

**MINUTES
ORLANDO UTILITIES COMMISSION
March 11, 2014
2:00 P.M.**

Present:**COMMISSIONERS:**

Dan Kirby, President
Linda Ferrone, First Vice President
Maylen Dominguez, Second Vice President
Gregory D. Lee, Commissioner
Buddy Dyer, Mayor

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 Kirby asked German Romero to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:08 P.M.

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On a motion by Commissioner Ferrone, seconded by Commissioner Lee and unanimously carried, the reading of the minutes of the January 28, 2014 Commission Meeting was waived and the minutes were approved.

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Jan Aspuru presented a 25-year service award to James Czarniecki, Project Engineer, Electric and Water Production.

Jan Aspuru presented a 25-year service award to Jonathan Janis, Supervisor, Maintenance, Electric and Water Production.

Jan Aspuru presented a 25-year service award to Claston Sunanon, Director, Fuel and Power Marketing, Electric and Water Production.

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Roseann Harrington distributed the 2014 Annual Report and Statistical Report to the Commissioners.

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Mr. Ksionek requested that Affirmative Item A-10 be pulled from the agenda.

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Commissioner Ferrone asked for clarification of Affirmative Item A-12 regarding the Commercial Indoor Lighting Program. Byron Knibbs explained the Program and stated that there are 17 agreements pending, with seven contracts currently ready to proceed and 10 contracts pending for later in 2014 and in 2015. Customers have been requesting to participate in the program at an increased rate, and this is expected to continue in the future.

President Kirby asked how OUC's equipment purchases for this program have been performing. Mr. Knibbs stated that OUC assesses the customers' current lighting fixtures and discusses different options, including LED lights. Many of the customers are repeat customers and have seen a large savings as a result of the program. There have been no quality issues in equipment. OUC works with vendors to assure that standards and warranties are maintained.

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Commissioner Dominguez asked for clarification of Affirmative Item A-18 regarding the Talent Management System. Mr. Browder explained that OUC needed an integrated system that would track an employee from onboarding, and that would integrate with performance evaluations, succession training and career advancement. Internal training will also integrate with this system.

Commissioner Dominguez asked how skills gaps would be addressed through this system. Mr. Browder stated that OUC is implementing a program to analyze skill gaps and identify training that might be used to fill those gaps. Performance reviews are currently automated at certain levels, but the base analysis is a manual, face-to-face process. The new system would allow for reminders of when reviews are due, and evaluations would be input into the system, but evaluations would still be conducted face-to-face.

Commissioner Dominguez asked if OUC sets goals for continuing education training. Mr. Browder said that this is one of OUC's objectives. Steve Langley and Tiffany Ross are working to identify training needs. The long-term goal with this system is to implement a more on-demand approach to training.

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Commissioner Ferrone referenced Affirmative Item A-7 regarding the Electric Water Distribution and Maintenance Services, and asked if OUC estimates or forecasts how much new service work will be expected over a certain period of time. Mr. Bullock stated that Pike Electric, LLC will be utilized to perform maintenance on the wood pole replacement program, in addition to storm support. As growth has increased, OUC has determined that additional outside support is necessary to continue performing maintenance.

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President Kirby asked for clarification of the scope of work of the Affirmative Item A-9 regarding the Starling Chevrolet Structure Replacement Project, which is to relocate a transmission tower which is conflicting with some portion of the proposed development, and whether this work is being done at the request of the customer. Mr. Bullock confirmed and provided background on the site, which is owned by Starling Chevrolet and is approximately 15 acres, 10 of which are developable. OUC has an easement on the property. The customer realized that OUC's current lattice steel transmission tower conflicted with their site development plans. In reviewing the age of the asset, the benefit to the company and rate-payers and future reconductoring projects and expansions, OUC decided to it was in its best interest to work with the customer on this project. OUC will pay for a new steel monopole, which is needed upon reconductoring, and the customer will pay for foundation and engineering work.

President Kirby asked if there was a proposed modification to the easement. Mr. Bullock responded that OUC would execute a contract to identify Starling's responsibility related to the payment, as well as what OUC will receive from a planning standpoint for the future locations.

President Kirby asked when this work would have been scheduled under the Capital Plan. Mr. Bullock stated that the reconductoring project is currently scheduled to occur in the five to ten year range. However, several other projects could potentially move up the date of the reconductoring project. In addressing future projects with the developer, OUC determined it would be in the company's best interest to take a more proactive approach by accelerating some planned work and accomplishing it in conjunction with the scope work requested by the developer to occur within the non-exclusive easement.

President Kirby asked for clarification regarding the project cost. Mr. Bullock clarified that the total project cost is \$665,753, with a customer contribution of \$150,000. OUC will purchase and construct the steel monopole at a cost to OUC of \$515,753.

President Kirby asked if there were any similar cases where OUC has moved assets within a transmission corridor to accommodate a customer. Mr. Bullock stated that while he is not aware of a recent similar situation, OUC examines each situation differently and determines the best course of action to take

forward with a project and incorporates into OUC's future plans. This is a very important, critical corridor, and OUC has worked hard to avoid future risks.

Commissioner Lee stated that the customer contacted him regarding this item.

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President Kirby pulled Affirmative Item A-9 for a separate vote. President Kirby presented the remaining Affirmative Items for approval. On a motion by Commissioner Dominguez and seconded by Mayor Dyer, the Affirmative Items were approved as follows:

1. Ratification of the above fuel procurements to the low bidders in November and December 2013 in the aggregate amount \$18,182,715.09 as follows:

NATURAL GAS PURCHASES:

Nov. 2013	BP Energy	\$ 941,644.46
Nov. 2013	EDF Trading (Formerly Eagle Energy)	\$ 558,973.06
Nov. 2013	Enbridge Marketing, LP	\$ 171,625.07
Nov. 2013	Florida Gas Utility	\$ 146,200.00
Nov. 2013	Gavilon LLC	\$ 677,882.33
Nov. 2013	Macquarie Cook Energy, LLC	\$ 871,654.58
Nov. 2013	National Energy & Trade	\$ 156,602.22
Nov. 2013	NJR Energy Services	\$ 289,833.00
Nov. 2013	Shell Energy	\$1,552,568.42
Nov. 2013	Tenaska Marketing Ventures	\$ 280,587.29
Nov. 2013	Texla Energy Management, Inc	\$ 538,417.92
Dec. 2013	EDF Trading (Formerly Eagle Energy)	\$ 675,399.67
Dec. 2013	Enbridge Marketing, LP	\$ 399,763.78
Dec. 2013	Gavilon LLC	\$ 367,584.30
Dec. 2013	Macquarie Cook Energy, LLC	\$1,284,591.94
Dec. 2013	Shell Energy	\$1,048,381.60
Dec. 2013	Tenaska Marketing Ventures	\$ 531,001.31
Dec. 2013	Texla Energy Management, Inc	\$ 557,230.05

COAL PURCHASES:

Nov. 2013	Eastern Coal & Coke Co.	\$ 602,557.73
Nov. 2013	Foresight Coal Sales, LLC	\$ 541,545.90
Nov. 2013	Crimson Coal Corporation	\$1,091,416.77
Nov. 2013	JP Morgan	\$2,009,024.65
Dec. 2013	Eastern Coal & Coke Co.	\$ 578,872.88
Dec. 2013	Foresight Coal Sales, LLC	\$ 507,505.95
Dec. 2013	Crimson Coal Corporation	\$1,801,850.21

2. Approval of RFP #3617 - Contract award to Classic Controls, Inc., lowest, most responsive and responsible vendor, to provide two control valves with spare parts for Stanton Energy Center Units 1 and 2 in the amount of \$134,458.10, pending final contract negotiations and OUC legal review;

3. Approval of RFP #3550 - Contract award to Orange Industrial Services, Inc., the most responsive and responsible vendor, to provide industrial vacuum and pressure washing services at Stanton Energy Center in the amount of \$1,254,351, pending final contract negotiations and OUC legal review. The contract term is three years with two one-year renewal options;
4. Approval of RFP #3632 - Contract award to AirTek Construction, Inc., the lowest, most responsive and responsible vendor, to provide inspection and repair services for the Stanton Energy Center Unit 1 precipitator in the amount of \$388,575, pending final contract negotiations and OUC legal review;
5. Approval of a new Alliance Agreement with Nalco Company to provide chemical treatment services. Approval of Purchase Orders to Nalco Company to provide chemical treatment services for the OUCooling and Power Production Divisions in the aggregate amount of \$9,600,000. The contract term is five years with two one-year renewal options;
6. Authorization for the General Manager & CEO to execute the FTS-2 Gas Transportation Service Agreement with Florida Gas Transmission Company, LLC for OUC's forecasted peak natural gas demand requirements in the amount of \$42,500,000. The contract term is ten years, effective February 28, 2015;
7. Approval of additional funding in the amount of \$2,400,000 with conforming Change Order No. 1 to Pike Electric, LLC to provide additional electric distribution construction and maintenance services through March 31, 2016, increasing the total Purchase Order amount to \$2,900,000;
8. Approval of RFP #3645 - Contract award to Thomas & Betts, the lowest, most responsive and responsible vendor, for steel transmission poles and anchor bolts required for the Pershing to Stanton 115kV Transmission Line Upgrade Project in the amount of \$2,696,775;
9. Pulled for separate vote;
10. Pulled from agenda;
11. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Red Clay, Inc. in the amount of \$110,000 to continue providing MDM application and architecture support services through

September 30, 2014, increasing the total Purchase Order amount to \$199,472.47;

12. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Lightyear Technologies, Inc. in the amount of \$3,000,000 to continue providing indoor lighting retrofit services for the Commercial Indoor Lighting Program for a one-year period, increasing the total Purchase Order amount to \$8,000,000;
13. Approval of a Purchase Order to Altec Industries, Inc. for eighteen aerial tower truck leases in the amount of \$3,592,987.20;
14. Approval of a sole source Purchase Order to Ring Power Corporation to provide Caterpillar heavy equipment maintenance and repair services in the amount of \$450,000. The contract term is three years with two one-year renewal options;
15. Approval of RFP #3555 - Contract award to SI Goldman Company, Inc., the lowest, most responsive and responsible vendor, to provide underground piping installation and repair services in the amount \$300,000. The contract term is three years with two one-year renewal options;
16. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Matrix Absence Management, Inc. in the amount of \$60,000 to provide administration services for the Family Medical Leave Act Program through December 31, 2015, increasing the total Purchase Order amount to \$141,115;
17. Adoption of an amendment to the Defined Benefit Pension Plan to include a Cost of Living Adjustment benefit as outlined above, effective January 1, 2015; and
18. Approval of RFP #3607 - Contract award to Cornerstone OnDemand, the most responsive and responsible vendor, to furnish and install the talent management system in the amount of \$260,000. The contract term is three years with two one-year renewal options.

President Kirby asked for any further discussion on Affirmative Item A-9. Commissioner Ferrone asked for clarification regarding the nature of the discussion. President Kirby stated that he was concerned about OUC's monetary contribution to the project, and that it was inconsistent with other utilities, especially when the project was not scheduled to occur for five to ten years.

Mr. Bullock reiterated that OUC's monetary responsibility includes paying for the new pole, while the customer is paying for the foundation work. Mr. Bullock asserted that in the future, OUC could be faced with paying 100 percent of the costs for the reconductoring project, therefore it is beneficial to save money and do the project now.

President Kirby asked if an analysis had been conducted on how much money the customer would spend on utilities in the future. Mr. Bullock clarified that this customer is not an OUC electric retail customer at that location but that they are currently an OUC customer at another location. He reiterated that this project will prevent any future underground easement conflicts, for which OUC would have to pay.

President Kirby asked if the easement for the new steel monopole could be smaller than the easement for the current lattice steel pole. Mr. Bullock clarified that OUC will have the same easement with three foundations, and stated that this project would allow OUC to determine where future growth would be.

Commissioner Ferrone asked what the future cost avoidance would be. Mr. Bullock stated if other facilities were to be built within this non-exclusive easement area that OUC could be exposed to potential future costs in the realm of \$1.2 to \$1.5 million.

President Kirby asked for clarification regarding the percentage of exclusive versus non-exclusive easements where OUC has facilities located. This information was not immediately available. Mr. Browder stated the importance of OUC working with the customer on this issue, otherwise the customer could perform all their desired work in the easement that did not cause conflicts with current facilities, including performing work in the area in which OUC wanted to construct the future monopole. At this point it is important to avoid future conflicts.

President Kirby stated that it is important for OUC to work with this customer; however, he expressed significant concern for the amount and percentage of OUC's expenditure for this project. He also stated that the money spent here could potentially benefit other customers and other locations.

On a motion by Mayor Dyer, and seconded by Commissioner Ferrone, Affirmative Item A-17 was approved as follows:

9. Approval of Change Request No.1 to the Transmission Capital Expenditure Estimate in the amount of \$570,753 for engineering, procurement and construction support necessary to complete the Starling Chevrolet Structure Replacement Project, increasing the total project cost to \$665,753, with a customer contribution in the amount of \$150,000. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Leidos Engineering, LLC in the amount of

\$10,411 to provide design engineering, surveying, soil boring and construction management services for the project, increasing the total Purchase Order amount to \$105,411.

President Kirby voted against the motion.

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Commissioner Ferrone reported that the Finance Committee held its regular meeting on February 20, 2014. The Committee reviewed the quarterly management reports.

In addition, the Committee reviewed proposals for liquidity providers to replace the existing contract expiring on April 7, 2014. Proposals were solicited from twenty-three vendors and nineteen responses were received and evaluated. It was determined that JP Morgan Chase, the current provider, submitted the lowest, most responsive and most responsible proposal. The new fee of 31 basis points will save OUC approximately \$480,000 per year. The Finance Committee recommends adoption of the Liquidity Provider Standby Bond Purchase Agreement Extension Resolution which authorizes an extension of the agreement with JP Morgan Chase.

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

PRES-1a Approval of RFP #3654 - Contract award to JP Morgan Chase, the lowest, most responsive and responsible vendor, to serve as OUC's liquidity provider. The contract term is three years and will provide a cost savings of \$480,000 per year, compared to the existing agreement. Commission adoption of the Liquidity Provider Standby Bond Purchase Agreement Extension Resolution

President Kirby announced a conflict of interest and abstained from the vote.

Money will be needed later this year to finance a portion of the Capital Plan. OUC may need to pay for some capital project costs out of cash reserves prior to bonds being issued. To allow for OUC's cash reserves to be replenished from bond proceeds, the Committee reviewed and is recommending approval of a Reimbursement Resolution. This Resolution allows reimbursement of expenditures paid from 60 days prior to adoption of this Resolution up to the time of issuance of the bonds. OUC expects to finance approximately \$150 million for capital projects over the next two years. The Finance Committee recommends approval of the Reimbursement Resolution.

The Finance Committee also received an update on OUC's communication plan with the rating agency and investor communities.

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

PRES-1b A resolution expressing the intent of the Orlando Utilities Commission to incur costs related to capital improvements to its water and electric system; expressing the intent for purposes of compliance with United States Treasury Regulation Section 1.150-2 to reimburse with the proceeds of revenue bonds the capital expenditures made with respect to such improvements; providing for the issuance by the Orlando Utilities Commission of notes, bonds or other obligations in one or more series in an aggregate principal amount not exceeding \$150,000,000 to pay the cost of such projects; and providing an effective date.

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Commissioner Dominguez reported that the Audit Committee conducted its regular meeting on February 28, 2014.

Internal Audit activities were presented to the Audit Committee including an overview of four recently completed Internal Audit reports. Additionally, the Audit Committee reviewed OUC's 2014 Annual Risk Assessment and current year audit selections.

The results of the January 31, 2014 financial statement were presented. Income before contributions for the four months ended January 31, 2014 was \$24.5 million, or \$5.4 million higher than budget, and total assets were \$3.2 billion. In addition the Committee reviewed the fiscal year 2014 Proforma. Income before contributions is expected to be \$82.8 million or \$1.7 million higher than the original budget.

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John Hearn reported that although the February 2014 numbers have not yet been finalized, retail revenues were approximately \$1.3 million ahead of budget, as well as wholesale revenues of approximately \$1.7 million.

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Mr. Ksionek asked Jan Aspuru and Brad Dunst to provide a presentation on the Indian River Plant (IRP) to Stanton Energy Center Unit B (SEC-B) Remote Control Project. Mr. Aspuru provided background information on the Indian River Plant. Mr. Aspuru introduced a video explaining the Project. The objective was to remotely control all four IRP combustion turbines (CTs) from the SEC-B control room. This would allow SEC-B operators to safely monitor and reliably operate the CTs with minimum staff at IRP, as well as utilize SEC-B staff to operate in place of separate crews at IRP. Brad Dunst explained the Project's technical challenges, research, design, equipment, camera placement and

environmental compliance measures. The Project was completed ahead of schedule and within budget, with an annual CT operating cost mitigation of \$1.6 million.

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Mr. Ksionek asked Chip Merriam to provide Legislative Update. Mr. Merriam stated that the State of Florida Legislative Session began on March 4. Active committee meetings led to the filing of 1,353 bills. Three of the legislative proposals being closely watched by OUC are Senate Bill 76, which is designed to control rural and urban impacts on Florida springs; House Bill 813, which specifies that the corporate powers of a municipality do not apply to the unincorporated areas of a county without the county's express consent, and also limits the amount of rate that a municipality may impose on consumers outside of the municipality's boundaries; and House Bill 861, which focuses on Public Service Commission oversight for any and all municipal utilities in Florida that purchase or receive power from an entity created under the Florida Interlocal Cooperation Act of 1969. In addition, both House Bill 1287 and 1289 have potential impacts for the city of Vero Beach.

Mr. Merriam discussed recent news in Congress. OUC staff has briefed the Commission on the risk of changes in the tax laws, especially regarding municipal exemption status for bonds. He stated that staff has provided the Audit and Finance Committees with an overview of audits performed by the Department of Homeland Security Office of the Inspector General.

Commissioner Ferrone asked about the timeline for a decision regarding the Federal Emergency Management Agency (FEMA) audits of money received during the 2004 hurricane season. Mr. Merriam stated that OUC has responded and is optimistic about the results. The South Florida Water Management District has filed for an expedited process and OUC will be watching their progress carefully.

Mayor Dyer stated that there was a discussion on this topic during his briefing and asked Mr. Browder to explain FEMA's position relative to the procurement issue. Mr. Browder stated that the way Homeland Security approached the audit was different than FEMA. FEMA reviewed receipts to confirm that money received by OUC was utilized for the proper purposes, while Homeland Security claimed that OUC's receipt of money was an indirect agreement to utilize federal procurement rules. Homeland Security also claimed that once all customers had electricity, the emergency ended and OUC should have stopped the existing emergency vendors and bid out the work from that point forward under the federal procurement guidelines. OUC's position is that the emergency ended when all restoration work was completed rather than when all electricity was restored.

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Commissioner Lee praised the Affirmative Item A-12 regarding the Commercial Indoor Lighting Program. He looks forward to learning more about OUC's other sustainable programs. He stated that he recently engaged in a personal energy audit which resulted in approximately 50 percent reduction in electric usage at his home.

Commissioner Ferrone stated that she was recently in Tallahassee to discuss water governance. She noted that Central Florida is viewed as having best practices for water reclamation and reuse. She praised those involved in implementing these practices. She commented on the healthy debate regarding Affirmative Item A-9.

President Kirby congratulated Mayor Dyer on the impending start-up of SunRail and the impending expansion of Lymmo.

Mayor Dyer commented on his quarterly Talk and Tours program. He recently hosted 40 neighborhood leaders at the Stanton Energy Center. He thanked Mr. Aspuru and OUC staff for providing them with a tour of the facility.

Commissioner Dominguez congratulated Brad Dunst and his team on the Indian River Plant to SEC-B Remote Control Project. She noted the importance of innovation and challenged OUC to devise a plan to continue with this type of innovation, especially in the area of renewables.

President Kirby thanked Commissioner Dominguez for her comments and encouraged OUC staff to take this challenge. He congratulated Brad Dunst on the IRP Remote Control Project and Claston Sunanon on his 25-years of service and being frugal and steadfast on behalf of OUC.

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President Kirby adjourned the meeting at 3:56 P.M.

President

Secretary