

MINUTES
ORLANDO UTILITIES COMMISSION
January 23, 2018
2:00 P.M.

Present:

COMMISSIONERS:

Gregory D. Lee, 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 2:06 P.M.

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On a motion by Mayor Dyer, seconded by Commissioner Gross and unanimously carried, the reading of the minutes of the December 12, 2017 Commission Meeting was waived and the minutes were approved.

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President Lee called for the election of officers to serve on the 2018 Commission. Mayor Dyer moved to nominate Gregory D. Lee as President. Mayor Dyer moved to nominate Cesar Calvet as First Vice President. Mayor Dyer moved to nominate Britta Gross as Second Vice President. The motions carried unanimously.

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Mayor Dyer moved to reappoint Ken Ksionek as General Manager & CEO and Secretary of the Commission through January 28, 2018 and the motion carried unanimously.

Commissioner Gross moved to appoint Clint Bullock as General Manager & CEO and Secretary of the Commission effective January 29, 2018 and the motion carried unanimously.

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Mr. Ksionek recommended that Chris Browder, Mindy Brenay and Beth Mason be appointed as Assistant Secretaries to the Commission. Mayor Dyer moved that Mr. Ksionek's recommendations be approved and the motion carried unanimously.

Mr. Ksionek stated that, without objection, Commissioner Gross will serve as Chair of the Audit Committee with the new Commissioner as a member. No objection was offered.

Mr. Ksionek stated that without objection, President Lee will serve as Chair of the Finance Committee with Commissioner Calvet as a member. No objection was offered.

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Roseann Harrington presented awards to OUC's Top 3 PROUD Volunteers of the Year for 2017: Lawrence Strong (456.5 hours); Tony Engelmeyer (698 hours); and Michael Weiner (1,044 hours).

Ms. Harrington announced that 663 employees contributed a total of \$203,343.68 for the OUCares campaign. Jeff Hayward, the CEO of Heart of Florida United Way, could not attend the meeting but he sent a video message for Mr. Ksionek.

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Mr. Ksionek asked Jan Aspuru to provide a presentation on Affirmative Item A-2 regarding the Railroad Transportation Contract. Mr. Aspuru provided background information for the contract. In 2004, OUC and CSX Transportation, Inc. (CSXT) entered into a 13-year term to transport approximately 2 million tons of coal annually from the Illinois Basin to the Stanton Energy Center (SEC) OUC maintains a 582 railcar fleet, which travels approximately 84,000 miles per year, to transport annual tonnage requirements to SEC. The contract negotiation includes reducing the overall delivered cost of coal, maintaining schedule flexibility, securing reliable service commitments, minimizing volume guarantees or other contractual penalties, and protecting OUC against impacts from regulatory changes. The new contract term is four years, includes innovative rates structured to respond effectively to changes in natural gas prices, allows access to several production areas under a single, competitive rate, and reserves the necessary number of loading slots on the CSXT system needed to secure scheduled monthly volumes to SEC. OUC was also able to achieve protections against changing regulations and market conditions. The expected savings for 2018 are \$26 million for OUC and the co-owners of SEC Units 1 & 2. He thanked

Claston Sunanon, Mia Torres, Bob Pollack, Chris Browder and the legal team, and Lawrence Strawn for their assistance with the negotiations.

Mayor Dyer asked if CSXT or OUC came up with the idea to tie the cost of coal delivery to the cost of natural gas. Mr. Aspuru responded that OUC developed this idea. It is anticipated that CSXT will duplicate this structure in future contracts.

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Mr. Ksionek asked Jan Aspuru to provide a presentation on Affirmative Item A-3 regarding the Stanton A Power Purchase Agreement (PPA) Contract Extension. Mr. Aspuru discussed the background of the Stanton A PPAs. OUC will need to replace the current PPA capacity to meet its load and reserve requirements. The two viable options considered were to extend the contract or to construct a new combined cycle unit at the Indian River Plant. nFront Consulting was retained to assist with the cost and technical analyses of both options. Mr. Aspuru discussed the pros and cons of both options. After evaluation, it was determined that the new combined cycle unit would be more efficient but more capital intensive. Therefore, the Stanton A PPA will be extended for an additional eight years and three months. The PPA extension offers OUC additional time to adapt to new technologies, a lower levelized cost of energy, and natural gas pipeline capacity. He thanked Claston Sunanon, Wade Gillingham, Rolando Sanz Guerrero, Howard Fraser, Lawrence Strawn, and Chris Browder for their contributions to the project.

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Mr. Ksionek asked Linda Ferrone to provide a presentation on Affirmative Item A-17 regarding the Utility-Scale Photovoltaic Systems and Power Purchase Agreements. Ms. Ferrone explained that OUC and the Florida Municipal Power Agency (FMPA) solicited bids to provide a significant amount of solar capacity. NextEra Florida Renewables, LLC (NextEra) was selected based on pricing and suitability to accommodate greater FMPA interest. NextEra will construct either two or three 74.5 MW solar farms, based on the level of participation from FMPA members. OUC will be the anchor and purchase the largest portion of the farms. The potential sites are in rural Orange and Osceola Counties, and construction will begin in 2020. This project will drastically increase OUC's utility-scale solar capacity and provide OUC with a long-term clean energy solution. Ms. Ferrone explained how OUC's solar costs have decreased over time. This new PPA ensures that OUC pays only when power is produced. It also hedges against fuel-price volatility with no rate impact to OUC customers. The next steps include receiving confirmation of approved FMPA member purchase amounts, finalizing and preparing the PPAs for execution, and the General Manager & CEO executing the PPAs and associated agreements. Ms. Ferrone presented a video about the project. Ms. Ferrone thanked Byron Knibbs, Sam Choi, Chris Browder

and the legal team, Claston Sunanon, Aaron Staley, and Keith Mutters for their work on the project.

Commissioner Gross asked why construction will not start until 2020. Ms. Ferrone stated that the deals will be completed by March, but long lead time prior to construction is due to the lengthy process of acquiring land permits.

Mayor Dyer asked about the makeup of OUC's power supply if OUC purchases up to 120 MWs of solar power. Ms. Ferrone stated that solar capacity would increase from 1 percent to 7 percent.

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President Lee presented the Affirmative Items for approval. On a motion by Mayor Dyer and seconded by Commissioner Gross, the Affirmative Items were approved as follows:

1. Ratification of the fuel procurements to the low bidders in October 2017 in the aggregate amount \$9,064,213.51 as follows:

NATURAL GAS PURCHASES:

October 2017	Infinite Energy	\$ 313,762.88
October 2017	Shell Energy	\$ 727,978.78
October 2017	Southwest Energy	\$ 1,750,200.00
October 2017	Tenaska Marketing Ventures	\$ 4,676,997.87
October 2017	Texla Energy Management, Inc.	\$ 1,095,522.20

COAL PURCHASES:

October 2017	Armstrong Resource Management	\$ 499,751.78
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2. Ratification for the execution of a four-year contract with CSX Transportation, Inc. in order to maintain rail transportation service to support the coal consumption at the Stanton Energy Center through December 31, 2017;
3. Authorization for the General Manager & CEO to execute an amendment to the Stanton A Purchase Power Agreement to extend the original agreement eight years and three months, pending final contract negotiations and OUC legal review;
4. Approval of a Purchase Order to AECOM Energy & Construction, Inc. to provide technical support and laboratory testing required for the Limestone Testing Program in the amount of \$158,033. Approval of a Purchase Order to Central Florida Transport, LLC to transport additional limestone supplies to the Stanton Energy Center through December 2018 in the amount of \$870,425;
5. Approval of a Capital Expenditure Estimate for the SEC Unit 2 Chimney Liner Upgrades Project in the amount of \$2,658,000. Approval of a sole source Purchase Order to Pullman Power, LLC to

provide labor, materials and equipment to perform the Stanton Energy Center Unit 2 chimney upgrades in the amount of \$2,558,000, pending final contract negotiations and OUC legal review;

6. Approval of sole source Purchase Orders to Demco Specialties, Inc. for the Ershig FRP pipe and RPS Composites Alabama, Inc. for the flue gas desulfurization scrubber spray headers in an aggregate amount of \$185,000. The contract term is five years;
7. Approval of RFP #4402 - Contract award to Precision Roofing Solutions, Inc., the lowest, most responsive and responsible proposal, provide replacement roofing services for the Lake Highland Water Treatment Plant in the amount of \$130,479.78, pending final contract negotiations OUC legal review;
8. Approval of the Electric Distribution Construction Estimates for the conversion of overhead facilities to underground facilities along the Sand Lake Road and Kirkman Road interchange in the amounts of \$291,351.47 and \$978,489.73 for a new 12kV distribution underground feeder and a manhole duct-line system, in the total amount of \$1,269,841.20;
9. Approval of the Electric Distribution Construction Estimate for Phase 2 of the Underground Cable Splice Replacement Project in the amount of \$1,276,004.81;
10. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Terry's Electric, Inc. in the amount of \$7,300,000 to continue providing lighting installation and maintenance services through May 31, 2020, increasing the total Purchase Order amount to \$16,700,000;
11. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Flash-Rite, Inc. and AWP, Inc. in the aggregate amount of \$611,300 to continue providing traffic control and lane closure services through March 31, 2019, increasing the total Purchase Order amount to \$2,278,480;
12. Approval of a Purchase Order to Altec Industries, Inc. for ten aerial tower truck leases in the aggregate amount of \$1,340,520;
13. Approval of Purchase Orders to Prestige Ford, Inc., the most responsive and responsible vendor, for the purchase of 27 vehicles in the amount of \$942,535; Alan Jay Fleet Sales for six vehicles in the amount of \$147,091 and Ring Power Corporation for the purchase of one Caterpillar 930M Wheel Loader for the Stanton Energy Center in the amount of \$176,577; for an aggregate amount of \$1,266,203;

14. Authorization for the General Manager & CEO to execute banking contracts and related documents with JP Morgan Chase Bank, NA, pending OUC legal review and approval. Approval of RFP #4417 - Contract award to JP Morgan Chase Bank, NA, the most responsive and responsible vendor, to provide banking services for a five-year period in the amount of \$550,000; and to Bill2Pay, the most responsive and responsible vendor, to provide lockbox services for a five-year period in the amount of \$525,000;
15. Approval of an OUC initiated scope change and conforming Change Order No. 1 to CFO Strategic Partners in the amount of \$48,240 to continue providing senior level management resources in the Accounting Services department pending the hiring of a permanent resources, increasing the total Purchase Order amount to \$144,720;
16. Approval of an OUC initiated scope change with conforming Change Order No. 4 to Convergent Outsourcing, Inc. in the amount of \$462,500 to exercise the second one-year renewal option through March 19, 2019, increasing the total Purchase Order amount to \$2,854,500;
17. Authorization for the General Manager & CEO to execute the Power Purchase Agreements and all other documents required to authorize OUC's share of the project from 60 MW up to 120 MW solar projects, pending final evaluation and contract negotiations and OUC legal review. The anticipated contract term is twenty years at an estimated cost of \$224 million for up to 120 MW of solar photovoltaic capacity, with two five-year extensions;
18. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Apogee Interactive, Inc. in the amount of \$48,333.33 to continue providing online energy audit platform and support through March 31, 2018, increasing the total Purchase Order to \$356,866.66; and
19. Authorization for the General Manager & CEO to execute the Release of Easement for property located south of South Ivanhoe Boulevard and east of Legion Place.

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President Lee asked if there were any comments for New Business Item 1 regarding the Commissioner nomination. The City of Orlando Nominating Board submitted three candidates for consideration of the position previously held by Dan Kirby, whose term expired December 31, 2017.

Mayor Dyer moved to enable Dr. Larry Mills, an OUC customer and qualified elector, to succeed Dan Kirby as a Commission member, as is allowed by the

Charter of the Commission, and that his name be submitted for consideration as the Commission's nomination to the Orlando City Council for confirmation to serve the vacant position effective January 23, 2018 through December 31, 2021. Commissioner Gross seconded the motion and it was approved on a vote of 3-0.

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Commissioner Gross reported that the Audit Committee conducted a meeting on December 13, 2017.

An update of the Procurement Improvement Program was presented to the Committee including the status of the projects completed and those on track for completion by March 2018.

The results of the September 30, 2017 financial statement audit were presented with Ernst & Young's unmodified audit opinion. Income before contributions for the year ended September 2017 was \$96.2 million and total assets were \$3.6 billion. The ten-year financial and statistical report was also presented.

Ernst & Young presented a summary of their audit procedures for 2017 including the manner in which risks were addressed. Additionally, they presented reports regarding internal controls and management letter comments, each with no findings.

The Audit Committee reviewed Internal Audit activities. It was also noted that no changes to the Internal Audit Charter were needed at this time.

The Committee also received an update on the mutual aid support to Puerto Rico.

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Mindy Brenay shared the results of the recent bond issue including background information on OUC's historic trend of funding approximately 50 percent of the Capital Plan, or approximately \$75 million annually, with bond funds. Fixed rate bonds were offered over a 20 year term with serial bonds spread over a period of 2023-2038. Market reception for the bond issue was strong, with bids exceeding 1.5 billion or over 10 times oversubscribed with a record number of interested investors. In conjunction with this bond issue, OUC's ratings were affirmed by all three rating agencies. Mindy thanked Mike Hollingsed and Sena Mitchell from OUC, Camille Evans from Greenberg Traurig, Randy Clement from Bryant Miller Olive, and Dan Hartman from Public Financial Management for their contributions.

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Mr. Ksionek asked Chip Merriam to provide a Legislative Update. Mr. Merriam discussed the state budget and stated that the governor's budget request was \$4 billion higher than the previous year. Mr. Merriam explained the bills and committees of interest to OUC in the Florida state legislature, including those involving storm hardening, linear facilities, the Energy 2040 Task Force, medically essential electric service, emergency power and priority restoration for nursing homes and assisted living facilities, the Open Government Sunshine Review Act, public records, public meetings, public electric utility rates, electric vehicles, water management, and travel requests by county/municipal public officers and employees.

Mr. Merriam also discussed the State of Florida's Constitutional Revision Commission. Two proposals are of interest to OUC. Proposal 23 would establish that every person has a right to a clean and healthful environment. It was perceived as too ambiguous and reported unfavorably by committee. Proposal 51 would deregulate Florida's energy industry. It was reported unfavorably by committee.

Mayor Dyer inquired who the sponsor was for Proposal 51. Mr. Merriam responded that it was sponsored by Rich Newsome, an Orlando-based lawyer.

Mr. Merriam summarized issues in the Federal Government including tax reform, the federal budget, the Clean Power Plan, the Federal Energy Regulatory Commission, and Department of Energy Modernization, Reorganization, and Authorization, grid resiliency and oversight, and Regional Transmission Organizations. The White House has demanded new analyses of social cost of carbon, greenhouse gas for cars and trucks, methane rules for gas and oil production, ozone designation, and transport of the cross state air pollution rule. He discussed the wave shift predicted in the upcoming election and potential flipping of the House and the Senate.

Mayor Dyer commented on the bills in the current State of Florida legislature session containing mandates or preemptions for local governments. He questioned if the travel bill would apply to municipal utilities as well. Mr. Merriam replied that it does.

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Ms. Harrington distributed the Annual Report, and thanked Michelle Lynch for her work on the report.

Aaron McKibben, OUC's United Way representative, presented a special award to Mr. Ksionek for his years of service with OUC.

President Lee read a Resolution of Appreciation into the record to recognize Ken Ksionek for his 32 years of service and 14 years as General Manager and CEO.

Whereas, the ORLANDO UTILITIES COMMISSION wishes to recognize and honor KENNETH P. KSIONEK, for his exemplary dedication and service to the Commission from 1985 to 2018 and his leadership as OUC General Manager and Chief Executive Officer for the past 14 years, guiding the organization toward becoming the Best Utility in the Nation by leveraging technology to provide world-class customer service while always being an ardent supporter of OUC employees; and

Whereas, Mr. Ksionek, began his career at the ORLANDO UTILITIES COMMISSION as Director of Construction of the Curtis H. Stanton Energy Center, Unit 1 and co-project manager for Unit 2, eventually transforming the Stanton Energy Center site into the most fuel-diverse energy generation site in the state of Florida with the addition of natural gas, landfill gas and two solar photovoltaic farms, including the largest array in Central Florida; and

Whereas, Mr. Ksionek served as Vice President of the Energy Delivery Business Unit from 1995 to 2004, managed the engineering, construction, maintenance and operation of OUC's electric distribution systems that laid the foundation for OUC being ranked No. 1 in Electric Distribution Reliability in Florida for 19 consecutive years as compared to Florida investor-owned utilities, according to data submitted to the Florida Public Service Commission.

Whereas, the ORLANDO UTILITIES COMMISSION extends its appreciation to Mr. Ksionek for his 32 years of steadfast service and the lasting contributions he made during his time with the Commission; including leading the utility through three hurricanes within 45 days in 2004, and two hurricanes in 2016 and 2017, securing a 20-year Consumptive Use Permit for the Lower Floridan aquifer while also expanding customer conservation and efficiency programs, creating a Strategic Plan roadmap that continues to guide the mission and initiatives used today, successfully weathering an economic downturn while maintaining and employee positions, upgrading 375,000 electric and water meters through the deployment of smart-grid infrastructure to provide customer-facing self-service technology which led to the Commission receiving CS Week and Electric Light & Power's Expanding Excellence Award for Smart-Grid Infrastructure and the North American Award for Customer Service Innovation; and

Whereas, the Commission also wishes to applaud Mr. Ksionek for his commitment to making Orlando the Greenest City in the Southeast. During his tenure, the Commission opened three solar farms, was among the first in the nation to offer Community Solar, launched an effort to convert streetlights to energy-saving LED, ensured OUC was among the Top 10 Electric Vehicle-ready cities in the southeast, opened the LEED certified Reliable Plaza and offered a robust platform of conservation and efficiency customer incentive and rebate programs; and

Whereas, the Commission gratefully recognizes the honor Mr. Ksionek's leadership, which was demonstrated time and again in guiding major

reorganizations, combining electric and water divisions in Production and Delivery, repurchasing the Indian River Plant, upgrading employee benefits to attract and retain top talent and implementing the Customer Care & Billing system thus paving the way for future programs and services that benefit both the customer and the utility.

Now, Therefore, Be It Resolved, by the ORLANDO UTILITIES COMMISSION that expresses its deepest gratitude to Mr. Kenneth P. Ksionek for his loyal, efficient and able leadership in service to this Commission, and whose success can be measured by his character and community contributions.

Be It Further Resolved, the ORLANDO UTILITIES COMMISSION recognizes Mr. Ksionek for his outstanding stewardship and service by making this Resolution a part of the official Commission records and by presenting to him a testimonial copy as a symbol of the pride and esteem in which he is held by the Commission.

In Witness Whereof, Commission President Gregory D. Lee, Commissioners Cesar Calvet, Britta Gross, and Orlando Mayor Buddy Dyer.

Dated this 23rd day of January 2018.

President Lee presented Ken Ksionek with a framed copy of the Resolution of Appreciation.

Mr. Ksionek thanked the Board for having appointed him General Manager and CEO. He stressed the importance of having served the Board, customers, and employees throughout his career. He expressed pride in OUC's reputation, and noted its progress in becoming the Best Utility in the Nation. He congratulated Clint Bullock for being appointed his successor. He thanked everyone for their well wishes.

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Commissioner Gross agreed that OUC is the Best Utility in the Nation. She congratulated Mr. Ksionek on his accomplishments and his retirement. She congratulated staff on the solar agreement. She stressed the importance of meeting the Mayor's goal for 100 percent sustainability. She praised Ms. Brenay on the financial update.

Mayor Dyer thanked the staff for briefing the City Council on OUC's Hurricane Irma efforts. He congratulated Ms. Brenay on the refinancing. He congratulated OUC's innovation in saving money for coal and natural gas, as well as the expansion of solar energy. He welcomed Dr. Larry Mills to the Board. He congratulated Mr. Ksionek on his career and wished him well in his retirement.

President Lee congratulated the PROUD volunteer winners and Mr. Ksionek for receiving the United Way service award. He thanked Mr. Aspuru, Ms. Ferrone,

Ms. Brenay, and Mr. Merriam for their presentations. He welcomed Dr. Mills to the Board. He praised OUC on the impressive increase in solar energy. He commented on Kevin Spear's article in about OUC in the Orlando Sentinel. He thanked Mr. Ksionek for his leadership and his service. He thanked Mr. Bullock for accepting the General Manager & CEO position.

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President Lee adjourned the meeting at 3:42 P.M.

President

Secretary