include the rate comparison chart.

7. INTERNAL AUDIT QUARTERLY REPORT

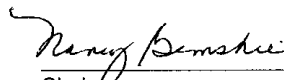
Algertha Diggs, Manager of Internal Audit detailed current projects in process which include a revision of audit strategies as well as an inventory of the electrical distribution warehouse.

K. HEAR ATTORNEY, GENERAL MANAGER, DIRECTORS

Grant Lacerte, Vice president & General Counsel updated the Board on several pending matters. Director Hart asked about the legislation on advanced notice tree trimming. Mr. Lacerte stated that this issue is in addition to proposed national legislation being brought forward by the PSC asking for more stringent guidelines on issues such as tree trimming and pole inspections. Chairman Gemskie stated that advanced notice legislation could present problems in scheduling.

Mr. Welsh reminded the Board of the April 20 ethics seminar and movie as well the annual spring picnic at Forever Florida.

Meeting adjourned at 5:02 p.m.



Chairman



Secretary