

**MINUTES
ORLANDO UTILITIES COMMISSION
April 9, 2013
2:00 P.M.**

Present:

COMMISSIONERS:

Dan Kirby, President
Craig McAllaster, First Vice President
Linda Ferrone, Second Vice President
Maylen Dominguez, Immediate Past President
Buddy Dyer, Mayor

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Roseann Harrington, Byron Knibbs, Chip Merriam,
Denise Stalls and Rob Teegarden, Vice Presidents
Greg Rodeghier, 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 2:00 P.M.

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On a motion by Commissioner McAllaster, seconded by Mayor Dyer and unanimously carried, the reading of the minutes of the March 12, 2013 Commission Meeting was waived and the minutes were approved.

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Jan Aspuru presented a 25-year service award to Dennis Higdon, Technician 1, Energy and Water Production.

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Mr. Ksionek asked Clint Bullock to give a presentation about Affirmative Item A-5 regarding the Publix Distribution Center at Lee Vista Center. Publix is building a refrigeration distribution center of 1.1 million square feet in the Orlando service territory. The capacity for this center will be 5 to 6 megawatts with a 65 percent load factor, generating approximately \$3.3 million in annual electric revenue. This

would equate to approximately 15 Publix stores. This facility will be operational in Fall 2014.

Commissioner McAllaster asked how organizations like Publix and Universal Studios decide whether to self-perform work or have work performed by OUC for a cost. Mr. Bullock stated that if a customer decides to control the schedule or utilize an established contractor, they may choose to perform the work instead of paying OUC. If a customer decides to have OUC install underground services, there is a formula in place to charge customers for that work. Mr. Bullock confirmed that the payback usually takes place over a three-year period.

Commissioner Ferrone asked how the customer amount is determined. Mr. Bullock stated that the customer contribution depends on how the customer installs the manhole ductline as well as a percentage of total onsite costs. It is determined by a calculation, not a negotiation.

Mr. Ksionek asked Clint Bullock to give a presentation about Affirmative Item A-9 regarding the LED Residential Roadway Lighting. Mr. Bullock introduced Ken Zambito, who displayed several types of lighting to Commissioners. Mr. Bullock explained the history of projects using LED technology, including Thornton Park, Lake Nona and Laureate Park. OUC will now endeavor to replace all existing 100-watt high pressure sodium (HPS) cobra head roadway lights with LED fixtures. This amounts to approximately 14,000 lights in Orlando, Orange County, St. Cloud and Osceola County, and represents 52 percent of roadway fixtures. The project will utilize a 60-month implementation schedule with a one-for-one exchange between the HPS and LED fixtures. The total capital cost of the project is \$4.9 million. Market competition has driven innovation with LED lights, and the price of fixtures continues to decline as technology continues to improve. The Department of Energy (DOE) predicts additional 100 percent increase in lumens per watt by 2020.

Mr. Bullock explained the energy and cost savings of this project. There will be a greater than 50 percent reduction in consumption, approximately 3.5 GWh of energy reduction per year at full implementation in 2018, and the project contributes towards OUC's overall conservation goal. The City of Orlando will realize approximately \$300,000 in annual savings at full implementation. The LED project will also contribute to the City's GreenWorks Orlando goals, including neutral greenhouse gasses for municipal operations by 2030 and a 50 percent reduction in municipal electricity consumption by 2030.

OUC will continue to monitor the development of LED technology and evaluate the replacement of 250W and 400W cobra head roadway fixtures. In the future there will be a pilot project to test retrofit kits for decorative fixtures. Capital projects will be submitted to the Commission when one-for-one replacement is deemed economic and effective.

Commissioner Kirby expressed a concern regarding maintenance with multiple types of LED fixtures. Mr. Zambito responded that the electronic drivers would be

similar, however; OUC would need to stock different parts for the LED fixtures. OUC will likely limit itself to using a few suppliers in order to limit the amount of spare parts inventory. OUC will be able to track the type of LED fixtures through the GIS system.

President Kirby also asked if OUC has made any effort to coordinate with special district plans in regards to decorative roadway fixtures. Mr. Bullock explained that developers in Lake Nona and Laureate Park decided to upgrade the fixtures, and paid the differential from cobra head lighting. Mayor Dyer added that discussions on coordinating roadway lighting between the City and OUC have been held.

Commissioner Ferrone asked if lighting would be replaced as existing fixtures failed, or if it would be a mass replacement, and if it is predicted that prices will continue to decrease. Mr. Bullock answered that it would be a five-year replacement, where older fixtures would be replaced first. Mr. Bullock stated that OUC hopes to see further price reductions over the five-year plan.

Commissioner McAllaster asked about the difference in cost between the old cobra head lighting and the new LED lighting. Mr. Zambito replied the cost is approximately \$100 for the cobra head, and approximately \$200 for the LED. The payback would take place over the five-year plan, as a result of reduction in maintenance costs and energy efficiency.

Commissioner Dominguez asked if there was a system or metrics in place to decide which areas will get the different versions of LEDs, and the possibility of utilizing solar lights. Mr. Bullock responded that pricing will be a key factor in deciding whether to utilize different LED lights. Mr. Knibbs replied that solar lighting fixtures have not yet advanced to a level of reliability where OUC would choose to deploy them primarily because of battery size and life limitations.

Commissioner Ferrone requested more information regarding the Joint Participation Agreements (JPAs) included in Affirmative Items A-7 and A-8. Mr. Bullock explained that OUC has an interlocal agreement with the City of Orlando that was executed in 2001. The JPAs allow OUC and the City to work together on specific projects, including the Church Street Streetscape Project.

President Kirby announced a conflict of interest regarding Affirmative Item A-5. President Kirby presented the remaining Affirmative Items for approval. On a motion by Commissioner Ferrone and seconded by Commissioner McAllaster, the Affirmative Items, with the exception of Affirmative Item A-5, were approved as follows:

1. Ratification of the above fuel procurements to the low bidders in January 2013 in the aggregate amount \$10,912,278.77 as follows:

NATURAL GAS PURCHASES:

Jan. 2013	BP Energy	\$ 403,318.36
Jan. 2013	Chevron	\$ 175,521.56

Jan. 2013	Conoco Phillips	\$1,590,779.95
Jan. 2013	EDF Trading (Formerly Eagle Energy)	\$ 800,469.00
Jan. 2013	Enbridge Marketing, LP	\$ 137,563.92
Jan. 2013	Macquarie Cook Energy, LLC	\$ 587,277.47
Jan. 2013	National Energy & Trade	\$ 274,520.96
Jan. 2013	Shell Energy	\$ 264,193.42
Jan. 2013	Southwestern Energy	\$1,067,292.00
Jan. 2013	Tenaska Marketing Ventures	\$ 319,793.44
Jan. 2013	Texla Energy Management, Inc.	\$ 616,807.19

COAL PURCHASES:

Jan. 2013	Crimson Coal Corporation	\$2,449,967.17
Jan. 2013	Eastern Coal and Coke Co., Inc.	\$ 654,707.23
Jan. 2013	JP Morgan	\$1,570,067.10

2. Approval of a sole source Purchase Order to Vogt Power International, Inc. to provide the new attemperating steam valves in an amount not to exceed \$132,300;
3. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Allied Universal Corporation in the amount of \$244,797 to provide liquid chlorine for OUC's Water Treatment Plants through May 31, 2014, increasing the total Purchase Order amount to \$520,380. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Key Chemical, Inc. in the amount of \$570,513 to provide caustic soda for OUC's Water Treatment Plants through May 31, 2014, increasing the total Purchase Order amount to \$1,150,885;
4. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Siemens Building Technologies, Inc. in the amount of \$218,000 to continue providing chilled water plant controls service through April 30, 2014, increasing the total Purchase Order amount to \$1,357,533;
5. Pulled for separate vote;
6. Approval of the Electric Distribution Construction Estimates for the installation of underground electric distribution facilities to serve Universal Studios Florida in the amounts of \$552,426.21 and \$62,388.48 for underground feeder cable and associated electric equipment, and conduit work, respectively, for a total amount of \$614,814.69, with customer contributions in the amount of \$162,000;
7. Authorization for the General Manager & CEO to execute Joint Participation Agreements with the City of Orlando for the East and West Phases of the Church Street Streetscape Improvements Project. Approval of five Electric Distribution Construction Estimates for the

overhead to underground conversion along Church Street from Division Avenue to Tampa Avenue; and the installation of underground feeder cable, switchgear, transformers, and the manhole and duct-line system required for the East and West Phases of the Church Street Streetscape Improvements Project in the aggregate amount of \$5,562,485.60. Approval of Purchase Orders to the City of Orlando for reimbursement of construction costs in the amounts of \$971,667 for the East Phase and \$1,347,776.90 for the West Phase, for a total amount of \$2,319,443.90;

8. Authorization for the General Manager & CEO to execute revised Joint Participation Agreements with the City of Orlando for the East and West Phases of the Church Street Streetscape Improvements Project. Approval of the Water Distribution Construction Estimate for the water distribution improvements portion of the Church Street Streetscape Improvements Project, West Phase, located from Westmoreland Drive to Tampa Avenue, in the amount of \$319,966.11 for the replacement of water services, fire hydrants and water mains. Approval of a Purchase Order to the City of Orlando for reimbursement of construction costs related to the West Phase of the Church Street Streetscape Improvements Project in the amount of \$289,976.11;
9. Approval of the Lighting Construction Estimate for Orlando and St. Cloud Service Territories in the amount of \$4,935,602.53, which includes \$2,984,590 for lighting equipment from OUC's stock inventory and \$1,951,012.53 for the installation of LED fixtures and removal of HPS cobra head fixtures by Terry's Electric, Inc., OUC's lighting contractor;
10. Approval of RFP #3396 – Contract award to Kemco Industries, LLC, the lowest, most responsive and responsible vendor, for switchboard panels required for the Airport Substation, D Unit Addition Project in the amount of \$149,188;
11. Approval of Change Request No. 1 to the Transmission Capital Expenditure Estimate for engineering, procurement and construction necessary to complete the Holden to Southwood Transmission Line Upgrade Project in the amount of \$11,633,685, increasing the total project cost to \$11,708,685. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Power Engineers to provide design engineering, surveying, soil boring, permitting and construction management services for the project in an amount of \$839,169, increasing the total Purchase Order amount to \$909,169;

12. Approval of Bid #3026 – Contract award to GE Prolec Transformers, Inc., the lowest, most responsive and responsible vendor, for a 230/69kV 224MVA bus tie transformer in the amount of \$2,116,436;
13. Approval of RFP #3438 – Contract awards to Miracle Software Systems, Inc. and ProSoft Technology Group, Inc., the most responsive and responsible vendors, to provide integration support and project services for the Enterprise Service Bus for a three-year period in the aggregate amount of \$3,000,000;
14. Approval of SOQ #3436 – Contract awards to Tetra Tech, Golder & Associates, AMEC and CH2MHill for Tier 1, and URS, HSA Engineering and HSW Engineering for Tier 2, the most responsive and responsible vendors, to provide environmental engineering services for a three-year period in the aggregate amount of \$5,000,000, pending OUC legal review and approval of the contract;
15. Authorization for the General Manager & CEO to execute the Release of Easement for Walmart, located south of Michigan Street and east of Orange Avenue; and
16. Authorization is requested for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation and OUC for Parcels 821.33, 822.33 and 823.33, located south of 33rd Street and west of South Rio Grande Avenue.

On a motion by Commissioner Ferrone, and seconded by Mayor Dyer, Affirmative Item A-5 was approved as follows:

5. Approval of the Electric Distribution Construction Estimate for the underground electric distribution system to serve the Publix Distribution Center at Lee Vista Center, located on South Goldenrod Road, north of State Road 528 in the Orlando service territory, in the amount of \$706,500.58 with customer contributions in the amount of \$55,289.

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

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John Hearn reported that net income through March exceeded the budget by half a million dollars. Year to date net income is still approximately \$4.5 million under budget, and staff is working to mitigate this variance throughout the remainder of the fiscal year.

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OUC customer Nils Taranger spoke about changing OUC's fluoridation policy and distributed an information packet to the Board.

President Kirby stated that OUC staff will review the information presented and respond to the customer.

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President Kirby read aloud a Proclamation declaring April to be Water Conservation Month at OUC.

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Mr. Ksionek asked Chip Merriam to provide a legislative update. Mr. Merriam stated that the leadership for the 113th Congress did not change, and moderates are eroding in both the House and the Senate. Mr. Merriam discussed the Congressional to do list, including the budget, Water Resources Development Act, Commodity Futures Trading Commission (CFTC), and cyber security. The top priorities for public power are tax exempt financing and resolutions, environmental regulations and EPA leadership, CFTC and exemptions, cyber security, Natural Gas Infrastructure Reliability, House Subcommittees, carbon tax regulation on carbon, coal combustion residual and elimination of the current municipal tax exemption. Mr. Merriam explained how a new tax code would affect OUC and how Florida's delegation is speaking out against it. Mr. Merriam also described the impacts to the Dodd-Frank Act, including permitting regulatory relief on certain non-financial energy derivative transactions to fulfill the public service mission.

In the State of Florida, 1,900 bills were filed this year. House Bill 85 and Senate Bill 84 would allow private entities to construct facilities used predominantly for public purposes. A business would be allowed to submit an unsolicited project proposal, and OUC would have 30 to 120 days to match with a public/private partnership agreement. If OUC could not do this, it would have to defer to the unsolicited proposal or disband the project and start over. The Senate sponsor has removed energy infrastructure from this bill, while water, gas and sewer infrastructure remain. Representative Mayfield filed House Bill 733 which would require municipal utilities to fall under the jurisdiction of the Florida Public Service Commission (PSC). This includes water, waste water, gas and energy providers. Impacts include downgrading to "A" category from the current "Aa2", and increasing 30 to 40 basis points with greater interest costs (\$2 million on \$200 million of debt) or \$7-\$10 million annually. This bill would move rate decision making from the Board to the PSC.

Commissioner McAllaster asked how many bills typically get passed out of 1,900. Mr. Merriam and Mayor Dyer responded approximately 300.

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Commissioner Dominguez commended the collaboration between OUC and the City of Orlando. She also spoke about Water Conservation Month, Florida's fresh water and natural beauty, and the importance of constantly improving water quality.

Commissioner McAllaster stated the importance of due diligence and to watch legislative actions at the federal and state level, because unintended consequences could be drastic to rate payers. He encouraged OUC to collaborate as well.

Mayor Dyer stated he is pleased to see the LED streetlight project moving forward. He also spoke about incentives to private businesses, and how new revenue as a result of new businesses in the area, such as Publix, can assist rate payers by increasing revenue and lowering rates.

Commissioner Ferrone commented on the balance of conservation and growth and OUC's role in both. She is pleased that April is Water Conservation Month and commented on the seasonal differences between the Orlando area and other areas of the country.

President Kirby stated that OUC responded to customer concerns expressed at the previous meeting and thanked Mr. Taranger for his statements. He is thankful for the cooperation with the City of Orlando in the Greenworks project and happy to see the Community Solar Farm oversubscribed. He also commended OUC staff for updates about the recent storm event.

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President Kirby adjourned the meeting at 3:12 P.M.

President

Secretary