

MINUTES
ORLANDO UTILITIES COMMISSION
April 12, 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, Robert Teegarden, 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 German Romero 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.

* * *

On a motion by Commissioner Kirby, seconded by Commissioner McAllaster and unanimously carried, the reading of the minutes of the February 22, 2011 EIRP Workshop was waived and the minutes were approved. On a motion by Commissioner Kirby, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the March 8, 2011 Commission Meeting was waived and the minutes were approved.

* * *

Clint Bullock presented a 20-year service award to Chuck Easterling, Manager, Transmission Engineering & Construction, and System Maintenance, Energy Delivery Business Unit.

Byron Knibbs presented a 20-year service award to Cecil Holt, Storekeeper I, Sustainable Services.

Roseann Harrington introduced Rob Teegarden, who discussed Water Conservation Month. The month-long campaign will encourage OUC's water customers to save one gallon of water a day. President Maylen Dominguez

read aloud a proclamation declaring April to be Water Conservation Month at OUC.

Roseann Harrington provided a presentation about NBA Green Week, which was held from April 3-10, 2011 and outlined the activities held during NBA Green Week. Commissioner Kirby joined Mayor Dyer, Orlando Magic President Alex Martins and Rick Fedrizzi from the United States Green Building Council at a press conference to announce the Amway Center's receipt of a Gold LEED Certification. Ms. Harrington and Commissioner Kirby announced the launch of the Random Acts of Greenness social media campaign at the press conference. The winner of the campaign will be featured in an OUC conservation TV spot.

Ms. Harrington distributed the OUC History Book to the Commissioners. Each employee and retiree will receive a complimentary copy of this book.

Ken Ksionek presented a 25-year service award to Roseann Harrington, Vice President of Marketing, Communications & Community Relations.

* * *

Mr. Ksionek asked Denise Stalls to discuss Affirmative Item A-20 regarding the Combustion Waste Storage Area Horizontal Expansion Project. Ms. Stalls briefed Commissioners on an expansion of the on-site combustion waste storage area at the Stanton Energy Center. The project will expand the current landfill, which contains coal combustion byproduct materials, by 90 acres and will feature a composite liner and leak detection system to ensure it meets current and proposed environmental standards. The construction will be divided into three 30-acre phases. It is anticipated that the project will be completed in Fall 2012.

Commissioner McAllaster asked if anything would need to be done with the existing property for this project. Ms. Stalls advised there was no additional environmental work required.

Commissioner Kirby asked whether the new electric vehicle charging stations discussed in Affirmative Item A-15 would be metered so that OUC would have flexibility to establish a different rate. Mr. Knibbs replied that the charging stations do have a built-in metering capability.

Commissioner Kirby asked for a clarification regarding the dates referenced in Affirmative Item A-18. The original Agenda Item established a three-year contract through May 2010, and Commissioner Kirby asked if previous change orders were requested to increase funds through the current date. Ms. Harrington replied that originally the project requested a certain amount of money, but it took longer to spend the money than originally planned. In May 2010, a change order was requested for the first one-year renewal option.

President Dominguez presented the Affirmative Items for approval. Commissioner Kirby announced a conflict of interest regarding Affirmative Item A-21. On a motion by Commissioner Kirby and seconded by Commissioner McAllaster, the Affirmative Items, with the exception of Affirmative Item A-21, were approved as follows:

1. Ratification of spot fuel procurements to the low bidders in January and February 2011 in the aggregate amount of \$9,154,543.56 as follows:

NATURAL GAS PURCHASES:

Jan. 2011	Chevron Natural Gas	\$ 199,007.46
Jan. 2011	City of Lakeland	\$ 199,997.65
Jan. 2011	Florida Gas Utility	\$ 121,114.15
Jan. 2011	Gavilon, LLC	\$ 243,550.62
Jan. 2011	Macquarie Cook Energy, LLC	\$ 516,555.00
Jan. 2011	National Fuel Marketing	\$ 262,962.05
Jan. 2011	Texla Energy Management, Inc.	\$ 517,219.03
Jan. 2011	Virginia Power Energy Marketing, Inc.	\$1,136,835.81
Feb. 2011	BP Energy Company	\$ 822,537.74
Feb. 2011	Chevron Natural Gas	\$ 519,951.12
Feb. 2011	Gavilon, LLC	\$ 631,829.44
Feb. 2011	Louis Dreyfus Energy	\$ 398,727.44
Feb. 2011	Macquarie Cook Energy, LLC	\$ 222,324.52
Feb. 2011	National Fuel Marketing	\$ 566,203.82
Feb. 2011	NJR Energy Services	\$ 124,519.50
Feb. 2011	Shell Energy	\$ 227,804.00
Feb. 2011	Tenaska Marketing Ventures	\$ 344,870.00
Feb. 2011	Total Gas & Power	\$ 347,205.61
Feb. 2011	Virginia Power Energy Marketing, Inc.	\$1,387,941.08

NO. 2 AND NO. 6 FUEL OIL PURCHASES:

Jan. 2010	Automated Petroleum & Energy Co., Inc.	\$ 210,443.65
Jan. 2010	TransMontaigne Product Services Inc.	\$ 152,943.87

2. Ratification of Change Request No. 1 to the Capital Expenditure Estimate for the Stanton Energy Center Unit 1 Pulverizer Motors Upgrade Project in the amount of \$260,124, increasing the total project cost to \$335,000. Ratification of an OUC initiated scope change and conforming Change Order No. 1 to Tampa Armature Works Orlando Service Center, Inc. for inspection, maintenance, upgrades and repairs to four Unit 1 pulverizer motors in an amount not to exceed \$248,124, increasing the total Purchase Order amount to \$320,000;
3. Ratification of a sole source Purchase Order to Siemens Energy, Inc. to provide material and services required for the Stanton Energy Center Unit 1 steam turbine repairs in an amount not to exceed \$927,924;
4. Approval of an OUC initiated scope change with conforming Change Order No. 2 to SCS Field Services for operation and maintenance services for the Landfill Gas to Energy facility, utilizing the terms and conditions of the Orange County contract, for a one-year period in the amount of \$454,000, increasing the total Purchase Order amount to \$478,850;
5. Approval of an OUC initiated scope change with conforming Change Order No. 1 to National Signal Leasing Corporation in the amount of \$244,618.00 for a three-year renewal option to provide a full railroad

signal maintenance and repair agreement, increasing the total Purchase Order to \$633,442.22;

6. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Unit 2 Air Preheat Coils Project in the amount of \$408,610. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Aerofin Corporation in the amount of \$318,610 to provide the air preheat coils for Unit 2, increasing the total Purchase Order amount to \$628,610;
7. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Adkinson Street Realignment Project in the amount of \$132,000;
8. Approval of a Capital Expenditure Estimate for the Indian River Plant Combustion Turbines and Stanton Energy Center North American Electric Reliability Corporation Critical Infrastructure Protection & Aurora Vulnerability Project in the amount of \$455,500. Approval of a sole source Purchase Order to Black & Veatch Corporation to perform the North American Electric Reliability Corporation Critical Infrastructure Protection and Aurora Vulnerability study in the amount of \$455,500;
9. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Vacuum Filter Overflow Sump System Replacement Project in the amount of \$275,000. Approval of RFP #3003 – Contract award to Southeastern Construction and Maintenance, Inc., the lowest, most responsive and responsible vendor, for the equipment and installation of the vacuum filter overflow sump system in an amount not to exceed \$269,283, subject to final contract negotiations and OUC legal review;
10. Approval of additional funding in the amount of \$560,000 for conforming Change Order No. 4 to Black & Veatch to provide permitting, design engineering and construction management services for the Lake Agnes to Lakeland McIntosh Segment of the Taft to Lakeland McIntosh Transmission Line Reconductor Project, increasing the total Purchase Order amount to \$6,275,950;
11. Approval of the Electric Distribution Construction Estimates for the underground electric distribution system upgrade of the Atrium Subdivision, Loop 2 of 2, located in the Orlando service territory, in the amounts of \$85,382.12 and \$127,605.39 for the installation of conduit and cable systems respectively, for a total of \$212,987.51;
12. Approval of a Capital Expenditure Estimate for the Water Production SCADA Network Switch Upgrade Project in the amount of \$172,053. Approval of RFP #3036 – Contract award to Prosys Information

Systems, the lowest, most responsive and responsible vendor, to provide new Supervisory Control & Data Acquisition switches and five years of maintenance support in the amount of \$144,950;

13. Approval of a sole source Purchase Order to Google, Inc. for email spam elimination, virus protection and encryption services in the amount of \$126,000 for the period April 1, 2011 through March 31, 2014;
14. Approval of a Capital Expenditure Estimate for the STORMS to JD Edwards Software Conversion Project in the amount of \$449,167. Approval of RFP #3050 – Contract award to RMB USA, Inc., the lowest, most responsive and responsible vendor, to provide expertise and implementation services in the amount of \$170,100, pending OUC legal review and approval of the contract;
15. Ratification of RFP #2990 – Contract awards to Palmer Electric Company, Southeast Electric of Florida, Inc., Terry’s Electric, Inc. and Utility Partners of America, Inc., the most responsive and responsible vendors, in the amounts of \$125,000 each, for an aggregate amount of \$500,000, to provide equipment, installation and maintenance services for OUC-owned electric vehicle charging stations for a four-year period;
16. Ratification of a Bid #3053 – Contract award to Werts Welding & Tank Service, Inc., the sole responsive and responsible fair market bidder, for the purchase of two 9,500 gallon petroleum tanker trailers in the amount of \$152,742;
17. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Caterpillar Coal Handling Equipment Refurbishment in the amount of \$886,600. Approval of a sole source Purchase Order to Ring Power Corporation for the Second Life Rebuild Program to refurbish five pieces of Caterpillar equipment and provide four-year maintenance and service agreements for the equipment in the total amount of \$1,624,850;
18. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Costa DeVault, Inc., in the amount of \$200,000 to exercise the second and final one-year renewal option to the original contract to provide public information, communications and Spanish translation services, increasing the total aggregate amount to \$640,000;
19. Approval of additional funding in the amount of \$1,500,000 with conforming Change Order No. 4 to the Temporary Staffing Support Purchase Order, increasing the total Purchase Order amount to \$7,000,000;

- 20. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Combustion Waste Storage Area Horizontal Expansion Project in the amount of \$15,000,000. Approval of RFP #2973 – Contract award to The Delaney Group, Inc., the most responsive and responsible vendor, to design the 90-acre landfill expansion and construct the initial 30 acre phase consistent with the Florida Department of Environmental Protection requirements in the amount of \$15,000,000, subject to OUC legal review and approval of the contract;
- 21. Pulled for separate vote; and
- 22. Authorization for the General Manager & CEO to execute the Agreement for Sale and Purchase of an easement located within the OUC Sky Lake Water Treatment Plant property for \$106,900 and to execute various closing documents necessary to effect the Sale as contemplated in the Agreement for Sale and Purchase.

On a motion by Commissioner McAllaster, and seconded by Mayor Dyer, Affirmative Item A-21 was approved as follows:

- 21. Approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation and OUC for Parcels 104.4, 105.4, 110.4, 130.3, 104.3, 152.2, 105.6, 163.2, 164.3, 167.2, 171.2 and 109.8, located south of Hoffner Avenue and east and west of Semoran Boulevard.

Commissioner Kirby previously announced a conflict of interest and abstained from the vote.

* * *

John Hearn reported that Income before contributions for the five months ended March 31, 2011 was \$22.7 million, which was about \$2.5 million under budgeted net income. Retail electric sales have been on budget. Resale electric sales have continued to struggle. Low interest rates have caused interest income to be below budget.

* * *

Mr. Ksionek asked Clint Bullock to provide an update on the severe storms that swept through Central Florida on March 30-31. Over the course of 38 hours, the storm affected approximately 46,000 customers. OUC and contract crews worked 16 plus hours on rotating shifts to restore power. Power was restored to nearly 20,000 customers within three hours. All outages from March 30 were completed and restored by midnight March 31. All additional outages associated with the storm were complete by 7 a.m. April 1. Contract crews were released on April 1, and OUC crews continued to work on reinstating services and cleanup calls. All work was completed safely and no accidents were reported.

President Dominguez asked if crews are held back when major storms are predicted in the area. Mr. Bullock replied that it is challenging to decide when to hold crews when storms are forecasted after normal schedules.

Commissioner McAllaster asked about lessons learned from the unnamed storms. Mr. Bullock replied that the engineering team could have been utilized earlier and discussions are being held regarding the lessons learned.

Mr. Ksionek updated the Board on severe impact risks. Mr. Ksionek stated that the risk landscape for bulk power systems and electric utilities like OUC is changing every day. As part of the Florida mega-region, which stretches from Tampa Bay to Orlando to Miami and Jacksonville, OUC's electric generating stations, substations, and the transmission and distribution lines are critical to the Florida grid. The threats and hazards that OUC is exposed to can be grouped into three categories: natural, human-caused and technological. As Mr. Bullock demonstrated, OUC has plans in place to successfully manage through naturally occurring hazards, such as severe storms or extreme temperatures. OUC also has plans in place to deal with "unintentional" human-caused hazards, such as human operational errors, and technological hazards, such as equipment failures. OUC also needs to address severe impact risks, which include "intentional" human-caused hazards, such as a coordinated physical attack on major electric system equipment or a coordinated cyber attack on control systems needed to manage reliability. A coordinated physical attack damaging multiple critical substations and transmission lines would have a significant affect on the remainder of the system. Difficult to replace equipment, such as substation transformers requiring 6 to 18 months to repair or replace, may not be available through industry arrangements such as mutual aid. A coordinated cyber attack would disrupt or impair the integrity of OUC's multiple control systems causing our generation or transmission system to be significantly damaged. Recognizing that this Florida mega-region is one of the 11 emerging mega-regions in the United States, Mr. Ksionek has asked the operating Business Units to conduct OUC exercises with various severe risk scenarios. Byron Knibbs will coordinate with state, county and city Emergency Operations Centers as to their role and involvement. Mr. Ksionek stated that these severe impact scenarios must be a high priority of concern because of the high consequences to OUC's customers and region.

Commissioner Ferrone asked when OUC will be engaged in further dialogue. Mr. Knibbs replied that OUC has reached out to the City of Orlando and Orange County Emergency Operations Centers and meetings will be held to determine how different agencies will interact if an attack occurs. Mr. Knibbs is working with Steve Langley, Director of Risk, Safety and Technical Training, on schedules and hurricane preparedness plans.

Commissioner McAllaster asked what type of mutual aid is available; for example, if there are spare transformers that can be delivered wherever necessary. OUC will reach out to other utilities and organizations for assistance.

Mr. Ksionek provided an update on the V.C. Summer Nuclear Project. As Mr. Ksionek advised at the March 8 workshop, he executed a non-binding Letter of Intent (LOI) with Santee Cooper for 100 MW of capacity from Santee Cooper's share of ownership of the V.C. Summer Nuclear Plant, Units 2 and 3 on Friday, March 11. The purpose of the LOI is to establish certain understandings and agreements between OUC and Santee Cooper with respect to OUC's evaluation of the potential transaction. The LOI does not commit OUC to the project financially, other than due diligence costs in pursuing the potential transmission. For purposes of the LOI, the negotiation and review period ends on July 31, 2011, and may be terminated by either party if definitive agreements are not achieved. Approval by the OUC Board is required to bind any and all definitive agreements.

OUC staff has been moving forward with due diligence questions and document requests to Santee Cooper. OUC must remain engaged in the due diligence review and negotiation process or the opportunity to participate in the project will be lost. OUC needs to expend funds for engineering, financial, legal and consulting services. It is estimated that the funding level for this concerted effort will reach \$1 million, which includes the \$375,000 approved by the Commission on March 8 for transmission service requests. Specific funding requests will be brought to the Board as required. With regard to the transmission services requests facilities studies, OUC will continue to evaluate when to re-queue and anticipate doing so within the next 30-60 days.

Mr. Ksionek presented several recent news releases from the United States Nuclear Regulatory Commission (NRC), including answers to frequently asked questions, directives to a task force to evaluate lessons learned from the recent earthquake and tsunami in Japan, and NRC plans moving forward. The NRC will recommend any remedial actions required in existing nuclear plants within the next 30 to 90 days and will recommend any permanent regulation changes by the end of 2011. Mr. Ksionek stated that Santee Cooper has not received a notice of delay in their permitting process and remains scheduled to receive a license by the end of 2011. He also provided a Santee Cooper Board presentation dated March 28, 2011, which describes the V.C. Summer nuclear units. Santee Cooper is currently preparing a project presentation for discussion with the rating agencies.

Mr. Ksionek also presented an update on the Stanton Energy Center solar site. The solar array is the first solar farm of this size in Orange County. It is a 6MW DC solar array that will consist of 25,172 solar modules. The array will generate enough electricity to power 600 homes. The project will generate up to 200 construction jobs. Both the array design and the construction are currently using 30 percent minority- and women-owned businesses.

Mr. Ksionek asked Denise Stalls to address the additional three months required for permitting the project. Ms. Stalls stated that OUC will not own the asset, but will license a piece of property at Stanton Energy Center to Regensis, a third-party developer. After the project was approved by OUC, Regensis became subject to Orange County's rules and regulations, which do not address large-scale solar farms. Therefore, variants had to be granted. Ms. Stalls is confident

that the process will be streamlined in the future and further development will be encouraged.

Mr. Browder stated that the county has initiated a task force to streamline the process and has asked OUC for input.

Commissioner McAllaster asked if there is any possibility that the government will change their incentives so that OUC will not have to use a third-party for solar projects. Mr. Aspuru responded that presently the production tax incentive is only applicable to taxable entities. There has been some discussion in Washington D.C. about a grant in lieu of a tax credit for tax-exempt entities but not much progress has been made.

Mr. Ksionek added that Duke Energy and Regenesis are doing everything possible to complete the project ahead of the anticipated completion date of December 2011.

Mr. Ksionek announced that the May Commission Meeting has been rescheduled to May 17, 2011.

* * *

Commissioner Ferrone recognized the service of employees during the recent storms and acknowledged the employees who received their service awards. She stated that she is very proud to be a member of OUC and that *The Reliable One* is the perfect tagline for the company.

Commissioner Kirby also congratulated the employees receiving service awards. He stated that April is also National Call Before You Dig month. On April 7, OUC received a safety award from the Florida Municipal Electric Association. Commissioner Kirby encouraged the Board members to take the introductory National Incident Management System class. He stated that the business of delivering energy and power can be dangerous and safety and redundancy efforts are very important to the business.

Commissioner McAllaster thanked Ms. Harrington and her team for the OUC History Book. He also commended the restoration team for their efforts during the recent storms. He stated that he is glad that the solar project is heading in the right direction and hopes that the government will support solar projects with more incentives.

Mayor Dyer also commended OUC for their response to the recent storms. He also commended OUC for its efforts in the Amway Center receiving the Gold LEED certification. He mentioned that the interactions between OUC, the City of Orlando and Orange County has made Orlando a leader in the Southeast in terms of sustainability.

President Dominguez also thanked Ms. Harrington and her team for the OUC History Book. She stated that the recent earthquake and tsunami in Japan demonstrate that we live in a global community. She stated it is important to

work collaboratively to be safe and recover from events such as the unnamed storms.

* * *

President Dominguez adjourned the meeting at 3:43 P.M.

President

Secretary