

MINUTES
ORLANDO UTILITIES COMMISSION
August 23, 2016
2:05 P.M.

Present:

COMMISSIONERS:

Linda Ferrone, President
Dan Kirby, Immediate Past President
Cesar E. Calvet, Commissioner

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
Mindy Willis, Vice President & Chief Financial Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Schwartz, Recording Secretary

President Ferrone asked Ron Toporek to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:05 P.M.

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On a motion by Commissioner Kirby, seconded by Commissioner Calvet and unanimously carried, the reading of the minutes of the July 12, 2016 Budget Workshop was waived and the minutes were approved. On a motion by Commissioner Calvet, seconded by Commissioner Kirby and unanimously carried, the reading of the minutes of the July 12, 2016 Commission Meeting was waived and the minutes were approved.

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Clint Bullock presented a 35-year service award to Mark Keane, Construction Coordinator, Electric and Water Delivery.

Jan Aspuru presented at 30-year service award to Tom Dzoba, Power Plant Operations Manager, Electric and Water Production.

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Mr. Ksionek asked Clint Bullock to provide a presentation on Affirmative Item A-13 regarding the LED Roadway Lighting Initiative. Mr. Bullock provided background information on the LED Project, which began in 2013 to replace 17,873 100-watt high pressure sodium (HPS) cobra head roadway lights with LED fixtures within Orlando, Orange County, St. Cloud and Osceola County. The current agenda item is requesting replacement of all existing 250-watt and 400-watt HPS cobra head roadway lights with LED fixtures. The energy savings equate to approximately 17 GWh of energy reduction per year at full implementation, which contributes to 11 percent of OUC's Clean Energy Strategy goal. In addition to saving energy, the City of Orlando will realize over \$581,129 in annual savings at full implementation. Mr. Bullock explained the advantages LED lighting, including a reduction in price and increased safety. OUC will continue to monitor the development of LED technology and is currently working on pilot programs for switching and dimming capabilities for LED fixtures. OUC is also evaluating retro-fit kits for LED conversion of decorative fixtures.

Commissioner Calvet asked about the difference between 250-watt and 400-watt lighting. Mr. Bullock clarified that the lighting level is determined by the size of the road. A traditional two-lane commercial road would most likely have 250-watt lighting, whereas a four-lane road would most likely have 400-watt lighting.

President Ferrone asked if OUC had received any feedback on the LED lighting from residents or public safety officials. Mr. Bullock responded that the response from police officials has been overwhelmingly positive. OUC has taken some corrective shielding actions based on customer feedback, as well.

President Ferrone inquired if there were any statistics showing a decreasing level of accidents or crime. Vernon Ford stated that Seattle and Los Angeles conducted safety studies. The accident rate has decreased 65 percent at intersections with LED roadway lighting. Currently the Florida Department of Transportation is conducting a traffic study regarding roadway lighting and accident rates. Commissioner Calvet pointed out an intersection with increased roadway lighting near UCF.

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Mr. Ksionek asked Clint Bullock to provide a presentation on Affirmative Item A-15 regarding the Southeast Pipeline Water Main Installation Project. Mr. Bullock provided background on the project, which is focused on the Southeast Repump Facility in the southeast portion of OUC's water service territory. It is currently supplied by a single pipeline and redundancy is needed based on growth. This agenda item is for Phase 1 of the project and is requesting the installation of a two-mile, 20-inch water main extension that interconnects with Orange County Utilities. The total length of requested easements from Lake Nona is

approximately 8,000 feet and approximately 100 feet from the Greater Orlando Aviation Authority. The Southeast Pipeline will eventually connect to OUC's water system via the Boggy Creek Road Water Main Extension Project. The interconnect with Orange County will remain as an emergency back-up.

Commissioner Calvet asked if there could be issues with water quality when the pipeline is used as a back-up. Mr. Bullock reiterated that the water from Orange County would be pumped through the Southeast Repump Facility and would be used on a minimal basis. Brad Jewell added that Orange County follows the same ozone treatment process as OUC, so there should be minimal water quality changes.

Commissioner Kirby asked if OUC would construct the proposed 20 inch Southeast Pipeline in its entirety or if it would be constructed through a partnership with Orange County Utilities. Mr. Bullock stated that the work would be performed under a Joint Project Agreement.

Commissioner Kirby inquired if OUC has experienced any water quality issues at other interconnect sites with Orange County Utilities. Mr. Bullock replied negatively, and added that OUC does not foresee any water quality issues with this project. Jan Aspuru stated that from a production standpoint, Orange County Utilities must meet the same water quality standards as OUC. He added that the pipeline is meant to be an emergency interconnection. There will only be a minimum level of flow in order to maintain the quality of the pipe.

President Ferrone asked for additional information regarding the Boggy Creek Road Project. Mr. Bullock stated that the timeline for that project is anticipated to be three to five years.

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Mr. Ksionek explained how OUC utilizes contract workers to supplement the labor force. He asked Chris Browder to provide a presentation on Affirmative Item A-29 regarding Temporary Staffing Support and Management Services. Mr. Browder provided background information and change order history for the Agile 1 Purchase Order. Agile 1 is OUC's primary source of professional administrative labor. The average yearly spend is approximately \$4.6 million per year; however, this amount has increased due to projects like Customer Care and Billing (CC&B). Mr. Browder discussed the total contract spend per Business Unit, job categories, supplier and diversity. This change order will provide funds until the end of 2016.

Commissioner Calvet asked if the high amount of spending in the Information Technology Business Unit is a result of customer service projects. Mr. Sullivan responded affirmatively and referred to the CC&B Project as an example.

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Commissioner Calvet and Commissioner Kirby requested clarification regarding Affirmative Item A-6, Short-Term Coal Unit Train Leases. Mr. Aspuru clarified that OUC leases full railcar sets from the specified vendors, but receives the engines directly from CSX. It is more cost-effective to lease railcar sets as needed rather than have a set of railcars remain idle during slow periods. Mr. Aspuru explained that it is necessary to contract with multiple vendors due to availability and market issues.

Commissioner Kirby asked if there has been any fluctuation in the amount of railcars needed. Mr. Aspuru explained that OUC typically requests an amount close to \$2.5 million, because leasing prices can increase dramatically due to market demands. The OUC-owned railcars are utilized continuously and solely by OUC.

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Commissioner Calvet requested clarification about the funds requested in Affirmative Item A-11, Bennett and Country Club Switchgear and Transformer Replacement Project. Mr. Bullock clarified that the Board approved the Capital Expenditure Estimate for the project on March 8, 2016. This agenda item is requesting approval of a Purchase Order for equipment that was budgeted in the original Capital Expenditure Estimate.

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Commissioner Kirby requested clarification on time period for the customer contribution specified in Affirmative Item A-12, Orlando International Airport South Terminal Expansion Project - Phase 1 of 4. Mr. Bullock clarified that the amount is limited to Phase 1 and is due from the customer upon receiving the invoice. He advised the Board that this is Phase 1 of 4 and that there will be future agenda items on this project.

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

1. Ratification of the fuel procurements to the low bidders in May 2016 in the aggregate amount \$8,999,781.66 as follows:

NATURAL GAS PURCHASES:

May 2016	BP Energy	\$ 118,126.32
May 2016	ConocoPhillips	\$ 317,194.57
May 2016	ENI Trading & Shipping Inc.	\$ 359,606.36
May 2016	Infinite Energy	\$ 247,980.02
May 2016	Macquarie Cook Energy, LLC	\$ 628,579.88
May 2016	NJR Energy Service Company	\$ 341,525.34

May 2016	Occidental Energy Marketing	\$ 865,770.50
May 2016	Sequent Energy Management	\$ 479,790.41
May 2016	Southwestern Energy	\$ 143,918.28
May 2016	Tenaska Marketing Ventures	\$2,192,458.36
May 2016	Texla Energy Management, Inc.	\$ 866,031.62

COAL PURCHASES:

May 2016	Consolidation Coal Company	\$2,438,800.00
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2. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Unit 1 Chimney Concrete and Structural Repair Services Project in the amount of \$1,055,300. Approval of an OUC scope change and conforming Change Order No. 2 to Pullman Power, LLC to provide labor and material to perform concrete assessment and structural repairs of the Stanton Energy Center Unit 1 chimney in the amount of \$1,032,300, increasing the total Purchase Order amount to \$2,219,300;
3. Approval of a sole source Purchase Order to GE Energy Control Solutions, Inc. to upgrade the human machine interfaces for Indian River Plant Combustion Turbines A and B in the amount of \$290,000, pending final contract negotiations and OUC legal review;
4. Approval of an OUC initiated scope change and conforming Change Order No. 3 to PdMA Corporation in the amount of \$30,000 to provide additional motor testing hardware and equipment on Stanton Energy Center Unit 2, increasing the total Purchase Order amount to \$127,794;
5. Approval of RFP #4193 - Contract award to AirTek Construction, Inc., the lowest, most responsive and responsible vendor, to provide inspection and maintenance services for the Stanton Energy Center Unit 2 precipitator in the amount of \$510,000, pending final contract negotiations and OUC legal review;
6. Approval of Purchase Orders to Southern Company Rail Services, Inc.; City of Lakeland; Gainesville Regional Utilities; CSX Transportation; Tennessee Valley Authority; Alabama Power Company; Crimson Management; Duke Energy; Tampa Electric Company; Progress Rail Leasing Corporation; South Carolina Public Service Authority; Trinity Industries Leasing Company; First Union Rail; GATX Corporation; JAIX Leasing Company; Mitsui Rail Capital; Vulcan Materials Company; Rail Trusts Equipment, Inc.; CIT; CitiRail Inc.; GE Capital Rail Services; Macquarie Rail; Argos USA; Cogentrix Energy Power Management LLC; and FreightCar America Inc. for short-term leases of coal unit trains based on availability and price through Fiscal Year 2019 in the aggregate amount of exceed \$2,500,000;

7. Approval of a sole source Purchase Order to Siemens Energy, Inc. to provide technical field assistance for the Stanton Energy Center Unit 2 steam turbine generator valve outage in the amount of \$1,100,000;
8. Approval of Change Request No. 1 to the Capital Expenditure Estimate for the Stanton Energy Center Unit 2 Air Heater Upgrades Project in the amount of \$605,500, increasing the total project cost to \$3,028,215. Approval of a RFP #4040 - Contract award to Arbor-Crowley, Inc. d/b/a AZZ SMS, LLC, the lowest, most responsive and responsible vendor, to perform the Stanton Energy Center Units 1 & 2 and Combined Cycle Unit B steam generator inspection and repair services in the amount of \$2,419,350, pending final contract negotiations and OUC legal review;
9. Approval of RFP #4140 - Contract awards to Genset Services, Inc., the most responsive and responsible vendor, to provide Water Production emergency generator belt and hose replacements and repair services in the amount of \$112,985, and to Ring Power Corporation, the most responsive and responsible vendor, to provide Water Production emergency generator inspection, maintenance, and repair services in the amount of \$153,031.25, for an aggregate amount of \$266,016.25, pending final contract negotiations and OUC legal review. The contract terms are three years with two one-year renewal options;
10. Approval of Capital Expenditure Estimate for the Pine Hills Water Treatment Plant Programmable Logic Controllers Upgrade Project in the amount of \$652,760.00. Approval of a sole source Purchase Order to Southern Electric Supply Inc., d/b/a Rexel, to provide Allen-Bradley ControlLogix hardware for the Pine Hills Water Treatment Plant in the amount of \$192,756.67, pending final contract negotiations and OUC legal review. Approval of a Purchase Order to CH2M HILL Engineers, Inc. for PLC implementation and programming for the Pine Hills Water Treatment Plant in the amount of \$277,000, pending final contract negotiations and OUC legal review;
11. Approval of a Purchase Order to KEMCO Industries, LLC for substation switchboard panels required for the Bennett & Country Club Switchgear & Transformer Replacement Project in the amount of \$350,000;
12. Approval of seven Electric Distribution Construction Estimates for the underground electric distribution system to serve Phase 1 of the Orlando International Airport South Terminal Expansion Project in the aggregate amount of \$730,958.14, with customer contributions in the amount of \$242,815;

13. Approval of the Lighting Construction Estimate for LED Residential Roadway Lighting in the Orlando and St. Cloud service territories in the amount of \$7,421,773.32, which includes \$5,067,744.28 for lighting equipment from OUC's stock inventory and \$2,289,029.04 to Terry's Electric, Inc. for the installation of 12,000 LED fixtures and removal of high-pressure sodium cobra head fixtures;
14. Approval of a Purchase Order to Prysmian Cables and Systems USA, LLC to furnish and install 115kV underground cable required for the Stanton North to Grant 115kV Transmission Line Project in the amount of \$3,475,000;
15. Approval of Change Request No. 1 to the Water Distribution Capital Expenditure Estimate in the amount of \$9,476,000 for material, construction labor and administration services necessary to complete the Southeast Pipeline Water Main Installation Project, increasing the total project cost to \$9,632,000;
16. Approval of RFP #3988 - Contract award to Aclara Technologies, LLC, the lowest, most responsive and responsible vendor, to provide Water Leak Detection Equipment and Services in the amount of \$270,106.01. The contract term is three years with two one-year renewal options;
17. Approval of a Purchase Order to InsightSoftware.com, Inc. for annual Hubble software maintenance and support in the amount of \$118,339.50 for the period of September 30, 2016 through September 29, 2017;
18. Approval of an OUC initiated scope change and conforming Change Order No. 3 to ESRI in the amount of \$85,000 for the annual software maintenance and support of the ESRI ArcGIS software and Developer Network for the period of September 7, 2016 through September 6, 2017, increasing the total Purchase Order amount to \$340,000;
19. Approval of an OUC initiated scope change and conforming Change Order No. 5 to Prosys Information Systems for Cisco network equipment in the amount of \$11,956.17, increasing the total Purchase Order amount to \$111,103.15;
20. Approval of a sole source Purchase Order to Oracle America, Inc. for JD Edwards Enterprise One software maintenance and support services from November 20, 2016 to November 19, 2021 in the aggregate amount of \$1,940,031.20. Approval of a sole source Purchase Order to Oracle America, Inc. for Oracle Utilities software maintenance and support from October 27, 2016 to October 26, 2021 in the aggregate amount of \$3,280,953.50;

21. Approval of an OUC initiated scope change and conforming Change Order No. 3 to EMC2 Corporation for the purchase of Storage Area Network storage capacity upgrades, including three years of maintenance and support through August 31, 2019, in the amount of \$285,573.10, increasing the total Purchase Order amount to \$3,215,675.10. Approval of an OUC initiated scope change and conforming Change Order No. 3 to EMC2 Corporation for the purchase of enterprise backup and recovery capacity upgrades, including co-termed maintenance and support through May 25, 2017 in the amount of \$172,160.63, increasing the total Purchase Order amount to \$568,273.16;
22. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Navigant Consulting, Inc. in the amount of \$250,000 to continue providing consulting services for the completion of high priority business processes in preparation for the implementation of the Customer Care and Billing Project, increasing the total Purchase Order amount to \$735,000;
23. Approval of RFP #4207 - Contract award to Teer Engineering, LLC, the lowest, most responsive and responsible vendor, to provide audio visual equipment, installation and maintenance services in the amount of \$125,173.11. The contract term is three years with two one-year renewal options;
24. Approval of RFP #4191 - Contract award to Don Wood, Inc., the most responsive and responsible vendor, to install 10,000 gallon above-ground fuel tanks and dispenser units at Gardenia and Pershing in the amount of \$340,166;
25. Approval of a Capital Expenditure Estimate for the Pershing Warehouse Construction Project in the amount of \$963,585. Approval of RFP #4083 - Contract award to M Paul General Contractors, LLC, the lowest, most responsive and responsible vendor, for the design-build of approximately 9,700 square feet of enclosed warehouse space in the amount of \$928,585;
26. Approval of RFP #4173 - Contract awards to Blackrain; Brennan Consulting Group; CMA Enterprises Incorporated; Covian Consulting; Crowned Grace International; E-Learning Gal; ENSYNC; Organizational Dynamics; Software Savvy; Sonnier Consulting; Susan S. Moore; and Valencia College, the most responsive and responsible vendors, to provide coaching and professional development services in the aggregate amount of \$500,000. The contract terms are three years with two one-year renewal options;

27. Approval of a Purchase Order for OUC's 2017 property and casualty insurance premiums in an amount not to exceed \$3,450,000;
28. Approval to grant a purchase option to Orlando Health Care Systems for the Copeland Site located at 121 West Copeland Drive, outlined above, and approval for the General Manager & CEO to execute the closing documents for the Copeland Site if and when the option is triggered by Orlando Health Care Systems and the conditions precedent to closing are met;
29. Approval of an OUC initiated scope change and conforming Change Order No. 6 to Agile 1 in the amount of \$3,900,000 to continue providing temporary staffing support and management services through December 2016, increasing the total Purchase Order amount to \$27,983,720; and
30. Approval of Change Request No. 1 to the Capital Expenditure Estimate for the Combustion Waste Storage Area Infrastructure Improvements Project at the Stanton Energy Center in the amount of \$2,000,000, increasing the total project cost to \$6,676,000.

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Mr. Ksionek presented the 2017 Operating Budget and 2017-2021 Capital Plan for consideration. The budget was presented to Commissioners at the July 12, 2016 Budget Workshop and approval is requested at this time.

Commissioner Kirby asked for discussion regarding the decline in Chilled Water revenues. Mr. Aspuru indicated that the projected decrease was due to the incorporation of the 9 percent electric fuel rate decrease approved in July 2016 and a decrease in customer contracted capacity. Mr. Aspuru noted that while Chilled Water revenues are projected to decrease, income before contributions is projected to increase. Mr. Aspuru also noted that OUC is aggressively marketing the Chilled Water Program in an effort to sign new customers in the near future. Mr. Ksionek praised the Chilled Water Program, which is responsible for a large part of OUC's water revenues.

On motion by Commissioner Calvet and seconded by Commissioner Kirby, New Business Item 1a/1b was adopted and accepted as follows:

NB-1a/1b Adoption of the proposed 2017 Operating Budget as presented and acceptance of the 2017-2021 Capital Plan as presented.

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Commissioner Kirby stated that the Finance Committee held its regular meeting on August 11, 2016.

The Committee reviewed the Treasury and Energy Risk Management Reports.

The Committee reviewed key results from the Series 2016A Bond refunding. The refunding of the outstanding 2006A and a portion of the Series 2009B Bonds resulted in net present value savings of 13 percent.

The Committee was also presented with an update on the status of the 2011A Windows bonds as well as an update on contact with minority underwriter firms.

The Committee also reviewed a summary on the Five-Year Capital Plan and the projected funding needs to support the Capital Plan. The Committee also reviewed key Treasury policy metrics and provisions to support the 2017 and 2018 Capital Plan funding recommendations.

The Committee was presented with the annual legal update.

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President Ferrone stated that the Audit Committee held its regular meeting on August 17, 2016.

The Committee reviewed the Internal Audit activities including an overview of recently completed Internal Audit reports.

The Committee reviewed the Audit Committee Charter and no changes were recommended.

The Committee reviewed the Defined Benefit Pension Report and Other Post-Employment Benefits Report for the year-ended September 30, 2015.

The Committee reviewed financial performance for the nine months ending June 2016 including a projection of financial performance for the year ending September 30, 2016. Income before contributions for the year ending September 30, 2016 is expected to be \$95.9 million, or \$3.5 million favorable to budget.

The Committee reviewed the 2016 External Audit Financial Plan presented by Ernst & Young, OUC's external auditors.

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Mindy Willis stated that OUC experienced a 14 percent growth in cooling degree days in the month of July. Revenue also increased over budget. Operating expenses have also risen, leading to a slight increase in the income before contributions.

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Justin Harvey, an OUC customer, spoke about changing OUC's water fluoridation policy and distributed information to the Board.

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Mr. Ksionek asked Mike Matthews to provide an update on the J.D. Power Residential Electric and Water Satisfaction survey results. Mr. Matthews discussed OUC's customer research tools, which include external research such as J.D. Power and internal research such as focus groups and surveys. He summarized the results of the J.D. Power residential electric satisfaction study. J.D. Power surveys 137 electric utilities nationwide, allowing OUC to compare against other utilities. Results are measured in six different categories and summarized over four waves per year. Mr. Matthews summarized OUC's results in the six categories as compared to two different benchmark groups, South Midsize and Florida peers. OUC received a high ranking in the Billing and Payment area and was ranked second nationally in e-bill adoption. He noted several areas for improvement, including outage communication, customer education, IVR experience and proactive payment and past due notices.

President Ferrone asked for clarification regarding Florida Power & Light's high score in the last survey wave for Power Quality and Reliability Satisfaction. Mr. Matthews explained that a rate decrease contributed to the higher score.

Mr. Matthews summarized the results of the J.D. Power residential water satisfaction study. The 2016 study marked the first year of the study, providing a good benchline moving forward. The study ranks 84 water utilities and also divides results into six categories among four waves. OUC ranked second out of all 84 water utilities nationally. Mr. Matthews noted several areas for improvement, including improving customer perception of water quality, improving the IVR experience, increasing water-specific communications and improving website usability for water customers.

Commissioner Kirby asked if the potential overall impact numbers were provided by J.D. Power. Mr. Matthews responded that J.D. Power first conducts a series of diagnostic questions before moving on to the scored questions.

President Ferrone inquired if advertising efforts can contribute to the survey results. Mr. Matthews responded that addressing areas of improvement, then communicating that information to customers, is what boosts satisfaction overall.

Commissioner Kirby asked when the results of the survey would be communicated to customers. Mr. Matthews responded that companies can only communicate the J.D. Power scores when they are ranked as the top utility.

President Ferrone congratulated staff on the results of the survey.

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Mr. Ksionek noted that on July 28, the Orlando service territory experienced a new peak of 1,221 MW, which was tied on August 22. A new peak of 180 MW was set in the St. Cloud service territory on July 6. Mr. Ksionek noted the importance of educating customers about electric and water conservation during hot summer months.

Mr. Ksionek asked Jenise Osani to speak about OUC's 2016 Hot Weather Campaign. In order to educate customers and mitigate customer service calls during the hot summer months, OUC created the Summer of 78 campaign. Every degree below 78 degrees on the thermostat can increase cooling costs by six to eight percent. The campaign ran from June 13 through August 14 and included print ads, billboards, digital ads and radio spots. OUC also spoke to customers at the Hispanic Business Expo. Ms. Osani recognized Harmonie Wilson, Michael Cartolano, Steve Triggs and the Community Relations team for their work on the project.

President Ferrone asked if OUC anticipates re-using this campaign in future years. Ms. Osani responded affirmatively.

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Commissioner Calvet congratulated the Service Award recipients. He commended OUC staff for the hard work on the 2017 Budget and 2017-2021 Capital Plan. He thanked Mr. Matthews for the J.D. Power presentation and Ms. Osani for the Summer of 78 presentation.

Commissioner Kirby commented on the J.D. Power presentation and potential areas for improvement, such as outage communication. Customer Service scores have improved and it continues to be an area of focus. He praised OUC for the results. He commented on the recent flooding in Louisiana and stressed the importance of remaining vigilant during storm season.

President Ferrone thanked everyone for the thoughtful and diverse conversations that took place during the meeting. She congratulated the Service Award recipients and thanked the members of the public who speak at Commission Meetings. She stressed the importance of continuous improvement as well as celebrating the results of the J.D. Power survey.

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

President

Secretary