

MINUTES OF A REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, APRIL 2, 2008 at 3:30 P.M., BRINSON BOARD ROOM, ADMINISTRATION BUILDING, 1701 W CARROLL STREET, KISSIMMEE, FLORIDA.

Present were Chairman William Hart, Vice Chairman Fred Cumbie, Director Nancy Gemskie, Director Reginald Hardee, Director Jim Kasper, General Manager James Welsh, Vice President and General Counsel Grant Lacerte, and Recording Secretary Leticia Rivera. Mayor Jim Swan was absent.

A. MEETING CALLED TO ORDER

B. PLEDGE OF ALLEGIANCE TO THE FLAG

C. AWARDS AND PRESENTATIONS

1. DEGREE RECOGNITION – NICOLE PENIGIAN – ASSOCIATE IN ARTS
2. 5 YEAR SERVICE AWARD – JENNIFER ATHEY, ADMINISTRATIVE ASSISTANT, CPS, INFORMATION TECHNOLOGY
3. 5 YEAR SERVICE AWARD – MATTHEW MYERS, METER READER, CUSTOMER SERVICE
4. 5 YEAR SERVICE AWARD – SARAH J. THOMPSON, METER READER, CUSTOMER SERVICE
5. 5 YEAR SERVICE AWARD – LARRY WEBB, MANAGER OF TREASURY, FINANCE & RISK MANAGEMENT
6. 20 YEAR SERVICE AWARD – MARIA MERCADO, CUSTOMER SERVICE REPRESENTATIVE II, CUSTOMER SERVICE
7. 25 YEAR SERVICE AWARD – BOB DEPASCALE, SUPERVISOR OF SCADA/COMM, ENGINEERING & OPERATIONS
8. EMPLOYEE OF THE MONTH FOR APRIL – MIKE FULMORE, LINEMAN, FIRST CLASS, ENGINEERING & OPERATIONS

General Manager Welsh congratulated Mike for being chosen as Employee of the Month for April 2008. Chairman Hart presented Jonathan with a plaque, Director Gemskie presented Jonathan with a check, Director Cumbie presented Jonathan with a certificate for a day off with pay and Director Kasper presented Jonathan with two tickets to the Osceola Center of the Arts.

D. HEAR THE AUDIENCE

E. CONSENT AGENDA

ACTION: Director Gemskie made a motion, seconded by Director Kasper to approve items 1, 2 and 4-9 on the consent agenda.

MOTION PASSED 5 - 0

1. APPROVAL OF MINUTES FOR MARCH 5, 2008 REGULAR MEETING
2. APPROVAL OF MINUTES FOR MARCH 12, 2008 SPECIAL MEETING
4. IFB #012-08 TYPE 11 PAD MOUNT SWITCHGEAR

Recommendation: Authorize award of bid IFB 012-08 to Tri-State Utility Products, Inc. for the total amount of \$102,179.

5. IFB #014-08 UNIT #22 STEAM TURBINE GENERATOR FIELD REWIND

Recommendation: Staff recommends procuring National Electric Coil (NEC) to repair Unit #22 steam turbine generator rotor for an amount of not to exceed \$335,166.

6. IFB #015-08 UNIT #21 GENERATOR CLEAN AND REPAIR

Recommendation: Power Supply Staff recommends procuring General Electric to perform the cleaning and repair of the Roy E. Hansel Power Plant Unit #21 generator at a cost not to exceed \$241,119.

7. AURSI#2 CB 500 MCM COPPER UNDERGROUND WIRE

Recommendation: Authorize award of bid ITB 3/3/2008-2-CB to Electric Supply for the total amount of \$1,179,900.

8. AURSI#3 CB-LIGHTING FIXTURES, ARMS AND POLES

Recommendation: Authorize award of bid ITB 3/4/2008-3-CB to HD Supply for the total amount of \$183,748.

9. SCHEDULE FOR BOARD MEMBER RECRUITMENT FOR TERM OCTOBER, 2008 THROUGH SEPTEMBER, 2009.

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.

3. FOUNDATION FOR OSCEOLA EDUCATION, INC. SPONSORSHIP

Chris Gent, Vice President Corporate Communications explained that KUA was at the \$11,000 platinum level however the levels have shifted. This offers KUA on additional event and an additional scholarship, which brings the total to three scholarships. Chairman Hart asked how much each scholarship is worth. Chris Gent informed him that each scholarship is worth \$2,000 and a Board member or staff member presents the scholarships to the individuals who receive them.

ACTION: Director Cumbie made a motion, seconded by Director Gemskie to approve items 3 on the consent agenda.

MOTION PASSED 5 - 0

Recommendation: Staff recommends approval of a \$15,000 sponsorship to support the Foundation for Osceola Education, Inc. This is a worthwhile effort and worthy of the KUA's consideration as part of our sponsorship program.

Mr. Ken Smith of the Foundation for Osceola Education, Inc., thanked the Board and KUA for their past and future assistance.

F. PUBLIC HEARING - None

G. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION) - None

H. OLD BUSINESS - None

I. NEW BUSINESS

1. ENGINEERING SERVICES FOR CANE ISLAND IV TRANSMISSION LINE

Ken Davis, Vice President of Engineering & Operations briefed the Board on the relocation of the on-site transmission line. The construction of Unit IV at Cane Island will necessitate various transmission and substation system upgrades and modifications. Staff is currently working with FMPA to develop an agreement to cover this work. In order to meet the projected in-service date of Unit IV, we need to initiate work on the substation and transmission work in April. One of these modifications involves the relocation of the 230 kV transmission line on the Cane Island Site.

Director Cumbie questioned if the engineering work is put out for bid. Ken Davis informed him that it is not. Mr. Davis informed him that if this was to be put out for bid the cost would be significantly higher.

ACTION: Director Kasper made a motion; seconded by Director Hardee to authorize Black & Veatch to initiate the engineering work necessary for the relocation of the Cane Island on-site transmission facilities in order to accommodate Unit IV for a not-to-exceed amount of \$404,000. (contingent on finalizing an agreement with FMPA)

MOTION PASSED 5 - 0

2. ENGINEERING SERVICES FOR CANE ISLAND IV – SUBSTATION MODIFICATIONS

Ken Davis, Vice President Engineering & Operations briefed the Board on the substation modifications. This project involves the modifications to the Cane Island substation required to accommodate Unit IV.

ACTION: Director Cumbie made a motion; seconded by Director Hardee to authorize Black & Veatch to initiate the engineering work required for the Cane Island IV substation modifications in order to accommodate Unit IV, for a not-to-exceed amount of \$1,252,400. (contingent on finalizing an agreement with FMPA)

MOTION PASSED 5 - 0

3. ENGINEERING SERVICES FOR CANE ISLAND IV – SECOND AUTOTRANSFORMER AT THE CLAY STREET

Ken Davis, Vice President Engineering & Operations briefed the Board on the substation modifications. In order to accommodate Unit IV at Cane Island, a second 230/69 kV autotransformer will need to be installed at the Clay Street Substation.

ACTION: Director Gemskie made a motion; seconded by Director Kasper to authorize Black & Veatch to initiate the engineering work necessary for the addition of a second autotransformer at the Clay Street Substation for a not-to exceed amount of \$866,000. (contingent on finalizing an agreement with FMPA)

MOTION PASSED 5 – 0

4. CANE ISLAND IV TRANSMISSION COST - BUDGET AMENDMENT

Joe Hostetler, Vice President Finance & Risk Management reviewed with the Board the three agenda items that recommended approval to move forward on the Cane Island IV transmission project. These recommendations are contingent upon a signed contract with FMPA. Even though these costs are reimbursed 100% by FMPA, staff needs to have Board approval in order to spend these funds. The remaining funds requested in the three agenda items will be included in the upcoming fiscal year budgets.

ACTION: Director Cumbie made a motion; seconded by Director Gemskie to authorize \$500,000 budget amendment related to the Cane Island IV transmission project.

MOTION PASSED 5 - 0

J. STAFF REPORTS

1. QUARTERLY PROGRESS REPORT ON ENGINEERING & OPERATIONS DEPARTMENT PROJECTS

Ken Davis, Vice President Engineering & Operations briefed the Board on the major projects in the department.

2. QUARTERLY PROGRESS REPORT ON INFORMATION TECHNOLOGY DEPARTMENT PROJECTS

Jef Gray, Vice President of Information Technology presented to the Board an update on current and future projects taking place in the IT department.

Recess at 4:30pm. Resumed at 4:45pm

3. BOND UPDATE

Joe Hostetler, Vice President of Finance & Risk Management provided an update on the Bond issues. At the March Board Meeting, Staff updated the Board on the Auction-Rate. The remarketing/auction agents were unsuccessful in remarketing our bonds during the auction. As a result, the bonds remained with the current holders and were priced at the rate dictated by bond documents for this issue. This "maximum rate" was established based on the one-month LIBOR multiplied by 125%. This 125% is based on the insured strength rating of KUA's insurer, FSA.

The success in limiting KUA's "maximum rate" is attributable to a limiting paragraph that was included in bond documents when the deal was being prepared in 2003. Jon Eichelberger, who at the time was the lead underwriter on the financial team, personally had this paragraph included in bond documents. Jon was employed by JPMorgan Securities, Inc. but has since moved to Morgan Keegan. As Staff continues to explore options for the auction-rate securities, staff recommends continuing KUA's relationship with Jon Eichelberger. Jon's breadth of knowledge and understanding of the debt market and KUA's debt portfolio has benefited KUA greatly as indicated above.

Craig Dunlap of Dunlap & Associates has been KUA's financial advisor for almost twenty years. Craig has developed an RFP to explore several bond options.

Joe Hostetler advised the Board that staff will investigate and review three bond options and recommend a course of action at the May 7th meeting, based on the outcome of this RFP and discussions with KUA's financing team.

Chairman Hart requested an example of a non-bank qualified loan. Joe Hostetler advised the Board that to be a qualified bank loan, one has to have an issue under 10M dollars, and KUA would issue over that. Joe Hostetler handed out a sheet of bond terms for clarification on some terms.

4. RATE CHANGE UPDATE

Joe Hostetler, Vice President of Finance & Risk Management provided an update on the rate change. Staff is recommending several "rate related" changes which will leave the average customer's total bill unchanged. The changes are to incorporate the remaining fuel related costs (C.O.P.A.) into the base rates and segregation of taxes and transfers from the base rate.

Director Hardee requested Staff to explore if it is possible to automate this function. Director Hardee requested that instead of using the term "rate change" KUA should use the term "rate restructuring" so the public will understand their rates won't be changing.

Former Board member Dr. George Gant asked who owns this system and if KUA takes the transfer of the City and makes it look like a tax, it is going to create internal problems. Dr. Gant asked KUA take a look at this very carefully before proceeding.

Mr. Welsh advised Dr. Gant that KUA will not create a separate line item for the transfer but will have one line item that states governmental tax and transfer recovery fee.

K. HEAR ATTORNEY, GENERAL MANAGER, DIRECTORS

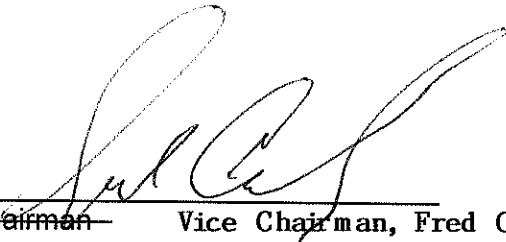
Grant Lacerte, Vice President and General Counsel provided an update of ongoing legal cases. Mr. Lacerte advised the Board that he and Director Gemskie met with legislators in Tallahassee. He advised the Board there is a renewable portfolio standard that is very aggressive. Municipalities were excluded from it but were put back in and lobbyists are working on getting KUA excluded again.

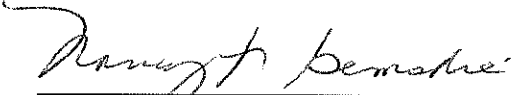
Chairman Hart asked when FMPA will make a decision on the net-metering issue. Mr. Welsh advised the Board that the decision will be made in June.

Mr. Welsh advised the Board of upcoming events and also informed the Board that Mayor Swan's wife, Linda is ill and is in the hospital. Director Gemskie requested that flowers be sent to Mayor Swan's wife on behalf of the Board and KUA staff.

L. ADJOURNMENT

Meeting adjourned at 5:45 pm.


~~Chairman~~ Vice Chairman, Fred Cumbie


Secretary
Nancy Gemskie