

**MINUTES
ORLANDO UTILITIES COMMISSION
November 13, 2012
2:00 P.M.**

Present:

COMMISSIONERS:

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, 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

Commissioner Kirby asked Debbie Bradshaw 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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Commissioner Kirby recognized former OUC Commissioner Rick Fletcher in attendance.

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On a motion by Commissioner McAllaster, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the October 9, 2012 Commission Meeting was waived and the minutes were approved.

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Clint Bullock presented a 25-year service award to Angelo R. Perri, Jr., Associate Engineer, Energy and Water Delivery.

John Hearn presented a 20-year service award to Steve Adkins, Sr. Facilities Coordinator, Financial and Support Services.

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Roseann Harrington thanked Commissioner Kirby and Commissioner Ferrone for attending the OUC Charity Golf Tournament. She recognized the benefactors of the OUC Charity Golf Tournament and Commissioner Kirby presented \$10,000 checks to Seniors First President and CEO Marsha Lorenz; Grace Medical Executive Director Stephanie Nelson Garris and Grace Medical founder and former OUC Commissioner Rick Fletcher; and Habitat for Humanity of Greater Orlando Area Chairman of the Board Quino Martinez. Commissioner Kirby also presented a check for approximately \$6,000 to Karen Hagan, Regional CEO for the American Red Cross Mid-Florida Region, to benefit those affected by Superstorm Sandy.

Ms. Harrington also introduced Marianne Lopez as the new OUC Project Care case manager at United Way 2-1-1.

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Ken Ksionek asked Byron Knibbs to give a presentation on Affirmative Items A-8 and A-9 regarding the Electric and Water Advanced Metering Infrastructure (AMI) Projects. Mr. Knibbs stated that OUC launched the AMI pilot program in August 2007 using Elster Solutions' Energy Axis AMI Platform. The platform supports both electric and water digital meter systems. Mr. Knibbs explained in detail the benefits of AMI meters and how they work.

Mr. Knibbs stated that the Electric and Water AMI Projects require that 150,000 electric meters be exchanged over the next two years, and 147,000 water meters be exchanged over the next three years. The combined cost associated with this project is approximately \$58,900,000, with a total net present value of \$33,687,000.

Mr. Knibbs stated that customers will be notified prior to installation of digital meters via mail, the OUC website and door hangers. After installation, customers will receive a letter describing the benefits of AMI meters, as well instructions on how to use the energy/water consumption dashboard once this system is implemented and available.

Commissioner Kirby asked if there would be a service call every time a meter lid was lifted up, given the new configuration and short distance of the cable between the water meter register and the transmitter. Mr. Knibbs replied that once the meter is installed, there would be a longer cable between the meter and the transmitter and only OUC technicians will be able to access the box, since it is read digitally.

Commissioner Ferrone asked if labor related savings were included in the cost savings presented, and if there would be any savings from estimating and reconciling of bills. Mr. Knibbs replied that the dollar amount presented does not include soft costs such as internal labor savings related to billing processes. While those soft cost savings are anticipated, they have not yet been analyzed.

Commissioner McAllaster asked if OUC anticipates any savings from theft reduction. Mr. Knibbs replied affirmatively but stated that these savings have not yet been included in the estimated cost savings.

Commissioner Ferrone asked if the estimated cost savings have been included in the 2013 budget. Mr. Hearn replied negatively, but that there is some revenue requirement impact. Currently, only a direct cost analysis has been completed.

Commissioner Kirby asked if the installation downtime was typical for these types of meters, and Mr. Knibbs replied affirmatively.

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

1. Ratification of the above fuel procurements to the low bidders in August 2012 in the aggregate amount \$12,717,003.22 as follows:

NATURAL GAS PURCHASES:

Aug. 2012	BP Energy Company	\$ 307,450.00
Aug. 2012	Chevron Natural Gas	\$ 109,111.12
Aug. 2012	ConocoPhillips	\$1,602,551.11
Aug. 2012	EDF Trading (Formerly Eagle Energy)	\$ 596,722.56
Aug. 2012	Enbridge Marketing, LP	\$ 196,111.94
Aug. 2012	Infinite Energy	\$1,941,239.42
Aug. 2012	Macquarie Cook Energy, LLC	\$ 365,151.40
Aug. 2012	National Energy & Trade	\$ 122,020.77
Aug. 2012	NJR Energy Services	\$ 410,578.30
Aug. 2012	Sequent Energy Management	\$ 584,216.91
Aug. 2012	Southwestern Energy	\$ 829,052.72
Aug. 2012	Texla Energy Management, Inc.	\$2,248,748.31

NO. 2 AND NO. 6 FUEL OIL PURCHASES:

Aug. 2012	Automated Petroleum & Energy Co., Inc.	\$ 185,341.54
Aug. 2012	TransMontaigne Products & Energy Co., Inc.	\$ 171,825.75

COAL PURCHASES:

Aug. 2012	James River Coal Company	\$2,040,336.02
Aug. 2012	JP Morgan	\$1,006,545.35

2. Ratification of a Capital Expenditure Estimate for the Stanton Energy Center Unit 2 Chimney Liner Bands Upgrade Project in the amount of \$1,146,000. Ratification 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 inspection and liner bands upgrade in an amount not to exceed \$1,300,000.
3. Approval of RFP #3321 – Contract award to Clyde Bergemann Delta Ducon, Inc., the lowest, most responsive and responsible vendor, to provide equipment and material for the Stanton Energy Center Units 1 and 2 dry sorbent injection delivery systems for acid gas mitigation in

an amount not to exceed \$3,200,000, subject to final contract negotiations and OUC legal review;

4. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Solares Florida Corporation in an amount not to exceed \$70,000 for additional landfill gas boiler utilization equipment valves for the Orange County Landfill Gas to Energy Project, increasing the total Purchase Order amount to \$160,000;
5. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Comprehensive Engineering Services, Inc. to continue providing street lighting design services for a one-year period in an amount not to exceed \$70,000, increasing the total Purchase Order amount to \$140,000;
6. Authorization for the General Manager & CEO to execute the Master Engineering Support Services Agreement with Power Grid Engineering to provide system protection retrofit engineering and testing services necessary to support OUC's System Protection section. Approval of SOQ #3289 – Contract award to Power Grid Engineering to provide system protection retrofit engineering and testing services in an amount not to exceed \$150,000;
7. Approval of RFP #3226 – Contract award to Energy Erectors, Inc., the lowest, most responsive and responsible vendor, to perform substation construction work required for Phase 4 of the Weber Switchgear Upgrade Project in the amount of \$1,053,796;
8. Approval of a Capital Expenditure Estimate for the Electric Advanced Metering Infrastructure Project in the amount of \$18,863,781. Approval of RFP #3316 – Contract award to Utility Partners of America, Inc., the lowest, most responsive and responsible vendor, to provide electric meter exchange services in the amount of \$2,038,602. Approval of Purchase Orders to Elster Solutions, LLC, an OUC Alliance Partner, to provide AMI electric meters, licenses, integration and project support in the amount of \$15,618,966, and five years of annual software maintenance beginning in 2014 in the amount of \$837,000, for an aggregate amount of \$16,455,966;
9. Approval of a Capital Expenditure Estimate for the Water Advanced Metering Infrastructure Project in the amount of \$40,025,904. Approval of RFP #3317 – Contract award to Scope Services, Inc., the lowest, most responsive and responsible vendor, to provide water meter exchange services in the amount of \$2,879,240. Approval of RFP #3364 – Contract award to Sensus Metering Systems, the lowest, most

responsive and responsible vendor, to provide AMI water meters in the amount of \$15,619,060. Approval of Purchase Orders to Elster Solutions, LLC, an OUC Alliance Partner, to provide AMI water transmitter modules, licenses, integration and project support in the amount of \$14,515,529, and five years of software maintenance beginning in 2014 in the amount of \$299,050, for an aggregate amount of \$14,814,579;

10. Approval of RFP #3337 – Contract award to Centrinet Corporation, the sole responsive and responsible vendor, to provide Citrix Netscaler load balancer servers and Layer 7 XML Gateway software, which includes implementation, training and one year of maintenance support in the amount of \$261,025.27;
11. Approval of RFP #3384 – Contract award to Presidio Networked Solutions, Inc., the lowest, most responsive and responsible vendor, for VMWare Site Recovery Manager software licenses and three years of maintenance support in the amount of \$142,623.40;
12. Approval of a sole source Purchase Order to the State of Florida Department of Management Services for supplemental voice, data and internet services for the period of December 1, 2012 through November 30, 2014, in the amount of \$228,000;
13. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Kone, Inc. in the amount of \$150,000 to continue providing elevator maintenance, testing and inspection services for various OUC properties, excluding Reliable Plaza, through December 2013, increasing the total Purchase Order amount to \$727,209.04;
14. Approval of Bid #3345 – Contract award to Don Reid Ford, the most responsive and responsible vendor, for the purchase of seventeen vehicles in the amount of \$533,225 and Mullinax Ford of Osceola County, the most responsive and responsible vendor, for the purchase of two vehicles in the amount of \$100,652. Approval of Bid #3349 – Contract award to Ring Power Corporation, the most responsive and responsible bid, for the purchase of one 15-ton carry deck crane in the amount of \$189,259; for an aggregate amount of \$823,136;
15. Approval of RFP #3355 – Contract award to Costa DeVault, Inc., the most responsible and responsive vendor, to provide public information, communications and Spanish translation services for a three-year period in the amount of \$280,000;

16. Ratification of additional funding in the amount of \$156,000 with conforming Change Order No. 1 to the Purchase Order for the Property and Casualty Insurance for the payment of additional insurance premiums, increasing the total Purchase Order amount to \$3,243,224;
17. Approval of SOQ #3299 – Contract award to Cardno ENTRIX, Atkins North America, Inc. and Vanasse Hangen Brustlin, Inc. to provide environmental consulting services in the aggregate amount of \$250,000, pending OUC legal review and approval of the contracts; and
18. Approval of RFP #3247 – Contract award to Mobile Dredging & Pumping Company, the second most responsive and responsible vendor, or a mutually agreed third party vendor provided by the surety to provide dredging services at the Stanton Energy Center Recycle Basin for a three-year period in an amount not to exceed \$950,250, pending final contract negotiations and OUC legal review.

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Mr. Ksionek asked Randy Halley to give a presentation on New Business Item NB-1 regarding the Electric Line Extension Policy/Water System Development Charges & Water Connection Charges. Commissioner Kirby moved to waive the presentation and proceed to voting. On a motion by Mayor Dyer and seconded by Commissioner Ferrone, NB-1 was approved as follows:

- NB-1 Adoption of the proposed Electric Line Extension Policy for contribution in aid of construction fees, pending Florida Public Service Commission approval, for implementation on January 1, 2013. Adoption of the proposed water system development charges and water connection charges, effective January 1, 2013.

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Commissioner Ferrone reported that the Audit Committee conducted its regular meeting on October 30, 2012. Internal Audit activities were presented to the Committee, including a summary of the recently issued audit reports and a status of open items.

The external audit status update included a brief overview of the 2012 financial statement audit currently in process. In addition, Mike Patillo, Ernst & Young (E&Y) audit partner, attended the meeting in preparation for the transition of audit partner assignments. OUC's current E&Y audit partner, Mike Barrett, will be retiring in June 2013 and Mike Patillo will begin transitioning these responsibilities in anticipation of serving in the audit partner role after Mike Barrett's retirement.

Preliminary financial performance for the period year ending September 30, 2012 was presented with Income before contributions of \$72.4 million; \$2.0 million higher than budget. Management reported that \$1.0 million of previously deferred conservation funds were used to offset conservation costs in excess of the 2012 budget.

The status of the pending Crystal River 3 power generation facility repair was discussed. An estimate of the contingent liability associated with the range of potential outcomes was provided. The contingent liability will be included in the 2012 financial statement footnote disclosures.

Based on the Board's approval of the Electric & Water Advanced Metering Infrastructure (AMI) Projects, the Audit Committee recommends that the value of existing meters be written-down consistent with the project implementation schedule and the projected rate recovery.

On a motion by Commissioner Ferrone and seconded by Commissioner McAllaster, PRES-1a was approved as follows:

PRES-1a Approval of the write-down of the remaining electric and water meter asset value of \$2,400,000 and \$5,300,000, respectively, to be deferred and recognized in Fiscal Years 2014 and 2015, consistent with the project implementation timeline.

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Commissioner Kirby reported that the Finance Committee held its regular meeting on November 1, 2012. The Committee reviewed the annual management reports.

The Committee reviewed the results of the final cost of issuance for the Series 2012A Refunding Bonds. Total costs were less than the estimated amount.

The Committee considered the refunding of approximately \$275 million of outstanding bonds. Significant present value savings are anticipated. The bond documents related to this transaction were reviewed and the Finance Committee recommends that the Board approve the Series 2013A Revenue Refunding Bonds Resolution.

On a motion by Commissioner Kirby and seconded by Commission McAllaster, PRES-2a regarding the adoption of the Series 2013A Revenue Refunding Bonds Resolution was approved as follows:

PRES-2a A resolution of the Orlando Utilities Commission authorizing the issuance of not exceeding \$275,000,000 Utility System Revenue Refunding Bonds, Series 2013A for the purpose of refunding or purchasing certain outstanding utility system revenue bonds that satisfy the requirements described herein; setting forth the terms of said bonds; providing for the disbursement of funds; appointing a

paying agent and registrar for said bonds; authorizing the negotiated sale of said bonds; delegating certain authority to the General Manager and other officers, including authority to execute and deliver a Bond Purchase Agreement; authorizing the execution and delivery of one or more Escrow Deposit Agreements; appointing an escrow agent; authorizing the preparation, deeming final and distribution of a Preliminary Official Statement and the execution and delivery of an official statement; creating and establishing a cost of issuance account; authorizing the execution and delivery of a continuing disclosure undertaking; authorizing proper officials to do all other things deemed necessary or advisable in connection with the issuance, sale and delivery of said bonds; providing certain other matters in connection therewith; and providing an effective date.

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John Hearn reported that OUC is slightly behind budgeted net income for October 2012. Revenues are slightly under budget but it is still too early in the year to determine any patterns.

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Mr. Ksionek asked Kevin Noonan to give a presentation on OUC's conservation efforts. Mr. Noonan provided an outline of OUC's conservation progress from 2008-2012, indicating tremendous growth in energy conservation savings over the past five years. The Public Service Commission's conservation goal is 3.6 million kWh per year. OUC's conservation programs saved 3.7 million kWh in 2008, and 27.8 million kWh are projected to be saved in 2012. This is 7.7 times more conservation than required by PSC and 650 percent growth in kWh saved.

Mr. Noonan described many of OUC's residential and commercial conservation programs, specifically Opower home energy reports, multi-family pilot program, Efficiency Delivered, and water education and enforcement. Mr. Noonan stated that the Opower Program launched in August 2011. The Home Energy Report encourages customers to conserve energy by comparing their consumption to that of their efficient neighbors. The report provides several options for customers to implement conservation measures in their home, including utilizing OUC's rebates. Initially, 40,000 customers received reports every other month and currently reports are sent to 78,000 customers every other month. Customers can receive reports through the mail, the Opower customer web portal, or e-mail. During the first year of the program, customers saved 7,250,000 kWh, and report recipients saved \$875,000 on their OUC energy bills.

Mr. Noonan stated that approximately 50 percent of OUC's residential customers live in multi-family complexes. This market segment is difficult to penetrate in conservation because there is no incentive for the complex owner since they do not pay the utility bill and the tenant does not want to invest in property they don't own. OUC is confronting this challenge through several initiatives, including

demonstration projects, the preferred contractor network (PCN) and customer education. There was also a collaborative effort with the Program for Resource Efficient Communities at the University of Florida (UF). OUC and UF were competitively selected and awarded a \$500,000 Clean Energy Grant through the American Recovery and Reinvestment Act to help transform the multi-family market. OUC contributed \$216,000 in rebates and incentives, which is OUC's largest comprehensive multi-family project to date.

Commissioner Kirby asked for clarification regarding the number of units involved in this program. He also stated that the main driving factor for the program will be changing occupancy due to lower utility costs.

Mr. Noonan stated that the Efficiency Delivered Program launched in May 2012. The goal of the program is to provide water and energy efficiency to all of OUC's customers regardless of income level. Up to \$2,000 of energy and water efficiency upgrades are offered to customers with OUC's contribution based on income.

Mr. Noonan stated that the Water Education and Enforcement plan completed its first full year of operation in August 2012. It is designed to ensure compliance with the St. Johns River Water Management District's landscape irrigation guidelines.

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Mr. Ksionek asked Clint Bullock and Roseann Harrington to give a presentation about OUC's efforts in restoring power to those affected by Superstorm Sandy. On October 29, Superstorm Sandy hit the Northeast, and more than 8 million people lost power. OUC received requests for mutual aid from Dominion Virginia Power, Pennsylvania Power & Light and First Energy. On October 30, OUC deployed 27 employees to assist First Energy in McHenry, Maryland. On October 30, OUC received an additional request for mutual aid from Long Island Power Authority (LIPA). On November 2, OUC deployed 14 employees to assist LIPA on Long Island, New York. On November 8, 27 employees were released from First Energy and 10 returned to Orlando, while the remaining 17 were rerouted to assist LIPA. On November 13, 12 employees were released from LIPA, where 19 employees continued to work on Long Island.

Ms. Harrington described OUC's communications efforts during the storm. OUC alerted local media about news opportunity of crews leaving for Northeast. The media attended both departures, and OUC sent photos, press releases and videos to outlets unable to attend. Tim Trudell and Lisa Curran traveled to western Maryland to interview crews and residents as well as take photos and video. Frequent updates on OUC crews were posted via social media, including OUC's intranet, Facebook, Twitter and YouTube. OUC's Facebook page became the hub for communication with customers, families of employees, employees, media and victims of Sandy.

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Commissioner Ferrone thanked Mr. Bullock and Ms. Harrington for their presentation. She commented that her employer, North Highland, also has many people displaced from their homes and out of power due to the storm. She is proud that OUC has helped residents affected by the storm. She had the pleasure of golfing at the Charity Golf Tournament and enjoyed spending time with OUC employees and partners.

Mayor Dyer also thanked Mr. Bullock and Ms. Harrington for their presentation and stated that it's important for OUC to help other utilities in times of severe weather, because OUC has benefited from the generosity of others in the past. He stated that on November 13 he and Mr. Ksionek participated in the groundbreaking of the Semoran Boulevard Sidewalk and Streetscape Improvement Project he looks forward to the improvements along this corridor.

Commissioner McAllaster stated that he is proud of OUC's efforts during Superstorm Sandy and commended the workers who traveled out of state to assist. He wished everyone a Happy Thanksgiving.

Commissioner Kirby commended the employees who worked on the Charity Golf Tournament. He stated that is important that OUC consider the appropriate measures and benchmarks when evaluating our conservation programs and goals. He recognized the achievement in the AMI deployment as a significant and major project for OUC customers. He also congratulated everyone for their work on the Superstorm Sandy efforts.

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Commissioner Kirby adjourned the meeting at 3:38 P.M.

President

Secretary