

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

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

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 – JASON BORDERS, INTERNET SYSTEMS COORDINATOR, INFORMATION TECHNOLOGY**
2. **5-YEAR SERVICE AWARD – LOWELL KNOLLINGER, FIELD SERVICE SPECIALIST, CUSTOMER SERVICE & MARKETING**
3. **15-YEAR SERVICE AWARD – CHARLES LEE, MANAGER/FINANCIAL ANALYSIS, FINANCE & RISK MANAGEMENT**
5. **15-YEAR SERVICE AWARD – RICHARD MEAD, ACCOUNTANT / ANALYST, POWER SUPPLY**
6. **EMPLOYEE OF THE MONTH FOR JANUARY – PAM HOLLOWAY, METER READING SYSTEMS TECH, CUSTOMER SERVICE**

General Manager Welsh recognized Pam as a great motivator and exceptional member of the KUA team. The Board presented Pam 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 .

7. EMPLOYEE OF THE YEAR FOR 2006 – RAY EADY, TRADESWORKER, EXECUTIVE OFFICE

General Manager Welsh congratulated Ray and recognized him for all of his accomplishments, including being named 2006 Employee of the Year. The Board and audience congratulated Ray. Chairman Gemskie presented Ray with a plaque, Director Hart gave Ray a check and Director Cumbie presented Ray with a certificate for two days off with pay.

D. HEAR THE AUDIENCE

E. CONSENT AGENDA

ACTION: Director Hart made a motion, seconded by Director Cumbie to approve items #1 through 3 on the consent agenda as written.
MOTION CARRIED 3-0

1. APPROVAL OF MINUTES FROM REGULAR MEETING OF DECEMBER 6, 2006

2. KVLS SPONSORSHIP

Recommendation: Staff recommends a \$10,000 sponsorship of the Kissimmee Valley Livestock Show and Air, Inc.

3. FESTIVAL OF RHYTHM & BLUES SPONSORSHIP

Recommendation: Staff recommends approval of a \$7,500 sponsorship to support the 2007 Festival of Rhythm & Blues. This is a worthwhile effort and worthy of the KUA's considerations as part of our sponsorship program.

F. PUBLIC HEARING - none

G. INFORMATIONAL PRESENTATION (REQUIRING NO ACTION)

1. OSCEOLA COUNTY ECONOMIC DEVELOPMENT DEPARTMENT PRESENTATION

Chris Gent, Manager of Corporate Communications introduced Maria Grulich, Director of Osceola County Economic Development Department. Ms. Grulich advised the Board that KUA is their sole partner in ads for Osceola County. She also stated that the department is presently working with 84 businesses in the County and refers businesses to KUA if necessary.

Director Hart expressed he was grateful that existing businesses are being catered to as well as encouraging new businesses to come to the area.

H. OLD BUSINESS - none

I. NEW BUSINESS

1. YEAR END AUDITED FINANCIAL REPORT FOR FISCAL YEAR 2006

Joe Hostetler, Vice President of Finance & Risk Management thanked his staff for their assistance with the audit. Mr. Hostetler advised the Board that the new payroll system was also implemented this week.

Mr. Hostetler advised the Board that the original budget included \$1 million in the rate stabilization fund but was amended to \$4.65 million after FEMA reimbursements came in. By the October Board report an additional \$3.4 million was added to the rate stabilization fund as a result of increased sales and capacity credits as well as savings in departmental expenses. He stated that KUA is currently at \$25 million in the rate stabilization fund. He stated that staff may come back to the Board to increase the maximum allowed to this fund in the future. Mr. Hostetler then explained the need to transfer funds into the rate stabilization fund in order to mitigate future base rate increases as well as fuel cost increases.

Director Hart asked if credits from the ARP would decrease in the next several years. Mr. Hostetler stated that this would depend on the market itself as well as upon the usage of the Cane Island Power Plant. Mr. Welsh also pointed out that other options relating to capacity credits are currently being discussed with FMPPA.

ACTION: Director Hart made a motion, seconded by Director Cumbie to approve staff's recommendation to transfer \$11,148,158 into the Rate Stabilization Fund.

MOTION CARRIED 3-0

Mr. Hostetler then introduced Mike Patillo, Managing Partner of Ernst & Young who presented a summary of the 2006 audit to the Board. Mr. Patillo presented an overview of the financial statements and noted that no significant audit differences were uncovered. Mr. Patillo advised the Board of new accounting standards for post-employment benefits other than pensions that will be addressed in fiscal year 2007. He also stated that careful attention will be paid to issues associated with the new software conversion in fiscal year 2007.

Director Cumbie asked if there was any significant difference in doing the audit with the recent changes in the internal audit department. Mr. Patillo stated that they had to staff the audit this year but things went smoothly with Finance's assistance.

2. PLEASANT HILL SUBSTATION PROJECT – AWARD OF BID IFB-011-07, SUBSTATION CONSTRUCTION

Ken Davis, Vice President of Engineering & Operations advised the Board that the permitting process is near completion and the project is running smoothly. Mr. Davis then detailed the bid for substation construction and requested its approval so that the process could begin.

ACTION: Director Cumbie made a motion, seconded by Director Hart to award bid #IFB 011-07 to Terry's Electric for a lump sum price of \$2,549,788 contingent on negotiation of satisfactory contract.

MOTION CARRIED 3-0

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**

Chairman Gernskie congratulated employees of the IT department for being recognized by Microsoft for the second year in a row.

4. **ELECTRIC SALES REPORT – NOVEMBER, 2006**

Joe Hostetler, Vice President of Finance and Risk Management presented the November report to the Board. Director Hart asked if the drop in the growth rate has affected budget projections at all. Mr. Hostetler stated that changes are mainly affected by weather and load forecast projections.

5. **PENSION FUND INVESTMENTS UPDATE**

Mr. Hostetler, Chairman of the Pension Fund advised the Board that the plan is strong and should continue to grow largely due to the strong investment activity.

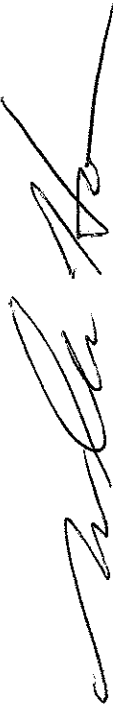
K. HEAR ATTORNEY, GENERAL MANAGER, DIRECTORS

Grant Lacerite, Vice President & General Counsel advised the Board that he researched the conflict of interest issue presented at the December meeting. Mr. Lacerite stated that Directors can participate but are not able to vote per Florida Statute.

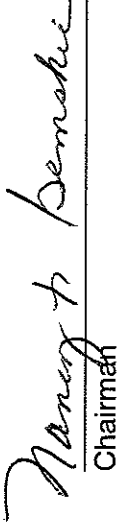
Director Hart stated that he did not realize that the Crystal River Nuclear Plant was being decommissioned. Mr. Welsh stated that this is not being anticipated but is accounted for throughout the plant's lifetime. Mr. Mattem stated that he believes they are, in fact, trying to push more power out of it.

L. ADJOURNMENT

Meeting adjourned at 4:46 p.m.



Secretary


Chairman