

MINUTES
ORLANDO UTILITIES COMMISSION
June 14, 2011
2:00 P.M.

Present:

COMMISSIONERS:

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

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Alvin Frazier, Roseann Harrington, Byron Knibbs,
Denise Stalls, Vice Presidents
John H. Hearn, Vice President & Chief Financial Officer
Gregory T. Rodeghier, Vice President & Chief Information Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Werline, Recording Secretary

President Dominguez asked John Hearn to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:01 P.M.

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On a motion by Commissioner Kirby, seconded by Commissioner McAllaster and unanimously carried, the reading of the minutes of the May 17, 2011 Security Briefing was waived and the minutes were approved. On a motion by Mayor Dyer, seconded by Commissioner Kirby and unanimously carried, the reading of the minutes of the May 17, 2011 Commission Meeting was waived and the minutes were approved.

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Al Frazier presented a 20-year service award to Nora Gonzalez, Manager, Revenue Protection, Customer Experience.

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Roseann Harrington announced that the Florida Public Relations Association awarded the Know Your Numbers campaign the Award of Distinction for an internal public relations campaign and the Judge's Award for maximizing results on a small budget. Ms. Harrington recognized Jenise Osani, Lisa Curran, Michael Cartolano and Janie Wallace for their contributions to the campaign.

Mr. Frazier summarized OUC's fundraising efforts in support of the Juvenile Diabetes Research Foundation (JDRF). He thanked staff involved in the fundraising activities, including Sasha Acevedo, Gigi Anacleto, Jean Boozy, Sasha Coleman, Nora Gonzalez, Rochell Hodge, Thomas Johnson, Julie Leininger, Walter Lopez, Queen Massaline, Gaby Ortigoni, Kate Powers, Karlene Ramirez, Terri Underwood, Janie Wallace and Rebecca Moreau. Since 2004, OUC has raised \$67,188 for the JDRF. OUC received a plaque from the JDRF for raising \$9,341 this year, which was fifth place of all the corporate teams involved.

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Ken Ksionek asked Byron Knibbs to provide a presentation on Affirmative Item A-18 regarding the Commercial Indoor Lighting Program, OUC's largest and most effective conservation program. The goal of the program, which was established in 2002, is to reduce customer energy consumption by replacing older fluorescent and incandescent lighting with newer, more efficient lighting technologies. A competitively awarded contract enables OUC to offer customers the best pricing for indoor lighting services. As part of the program, the lighting contractor completes an indoor lighting survey of the customer's premise. The customer is provided with a detailed proposal with recommended upgrades, project cost and projected energy savings. OUC's lighting contractor installs the new lights and the project costs are resolved through the OUC bill. There are no up front capital costs to the customer and the customer pays for the lighting upgrade through the energy savings generated. Through December 2010, 74 lighting retrofits have been completed for a total customer savings of \$2,217,573. Customers include Orange County Public Schools, the Salvation Army and Florida Hospital. Five projects are currently underway.

President Dominguez asked if the program could be expanded to audit other types of energy efficiency savings with commercial customers. Mr. Knibbs responded that OUC is in the final stages of developing such a program, which will be discussed by Kevin Noonan in a later presentation.

Commissioner Kirby asked if the initial survey is performed by contractor personnel and Mr. Knibbs responded affirmatively.

Commissioner Ferrone asked about the number of future retrofits OUC expects to perform. Mr. Knibbs responded that OUC is aggressively marketing the program and OUC is in discussion with many potential customers.

President Dominguez asked if interest is charged to the customers. Mr. Knibbs responded that there is a small service charge.

Commissioner Kirby asked for clarification on Affirmative Item A-17 regarding the Automated Energy Audit Services. He inquired what happens to customer data after it is collected. Mr. Knibbs responded that currently all the data is collected via paper and filed. As a result of the new project, Information Technology will insure that all electronic customer data is included with

customer accounts. Commissioner Kirby stated that it is very important that any customer data produced is linked to customer accounts.

Commissioner Kirby asked for clarification on the intent of Affirmative Item A-2 regarding the Spot Leases of Unit Coal Trains. Jan Aspuru responded that the vendors listed on the Affirmative Item will be added to the approved vendors list. A legal statement was added so that additional vendors could be added if necessary, but not to expand the dollar amount of the Purchase Order. A discussion ensued regarding the necessity of said language. Chris Browder stated that the statement could be stricken if so desired. Commissioner Kirby requested that Affirmative Item A-2 be revised to remove the last sentence in the summary section. The item was revised and pulled for a separate vote.

President Dominguez asked for clarification about Affirmative Item A-24 regarding the Educational Outreach Program. Ms. Harrington responded that OUC has been approached by summer camps regarding offering a similar program for homeless children. The agenda item is a request for additional funds in case OUC can begin the summer camp program this year.

President Dominguez presented the Affirmative Items with the exception of A-2 for approval. On a motion by Mayor Dyer and seconded by Commissioner Kirby, the Affirmative Items were approved as follows:

1. Ratification of the above fuel procurements to the low bidders in March 2011 in the aggregate amount of \$11,976,821.94 as follows:

NATURAL GAS PURCHASES:

Mar. 2011	BP Energy Company	\$1,319,919.68
Mar. 2011	Chevron Natural Gas	\$ 737,055.28
Mar. 2011	City of Lakeland	\$ 288,243.40
Mar. 2011	ConocoPhillips	\$ 435,078.28
Mar. 2011	Gavilon, LLC	\$1,275,751.82
Mar. 2011	Infinite Energy	\$1,279,328.80
Mar. 2011	National Fuel Marketing	\$ 166,063.89
Mar. 2011	NJR Energy Services	\$2,243,377.62
Mar. 2011	Rainbow Energy	\$ 637,166.00
Mar. 2011	Sequent Energy Management	\$ 163,060.04
Mar. 2011	Texla Energy Management, Inc.	\$ 991,816.13
Mar. 2011	Total Gas & Power	\$ 600,921.47
Mar. 2011	Virginia Power Energy Marketing, Inc.	\$1,478,567.28

NO. 2 AND NO. 6 FUEL OIL PURCHASES:

Mar. 2011	TransMontaigne Product Services Inc.	\$168,471.02
Mar. 2011	Automated Petroleum & Energy Co., Inc.	\$192,001.23

2. Pulled for separate vote;
3. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Coal Conveyor Transfer Point Modifications Project in the amount of \$425,000. Approval of a sole source Purchase Order to Martin Engineering to modify coal transfer point loading areas and belt sealing systems in an amount not to exceed \$393,199.76, subject to final contract negotiations and OUC legal review;

4. Approval of a sole source Purchase Order to Siemens Energy, Inc. to provide replacement rapping system components for the Stanton Energy Center Unit 2 electrostatic precipitator in an amount not to exceed \$362,235;
5. Approval of a Capital Expenditure Estimate for the Indian River Plant Site Evaluation Project in the amount of \$150,000. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Black & Veatch Corporation to provide additional site engineering assessment services for capital related costs in the amount of \$42,500, increasing the total Purchase Order amount to \$117,220;
6. Approval of the Electric Distribution Construction Estimate for the installation of the underground electric distribution system to serve the Millenia 700 apartment complex, located on Eastgate Drive, south of Conroy Road in the Orlando service territory, in the amount of \$332,717.11;
7. Approval of the Electric Distribution Construction Estimate for the installation of the underground electric distribution system to serve the Village Walk at Lake Nona, Phase 3C, located along Lake Nona Boulevard west of Narcoossee Road in the Orlando service territory, in the amount of \$111,835.72;
8. Approval of the Electric Distribution Construction Estimate for the upgrade of the underground electric distribution system to serve customers along North Lake Orlando Parkway within the Rosemont Subdivision, located in the Orlando service territory, in the amount of \$104,190.96;
9. Approval of the Electric Distribution Construction Estimate for the installation of an overhead electric distribution system along Nolte Road required for Phase 2 of the City of St. Cloud's Nolte Road Construction Project, from Canoe Creek Road to Old Hickory Tree Road located in the St. Cloud service territory, in the amount of \$729,345.53;
10. Approval of a Purchase Order to Presidio, Inc. in the amount of \$240,000 to provide cyber security consulting services for the EMS network and for the development and documentation of processes and procedures required to meet CIP standards;
11. Approval of a Substation Capital Expenditure Estimate for the Substation Automation Equipment Replacement Project at a cost of \$738,883. Approval a Purchase Order to KEMCO Industries, LLC for Schweitzer equipment and switchboard panels in the amount of \$636,538;

12. Approval of a Capital Expenditure Estimate for the Chlorine Cylinder Valve Emergency Shut-Off System Project in the amount of \$499,371.97. Approval of RFP #3007 – Contract award to Water Solutions Associates, the lowest, most responsive and responsible vendor, to provide controllers, actuators, emergency buttons and training in the amount of \$346,060;
13. Approval of a Capital Work Order for the City of Orlando's West Par Street Storm Sewer Improvements Project from Harrison Avenue to Formosa Avenue to cover OUC's construction costs in the amount of \$188,766.18;
14. Approval of additional funding for conforming Change Order No. 1 to Bridge Energy Group, Inc., Miracle Software Systems, Inc. and ProSoft Technology Group, Inc. for integration support services for the Enterprise Service Bus in the amount of \$1,500,000, increasing the total Purchase Order amount to \$2,250,000;
15. Approval of RFP #3051 – Contract award to The Revere Group LTD, the most responsive and responsible vendor, to provide migration expertise and implementation services for the Windows 7 Migration Project in the amount of \$134,580, pending OUC legal review and approval of the contract;
16. Approval of RFP #3018 – Contract award to Apogee Interactive, Inc., the most responsive and responsible vendor, to provide online energy audit services for a three-year period in an amount not to exceed \$211,000, contingent upon final OUC legal review and approval of a Service Agreement;
17. Approval of RFP #3019 – Contract award to AT&T Mobility, the lowest, most responsive and responsible vendor, to provide automated energy audit services for a three-year period in an amount not to exceed \$102,456, contingent upon final OUC legal review and approval of a Service Agreement;
18. Approval of RFP #3046 – Contract award to Lightyear Technologies, Inc., the lowest, most responsive and responsible vendor, Inc. to provide indoor lighting retrofit services for OUC's Commercial Indoor Lighting Program for a three year period in an amount not to exceed \$5,000,000, contingent upon final OUC legal review and approval of a Service Agreement;
19. Approval of additional funding in the amount of \$150,000 with conforming Change Order No. 1 to E2 Walls, Inc. to provide ongoing demountable wall system components and installations as needed for the Gardenia and Pershing facilities, increasing the total Purchase Order amount to \$195,000;

20. Approval of a Capital Expenditure Estimate for the Digital Video Management Software System Replacement Project in the amount of \$217,153.86;
21. Approval of a Capital Expenditure Estimate for the Pershing Operations Building Switchgear Upgrade Project in the amount of \$117,640. Approval of a sole source Purchase Order to Square D Company/Schneider Electric for equipment, material and labor required for the Pershing Operations Building Switchgear Upgrade Project in the amount of \$110,926;
22. Approval and adoption of the new Procurement Policy to become effective June 15, 2011;
23. Approval of RFP #2887 – Contract award to Allen Smith Ranch and Farming, Inc., the most responsive and responsible vendor, to provide controlled burning of the Red-Cockaded Woodpecker areas at the Stanton Energy Center site for a three-year period in the amount of \$600,000;
24. Approval of a sole source Purchase Order to the Orlando Science Center to provide an educational outreach program to Orange County and Osceola County fifth grade students in OUC's service territory, as well as an optional summer camp component, for a two-year period in the amount of \$433,000;
25. Authorization for the General Manager & CEO to execute the Release of Utility Easement for the Peabody Hotel – UST Hotel Joint Venture, Ltd., for property located north of International Drive and east of Pointe Plaza Avenue; and
26. Approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation and OUC for Parcel 481.2R, located south of Caravan Court and north of Interstate 4.

President Dominguez presented Affirmative Item A-2, minus the last line of the summary statement, for approval. On a motion by Commissioner Kirby and seconded by Commissioner Ferrone, the Affirmative Item A-2 was approved as follows:

2. Approval to add the following vendors to the Purchase Order for the spot leases of coal unit trains: Tampa Electric Company, Progress Energy Florida, Inc., Progress Rail Leasing Corporation, South Carolina Public Service Authority, Trinity Industries Leasing Company, First Union Rail, National Car Systems Inc., GATX Corporation, JAIX Leasing Company, The David J. Joseph Company and Duke Energy Carolinas, LLC.

Commissioner McAllaster reported that the Audit Committee met on May 26, 2011 to review the current internal audits as well as the Audit Committee Charter. The Committee recommends that specific language in the Financial Reporting section of the Charter be changed from "Statement of Audit Standards No. 61, Communication with Audit Committees" with more generic language to reflect "current auditing standards". Commissioner Kirby asked if the Charter has sufficient guidance for the future. Commissioner McAllaster replied that the Charter will be reviewed on a yearly basis.

On a motion by Commissioner McAllaster and seconded by Commissioner Kirby, Presentation-1b was approved as follows:

PRES-1b: Commission approval of the proposed language revision in the Financial Reporting section of the Audit Committee Charter.

The Audit Committee also discussed residual funds that had been in reserves. The Audit Committee recommends that the residual deferred revenue from unanticipated wholesale trading profits and the one-time medical refund be recognized in Fiscal Year 2011. The financial statement impact of the recognition is estimated to increase revenues approximately \$0.7 million for Fiscal Year 2011.

On a motion by Commissioner McAllaster and seconded by Mayor Dyer, Presentation-1a was approved as follows:

PRES-1a: Commission approval to recognize deferred revenue in the amount of \$0.7 million in Fiscal Year 2011.

Finally, Commissioner McAllaster discussed the comments received from the rating agencies and stated it is important to address all issues of the various rating agencies aggressively. The Audit Committee requested that John Hearn provide a follow-up of actions needed to address each of the comments at a future meeting. The Audit Committee believes OUC should respond to the comments of the rating agencies in order to avert possible financial penalties in the future.

President Dominguez asked about OUC's responses to the rating agencies and whether other utilities were receiving similar rating changes. Mr. Hearn reported that an action plan is being worked on and future action items will be brought to the Commission. It is expected that OUC will report to the rating agencies in the fall. He also stated that other utilities have received similar changes from the rating agencies. Discussion ensued regarding the importance of reporting back to the rating agencies and the possibility of having the rating agencies visit OUC facilities in the near future.

Mayor Dyer asked if there was an overlap with the members of the rating agencies between the City and County and utilities. Mr. Hearn stated that there is communication between the committees that rate OUC, the City and the County.

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John Hearn reported that the OUC's position in regards to budgeted net income improved by approximately \$1.2 million in May. There is slightly more than \$30 million of net income year to date which is approximately \$3.4 million under budgeted net income. It is anticipated that there will be a move toward budgeted net income over the summer months.

Commissioner Kirby asked if the financial statement included the previously approved adjustment, and Mr. Hearn responded it does not.

Mayor Dyer asked about OUC's status with the Federal Emergency Management Association (FEMA) audit since at least one of the reserve items in the Audit Committee report was due to the FEMA audit. Mr. Hearn responded that the audit is almost complete. Commissioner Kirby asked for clarification regarding Mr. Hearn's statement that OUC had used one of the reserves to help cover some FEMA front-end costs. Mr. Hearn clarified what OUC has received and what is outstanding as far as reimbursement and that final expenses will be less than previously estimated by approximately \$1.1 million.

Mr. Hearn stated that OUC completed the refunding bonds transaction at a true interest cost of 2.96 percent, which yielded present-value savings of \$12.5 million.

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Mr. Ksionek asked Chip Merriam to present a legislative update. Mr. Merriam discussed recent events in the Executive Branch, including President Obama's announcement as a candidate for the 2012 Presidential Election and his proposal of 85 percent reduction in carbon emissions by 2035. Recent debates and discussions in Congress included health care, proposed budget cuts which would end the issuance of Build America Bonds, debt ceiling and deficit, clean energy standards, cyber security and the Dodd-Frank Act, which would minimize systemic risk to the US financial system and mandate rulemaking by the Commodities Futures Trading Commission. Mr. Merriam explained that challenges in the Middle East and oil prices have changed Congressional priorities. The Japanese earthquake impacted nuclear discussion as well as proposals for Clean Energy Standards. Mr. Merriam also discussed legislative issues in the State of Florida, including consumptive use permitting changes, term limits, numeric nutrient criterion, gifts, procurement of professional services, verification of employment and assessments of residential real property (wind, solar). Mr. Merriam presented a chart showing the near-term EPA regulatory activity for the electricity sector and explained the transport rule.

Commissioner McAllaster asked about the probability of a national energy policy. Mr. Merriam responded that he does not believe it is a possibility.

Mr. Ksionek explained that, over the past five years, the Commission has approved several nitrogen oxide reduction projects. Some of those projects were placed on hold. Currently, additional engineering is needed on the

selective catalytic reduction (SCR) system for Stanton Energy Center Unit 1. Mr. Ksionek asked Jan Aspuru to present an update on this project and explain why it is necessary to perform the additional engineering work.

Mr. Aspuru reminded the Board that this project was already approved but wanted to provide an update due to the magnitude of the project. The project was spurred by the EPA's issuance of the Clean Air Interstate Rule (CAIR) in 2005. Phase 1 of the NOx reduction project was approved in 2006 and completed in 2008. Phase 2 of the project was approved in 2007, which included the installation of an SCR on Unit 1 and the associated SO3 mitigation. In 2008, CAIR was thrown out by the courts and EPA was requested to create a new rule. Given the regulatory uncertainty, OUC elected to delay implementation of Phase 2 of the Project.

In 2010, the EPA issued the Clean Air Transport rule which superseded CAIR. This rule is scheduled to be finalized in June 2011 and includes stringent NOx limits. In 2011, the EPA also issued the preliminary eguMACT (electric generating utilities maximum achievable control technology) rule. This rule established limits on mercury and particulate matter, among other emissions. Due to these two rules and in anticipation of others, OUC will bring to the Board the Units 1 & 2 Natural Gas Igniter Project, as well as restart the Unit 1 SCR engineering. The plan is to proceed to 50-60 percent engineering completion for Unit 1 SCR and then reevaluate regulatory requirements.

Commissioner McAllaster asked about the construction time for the project. Mr. Aspuru responded approximately 3-4 years.

Commissioner Ferrone asked if the project addresses items in the new EPA ruling. Mr. Aspuru responded that, while the project was approved in 2007 specifically for CAIR, the CAIR limitations line up with the transport rule limitations.

Commissioner McAllaster asked if the engineering for the Unit 1 SCR will address potential future regulation that may be implemented by the EPA, and if the EPA has been made aware that the deadlines associated with these rules may not be feasible. Mr. Aspuru responded that OUC cannot risk further delay on going forward with the current projects in concordance with EPA's current rules. Mr. Aspuru also advised that there are ongoing industry studies on the impact of EPA's current rules. Mr. Merriam responded that it is a rulemaking issue controlled by the current administration. Commissioner Ferrone asked if this will affect many utilities, and Mr. Merriam responded affirmatively, however the industry is not united on their opinions on EPA rulemaking.

Mr. Ksionek asked Kevin Noonan to give a final report on the Green Neighborhood program. The program was designed to help OUC meet its Public Service Commission conservation compliance goals. The goal of the program was to increase the energy and water efficiency of approximately 1,000 homes in six neighborhoods throughout the City by installing a comprehensive suite of energy and water conservation measures. The program was provided free of charge to neighborhoods with a history of high energy consumption,

including Monterey, Countryside, Signal Hill, Coytown, Malibu Groves and Richmond Estates. The program was funded by City of Orlando and OUC and Honeywell Utility Solutions installed the conservation measures. Homes were insulated and weatherized to increase efficiency and lower monthly utility expenses. The program offered up to \$1,000 in free upgrades per owner-occupied, single family home. The program was publicized by direct mail and door-to-door community outreach and kickoff meetings where held in each neighborhood to generate interest and schedule appointments. A total of 1,818 single-family homes were eligible to participate in the program, and 1,137 homes ultimately received benefits, resulting in a participation rate of 62 percent. The total number of conservation measures installed was over 22,000 with a total estimated annual energy savings of 2,180,358 kWh. Energy savings is estimated at 1,900 kWh per home with an annual utility bill savings estimated at \$232 per home.

Mr. Ksionek distributed a report from external auditor Ernst & Young regarding the nuclear industry.

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Commissioner Ferrone stated that going through the experience with a rating agency was very eye-opening. The key is communication and ensuring that the rating agencies understand OUC's practices and intent for long-term impact.

Commissioner Kirby stated that he was pleased about the scheduled meetings regarding OUC's property disposition process and is anticipating an update on the process. Mr. Browder stated that a meeting is scheduled with the City on June 15 to discuss this matter.

Commissioner McAllaster discussed the importance of OUC's relationship with the City of Orlando and stressed the importance of the partnership.

Mayor Dyer announced that a groundbreaking ceremony for the Dr. Phillips Performing Arts Center will be held on June 23 at 5:30 p.m. and invited the entire community to the event. The Performing Arts Center is an important part of OUC's chilled water expansion in the downtown area. Mayor Dyer also stated that Governor Scott will make his decision on SunRail by July 2 and is anticipating a groundbreaking on SunRail sometime this summer.

President Dominguez thanked the Board for their open discussions and praised the Board members' ability to resolve problems in a swift and respectful manner. She is excited about the Performing Arts Center and cost-effective conservation programs. She also congratulated Nora Gonzalez for her 20 years of service.

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President Dominguez adjourned the meeting at 3:55 P.M.

President

Secretary