

MINUTES
ORLANDO UTILITIES COMMISSION
June 9, 2015
2:00 P.M.

Present:

COMMISSIONERS:

Linda Ferrone, President
 Maylen Dominguez, Second Vice President
 Dan Kirby, Immediate Past President

Kenneth P. Ksionek, General Manager & Chief Executive Officer
 Jan Aspuru, Clint Bullock, Roseann Harrington, Byron Knibbs, Chip Merriam and
 Rob Teegarden, Vice Presidents
 Jerry Sullivan, Vice President & Chief Information Officer
 John H. Hearn, Vice President & Chief Financial Officer
 W. Christopher Browder, Vice President & General Counsel
 Nanci Schwartz, Recording Secretary

President Ferrone asked German Romero to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:14 P.M.

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On a motion by Commissioner Dominguez, seconded by Commissioner Kirby and unanimously carried, the reading of the minutes of the May 10, 2015 Commission Meeting was waived and the minutes were approved.

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Chris Browder presented a 25-year service award to Wayne Morris, Chief Deputy General Counsel, Office of the General Counsel.

Byron Knibbs presented a 20-year service award to Angela Bea, Meter Reader Technician, Customer and Sustainable Services.

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Mr. Ksionek asked Jerry Sullivan to provide a presentation on Affirmative Item A-6 related to the Network Redesign Project. Mr. Sullivan described the current twenty-year old network ring structure and explained the switches installed on the network. OUC's network switches are reaching the end of useful life and must

be replaced. The proposed network loop design replaces the outdated switches with newer technology and provides inherent redundancy throughout the network. The new loop will increase speed, reliability and availability of recently installed applications. The upgrade will occur in two phases beginning in July 2015 and lasting two years, at a total cost of \$2.6 million.

Commissioner Dominguez asked how many outages are expected per year with the new system. Mr. Sullivan responded that with the new system, there should be zero failures as a result of faulty switches. In the current design, when a switch fails, the outage cascades throughout the network and often requires manual intervention or resetting of the applications.

Commissioner Kirby asked if OUC's data centers are designed to a certain tier level. He also inquired as to whether the bulk of the project cost involves building in network redundancy. Stewart Dary responded that the data centers are designed for full redundancy to support Tier 1 and Tier 2 applications. Mr. Sullivan responded that the bulk of the project cost is to replace hardware that only works with the new design, which includes the replacement of more than 100 switches.

Commissioner Kirby also asked if the new hardware will increase security. Mr. Sullivan stated that the new system has firmware that is less prone to cyber security attacks, and the new network improves overall security because failures in one system, one application, or hardware are less likely to impact other systems.

President Ferrone asked if this type of network system will be the standard going forward. Mr. Sullivan confirmed that this network has become the standard for businesses with multiple campuses.

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President Ferrone presented the Affirmative Items for approval. On a motion by Commissioner Kirby and seconded by Commissioner Dominguez, the Affirmative Items were approved as follows:

1. Ratification of the fuel procurements to the low bidders in March 2015 in the aggregate amount \$7,106,918.83 as follows:

NATURAL GAS PURCHASES:

Mar. 2015	BP Energy	\$ 301,460.00
Mar. 2015	EDF Trading (Formerly Eagle Energy)	\$ 891,214.32
Mar. 2015	Enbridge Marketing, LP	\$ 552,490.08
Mar. 2015	Infinite Energy	\$ 161,677.49
Mar. 2015	Macquarie Cook Energy, LLC	\$ 860,630.64
Mar. 2015	Shell Energy	\$ 611,657.21
Mar. 2015	Tenaska Marketing Ventures	\$1,975,554.83
Mar. 2015	Texla Energy Management, Inc.	\$ 720,360.91

COAL PURCHASES:

Mar. 2015 Mercuria Coal Marketing/ECC \$1,031,873.35

2. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Eaton Corporation in the amount of \$98,155 to provide engineering services, installation and testing of equipment for Stanton Energy Center Unit 2 and Indian River Plant, increasing the total Purchase Order amount to \$627,150;
3. Approval of Change Request No. 1 to the Substation Capital Expenditure Estimate for engineering, procurement and construction support necessary to complete the America C & D Units Replacement Project in the amount of \$6,745,000, increasing the total project cost to \$6,840,000. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Black & Veatch in the amount of \$760,000 to provide design engineering and construction management services, increasing the total Purchase Order amount to \$855,000. Approval of Purchase Orders to Central Electric Manufacturing Company for two 15kV metal-clad switchgear and bus duct in the amount of \$1,550,000; GE Prolec Transformers, Inc. for a transformer in the amount of \$770,000; and SPX Transformer Solutions, Inc. for a transformer in the amount of \$830,000;
4. Approval of RFP #3919 - Contract award to Betacom, Inc., the most responsive and responsible vendor, to provide communication tower inspection and maintenance services in the amount of \$300,000. The contract term is three years with two one-year renewal options;
5. Approval of RFP #3906 - Contract award to Nu Echo Inc., the most responsive and responsible vendor, for Interactive Voice Response speech tuning services through June 1, 2016 in the amount of \$116,111, pending final contract negotiations and OUC legal review;
6. Approval is requested of a Capital Expenditure Estimate for Phase 1 and 2 of the Network Redesign Project, which includes software, hardware and implementation services in the amount of \$2,606,538.97. Approval of RFP #3934 - Contract award to Prosys Information Systems, the lowest, most responsive and responsible vendor, for software, network and electrical equipment and three years of software maintenance and support for Phase 1 of the Network Redesign Project in the amount of \$1,006,538.97;
7. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Gartner, Inc. in the amount of \$51,920 to continue providing technical professionals advisory services through June 30, 2016, increasing the total Purchase Order amount to \$102,319; and

8. Authorization for the General Manager & CEO to execute the Partial Release of First Amendment to Chilled Water Easement for Universal City Property Management Company III, located north of Universal Boulevard and east of the Convention Way extension to the north.

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Commissioner Kirby reported that the Finance Committee held its regular meeting on May 19, 2015. The Committee reviewed the quarterly Treasury and Energy Risk Management Reports.

The Series 2015A bonds were issued at a true interest cost of 3.57 percent. The proceeds of the bonds will fund a portion of the Fiscal Year 2015 and 2016 capital needs.

OUC staff focused on service area growth and strong financial metrics at J.P. Morgan's Investor Conference in New York City. Staff also visited all three rating agencies and focused on growth and technology advances at OUC.

Chris Browder and Carlos Woody provided the Committee with an update on the status of active litigation cases being handled by OUC legal staff.

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Commissioner Ferrone reported that the Audit Committee conducted its regular meeting on June 4, 2015. Internal Audit activities were presented and included an overview of three recently completed Internal Audit reports.

The Committee discussed revisions to the Audit Committee Charter. In general, the proposed revisions to the Charter enhance the format and language to that recommended in the IIA's Model Audit Committee Charter and adds two specific changes. A paragraph was added to provide for closed meetings to discuss information exempt under Florida's Government in the Sunshine Law and new Committee responsibilities were added pursuant to the Internal Audit Charter revision approved on April 14, 2015. The Committee recommends that the Commission approve the revised Audit Committee Charter.

Ernst & Young presented the proposed audit work plan for the 2015 audit.

The Committee reviewed financial performance for the seven months ending April 2015 including a projection of annual results for fiscal year 2015. Income before contributions for fiscal year 2015 is expected to be \$95.0 million or \$7.0 million higher than the annual budget.

The Committee also reviewed the impact of new pension accounting and reporting requirements on OUC's financial statements. This will be a significant focus of Ernst & Young during the 2015 audit. To ensure that pension costs are

recovered in rates, a regulatory action will be considered at the next Audit Committee Meeting.

The Committee was also provided an update on the status of active litigation cases being handled by OUC legal staff.

A mid-year update was provided on OUC's supplier diversity program. Current activities to improve supplier diversity spend were discussed.

On a motion by Commissioner Ferrone and seconded by Commissioner Kirby, PRES-1a was approved as follows:

PRES-1a Adoption of the revised Audit Committee Charter as recommended by the Audit Committee.

Commissioner Kirby commented that OUC staff worked to revise the Audit Committee Charter in accordance with direction given by the General Manager and CEO and the Audit Committee. He believes the revisions are a significant improvement and appreciated everyone's cooperation in their development.

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John Hearn stated that retail and resale revenue exceeded budget for May 2015, leaving OUC approximately \$10 million ahead of budget for the year.

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Jonathan Sebastian Blount, an OUC customer, praised OUC's involvement in the Hispanic Business Expo and discussed the importance of Caribbean American Heritage Month. He invited everyone to attend the Caribbean American Heritage event at Lake Eola on June 20. He thanked OUC for their involvement in the Caribbean American Passport.

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Doug Head, an OUC customer, discussed the need for transparency in regards to community sponsorships and sponsorship of events. President Ferrone assured Mr. Head that staff would respond to his concerns and outline OUC's policies.

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Mr. Ksionek asked Chip Merriam to provide an update on the Federal Emergency Management Agency (FEMA) and Department of Homeland Security (DHS) audit. Mr. Merriam gave a history of the 2004 storm season in which OUC's service territory was affected by Hurricanes Charley, Frances and Jeanne within a 45 day period. Restoration costs for all three storms totaled \$34.3 million. Due to the urgency and the extent of damage from the hurricanes, specialized labor

resources were required to rebuild the impacted electric distribution system. Costs associated with these outside resources reached \$18.9 million. FEMA recognized this as an unusual event and increased eligible funding from 75 percent to 87.5 percent, and OUC qualified for assistance. To ensure repairs occurred in an expedient manner, OUC's regular bid process was suspended under the emergency requisition procedure policy. Eligible costs for the submitted project worksheets were carefully reviewed and evaluated with FEMA and State of Florida staff to ensure the compliance and accuracy of federal and state reimbursements.

In June 2012, OUC received a request to audit costs incurred under FEMA Declaration Nos. 1539, 1545 and 1561 as defined under the authority of the DHS Office of the Inspector General. Mr. Merriam discussed OUC's audit process and recognized Zoila Easterling, Mindy Willis, Christi Valdes and Gina Johnson for their contributions to the audit.

The DHS stated that OUC should have followed federal procurement regulations and opened new competitive bids after the hurricane damage emergency ended. They stated that FEMA should retroactively disallow costs equal to \$10,806,052. FEMA Region IV contacted OUC in June 2014 requesting a cost analysis, which was submitted for all three storms on July 23, 2014.

As a result of the audit and cost analysis, FEMA recommends no deobligation or disallowance to the DHS. The Office of the Inspector officially stated they will not appeal and the audits are considered closed, with OUC owing zero dollars.

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Mr. Ksionek asked Roseann Harrington to present an Economic Development video. Ms. Harrington announced that OUC has been actively involved in recruiting and retaining business in the service territory as well as helping businesses expand. She recognized Steve Triggs for his work in creating the video.

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Commissioner Kirby stated that he recently participated in a sustainability event and received positive feedback about the Power Pass Program. He was glad to hear about OUC's recent Customer Service award. He addressed the comments by Doug Head regarding transparency in sponsorships and stressed that these sponsorships are enacted in order to be good community stewards. He congratulated Wayne Morris on his Service Award. He also thanked the team who worked on the audit and congratulated them on their efforts.

Commissioner Dominguez congratulated Ms. Harrington and Mr. Triggs on the Economic Development video. She commented on the importance of sustainability, innovation and economic development and praised OUC for remaining a positive leader in the community.

President Ferrone stressed the importance of focusing on value and giving back to the community and co-workers. She praised the Information Technology staff and the importance of creating an IT infrastructure. She remarked on the Customer Service award and the good news from the FEMA Audit. She congratulated Ms. Harrington and Mr. Triggs on the Economic Development video.

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President Ferrone adjourned the meeting at 3:43 P.M.

President

Secretary