

**MINUTES**  
**ORLANDO UTILITIES COMMISSION**  
**April 12, 2016**  
**2:00 P.M.**

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**Present:**

COMMISSIONERS:

Linda Ferrone, President  
Gregory D. Lee, First Vice President  
Dan Kirby, Immediate Past President  
Cesar E. Calvet, Commissioner  
Buddy Dyer, Mayor

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

President Ferrone asked John Hearn to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:09 P.M.

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On a motion by Commissioner Lee, seconded by Commissioner Kirby and unanimously carried, the reading of the minutes of the March 8, 2016 Commission Meeting was waived and the minutes were approved.

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President Ferrone announced that Commissioner Kirby was recently elevated to the American Institute of Architects (AIA) College of Fellows. Fellowship is an honor bestowed on architects who have made a significant contribution to their craft nationally and have also contributed to society and the greater good. Of the more than 88,000 AIA members, only 3 percent are recognized as members of the College of Fellows. President Ferrone congratulated Commissioner Kirby on his award and thanked him for serving as a role model for herself and for the Commission as a whole. She praised him for his tremendous dedication to charting a great path for OUC and other organizations while remaining focused on strategy and sustainability.

Commissioner Kirby stated that his award is the accumulation of the efforts of many people he has worked with over the years. He has been blessed to be associated with and work with many outstanding people in firms, the community and the AIA at a national level. He thanked everyone who contributed to him receiving this award, especially OUC and his fellow Commissioners, and would like to share the award with them.

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Jan Aspuru presented a 25-year service award to Jerry Farina, Water Systems Operator, Electric and Water Production.

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Clint Bullock presented a 25-year service award to Chuck Easterling, Transmission Maintenance Manager, Electric and Water Delivery.

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Clint Bullock presented a 20-year service award to Vic Mendoza, Distribution Operator, Electric and Water Delivery.

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John Hearn presented a 20-year service award to Beverly Gross, Sr. Payment Analyst, Financial and Support Services.

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President Ferrone read a Resolution of Appreciation into the record for John Hearn's twenty-nine years of service.

Whereas, the ORLANDO UTILITIES COMMISSION (OUC) wishes to recognize and honor JOHN E. HEARN for his twenty-nine years of outstanding service and accomplishments; and

Whereas, Mr. Hearn joined the OUC management team in 1987 as Director of General Accounting before becoming Director of Fiscal Services and in due course became Vice President and Chief Financial Officer in 1998. He oversaw OUC's growth from a five-year Capital Plan of \$415 million in 1987 to today's \$818 million and an operating budget of \$223 million in 1987 to \$879 million in 2016;

Whereas, Mr. Hearn's service has provided outstanding loyalty and unwavering commitment and an ability to make the best business decisions for OUC during periods of expansion and unprecedented growth while also steadfastly navigating and protecting the financial stability of OUC through a difficult economic downturn by maintaining very high AA bond ratings, thereby saving many millions of dollars in associated interest costs;

Furthermore, Mr. Hearn protected rates by maximizing opportunities in financial markets to reissue OUC's municipal bonds at lower interest rates, saving \$190 million in financing costs. During his career, he has been responsible for the issuance \$3.6 billion in bonds that have quadrupled energy production at the Curtis H. Stanton Energy Center, using a diverse mix of fuel and new technologies which have increased OUC's national standing with rating agencies thereby protecting electric rates; and

Whereas, Mr. Hearn was also engaged in the 1999 sale of the Indian River Plant for \$205 million and the 2012 repurchase of the Indian River Plant for \$11.5 million. He has also been responsible for the financial stability for OUC employees and retirees through the creation of a hybrid retirement plan and vesting of the cost of living adjustment for traditional defined benefit participants, as well as the prudent funding of these and other employee benefits.

Now, Therefore Be It Resolved by the Orlando Utilities Commission, that it hereby commends John E. Hearn for his integral financial stewardship to the Commission and with sincere gratitude and esteem, it thereby expresses its appreciation to him for the contributions he has made to enable OUC's path to become the *Best Utility in the Nation*; and

Be It Furthermore Resolved, that a copy of this Resolution be furnished to Mr. Hearn as testimony of the gratitude of the members of this Commission for his dedicated service and that this Resolution be made part of the minutes of this Commission as a part of the official records.

In witness wherefore, Commission President Linda Ferrone, Commissioners Gregory D. Lee, Dan Kirby, Cesar Calvet, Mayor Buddy Dyer, and General Manager and CEO Ken Ksionek.

DATED this 12th day of April, 2016.

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President Ferrone read aloud a Proclamation declaring April to be Water Conservation Month.

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Commissioner Kirby announced that he attended Orlando Business Journal's (OBJ) IQ Awards Ceremony on April 4, which recognizes business and individuals in Central Florida that embrace technology. Jerry Sullivan and other key members of the Information Technology staff also attended. OUC was recognized for its multi-year effort to launch various projects to expand full-service operations for customers. Mr. Kirby recognized everyone who worked on these projects over the past several years.

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Mr. Ksionek asked John Hearn to provide a presentation regarding Affirmative Item A-5 for the Second Amendment to Interlocal Agreement (Agreement) with the City of St. Cloud. Mr. Hearn stated that in May 1997, OUC entered into a 30-year agreement to operate and maintain the St. Cloud electric system. The agreement was amended in April 2003 to extend the term to 2023. Mr. Hearn provided background information on the reliability, rates and returns related to this Agreement.

A Business Development Fund (Fund) was created to attract and retain electric customers. The City of St. Cloud provided the initial investment of \$5.4 million. The Agreement currently requires business development projects be approved by the St. Cloud City Council and the OUC Board. Four projects have been approved. The Second Amendment will provide up to \$500,000 annually to be used from the Fund for business development purposes based on St. Cloud City Council approval and written notice to OUC at least ten days prior to final approval. This will allow the City of St. Cloud to respond to economic development opportunities in a timelier manner.

Commissioner Kirby inquired if disbursements from the Fund are made directly to the City or to the third party. He also asked for clarification regarding the ten-day notification period. Mr. Hearn stated that, because the City maintains the records and control of the Funds, disbursements are made directly to businesses or third party entities. Mr. Hearn explained that the notification period is a minimum of ten days in order for OUC to provide any insight.

Commissioner Kirby asked for further clarification regarding disbursement of funds greater than the General Manager and CEO's signature authority. Mr. Hearn responded that since the funds are provided by the City of St. Cloud, not OUC, it does not fall under OUC's Purchasing Policy.

Commissioner Calvet inquired how money is added to the Fund. Mr. Hearn stated that additional money is provided by the City.

President Ferrone asked if there is a regular review process on how the funds are being spent. Mr. Hearn responded that the City provides accounting for the Fund on a quarterly basis.

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Mr. Ksionek asked Byron Knibbs to provide a presentation on Affirmative Item A-7 regarding the Stanton Energy Center (SEC) Reforestation Project. Mr. Knibbs explained that two-thirds of the SEC is dedicated for conservation and wildlife. Trees serve as a buffer to the surrounding development as well as provide refuge to threatened and endangered species, including the red-cockaded woodpecker. Over the years, many trees have died naturally. Replanting 16,700 long-leaf pine trees will return the tree count to a more natural and sustainable number and reduce carbon dioxide emissions. OUC will place trees in accordance with the SEC Resource Management Plan, with approval by the United States Fish and

Wildlife Service and Florida Fish and Wildlife Conservation Commission. Mr. Knibbs showed the areas where the trees will be planted and explained the timeline for the project. Trees will be planted in the fall/winter timeframe because it is the dormant season of the tree, which will result in a higher survival rate. After planting, OUC will water and monitor the trees' growth progress.

Mayor Dyer asked if a reforestation project of this scale has ever been done before and Mr. Knibbs replied negatively.

Mr. Knibbs provided an update to the Board regarding OUC and the City of Orlando's One Person, One Tree Program that was approved last year. As of April 5, 700 OUC customers have received a tree.

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

1. Ratification of the fuel procurements to the low bidders in January 2016 in the aggregate amount \$5,097,100.00 as follows:

**NATURAL GAS PURCHASES:**

Jan 2016	BP Energy	\$ 178,650.00
Jan 2016	EDF Trading (Formerly Eagle Energy)	\$ 238,671.16
Jan 2016	Infinite Energy	\$ 314,670.00
Jan 2016	Macquarie Cook Energy, LLC	\$ 545,077.08
Jan 2016	NJR Energy Service Company	\$ 726,045.36
Jan 2016	Occidental Energy Marketing	\$ 567,020.28
Jan 2016	Shell Energy	\$ 138,700.00
Jan 2016	Tenaska Marketing Ventures	\$1,777,421.42
Jan 2016	Texla Energy Management, Inc.	\$ 610,844.70

2. Approval of a sole source Purchase Order to Flowserve US, Inc. to provide scrubber makeup water pumps and support services required for Phase II of the Stanton Energy Center Lined Pond System Project in the amount of \$242,000, pending final contract negotiations and OUC legal review;
3. Approval of a Communication Systems Capital Expenditure Estimate for the SONET Multiplexor Upgrade Project in the amount of \$1,590,000. Approval of a sole source Purchase Order to GE Grid Solutions LLC for SONET multiplexor equipment in the amount of \$1,350,000;
4. Authorization for the General Manager & CEO to execute the Utility Work by Highway Contractor Agreement with the Florida Department of Transportation for the State Road 91 Turnpike Mainline Widening Project. Approval of a Water Distribution Construction Estimate for construction, administration and inspection costs for the State Road 91

Turnpike Mainline Widening Project in the amount of \$1,057,625. Approval of a Purchase Order to the Florida Department of Transportation for reimbursement of construction costs in the amount of \$840,000;

5. Approval of the Second Amendment to the Interlocal Agreement with the City of St. Cloud allowing up to \$500,000 annually to be used from the St. Cloud Business Development Fund for business development purposes based on St. Cloud City Council approval and written notice to OUC at least ten days prior to final approval;
6. Approval of RFP #4090 - Contract award to Allen E. Smith Ranch & Farming, Capitol Environmental Services and SWS Environmental Services, the most responsive and responsible vendors, to supply fill dirt and top soil for the Stanton Energy Center Combustion Waste Storage Area in the aggregate amount of \$5,100,000, pending final contract negotiations and OUC legal review. The contract term is three years with two one-year renewal options;
7. Approval of RFP #3975 - Contract award to The Davey Tree Expert Company, the sole responsive and responsible vendor, to plant trees for the Stanton Energy Center Reforestation Project in the amount of \$200,000. The contract term is three years with two one-year renewal options;
8. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Embarcadero Technologies, Inc. in the amount of \$60,412 for the annual software license and maintenance renewal of database development tools for the period of June 24, 2016 through June 23, 2017, increasing the total Purchase Order amount to \$234,202;
9. Authorization for the General Manager & CEO to execute the Release of Easement for property located west of South Terry Avenue and south of West Pine Street;
10. Authorization for the General Manager & CEO to execute the Release of Property From Service Agreement for Lighting Services for property located south of West Central Boulevard and west of South Parramore Avenue; and
11. Authorization for the General Manager & CEO to execute the Subordination of Encumbrance to Property Rights to Orange County for property located north and south of Holden Avenue and west of Rio Grande Avenue.

President Ferrone reported that the Audit Committee conducted its regular meeting on March 24, 2016.

The Audit Committee discussed OUC's Internal Audit Charter and noted that the document continues to meet the standards set by the Institute of International Auditors. No changes are needed to the charter at this time.

The Committee also reviewed Internal Audit activities including an overview of three recently completed audit reports.

OUC's financial performance for the five months ending February 2016 was reviewed including a projection of annual results for Fiscal Year 2016. Income before contributions for Fiscal Year 2016 is expected to be \$99.3 million or \$6.9 million higher than the annual budget.

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John Hearn stated that net income through March 2016 is approximately \$14.8 million ahead of budget. This was driven by retail energy revenues that are approximately \$3 million ahead of budget, resale energy revenues that are approximately \$5 million ahead of budget and expenditures that are approximately \$6 million below budget. Weather and additional customer growth have driven the positive revenue numbers.

Mr. Hearn expressed his appreciation for the Resolution in his honor. He stated that it has been an honor and a privilege to serve OUC and his community as Chief Financial Officer.

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Mr. Ksionek recommended that Mindy Willis be appointed as Assistant Secretary of the Commission, replacing John Hearn.

President Ferrone asked for a motion to approve the recommendation. On a motion by Commission Lee and seconded by Commissioner Kirby seconded, the recommendation to appoint Ms. Willis as Assistant Secretary was approved.

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Mr. Ksionek asked Chip Merriam to provide a Legislative Update. Mr. Merriam stated that during the State of Florida's 2016 legislative session, 1,814 bills were filed and 245 were signed into law as of April 12. He provided background information about several of the bills signed into law of interest to OUC, including the statewide comprehensive water bill, environmental control, utility projects, renewable energy source devices, public records and location of utilities. HB 1025, regarding public records and utility security information, is an OUC sponsored bill that enhances municipal utility cybersecurity by providing a public records exemption for materials related to the security of information technology and industrial control systems. Mr. Merriam recognized Representative Bruce

Antone in the audience, the bill sponsor, who assisted OUC in this process. Mr. Merriam also discussed several bills of interest that did not become law.

In the state legislative session, Mr. Merriam discussed several proposed constitutional amendments for vote during both the general and primary elections. Two amendments of interest to OUC would grant customers the right to own or lease equipment that produces solar energy for personal use as well as provide property tax exemptions for residential and commercial renewable energy devices.

Mr. Merriam summarized the bills of interest in the federal legislative session, including pole attachments, the Clean Power Plan, tax exempt financing, cybersecurity and coal ash.

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Mr. Ksionek provided an update on the water main break that occurred at approximately 10:00 a.m. near the intersection of Colonial Drive and Garland Avenue.

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Commissioner Calvet congratulated Mr. Hearn on his retirement and commented on his strong reputation in the community. He thanked Mr. Bullock and his staff for the tour of the Electric and Water Delivery facilities. He praised the longevity of OUC employees.

Commissioner Lee congratulated the Service Award recipients and wished Mr. Hearn well on his retirement. He praised the Proclamation for Water Conservation Month, the SEC Reforestation Project and Mr. Merriam's Legislative Update.

Mayor Dyer thanked Mr. Hearn for his 29 years of service. He praised the SEC Reforestation Project and commented on the possibilities of birdwatching at the facility.

Commissioner Kirby appreciated the update on the water main break and is anticipating future updates. He thanked Representative Antone for his support on HB 1025. He acknowledged Mayor Dyer, Mr. Ksionek and Beth Mason for their contributions to his AIA College of Fellows award. He congratulated Mr. Hearn on his retirement and serving as a steward to the customers and community.

President Ferrone congratulated Mr. Hearn on his retirement and praised his work as Chief Financial Officer. She also congratulated Commissioner Kirby on receiving the AIA College of Fellows award. She recently represented OUC at Oracle's Utility Conference and expressed her appreciation at being able to tell OUC's story. She stressed that OUC should be proud of its achievements in the utility industry.



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President Ferrone adjourned the meeting at 3:49 P.M.

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President

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Secretary