

**MINUTES OF A REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY,
WEDNESDAY, AUGUST 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, Mayor 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**

The Board and staff recited the Pledge of Allegiance.

C. **AWARDS AND PRESENTATIONS**

1. **DEGREE RECOGNITION – JAIME TORRES, BACHELOR OF SCIENCE IN ACCOUNTING**

Jaime was recognized as a recent graduate of the University of Phoenix. The Board congratulated her and presented her with a plaque.

2. **10-YEAR SERVICE AWARD, PAUL FIELITITZ, LINEMAN, ENGINEERING & OPERATIONS**

Paul was unable to attend the meeting. His supervisor will present Paul with his service award at a later date.

3. **EMPLOYEE OF THE MONTH FOR AUGUST – BEN DEMOSS, LINEMAN FIRST CLASS, ENGINEERING & OPERATIONS**

Mr. Welsh read a letter from one of Ben's co-workers who recognized him as a hard working employee who has a great working relationship with our customers. Chairman Gemskie presented Ben with a plaque; Director Toro gave him a certificate for a day off with pay; Director Hart gave Ben a check; Director Cumbie presented him with a certificate for a good parking place and a free tire rotation; Director Kasper presented Ben with a certificate to Sonny's and tickets to the Center for the Arts. Ben thanked the Board, his fellow employees and the EOC for this honor.

D. **HEAR THE AUDIENCE** - none

E. **CONSENT AGENDA**

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

MOTION CARRIED 5-0

1. **APPROVAL OF MINUTES FROM REGULAR MEETING OF JULY 5, 2006**

2. **ADOPTION OF RESOLUTION AFFIRMING KUA'S COMPLIANCE WITH STANDARD 14 OF THE PUBLIC UTILITY REGULATORY PLICIES ACT (PURPA) OF 1978 AS CODIFIED IN THE ENERGY POLICY ACT OF 2005**

Recommendation: Approve Resolution #06-06 affirming KUA's compliance with Standard 14 of PURPA as codified by the EAct.

F. **PUBLIC HEARING** - none

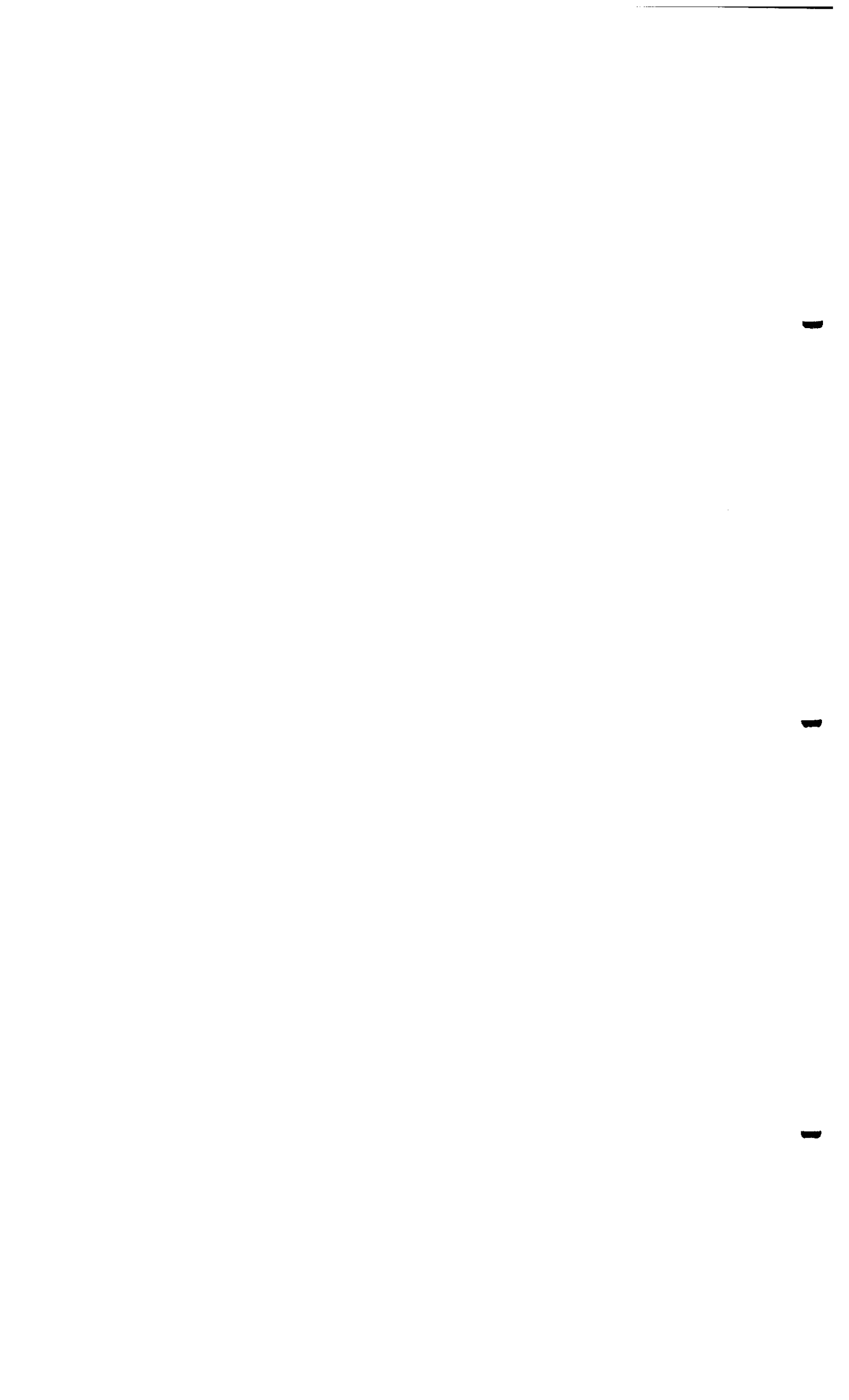
G. **INFORMATIONAL PRESENTATION (REQUIRING NO ACTION)** - none

H. **OLD BUSINESS** - none

I. **NEW BUSINESS**

1. **ERNST & YOUNG ENGAGEMENT LETTER AND FEES**

Joe Hostetler, Vice president of Finance & Risk Management introduced Mike Patillo of Ernst & Young who stated that more Ernst & Young employees are being brought in this year for auditing purposes. Mr. Patillo presented the Board with a booklet



detailing the audit plan. Mr. Patillo offered the Board both collectively or individually the opportunity to call him with any questions or concerns.

Director Hart asked for further explanation on strategic planning and key business issues as well as Senate Bill 1322. Mr. Patillo stated that strategic planning is done with staff members to determine where KUA is going in the next several years and Florida Senate Bill 1322 deals with Telecom issues.

Director Cumbie asked what last year's audit fees were. Mr. Hostetler stated that the financial audit was \$63,000 last year but would increase to \$116,000 this year.

ACTION: Director Cumbie made a motion, seconded by Director Kasper to sign the 2006 E&Y Engagement letter and authorize the audit fees of \$116,000.

MOTION CARRIED 5-0

2. INTERLOCAL AGREEMENT WITH OSCEOLA COUNTY FOR CONVERTING NEPTUNE ROAD DISTRIBUTION FEEDERS TO UNDERGROUND

Ken Davis, Vice President of Engineering & Operations detailed plans for the conversion of distribution feeders from overhead to underground along Neptune Road. Director Hart asked what the cost would be to individual homeowners to maintain the underground service. Mr. Davis stated that homeowners would be given the option to convert their services at some cost, but service poles are on individual property so the decision to convert to underground is up to the individual homeowner.

ACTION: Director Hart made a motion, seconded by Director Cumbie to approve the Interlocal Agreement for Undergrounding Neptune Road Distribution Feeders between KUA and Osceola County; authorize the Chairman and Secretary to execute the Agreement.

MOTION CARRIED 5-0

3. NEPTUNE ROAD TRANSMISSION LINE RELOCATION/UPGRADE

ACTION: Director Toro made a motion, seconded by Director Hart to authorize Black& Veatch to proceed with the Engineering work for the KUA-St. Cloud Transmission line relocation/upgrade for the not-to-exceed amount of \$517,000.

J. STAFF REPORTS

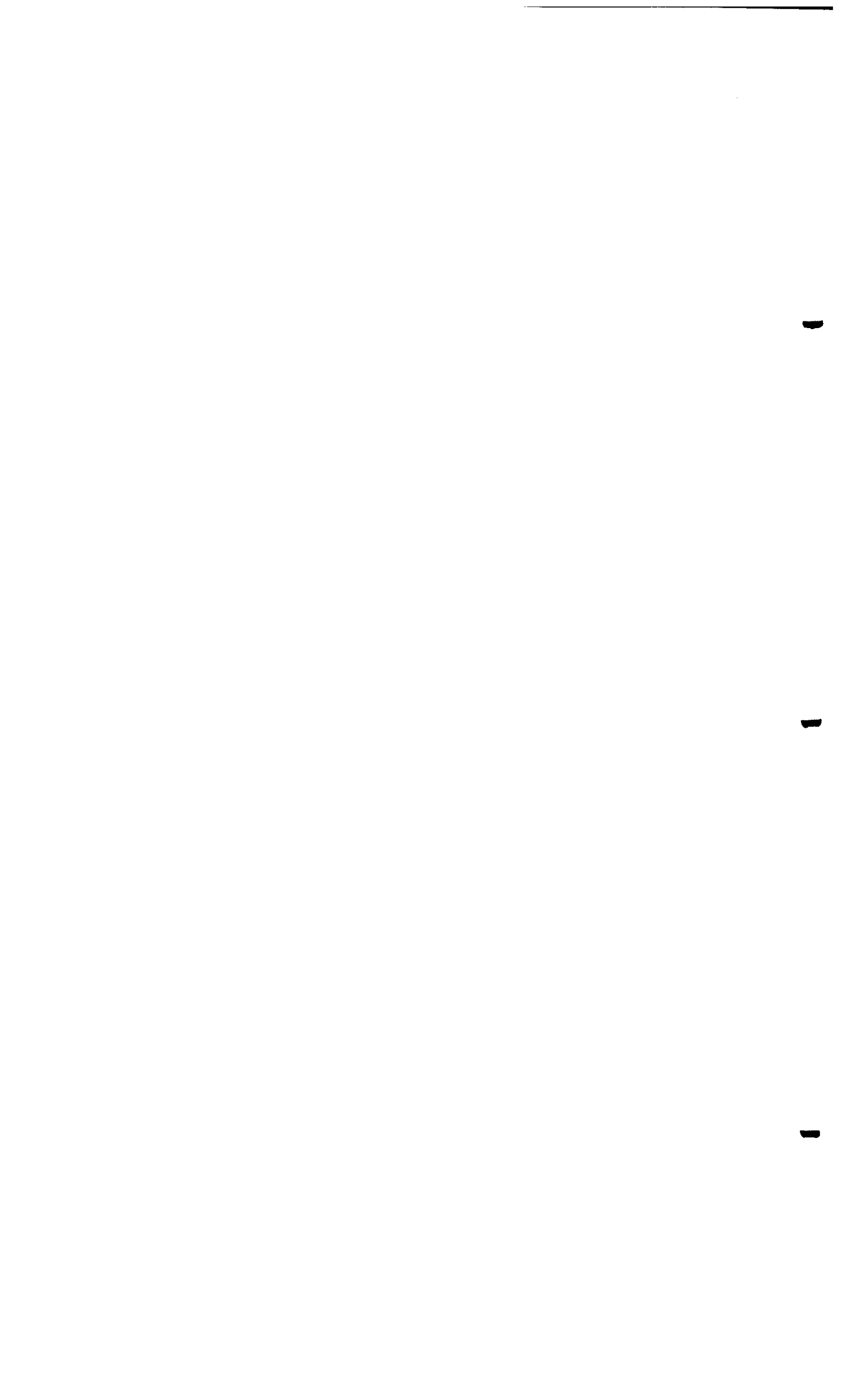
- 1. MONTHLY PROGRESS REPORT ON ENGINEERING & OPERATIONS DEPARTMENT PROJECTS**
- 2. MONTHLY PROGRESS REPORT ON POWER SUPPLY DEPARTMENT PROJECTS**
- 3. STATUS REPORT OF TRANSMISSION CONSTRAINT SITUATION IN CENTRAL FLORIDA**

Ben Sharma, Vice President of Power Supply presented a timeline of major transmission projects in Central Florida. He advised the Board of current constraints of the bulk transmission system throughout Central Florida. Mr. Sharma stated that KUA/FMPA and OUC have committed to supporting the results of the Re-Study which include improvements to the McIntosh-Taft corridor. Mr. Sharma stated that KUA's commitment to the project is currently at 2% or \$7.5 million.

There was a discussion by the Board on the costs involved that will affect not only Central Florida, but the entire nation. Mr. Sharma agreed to keep the Board updated on current and future projects.

- 4. MONTHLY PROGRESS REPORT ON INFORMATION TECHNOLOGY DEPARTMENT PROJECTS**
- 5. QUARTERLY CONDENSED FINANCIAL REPORT – JUNE 2006**

Joe Hostetler, Vice President of Finance and Risk Management presented the quarterly report to the Board.



6. RETIREMENT HEALTHCARE SAVINGS UPDATE

Joe Hostetler, Vice President of Finance and Risk Management reminded the Board of the details of the plan. Mr. Hostetler stated that there is some question as to future IRS rulings on the plan and the risk involved for both the employee and KUA. These questions are currently under review as well as what the maximum exposure would be. Once these questions are resolved, staff will come back with a recommendation.

Director Hart asked how many employees he anticipates retiring over the next year. Mr. Hostetler stated that 57 employees would be eligible in the next five years.

7. PERFORMANCE AREA REPORT: WORK FORCE- WILBUR HILL, VICE PRESIDENT OF HUMAN RESOURCES

Wilbur Hill, Vice President of Human Resources presented work force statistics which currently include 295 employees with a minority representation of 30%. Mr. Hill highlighted details of the 2005 Employee Survey as well as company statistics on vehicular accidents, workers compensation claims, health insurance indicators and disciplinary trends.

K. HEAR ATTORNEY, GENERAL MANAGER, DIRECTORS

Mr. Lacerte advised the Board of a question of public noticing the purchase of large parcels, such as the purchases for Pleasant Hill substation easements. Director Cumbie asked if there are checks and balances for what management purchases under \$100,000. Mr. Lacerte advised the Board that they have a right to look into purchases at any given time.

Mr. Welsh advised the Board that he has been asked to serve on the faculty of the APPA conference in Tucson, Arizona on setting a vision for our future. Mr. Welsh advised the Board that Engineering & Operations have offered to conduct an operational demo of some of their operations. Mr. Welsh proposed October 5, 2006 at 9:00 a.m. in the T&D training facility and a rain date of October 17.

Mr. Welsh also advised the Board that he has been elected as Chairperson of the Florida Municipal Power Association.

Chairman Gemskie recessed the meeting at 5:45 p.m. for ten minutes.
Meeting reconvened at 5:55 p.m.

L. MANAGEMENT REVIEW

Each of the board members rated Mr. Welsh. The weighted average was 3.1946 which equated to a 4.5838% increase based on the traditional process. Director Hart stated that he would prefer to see the raise as a straight 3% increase, rather than the 4.5838%.

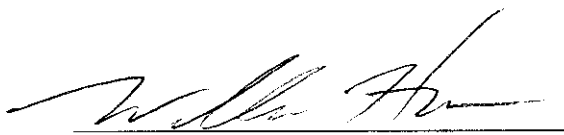
**ACTION: Director Cumbie made a motion to approve a 4.5838% increase;
Director Toro seconded the motion.**


MOTION CARRIED 5-0

The new base salary for the President & General Manager will be \$185,489.00. effective October 1, 2006. Chairman Gemskie complimented the review process which has been in place for eight years.

M. ADJOURNMENT

Meeting adjourned at 6:04 p.m.


Secretary


Chairman

