

MINUTES
ORLANDO UTILITIES COMMISSION

December 13, 2011

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, Al Frazier, Roseann Harrington, Byron Knibbs,
Denise Stalls, Rob Teegarden, Vice Presidents
John Hearn, Chief Financial Officer
Chip Merriam, Chief Legislative & Regulatory Compliance Officer
Greg Rodeghier, Chief Information Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Werline, 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 2:00 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 November 8, 2011 Commission Meeting minutes was waived and the minutes were approved. On a motion by Commissioner McAllaster, seconded by Mayor Dyer and unanimously carried, the reading of the minutes of the November 15, 2011 Special Commission Meeting minutes was waived and the minutes were approved.

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Byron Knibbs presented a 30-year service award to Julio Navarro, Fleet Coordinator, Sustainable Services.

Clint Bullock presented a 25-year service award to Keith Mutters, System Planning and Reliability Engineering, Energy Delivery Business Unit.

Clint Bullock presented a 20-year service award to Vincent Montgomery, Senior Engineer, Energy Delivery Business Unit.

Denise Stalls presented a 20-year service award to Burt Collier, Human Resources Administrator, Human Resources.

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Roseann Harrington announced that the OUCares Campaign set a new record, raising more than \$157,000 from the 698 employees who contributed. Fifty-four percent of employees increased their contribution from the previous year. Ms. Harrington recognized Karlene Ramirez and Rebecca Sebor for their efforts on the campaign.

Ms. Harrington also noted that 145 players participated in the recent OUC Charity Golf Tournament, which raised \$36,000 for charity. Ms. Harrington recognized Gaby Ortigoni for her efforts. OUC Commissioner Dan Kirby presented a \$10,000 check to Mata Dennis and Steve Kirby from the Orlando Day Nursery and a \$15,000 check to Greg Higgerson of the Second Harvest Food Bank.

Lastly, Ms. Harrington announced that Commissioner Kirby received the Golden Eagle Award from the African American Chamber of Commerce on behalf of OUC. OUC received the award for its contributions to the Chamber.

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Ken Ksionek asked Jan Aspuru to provide a presentation regarding Affirmative Item A-6 related to the Purchase and Sale Agreement for the Indian River Plant (IRP) between OUC and GenOn. OUC had sold the IRP site and the three associated Steam Turbine Generator Units (Steam Units) in 1999 for \$205 million; however, OUC retained control of the plant's four Combustion Turbine (CT) Units also located at the IRP site, with GenOn providing certain operational support. In September 2011, GenOn notified OUC of its intent to sell the IRP and cease support services for the CT units. Although OUC had rights under its agreements with GenOn to step in and operate the facilities needed for CT operations, OUC determined it would be more cost effective to purchase the site back. OUC submitted bids in October and November 2011 and performed its due diligence. The estimated short-term value of the site was determined to be \$25 million, including CT separation expense, 130 MW of pre-paid transmission capacity and existing equipment and inventory. Long-term value was estimated to be an additional \$20-25 million and includes the value of a future power plant site as well as a potable water site desalination plant and protection of its current land use. The main risks would be environmental liabilities and non-guaranteed permit transfers.

Commissioner McAllaster asked about staffing issues at the IRP, and whether the city of Titusville had any concerns about OUC buying back the plant. Mr. Aspuru stated that there may be an initial increase in staffing, which would

reduce with the potential of remote operation and that OUC had received positive feedback from both state and local agencies.

Commissioner McAllaster asked for clarification regarding the environmental issues. Mr. Aspuru stated that OUC has always carried responsibilities for previous ownership environmental issues. Therefore, any additional environmental responsibilities would be essentially limited to GenOn activities post 1999 and, results of the environmental diligence efforts indicate that the site is in similar or slightly better conditions than in 1999.

Commissioner Ferrone asked if 10 staff members currently working at the plant are required to maintain the assets for the next 20 years. Mr. Aspuru replied that the initial requirement will increase to approximately 20 staff members, with the goal of reducing to 10 staff members and lower for remaining useful life of the CT units.

Commissioner Kirby asked for clarification on Affirmative Item A-15 regarding the Temporary Staffing Support and Management Services. He asked if there is a limit to positions that are placed under temporary services. Denise Stalls stated that temporary staffing positions are utilized across all departments, primarily in Information Technology.

Commissioner Kirby asked if, under this new contract, the hiring manager would be able to interact with the vendor. Ms. Stalls replied affirmatively and explained the interaction is web-based. Vendors will pre-screen applicants and OUC will make the final hiring decision.

Commissioner Kirby asked if there is a way to monitor vendors used by OUC. Ms. Stalls replied that web-based programming tools will provide reports regarding vendors, diversity, competitive bids, and other issues. Commissioner Kirby expressed concern that temporary staffing will become solely price-driven and that quality will decrease. Ms. Stalls replied that vendors will be evaluated on a semi-annual basis, and it is expected that costs will decrease while quality of the staff increases.

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 below spot fuel procurements to the low bidders in September 2011 in the aggregate amount of \$11,736,624.72 as follows:

NATURAL GAS PURCHASES:

Sep. 2011	BP Energy Company	\$ 133,987.38
Sep. 2011	Chevron Natural Gas	\$ 724,050.36
Sep. 2011	City of Lakeland	\$ 313,396.32
Sep. 2011	Enbridge Marketing, LP	\$ 259,302.08
Sep. 2011	Florida Gas Utility	\$ 207,899.30
Sep. 2011	Infinite Energy	\$1,149,112.17
Sep. 2011	Louis Dreyfus Energy	\$1,170,000.00
Sep. 2011	Macquarie Cook Energy, LLC	\$1,412,019.27

Sep. 2011	National Energy & Trade	\$ 375,238.53
Sep. 2011	Rainbow Energy	\$ 148,950.00
Sep. 2011	Sequent Energy Management	\$ 303,860.34
Sep. 2011	Southwestern Energy	\$ 176,315.02
Sep 2011	Tenaska Marketing Ventures	\$1,102,949.13
Sep. 2011	Texla Energy Management, Inc.	\$1,852,287.13
Sep. 2011	Total Gas & Power	\$ 343,292.03
Sep. 2011	Virginia Power Energy Marketing, Inc.	\$1,514,982.00

COAL PURCHASES:

Sep. 2011	Sunrise Coal LLC	\$ 548,983.66
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2. Ratification of a Capital Expenditure Estimate for the Stanton Energy Center Unit 1 Reheat Outlet Tube Replacement Project in the amount of \$1,000,000. Ratification of RFP #3211 – Contract award to Chicago Tube and Iron – CTI Power, the lowest, most responsive and responsible vendor, to provide stainless steel tubing in an amount not to exceed \$1,000,000;
3. Approval of RFP #3141 – Contract awards to United Access, Sunbelt Rentals, Inc. and Brock Services, Ltd., the three lowest, most responsive and responsible vendors, to provide scaffolding services at the Stanton Energy Center for a three-year period at a total cost not to exceed \$500,000;
4. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Combined Cycle Unit B Combustion Inspection Project in the amount of \$2,621,800. Approval of a Disbursement of Funds to General Electric International, Inc. in the amount of \$2,121,800 for the combustion inspection which is consistent with the price and payment terms set forth in the Contractual Service Agreement. Commission approval of a sole source Purchase Order to General Electric International, Inc. in the amount of \$500,000 for the owner responsible and emergent work;
5. Authorization for the General Manager & CEO to execute the Stanton Energy Center Gas Igniter Natural Gas Meter Station Reimbursement Agreement with Florida Gas Transmission Company LLC. Approval of a sole source Purchase Order to Florida Gas Transmission Company LLC for the natural gas meter station installation in an amount not to exceed \$280,000, subject to final contract negotiations and OUC legal review;
6. Approval for the General Manager & CEO to enter into a binding Purchase and Sale Agreement for the purchase of the Indian River Power Plant facilities and site from GenOn Florida, LP for a fixed price of \$11,540,000 plus closing costs not to exceed \$12,000,000, subject to final negotiation and legal review;
7. Approval of RFP #3165 – Contract award to Terry’s Electric, Inc., the lowest, most responsive and responsible vendor, to perform substation

construction work required for the St. Cloud South, Taft and Pine Hills Projects in the amount of \$475,000;

8. Approval of RFP #3107 – Contract award to Woolpert, Inc., the lowest, most responsive and responsible vendor, to provide software, licenses, implementation services, training, project management services, and five years of maintenance support required for the Asset Maintenance Management Software Project in the amount of \$130,233;
9. Approval of an OUC initiated scope change and conforming Change Order No. 1 to IBM Corporation in the amount of \$120,430.62 for annual software maintenance and support fees for calendar year 2012, increasing the total Purchase Order amount to \$280,876.63;
10. Approval of RFP #3199 – Contract award to Prosys Information Systems, the lowest, most responsive and responsible vendor, to provide annual Cisco Smartnet maintenance for the period of November 1, 2011 through October 31, 2012 in the amount of \$160,179.98;
11. Approval of RFP #3151 – Contract award to Computer Associates Technologies, the most responsive and responsible vendor, to provide software, licenses for a three-year period, implementation, project management and training for the Project Portfolio Management Program in the amount of \$347,235, pending OUC legal review and approval of the contract;
12. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Carol King Landscape Maintenance, Inc. in the amount of \$346,556 to continue providing landscape maintenance services for OUC office building complexes, chilled water plants, The Pines at Windermere, electric substations and OUC properties in St. Cloud through December 2012, increasing the total Purchase Order amount to \$843,906.60;
13. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Ingersoll Rand Security Technologies to continue providing security system services through January 26, 2013 in an amount not to exceed \$1,010,000, increasing the total Purchase Order amount to \$2,789,000;
14. Approval of a Purchase Order to Colectric Partners, Inc. for OUC's Associate Membership fee for a one-year period in the amount of \$108,200;
15. Approval of RFP #3040 – Contract award to Agile1, the most responsive and responsible vendor, to provide temporary staffing support and management services for a three-year period effective December 15, 2011 in the amount of \$6,000,000; and

16. Approval of the 2012 Commission Meeting dates at 2:00 p.m. on the following dates: January 31, March 13, April 10, May 8, June 12, July 10, August 21, October 9, November 13 and December 11. No meetings will be held in February and September.

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Commissioner Kirby reported that the Finance Committee conducted its regular meeting on December 1, 2011 to review the annual management reports and consider recommended policy and operating procedure revisions. The Finance Committee reviewed and made several minor revisions to the Investment Policy and Debt Management Policy for clarification purposes and to update department and title changes. The Derivative Policy was reviewed and no revisions were made.

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

PRES-1a: Adoption of revisions to the Investment Policy and Debt Management Policy as recommended by the Finance Committee.

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John Hearn stated that electric and water revenues for November were below budget, and at the end of the month OUC was trailing budgeted net income by approximately \$1.7 million. The bond refunding transaction approved by the Board on October 13 was priced last week resulting in significant benefit for OUC. OUC was able to refund almost \$100 million in bonds, for a present-value savings of over 16 percent. The true interest cost was 2.51 percent. OUC visited rating agencies in November to address issues in their reports. Although all rating agencies affirmed their ratings, Moody's continues to use the same language and wording in their report. Additional conversations with Moody's are planned.

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Mr. Ksionek asked Al Frazier to provide an update on Red Flag Committee activities in 2011. Commissioners received a table explaining the Red Flag Rule and procedures. Mr. Frazier explained that the Red Flags Rule was issued by the Federal Trade Commission in order to protect consumers against identity theft. The purpose of the program is to detect and deter identity theft and to protect creditors from losses associated with identity theft. OUC has been tracking the number of incidents associated with 14 different red flags that require OUC employees to take action. The employees are trained to notate customer accounts with the appropriate red flag number along with a short summary of what action was taken given the nature of the incident identified. In 2011, there were approximately total of 6,320 reported red flag incidents for Orlando and 410 for St. Cloud.

Commissioner McAllaster asked about the procedure when fraud is detected. Mr. Frazier replied that OUC's procedure is to report the customer to law enforcement.

Throughout 2011, the Committee worked on several goals as reported to the Commission in December 2010. The Committee recommended that the last four digits of the customer's Social Security number are maintained as the authentication process, and that other authorized users of the customer's account use a pin number or password for identifying themselves rather than using the customer's last four digits of the Social Security number.

Ten of OUC's third-party vendors were identified as having access to customer information. Four vendors stated they have adopted some variation of the Federal Red Flags Rule Program. All of them were informed that OUC has a program in place and desires to be notified in the event that there are any security breaches related to OUC customer data.

Commissioner Kirby asked if the Red Flag Committee would review information about OUC vendors with the Audit Committee. Mr. Frazier replied that currently, that information is reviewed in the Red Flag Committee meetings, but would be glad to report before the Audit Committee and will include it as an action item.

The Committee also discussed ways to improve the quality of identifying red flag incidents. IT has also established a procedure to mask Social Security numbers in the Customer Information System (CIS) for both Orlando and St. Cloud.

Goals for 2012 include implementing authentication techniques, continuing to follow up with third-party vendors regarding their identity theft prevention process and continuing to look for ways to improve the quality of identifying red flag incidents.

Commissioner Ferrone asked when the Red Flag Rule law was implemented and how long the Red Flag Committee has been active. Mr. Frazier replied that the law was passed in January 2008, and after five delays, the law went into effect in January 2011. The Committee has been active since 2008.

Commissioner Ferrone also asked how the Committee relates to Internal Audit. Mr. Frazier replied that there is no requirement that the Red Flag Committee report to the Audit Committee.

Mr. Frazier thanked the members of the red flag committee, including Zoila Easterling, Terry Torres, Luz Aviles, Cynthia Henry, Janet Pinder, Lacey Zinser and Astrid Simmons, along with support staff including Astrid Simmons, Frank Scaletta, Maria Scott, Nadime Nader and Teri Barbato.

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Mr. Ksionek asked Chip Merriam to provide a legislative update. Mr. Merriam described current events in the Executive Branch of the Federal Government, including \$4 billion in energy efficiency initiatives; a Federal Energy Regulatory

Commission Technical Conference on Environmental Protection Agency (EPA) air regulations and electric reliability; the releasing reliability reports by the Department of Energy and North American Electric Reliability Corporation; and an invitation by the Office of Management and Budget for OUC to attend and participate in a meeting held in the Executive Offices for the White House to discuss the real time impacts of rulemaking by the EPA.

In the Legislative Branch, there were two bills presented on regulatory activities—the Regulatory Accountability Act and Regulations from the Executive in Need of Scrutiny Act (REINS Act). The Intelligence Committee passed a bipartisan Cybersecurity Bill, and the Senate Majority promised Clean Energy Standards for 2013.

There will be many legislative issues in the State of Florida in 2012, the majority of which may not get as much attention as they might in a traditional legislative session due to re-apportionment and the state budget. Discussion regarding re-apportionment has already begun and it is predicted that 2012 will see even more budget cuts. Some important pieces of legislation include the Assault on Utility Workers bill, several bills regarding energy policy and the joint action agency legislation.

The repeal of cap and trade has been getting a lot of support and looks like it will mature into a piece of legislation in 2012. Property tax exemption for residential renewable energy appears to be more favorable this year. There has been a significant amount of copper and other metal theft, but it is unsure whether or not this will develop into legislation. There has been discussion on reuse designation regarding the waters of Central Florida. OUC will need to follow legislation that would allow water management districts to require agencies to abide by minimum flow levels, even if the agency does not reside in that district.

Mayor Dyer asked if the Assault on Utility Workers bill would implement an enhanced penalty, or it would be considered a new type of crime. Mr. Merriam replied that it would be a new type of crime. The bill would move the status of a utility worker equal to that of a firefighter or police officer.

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Mr. Ksionek commended OUC staff on the purchase of the Indian River Plant. Mr. Ksionek announced that OUC closed on the sale of old Administration Building to GDC Properties, LLC for \$2.8 million. He thanked Chris Browder and the OUC legal team, as well as Mary Munsey and the City of Orlando team on their hard work. GDC Properties plans to convert the building that served as OUC's downtown headquarters from 1968 to 2008 into a select service hotel. The current plans are to build 119 guest rooms and about 8,000 feet of meeting space within the existing 113,000-square foot building. As part of the sale, GDC Properties will lease the second floor parking garage of Reliable Plaza for valet parking for its guests. The renovation is scheduled to start in January 2012, and the hotel could open as early as February 2013.

Mr. Ksionek also announced that he signed a Letter of Intent with North Carolina Municipal Power Agency Number 1 for OUC to purchase 100 MW from its ownership share of the existing Catawba Nuclear Station in York County, South Carolina. The parties have begun negotiations on a Power Purchase Agreement for 100 MW of nuclear generation capacity. The Letter of Intent expires in June 2012. Meanwhile, OUC has opted to not renew a Letter of Intent regarding a potential ownership interest in South Carolina-based Santee Cooper's V.C. Summer Nuclear Unit 2 and 3 Project.

Mr. Ksionek commented that the Stanton Energy Center solar farm dedication occurred on December 7, 2011. A video of the dedication created by Tim Trudell was shown.

Mr. Ksionek thanked Commissioners and OUC staff for their efforts throughout 2011 and invited Commissioners to a holiday reception.

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Commissioner Ferrone stated that she has learned a lot about OUC during her first year as a Commissioner and is looking forward to learning even more in the future. She is looking forward to serving OUC in 2012.

Mayor Dyer wished everyone happy holidays.

Commissioner McAllaster stated that OUC has a lot to be thankful for this holiday season. He thanked the men and women in the armed forces serving overseas during the holiday season, and is proud and thankful for OUC staff and their efforts in the community, as well as helping those in need with energy conservation programs. He also discussed issues that have affected OUC over the past year, including rating agency concerns in 2012, the sale of the old Administration Building, the solar farm dedication, nuclear power with Catawba, and repurchasing the Indian River Plant. He is very pleased with the repurchase for six percent of the sale price in 1999. He thanked everyone for an amazing year.

Commissioner Kirby also thanked his colleagues on the Commission. He was glad to be at the dedication of the solar farm. He thanked all OUC staff for its hard work over the past year. He stated that it is important to protect OUC's commitment to excellence.

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Commissioner Kirby adjourned the meeting at 3:55 P.M.

President

Secretary