

**MINUTES
ORLANDO UTILITIES COMMISSION
October 10, 2017
2:00 P.M.**

Present:

COMMISSIONERS:

Gregory D. Lee, President
Cesar E. Calvet, First Vice President
Dan Kirby, Second Vice President
Britta Gross, Commissioner
Buddy Dyer, Mayor

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Luz Aviles, Clint Bullock, Linda Ferrone, Roseann Harrington, Chip Merriam, Vice Presidents
Jerry Sullivan, Vice President & Chief Information Officer
Mindy Brenay, Vice President & Chief Financial Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Schwartz, Recording Secretary

President Lee asked German Romero to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:10 P.M.

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On a motion by Commissioner Calvet, seconded by Mayor Dyer and unanimously carried, the reading of the minutes of the August 29, 2017 Commission Meeting was waived and the minutes were approved.

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Clint Bullock presented a 20-year service award to Chad Kenroy, Electrician I, Electric and Water Delivery.

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President Lee presented the Affirmative Items for approval. On a motion by Mayor Dyer and seconded by Commissioner Calvet, Affirmative Items A-1 through A-16 were approved as follows:

1. Ratification of the fuel procurements to the low bidders in June 2017 and July 2017 in the aggregate amount \$18,852,831.27 as follows:

NATURAL GAS PURCHASES:

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|-----------|-------------------------------|-----------------|
| June 2017 | Infinite Energy | \$ 383,374.34 |
| June 2017 | Shell Energy | \$ 805,289.98 |
| June 2017 | Southwest Energy | \$ 125,582.00 |
| June 2017 | Tenaska Marketing Ventures | \$ 3,600,874.14 |
| June 2017 | Texla Energy Management, Inc. | \$ 1,291,631.93 |
| July 2017 | ConocoPhillips | \$ 1,307,919.17 |
| July 2017 | Infinite Energy | \$ 375,208.99 |
| July 2017 | Shell Energy | \$ 262,774.45 |
| July 2017 | Southwest Energy | \$ 670,630.67 |
| July 2017 | Tenaska Marketing Ventures | \$ 4,137,414.13 |
| July 2017 | Texla Energy Management, Inc. | \$ 2,082,343.00 |

COAL PURCHASES:

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|-----------|--------------------------|-----------------|
| June 2017 | Crimson Coal Corporation | \$ 2,131,981.69 |
|-----------|--------------------------|-----------------|

OIL:

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| July 2017 | Lynch Oil | \$ 341,458.52 |
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2. Approval of a Capital Expenditure Estimate for the Florida Municipal Power Pool Settlement Software Replacement Project in the amount of \$1,653,293. Approval of a sole source Purchase Order to Power Costs, Inc. to replace the Florida Municipal Power Pool settlement software and provide four years of maintenance and support in the amount of \$2,533,293, pending final contract negotiations and OUC legal review;
3. Authorization for the General Manager & CEO to execute Termination and Settlement Agreement with the City of Vero Beach and the Power Purchase Agreement with Florida Power & Light, pending final OUC legal review;
4. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Ocala Bedrock, Inc. d/b/a Bedrock Resources in the amount of \$7,200,000 to continue providing limestone for the operation of Stanton Energy Center through October 2019, increasing the total Purchase Order amount to \$16,400,000, pending final contract negotiations and OUC legal review;

5. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Austin Maintenance & Construction, Inc. in the amount of \$8,725,373.25 to continue providing supplemental labor services through December 31, 2019, increasing the total Purchase Order amount to \$24,000,000;
6. Approval of a Purchase Order to KEMCO Industries, LLC for substation switchboard panels in the amount of \$400,000 and RFP #4394 - Contract award to Mabey, Inc., the lowest, most responsive and responsible vendor, for a steel bridge in the amount \$125,000 for the Taft to Stanton 230kV Transmission Corridor Upgrade Project, Stanton to Magnolia Ranch Segment – Phase 2 of 3 and Magnolia Ranch to Lake Nona Segments – Phase 3 of 3;
7. Approval of Change Request No. 1 to the Transmission Capital Expenditure Estimate for final route selection and final engineering design services in the amount of \$690,000 for the America to Kaley 115kV Underground Project, increasing the total project cost to \$770,000. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Black & Veatch for engineering services in the amount of \$485,000, increasing the total Purchase Order amount to \$565,000;
8. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Central Florida Underground, Inc. in the amount of \$7,500,000 to continue providing underground conduit and manhole installation services through December 31, 2019, increasing the total Purchase Order amount to \$14,500,000;
9. Approval of a Purchase Order to Yash Solutions, LLC to provide senior network engineering services to support the Energy Management System for a one-year period in the amount of \$228,800;
10. Approval of sole source Purchase Order to Hewlett Packard Enterprise Company for HP-UNIX annual maintenance and support for the period October 26, 2017 through October 31, 2018 in the amount of \$109,957.52;
11. Approval of a Purchase Order to Origin Consulting, LLC to provide IT managed support services in the amount of \$154,370. Approval of a sole source Purchase Order to CGI Technologies and Solutions, Inc. to provide IT managed support services for the Outage Management System in the amount of \$151,767;

12. Approval of a Purchase Order to Petroleum Traders Corporation for unleaded, biodiesel, ultra-low-sulfur diesel and ethanol (E85) fuel in the amount of \$2,012,500. The contract term is one year with four one-year renewal options;
13. Approval of a sole source Purchase Order to Spectrum Systems, Inc. to provide Continuous Emission Monitoring System hardware and software maintenance services for Stanton Energy Center Combined Cycle Unit B for the period of October 23, 2017 to October 22, 2022, in the amount of \$364,200;
14. Approval of a Purchase Order to Aetna Life Insurance Company for a total estimated medical program cost of \$27,629,514, effective January 1, 2018;
15. Authorization of the Resolution of Necessity and Resolution of Authority for condemnation by the City of Orlando on behalf of OUC of easements along the westerly side of Boggy Creek Road north of East Wetherbee Road in order to locate OUC's facilities; and
16. Authorization for the General Manager & CEO to execute the Deal Documents and any other necessary closing documents necessary to effect the terms of the Deal Documents.

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Mr. Ksionek presented the New Business Item regarding late and insufficient fees with the new Customer Care and Billing system.

Commissioner Kirby expressed concern regarding OUC carrying small late fee balances if the minimum late fee of \$3 is ended in exchange for a flat percentage of the outstanding balance. Ms. Brenay stated that late fees are written off appropriately if they cannot be recouped through the collection process. The amount was estimated to be immaterial to the financials as opposed to the cost of the additional configuration of the new Customer Care and Billing System. Ms. Brenay stated that staff will continue to evaluate this new procedure and make any changes if necessary.

On motion by Commissioner Calvet and seconded by Commissioner Gross, New Business Item 1 was adopted and accepted as follows:

NB-1 Adoption of the revised Terms of Payment for late and insufficient fund fees effective July 1, 2017, pending review by the Florida Public Service Commission.

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Commissioner Calvet reported that the Audit Committee conducted a meeting on September 6, 2017. Internal Audit activities were presented to the Audit Committee, including an overview of recently completed Internal Audit reports.

OUC's financial performance for the ten months ending July 2017 was reviewed including a projection of annual results for Fiscal Year 2017. Income before contributions for Fiscal Year 2017 is expected to be in line with the approved budget of \$96.0 million.

The results of the September 30, 2016 Defined Benefit Pension Trust and Other Post-Employment Benefit Trust reports were presented with Ernst & Young's unmodified audit opinions as well as reports for internal controls and management letter, each with no findings.

The Committee also reviewed the 2017 External Audit Financial Plan which was presented by Ernst & Young, OUC's external auditors.

A legal update was presented to the Committee.

In addition, the Audit Committee reviewed the following action items and recommends approval of:

PRES-1a) Proposed changes to the Internal Audit Charter consistent with the Institute of Internal Auditors' International Professional Practices Framework core principles;

PRES-1b) A minor modification to the Procurement Policy clarifying record retention responsibilities to the Vice President and General Counsel; and

PRES-1c) A recommended regulatory action to defer \$65.1 million of costs for future rate recovery through the rate-making process over an estimated eight-year period, consistent with the implementation of new accounting guidance for Other Post-Employment Benefits.

On a motion by Commissioner Calvet and seconded by Commissioner Gross, the presentation items were approved as follows:

PRES-1a Commission adoption of the revised Internal Audit Charter as recommended by the Audit Committee.

PRES-1b Commission approval of the attached redline change to the Procurement Policy.

PRES-1c Commission approval to recognize a regulatory asset of \$65.1 million related to implementation of new Other Post-Employment Benefit accounting guidance and allow for the planned recovery of these costs through the targeted date of September 2025.

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President Lee reported that the Finance Committee held its regular meeting on September 7, 2017.

The Committee reviewed the Treasury and Energy Risk Management Reports for the quarter ending June 30, 2017.

The Committee also considered a recommendation to add Loop Capital to the approved underwriter team in response to its performance, follow-up and recent commentary. Upon Motion and Committee approval, Loop Capital was added to the underwriter team for the remainder of the five-year period, beginning in March 2016.

The Committee reviewed a proposed financing plan for 2018 including potential bond financing in the amount of \$180 million for Fiscal Years 2018 and 2019.

The Committee considered a recommendation to the Treasury Policy (Policy) in response to money market reform rules adopted in October 2016, the addition of Sovereign notes under the heading of High Grade Corporate Bonds, the modification of allowable money market investments from 20 percent to 30 percent and other minor policy editorial revisions. Upon motion to accept the Policy, further discussion clarified the guidelines for Sovereign notes to be limited to multi-national Sovereign notes. The Committee revised the recommendation to refine the definition of Sovereign notes to multi-national Sovereign notes.

The Finance Committee recommends approval of the Treasury Policy changes.

On a motion by President Lee and seconded by Mayor Dyer, PRES-2a was approved as follows:

PRES-2a Adoption of the revisions to the Treasury Policy as recommended by the Finance Committee.

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Mindy Brenay provided a presentation detailing the final Financial Report for Fiscal Year 2017. She stated that operating revenues continue to be slightly below budget. The lower than projected operating expenses mitigated decreased revenues and offset unfavorable net non-operating expenses.

Impacts from Hurricanes Matthew and Irma were excluded from the 2017 financial operations. A significant portion of storm restoration costs for Hurricane Matthew and Irma costs are anticipated to be eligible for reimbursement through the FEMA cost reimbursement process. The costs that are ineligible for FEMA reimbursement will be funded through Disaster Recovery Fund reserves in order to meet Fiscal Year 2017 revenue requirements. Storm restoration reserves in the amount of \$7 million are available for rate recovery.

Ms. Brenay updated the Board on recent presentations to the rating agencies. She shared with them OUC's strong financial metrics, ample cash reserves and liquidity and strengthened debt metrics.

President Lee thanked Ms. Brenay for the presentation.

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Jonathan Sebastian Blount, an OUC customer, thanked OUC for its efforts during Hurricane Irma and announced the upcoming hurricane relief festival.

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Mr. Ksionek asked the Hurricane Leadership Team to provide a presentation regarding OUC's efforts. Joe Reilly, the Deputy Incident Commander, explained OUC's Incident Command System Structure. He discussed the impact of Hurricane Irma on OUC's service territory and Florida at large. Approximately 145,000 customers lost service at the peak and there was minimal impact to the water system. OUC and municipal owned utilities restored power faster than investor owned utilities (IOUs).

Commissioner Gross asked why the municipal utilities seemed to respond faster than the IOUs. Mr. Reilly responded that municipal utility service territories are more compact, which allows for resources to be dispatched faster. OUC brought a great deal of resources into the area before the storm and was proactive at utilizing the incident command structure.

Gina Johnson, the Costing Unit Lead, explained that once the emergency portion of the event is over, the costing unit must report financial metrics as well as explain the overall spending. OUC expanded its workforce of tree trimmers and linemen from the normal crew of approximately 200 to over 900. With the aid of additional crews, OUC was able to substantially restore customers 45 percent faster than the recovery of Hurricane Charley, which had similar characteristics. These efficiencies were driven by enhanced policies, procedure and technology

upgrades over the past decade. Mr. Ksionek added that FP&L brought in approximately 20,000 resources to assist in restoration, Duke Energy brought in approximately 12,500 resources and Tampa Electric brought in 3,400 resources. OUC attempted to pre-position as many assets as possible and tried to secure additional resources after the storm, but they were being utilized throughout the state by other utilities.

Ms. Johnson stated that the estimated cost incurred by Hurricane Irma is approximately \$20 million. She explained the FEMA reimbursement requirements and processes. It is anticipated that FEMA will reimburse up to 75 percent of the \$15 million spent for permanent utility restoration costs and damages to the Stanton Energy Center Unit 2 stack. She discussed the lost revenues during the storm and how these costs will be recovered.

Lisa Curran, the Mass Care Lead, discussed the activities of the logistics group, including mutual aid, on-boarding, lodging, staging areas, food, transportation, fuel and inventory. Section chiefs were supported by team leads to ensure the effective execution of the pre-storm plans and subsequent situational changes while maintaining open lines of communication. Ms. Curran explained the logistics team workflow and the actions of the team prior, during and after the storm.

Keith Mutters, the Planning Section Chief, stated that the planning section is responsible for knowing the status of all facilities on the system, as well as performing damage assessment. He explained the Florida Municipal Power Pool (FMPP) load and unit minimums during Hurricane Irma. Staff had to plan for a drop of load in a very short time frame. OUC does not have any specific storm hardening program, as all transmission and distribution facilities were designed and constructed to withstand hurricane-force winds. There was no major structural damage to transmission lines and substations. OUC lost 115 out of 199 circuits with overhead exposure during the peak outage. Underground damages included 9 failed primary cables and 15 failed pad-mounted transformers, resulting from water damage or uprooted trees.

The planning team greatly increased damage assessment resources from previous storms, conducted a complete system-wide damage assessment in the first 48 hours, established a system-wide Estimate Time of Restoration (ETR) within 30 hours and provided daily ETR updates. The feeder restoration phase lasted two days and the lateral restoration phase lasted three days. During this storm, the planning team utilized a damage assessment software tool on a large scale for the first time. The planning team also utilized advanced metering infrastructure resources and capabilities to verify outages on a large scale for the first time. Mr. Mutters thanked Mr. Ksionek and the rest of the senior team for their leadership during Hurricane Irma.

LeMoyne Adams, the Deputy Operations Section Chief, discussed the actions of the operations team. The team worked out of three operational centers and two staging areas. The construction command center utilized the resource and demand program as well as additional technology for crew assignments and tracking. OUC decentralized its control and radio communications to local area control of substations, and workers were centrally dispatched via outage management system for the first time at this large of a scale. OUC crew leads directed foreign construction crews, and 94 percent of OUC construction personnel led foreign construction crews. Safety inspection teams assisted crews during local area control of substations. Poles were delivered to field locations based on assessment data. Crews worked on a 24/7 schedule with 12 split shifts and 10 operations personnel who worked through the night. A reinstate team was created to reconnect customers with damaged weatherheads, and OUC participated in a daily state-wide utility call with Governor Rick Scott.

Steven Calamusa, the Social Media lead, discussed how the new age of social media and storm communications allowed the utility to interact with customers in a variety of ways. OUC was accessible and proactive with consistent customer communications throughout all periods of the storm, including paid media, social media, constant updates via emergency operations centers, media relations and stakeholder communication. Releasing daily ETRs helped provide customers with information and peace of mind. OUC utilized its call center, social media channels and Nextdoor.com to communicate with customers during the storm period. Proactive engagement involved restoration updates, as well as photos and videos of crews at work and showing extensive damage to electric equipment, especially from fallen trees. Mr. Calamusa shared positive feedback from several customers and families of out-of-state crews regarding the efforts during Hurricane Irma.

Mr. Ksionek thanked all the employees for their efforts during Hurricane Irma.

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Mr. Ksionek asked Jan Aspuru to provide a presentation regarding OUC's assistance for Puerto Rico and the US Virgin Islands after Hurricane Maria. Mr. Aspuru discussed the impact of Hurricane Maria on the islands. Puerto Rico had 100 percent of its population without power at the peak of the storm. As of October 10, 85 percent of the population was without power and 40 percent were without water. The restoration process will be lengthy due to a substandard electric system and the financial status of the Puerto Rico Electric Power Authority (PREPA). PREPA has contracted with Whitefish Energy Holdings for the restoration efforts. The United States Army Corps of Engineers will lead coordination and logistics efforts between PREPA, Whitefish and other agencies. OUC has offered engineers and assessors and is ready to provide line crews and

vehicles. OUC is also in communication with Whitefish and PREPA, and is presently in a holding pattern due to logistics challenges and the need for a formal restoration plan.

OUC has established a hurricane relief fund and partnered with various agencies for cash donations as well as donations of emergency supplies. OUC has made an initial contribution of \$10,000 and will match employee contributions.

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President Lee left the meeting at 2:55 P.M.

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Commissioner Gross thanked OUC for the Hurricane Irma restoration efforts.

Commissioner Kirby thanked Mr. Aspuru for his presentation. He noted that his company had projects and co-workers impacted in the islands and was grateful for OUC offering assistance. He praised the response to Hurricane Irma and the restoration efforts. He noted that he will be participating in the upcoming Ride For Life event.

Mayor Dyer also praised OUC's response to Hurricane Irma and noted the development of present-day technology as compared to previous hurricanes. He noted the logistics involved with housing, feeding and transporting the workers from other service territories. He praised OUC's communication efforts during and after the storm. He thanked Mr. Aspuru for his presentation and stated that there is a Disaster Relief Center set up at the Orlando International Airport. He noted how OUC can help respond to disasters throughout the country. He read aloud an email thanking the City of Orlando and Orange County for the response to Hurricane Irma.

Commissioner Calvet congratulated Mr. Kenroy on his Service Award. He congratulated OUC on the hurricane restoration efforts. He thanked OUC for its assistance in Puerto Rico and the US Virgin Islands.

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Commissioner Calvet adjourned the meeting at 3:57 P.M.

President

Secretary