

MINUTES
ORLANDO UTILITIES COMMISSION
July 10, 2012
2:15 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
Alvin Frazier, Roseann Harrington, Byron Knibbs, Denise Stalls, Rob
Teegarden, Vice Presidents
Chip Merriam, Chief Legislative & Regulatory Compliance Officer
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 Dominguez asked Ruth Jayson-Polk to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:15 P.M. immediately following the Budget/Rate Workshop.

* * *

On a motion by Commissioner McAllaster, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the June 12, 2012 Strategic Planning Workshop was waived and the minutes were approved. On a motion by Commissioner McAllaster, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the June 12, 2012 Commission Meeting was waived and the minutes were approved.

* * *

Jan Aspuru presented a 25-year service award to Joseph Beasley, Technician I (Power Plant), Power Resources Business Unit.

* * *

Al Frazier stated that OUC received an award from the Juvenile Diabetes Research Foundation for outstanding support of the 2012 JDRF Walk to Cure Diabetes. OUC has a longstanding record of supporting the JDRF and has

MINUTES
ORLANDO UTILITIES COMMISSION
July 10, 2012
2:00 P.M.

Present:

COMMISSIONERS:

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

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Alvin Frazier, Roseann Harrington, Byron Knibbs,
Robert Teegarden, Vice Presidents
Chip Merriam, Chief Legislative & Regulatory Compliance Officer
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

The Budget Workshop of the Orlando Utilities Commission was held Tuesday, July 10, 2012, at 2:00 P.M., at the Orlando Utilities Commission's Administration Building Commission Chambers.

Ken Ksionek provided brief opening remarks explaining the purpose of this Workshop.

Mindy Willis presented the 2013 Proposed Capital Plan and Operating Budget, which includes a proposed electric base rate decrease.

The proposed Budget and Capital Plan will be presented to the Commission on August 21, 2012 for approval and adoption.

Commissioner Ferrone asked if the peer average is anticipated to significantly change. John Hearn stated that other utilities may experience reductions in fuel costs and base rate increases, but a large change is not anticipated.

Mayor Dyer asked about the average monthly residential kilowatt usage. Mr. Hearn replied it is close to 1200 kilowatt hours.

The Budget/Rate Workshop adjourned at 2:14 P.M.

helped in fundraising efforts for many years. Mr. Frazier presented the plaque to President Dominguez and the Board.

Commissioner Kirby shared a personal story about how juvenile diabetes has affected the life of a family member and applauded OUC for its fundraising efforts.

* * *

Commissioner Kirby inquired about Affirmative Item A-4 regarding the St. Cloud Facilities Upgrade Project. He asked if OUC is spending additional funds before reimbursement from GenOn. Chris Browder replied that per the agreement, GenOn will provide OUC with a \$2 million security deposit and an additional \$2.5 million when construction begins. OUC will receive additional reimbursement funds as the Project continues. The agreement is currently prepared and ready for signature, and will be executed before construction begins.

Commissioner Ferrone inquired about Affirmative Item A-3 regarding the Stanton Energy Center Unit 1 Flue Gas Scrubber Upgrade Project. She asked why OUC is moving forward with the Project when the Cross State Air Pollution Rule (CSAPR) is being delayed. Jan Aspuru stated that OUC staff is confident that CSAPR will move forward in 2013. Also, the Project is necessary for compliance with two other EPA rules, the National Ambient Air Quality Standards (NAAQS) and the Mercury and Air Toxic Standards (MATS).

Commissioner Kirby inquired about Affirmative Item A-1 regarding the Spot Fuel Procurements. He asked if these items come to the Commission for approval on a 60 or 90 day cycle. Mr. Aspuru stated that regular expenditures for Spot Fuel Procurements are brought to Commission on a 30 to 90 day cycle due to the balancing process that takes place as part of the gas pipeline accounting process. Irregular expenditures, such as clarification of billing disputes, may take longer than the 90 day cycle.

President Dominguez presented the Affirmative Items for approval. On a motion by Commissioner McAllaster and seconded by Commissioner Kirby, the Affirmative Items were approved as follows:

1. Ratification of the above fuel procurements to the low bidders in April 2012 in the aggregate amount \$4,967,649.97 as follows:

NATURAL GAS PURCHASES:

Apr. 2012	BP Energy Company	\$ 216,743.41
Apr. 2012	ConocoPhillips	\$ 697,438.87
Apr. 2012	EDF Trading (Formerly Eagle Energy)	\$ 589,516.45
Apr. 2012	Infinite Energy	\$ 764,407.52
Apr. 2012	Macquarie Cook Energy, LLC	\$ 151,468.84
Apr. 2012	National Energy & Trade	\$ 209,228.84
Apr. 2012	Shell Energy	\$ 865,903.46
Apr. 2012	Texla Energy Management, Inc.	\$1,047,555.70

NO. 2 AND NO. 6 FUEL OIL PURCHASES:

Apr. 2012	Automated Petroleum & Energy Co., Inc.	\$ 274,707.55
Apr. 2012	Tex Par Energy, LLC	\$ 150,679.33

2. Approval of a sole source Purchase Order to Teledyne Monitor Labs, Inc. for the Stanton Energy Center continuous emissions monitoring system equipment in an amount not to exceed \$223,091, subject to final contract negotiations and OUC legal review;
3. Approval of RFP #3246 – Contract award to URS Corporation, the lowest, most responsive and responsible vendor, to provide the necessary engineered equipment for Phase 2 of the Stanton Energy Center Unit 1 Flue Gas Scrubber Upgrade Project in an amount not to exceed \$3,192,000, subject to final contract negotiations and OUC legal review;
4. Approval of Change Request No. 1 to the Capital Expenditure Estimate in the amount of \$14,050,837 to provide engineering, procurement and construction necessary to complete the St. Cloud Facilities Upgrade Project, increasing the project cost to \$14,180,837. Authorization for the General Manager & CEO to execute the Construction and Reimbursement Agreement with GenOn Florida, LP for customer contributions to the capital project in the approximate amount of \$12,380,537. Approval of an OUC initiated scope change and conforming change Order No. 1 to Black & Veatch to provide design engineering, surveying, soil borings, permitting and construction management services for the project in an amount not to exceed \$1,358,747, increasing the total Purchase Order amount to \$1,448,747;
5. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Software House International in the amount of \$118,862.27 for personal computer software and server licenses, and implementation of a new server pricing schedule, increasing the total Purchase Order to \$1,369,482.27;
6. Approval of RFP #3294 – Contract award to Mid State Fire Equipment of Central Florida, Inc., the lowest, most responsive and responsible vendor, to provide portable fire extinguisher services for a three-year period in the amount of \$126,000;
7. Approval of RFP #3287 – Contract award to Technical Electric Systems, Inc., the lowest, most responsive and responsible vendor, for the replacement of the Pershing Operations Building uninterruptible power supply inverters and a five-year maintenance contract in the amount of \$181,000;

8. Approval of a Purchase Order to Altec Industries, Inc. to lease nine aerial tower trucks with eight 60-month lease terms and one 84-month lease term, for a total Purchase Order amount of \$1,228,316;
9. Approval of single source Purchase Orders to Flagler Construction, LLC; Neff Rental, Inc.; Ring Power Corporation; All Sunshine Crane Rental Corporation; Crane Rental Corporation and Sims Crane & Equipment Company for heavy equipment and crane rentals for a three-year period in the aggregate amount of \$500,000;
10. Approval of an OUC initiated scope change with conforming Change Order No. 2 to O.C. Tanner Recognition Company in the amount of \$130,000 to continue providing gifts for the Employee Service Awards and Recognition Program through December 31, 2013, increasing the total Purchase Order amount to \$370,000;
11. Authorization for the General Manager & CEO to execute the final negotiated contract with Red Clay Consulting, Inc., contingent upon final OUC legal review and approval. Approval of RFP #2755 – Contract award to Red Clay Consulting, Inc. in the amount of \$1,682,000 to provide implementation services, software licenses and maintenance support for the Meter Data Management System Project.
12. Approval of RFP #3247 – Contract award to SWS Environmental Services, the lowest, most responsive and responsible vendor, to provide dredging services at the Stanton Energy Center Recycle Basin for a three-year period at a total cost not to exceed \$950,000;
13. Approval of RFP #3276 – Contract award to Perma Fix of Florida, Inc., the most responsive and responsible vendor, in the amount of \$250,000 to perform hazardous waste disposal for a three-year period;
14. Approval of an OUC initiated scope change and conforming Change Order No. 4 to Public Financial Management, Inc. in the amount of \$250,000 to continue providing financial advisory services through September 2013, increasing the total Purchase Order amount to \$1,304,000; and
15. Authorization for the General Manager & CEO to execute the Release of Easement for the Motel 6 at 5909 American Way, located north of International Drive and west of the American Way.

* * *

John Hearn reported that electric retail, electric wholesale and water revenues for the month of June were under budget. Some of this was offset by reduced operating expenditures and reduced interest expense resulting in June being

\$1.5 million below budgeted net income. Net income for the nine months ending June 30 is \$39.2 million, or approximately \$2.8 million ahead of budgeted net income.

Mr. Hearn reported that Moody's Investors Service downgraded the long-term revenue bond ratings of OUC to Aa2 from Aa1. Moody's also assigned a rating of Aa2 to OUC's planned issuance of up to \$75 million of Utility System Revenue Refunding Bonds, Series 2012A. The rating outlook is now stable. Mr. Hearn stated that this rating is disappointing and frustrating as OUC did not agree with Moody's rating in the categories of cost recovery framework and rate comparisons, and believed that OUC had addressed all of Moody's concerns. Mr. Hearn reiterated that Moody's overall ratings are trending downward, and OUC's rating change is driven by a change in criteria and not event driven.

President Dominguez asked for an explanation about Moody's rating on the rate comparisons criteria. Mr. Hearn replied that OUC rated itself as double A in that category; however, Moody's judged OUC as single A. This appears to be a qualitative, not quantitative, judgment by Moody's and follow-up conversations will take place. Mr. Hearn stated that the struggling economy was a factor in Moody's rating on the cost recovery framework criteria. They did not have a positive outlook regarding OUC's economic growth, citing a slowly improving economy at best. Mr. Hearn stated that OUC's Financial Plan and metrics are strong and does not expect any significant financial impact as a result of this change.

Commissioner Ferrone asked if Moody's ratings are being applied consistently to OUC's peers, and whether OUC gained a sense of what Moody's would look for to give OUC an Aa1 rating. Mr. Hearn replied that Moody's has just begun to apply the new criteria in the previous six months and there have been some downgrades to utilities throughout the country, but that it is too early to judge consistency. Mr. Hearn stated that investors are performing their own due diligence and credit analysis, and therefore relying less on rating agencies. Therefore, OUC continues to have more direct contact with investors.

Commissioner Kirby commented that the Finance Committee has been aggressively monitoring the rating agencies and their judgments on OUC. He stated that OUC should take comfort that this is not an event driven downgrade and that OUC continues to be financially sound.

* * *

Mr. Ksionek recognized OUC employees for reducing costs in the 2013 Budget and Capital Plan.

* * *

Commissioner Ferrone commented that she participated in the Efficiency Delivered Program and praised OUC staff for their hard work. She stated that, while it is difficult to accept Moody's rating, over time OUC will be recognized.

Commissioner Kirby thanked the Financial Services staff for their work on the 2013 Budget and Capital Plan, and advised that OUC should not lose focus on sustainability. He thanked Ron Toporek and Roseann Harrington for their work regarding the Orange County Bailey Bridge situation. He congratulated Mayor Dyer on the City's new venues and praised Gaby Ortigoni for being named one of the Orlando Business Journal's "Top 40 Under 40". He also thanked President Dominguez for bringing her mother and children to the Commission Meeting.

Commissioner McAllaster also congratulated the Financial Services staff on their work on the budget. He stated that OUC should continue to be aggressive with Moody's regarding their rating, and that OUC should continue to be most concerned with reliability.

Mayor Dyer spoke about the new Aloft Hotel under construction in the former OUC Administration Building and stated he was glad the building will be reused. The Aloft Hotel, as well as the Dr. Phillips Performing Arts Center and other new projects in the City, speak volumes for Downtown Orlando.

President Dominguez stated that, despite the Moody's rating, OUC continues to provide reliable and low-cost service for customers. The rating does not change OUC's core values. She thanked Mayor Dyer and the City for the fireworks display at Lake Eola on July 4.

* * *

President Dominguez adjourned the meeting at 3:01 P.M.

President

Secretary