

MINUTES
ORLANDO UTILITIES COMMISSION
January 27, 2009
2:53 P.M.

Present:

COMMISSIONERS:

Katie Porta, President
Maylen Dominguez Arlen, Second Vice President
Dan Kirby, Commissioner
Craig McAllaster, Commissioner
Mayor Buddy Dyer

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Alvin Frazier, Roseann Harrington, Byron Knibbs,
Doug Spencer, Denise Stalls, Thomas Tart, Robert Teegarden,
Vice Presidents
John Hearn, Vice President & Chief Financial Officer
Gregory T. Rodeghier, Vice President & Chief Information Officer
W. Christopher Browder, Vice President & General Counsel
Beth Mason, Recording Secretary

President Porta asked Thomas Tart to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:53 P.M., immediately following the Public Budget/Rate Workshop that commenced at 2:07 P.M.

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On motion by Commissioner Dominguez Arlen, seconded by Mayor Dyer, and unanimously carried, the reading of the minutes of the December 9, 2008 Commission Meeting was waived and the minutes were approved as written.

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President Porta welcomed Craig McAllaster as the new OUC Commissioner.

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President Porta called for the election of officers to serve on the 2009 Commission. Mayor Dyer moved to nominate Katie Porta as President and the motion carried unanimously.

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Commissioner Kirby moved to nominate Maylen Dominquez Arlen as First Vice President and the motion carried unanimously.

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Commissioner Maylen Dominquez Arlen moved to nominate Dan Kirby as Second Vice President and the motion carried unanimously.

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Mayor Dyer moved to reappoint Ken Ksionek as General Manager & CEO and Secretary of the Commission and the motion carried unanimously.

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Mr. Ksionek recommended W. Chris Browder be reappointed as General Counsel.

Ken Ksionek also recommended that John Hearn, Sharon Knudsen and Beth Mason be reappointed as Assistant Secretaries to the Commission.

Commissioner McAllaster moved that Mr. Ksionek's recommendations be approved and the motion carried unanimously.

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Mr. Ksionek stated that without objection, Commissioner Porta will serve as Chair of the Finance Committee with Commissioner Dominguez Arlen as a member. No objection was offered.

Commissioner Kirby will serve as Chair of the Audit Committee, with Commissioner McAllaster as a member. No objection was offered.

Mr. Ksionek also provided proposed dates for the 2009 Audit and Finance Committee Meetings for review by the respective Commissioners.

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Ken Ksionek presented a 25-year Service Award to Alvin C. Frazier, Vice President, Corporate Services.

Alvin Frazier and Greg Rodeghier presented 20-year Service Awards to Charles G. Hill, Storekeeper I, Corporate Services and Pamela L. Hill, Manager, IT Support Center.

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Roseann Harrington introduced the 2008 PROUD Volunteers of the year and presented awards to Mike Weiner, Julio Navarro, Millard Long and Thomas Johnson. These employees volunteered over 3,084 hours during the past year. Ms. Harrington also reported the contributions to the OUCares Campaign increased 40% this year. Marketing Coordinator and Project OUCares Campaign Chair Michael Matthews reported that employees contributed \$145,458.28 to various agencies supported by United Arts and United Way, as well as nearly doubling contributions to Project Care.

Ken Ksionek discussed Affirmative Item A-2 regarding the Indian River Combustion Turbine C (CT-C) Inspection & Repair and distributed pictures showing the damage to the CT-C compressor section. Mr. Ksionek asked Mr. Aspuru to provide additional information regarding the damage. Mr. Aspuru stated that these simple cycle combustion turbines operate to meet peak demands during hot and cold weather. On November 13, 2008, the use of the CT-C was necessary to meet demand. The unit goes through an automated sequence process before it can start. The CT-C completed the process and proceeded to operate, but soon after start up, there was a restriction of intake air flow. Although this limited the output of the unit, other indicators were normal and the unit continued to operate. After the demand was met, a visual inspection revealed that the restrictive air flow had been caused by the failure of the warm air purge doors to open. The restrictive flow caused significant turbulence within the air intake plenum which caused a metal protective screening to disintegrate, sending small pieces through the compressor and damaging some blades. Repairs are estimated at \$3.1 million, of which approximately \$2 million is covered by insurance.

In response to Commissioner McAllaster's question regarding what the cause of the door's failure to open, Mr. Aspuru responded that a limiter switch failed in the closed position. OUC is working with Siemens in order to eliminate this happening in the future.

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

1. Ratification of fuel procurements to the low bidders in October, November and December 2008, in the aggregate amount of \$31,784,639.85 as follows:

NATURAL GAS PURCHASES:

Oct. 2008	Anadarko Energy	\$ 462,794.64
Oct. 2008	BG Energy Merchants, LLC	\$ 104,250.00
Oct. 2008	BP Energy Company	\$ 1,212,964.48
Oct. 2008	Chevron Natural Gas	\$ 1,271,982.40
Oct. 2008	City of Lakeland	\$ 1,168,044.07
Oct. 2008	Conoco Phillips	\$ 194,447.07
Oct. 2008	Crosstex Gulf Coast Marketing	\$ 807,316.72
Oct. 2008	Eagle Energy	\$ 233,653.15
Oct. 2008	Florida Gas Utility-Sport	\$ 239,394.66
Oct. 2008	LouisDreyfus Energy	\$ 3,388,892.75
Oct. 2008	National Energy & Trade	\$ 527,185.09
Oct. 2008	Orlando Gas Producer	\$ 176,399.93
Oct. 2008	The Energy Authority	\$ 834,502.90
Oct. 2008	Total Gas & Power	\$ 147,370.27
Oct. 2008	Virginia Power Energy Marketing, Inc.	\$ 1,115,064.42
Nov. 2008	Anadarko Energy	\$ 414,158.13
Nov. 2008	BP Energy Company	\$ 154,458.36
Nov. 2008	City of Lakeland	\$ 1,137,537.84
Nov. 2008	Eagle Energy	\$ 120,850.00
Nov. 2008	Florida Gas Utility-Sport	\$ 494,361.45
Nov. 2008	Infinite Energy	\$ 291,929.18
Nov. 2008	LouisDreyfus Energy	\$ 300,380.40
Nov. 2008	National Energy & Trade	\$ 125,260.44
Nov. 2008	National Fuel Marketing	\$ 922,207.10
Nov. 2008	Orlando Gas Producer	\$ 191,776.82
Nov. 2008	Peoples Gas	\$ 170,406.18
Nov. 2008	The Energy Authority	\$ 275,278.55
Nov. 2008	Total Gas & Power	\$ 278,569.97
Nov. 2008	Virginia Power Energy Marketing, Inc.	\$ 838,081.49

No. 6 FUEL OIL PURCHASES:

Oct. 2008	TransMontaigne Product Services Inc.	\$ 194,388.42
Nov. 2008	TransMontaigne Product Services Inc.	\$ 131,235.13
Dec. 2008	TransMontaigne Product Services Inc.	\$ 206,297.84

COAL PURCHASES:

Oct. 2008	Arch Coal Sales Company, Inc.	\$ 1,839,200.00
Nov. 2008	Massey Coal Sales Company	\$ 4,950,000.00
Dec. 2008	New River Energy Sales	\$ 6,684,000.00

2. Ratification of a sole source Purchase Order to Siemens Energy, Inc. for the Indian River Combustion Turbine C inspection and repair in the amount of \$3,101,842;
3. Ratification of a Purchase order to Babcock & Brown Rail Funding LLC for the lease of a 110-car unit train for a term of one year in an amount not to exceed \$739,200;

4. Ratification of Bid #2589 - Contract award to The Saxon Group, Inc., the most responsive and responsible bidder, to provide general construction services required for the Stanton Energy Center Cooling Tower Blowdown Treatment plant upgrades in an amount not to exceed \$10,00,000;
5. Ratification of Bid #2635 - Contract award to Kemco Industries, LLC, the lowest, most responsive and responsible bidder to provide protective relay panels for the Stanton Energy Center Auxiliary Electric System Upgrade Project in the amount of \$113,591;
6. Approval of the Lighting Construction Estimate for Aqua Millenia, located in the City of Orlando, in the amount of \$180,359.15; which includes \$108,625.78 for lighting equipment from OUC's stock inventory and \$71,733.37 for the installation of poles, fixtures and bollards by Terry's Electric, Inc., OUC's lighting contractor. Millenia Park, Ltd. has executed a twenty-year service agreement with OUC for this lighting system and will be responsible for the monthly billing;
7. Approval of the Lighting Construction Estimate for East Park Village, located in the City of Orlando, in the amount of \$921,558.23; which includes \$635,020.25 for lighting equipment from OUC's stock inventory and \$286,537.98 for the installation of poles and fixtures by terry's Electric, Inc. East Park Village, Inc. has executed a twenty-year service agreement with OUC for this lighting system and will be responsible for the monthly billing;
8. Approval of the Electric Distribution Construction Estimate for the installation of underground feeder cables and switchgear on Circuit Nos. 20-32 and 32-12 along Dowden Road, located at State Road 417 and Dowden Road approximately 1.6 miles to OUC's eastern service territory line, in the amount of \$425,048.94;
9. Approval of the Electric Distribution Construction Estimate for the upgrade of primary cable and switchgear on Circuit No. 12-311 located along Cinderlane Parkway, northwest of North Orange Blossom Trail, in the Orlando service territory in the amount of \$106, 390.94;
10. Approval of a Capital Expenditure Estimate for all engineering, permitting, procurement and construction services to replace 21.5 miles of fiber optic cable on the Stanton to Indian River Transmission Line at an estimated cost of \$865,000;
11. Approval of a Capital Expenditure Estimate to perform an engineering study evaluating the upgrade of OUC's transmission system in St. Cloud associated with the Reliant Energy Florida's Osceola Generating Station Network Resource Interconnection Service in the amount of

\$130,000, with reimbursement of the actual study cost by Reliant Energy Florida;

12. Approval of Bid #2633 - Contract award to Fort Worth Tower, Inc., the most responsive and responsible bidder, for steel transmission poles and anchor bolts required for the Pershing Substation to Goldenrod Road Segment of the Pershing to Indian River 115kV Transmission Lines A & B Upgrade Project in the amount of \$780,000;
13. Approval of a Capital Work Order for water distribution improvements for the East Robinson Street Pipeline Project from Mills Avenue to Primrose Drive, in an amount not to exceed \$2,097,578.52;
14. Ratification of a sole source Purchase Order to EMC2 Corporation to provide hardware and software maintenance support of three Storage Area Networks for the period of January 19, 2009 through January 18, 2010 in the amount of \$192,840.23;
15. Approval of Change Order No. 3 to Siemens Communications, Inc. to provide hardware and software maintenance support for the telephone communication switch at the former Administration Building for the period of January 1, 2009 through September 30, 2009 in the amount of \$34,595.47, increasing the total Purchase Order amount to \$346,094.58;
16. Ratification of a sole source Purchase Order to S.I. Goldman Company, Inc. to Design/Build the distribution pipeline for the Downtown West Central Energy Plant in the amount of \$1,035,171; and ratification of a Purchase Order to Ferguson Enterprises, FEI-Orlando Waterworks for the direct purchase of pipe, fittings and valves in the amount of \$120,000;
17. Approval of Change Order No. 1 to Starwood Vacation Ownership, Inc. for chilled water connection allowances for 180 new guest units at the Vistana Resort in the amount of \$630,000 in accordance with the Chilled Water Services Agreement, increasing the total Purchase Order amount to \$1,207,500;
18. Approval of a Purchase Order to Niagara Conservation Corporation to administer OUC's Toilet Voucher Program, pending OUC legal approval, for a one-year period in an amount not to exceed \$160,000;
19. Approval of Change Order No. 6 to Interior Contract Services, Inc. for additional office furniture purchases and space optimization services in the amount of \$500,000, increasing the total Purchase Order amount to \$1,585,146.64;

20. Approval of Bid #2579 - Contract award to Ingersoll Rand Security Technologies, the most responsive and responsible bidder, to provide security system services for a three-year period in the estimated amount of \$1,779,000;
21. Approval of Change Order No. 3 to Itron, Inc. for software license fees and forecast analysis consulting services for Fiscal Year 2009 in an amount not to exceed \$67,500, increasing the total Purchase Order amount to \$157,500; and
22. Authorization for the General Manager & CEO to execute the Release of Utility Easement for Wendy's Restaurant, said easement located north of East Colonial Drive and east of Garden Plaza.

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Public comments regarding the proposed rate increase were heard at the Public Budget/Rate Workshop held immediately preceding this Commission Meeting.

Commissioner Dominguez Arlen stated that many of the comments made at the Workshop were from customers who are working to conserve energy and believe OUC is raising rates as a direct result of those efforts. Commissioner Dominguez Arlen explained that rates are being increased due to fuel volatility and the changing regulatory environment and that OUC's rates are significantly less than its competitors.

John Hearn responded that fuel, regulatory compliance, operating costs and sales volume have all contributed to the rate increase. Significantly lower growth is the economic factor that affects sales volume and rates. OUC's plan for the future includes customer conservation efforts in order to decrease the need to invest in costly generation.

On motion by Commissioner Dominguez Arlen, seconded by Commissioner McAllaster, New Business Item 1 was approved as follows:

NB-1 Adoption of the electric rates and electric service fees as presented, pending Florida Public Service Commission approval. These rates are to be applied to all bills rendered on or after March 1, 2009. Adoption of the water rates and water service fees as presented, to be applied to all bills rendered on or after March 1, 2008.

Commissioner Kirby commented that people may not be aware how much work and consideration is given when the Board must contemplate a rate adjustment. With the exception of the solar array on top of the OUC Administration Building, no power is generated at the downtown building. Utilities operate in a very volatile fuel market, which has not been kind to OUC. *Reliable* is OUC's brand name and the focus must remain on providing reliable utility services. Just like

automobiles which must be serviced in order to maintain its reliability, OUC must maintain its equipment and infrastructure to continue to provide reliable service. Every dollar that is generated by Project Care also makes a difference for customers in need. The Commissioners consider rate increases not only as Board members, but also as customers. The Board remains focused on being responsive to the needs of customers as evidenced by offering flexible payment arrangements and supporting small businesses with their conservation programs. The Board understands that these decisions impact people and families now and in the future. Over the long term, OUC is committed to remaining affordable and reliable as one of Florida's most affordable utility providers. All of these issues have been taken into consideration today.

Commissioner McAllaster stated that OUC has tried to bring its costs down by initiating a hiring freeze and suspending the ARAP bonus. He noted that another local utility company increased its rates and had many outages during the recent cold weather. OUC has to be sensitive to keeping the power on and keeping people in the system.

Mr. Ksionek assured the Board that OUC takes the public comments very seriously and stated that staff will follow up on the specific customer questions and comments and provide information to the customers who addressed the Commission at the Budget/Rate Workshop. Staff has reviewed all variable costs to make sure funds are not wasted. Maintenance practices must be preventive and predictive to keep OUC the reliable utility that it is.

Commissioner McAllaster stated perception is reality. He said that OUC needs to go the extra mile, communicate to its customers and be good stewards during these difficult times.

Commissioner Porta stated that the way OUC has prudently managed and operated its bonds in the past also helped to eliminate a higher rate increase. With today's credit market, the rate increase would have been much higher.

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On motion by Commissioner McAllaster, seconded by Commissioner Dominguez Arlen, New Business Item 1 was approved as follows:

NB-2 Adoption of the Amended 2009 Operating Budget as presented and acceptance of the Amended 2009-2013 Capital Plan.

Ken Ksionek stated that OUC sent the Public Service Commission (PSC) the proposed tariff structure changes on December 26, 2008. On January 21, 2009, OUC received the PSC's acceptance of the changes to base rates and fuel charges.

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Commissioner Dominguez Arlen reported that the Audit Committee met on December 11, 2008 to consider the 2008 Audited Financial Statements. Packets were presented to each Commissioner prior to the meeting. Income before contributions for 2008 was \$79.9 million and total assets were \$3.0 billion as of September 30, 2008. The Committee reviewed the Audited Financial Statements, supplemental audit reports and management letter submitted by Ernst & Young, LLP. The Audit Committee recommends approval of the 2008 audited financial statements.

Commissioner McAllaster moved to approve the 2008 Audited Financial Statements as recommended by the Audit Committee. Commissioner Kirby seconded the motion and it was unanimously approved.

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John Hearn reported that the Commission received the December financials in their packets and he does not have anything new to report.

Commissioner McAllaster asked Mr. Hearn if there was any potential new sales growth. Mr. Hearn reported that the Lake Nona area and the City of Orlando's new venues will produce new sales growth. Sales to Vero Beach, Florida will also increase revenue.

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Chris Browder stated that there is no new legal litigation to report.

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Ken Ksionek asked Rob Teegarden to discuss the 109 mgd groundwater use by 2024 allowed under OUC's Consumptive Use Permit (CUP), provide an update on the five-year CUP compliance status and Project RENEW developments. Mr. Ksionek commented that if OUC was not taking steps like Project RENEW, providing alternative water supplies and taking conservation measures, groundwater use would escalate to more than 130 mgd. Mr. Teegarden reported that OUC's water supply is allocated through the CUP. OUC's 20-year CUP was issued in May 2004 by the St. Johns River Water Management District, which allows OUC 109 mgd of groundwater allocation. There are approximately 45 compliance conditions to maintain the CUP, which includes conservation, reclaimed water use in OUC's water service area and environmental monitoring. Compliance reviews are conducted every five years and OUC must maintain all compliance and permit conditions. Project RENEW is necessary to secure reclaimed water supply from the City of Orlando and transfer 9.2 mgd of reclaimed water from east Orange County to west Orange County. Apopka will receive 8.55 mgd and Winter Garden will receive 0.65 mgd. This system must be in operation by October 2011. The Apopka City Council approved the agreement on January 21, 2009. Due to time constraints, OUC's

legal review and execution of this document by the General Manger will be required prior to the March 10, 2009 Commission Meeting. A final Reclaimed Water Agreement between the City of Apopka will be presented as a ratification item at the March 10, 2009 Commission Meeting.

Another significant Commission action related to Project RENEW will be the approval of construction contracts for the pipeline scheduled for late Fall of 2009.

Mr. Teegarden discussed a significant issue in the compliance status report that will require action in the near future. In 2008, the South Florida Water Management District determined that the cumulative pumping of water by six local utilities, including OUC, have impacted wetlands in the vicinity of Walt Disney World. A Wetlands Mitigation Settlement Agreement is currently under negotiation with the South Florida Water Management District (SFWMD). A series of annual environmental payments and a settlement agreement are anticipated to be required by the SFWMD for OUC's pro-rata share of groundwater pumping impacts.

Denise Stalls reported on a recent Orlando Sentinel article regarding OUC's dry ash storage system located at the Stanton Energy Center (SEC). Ms. Stalls reported that the dry ash storage at SEC is different from the wet ash storage that recently experienced a spill in another state. SEC does not have a "wet ash dump" storage pond and is not at risk for a spill like the recent disaster in Tennessee. Ms. Stalls stated that in 1987, prior to construction of Unit 1, OUC and the Florida Department of Environmental Protection (FDEP) drafted a combustion waste management plan that dictates how the landfill would be operated. Prior to the operation of Unit 1, all of the monitoring wells on the SEC site were analyzed on a monthly basis to establish background water quality prior to operation. The Orlando Sentinel reported that there were some elevated radiation levels in the ground water at SEC. The article did not include the fact that while there are some elevated radiation levels within some of the monitoring wells at SEC, these levels are below the 1987 background levels. The article also did not explain that the Central District of the FDEP did not have the 1987 testing records which were submitted to Tallahassee during the permitting of SEC Unit 1. This information has been provided to the Central District.

Commissioner McAllaster questioned how it is determined who is contaminating the ground water with the Orange County Landfill located next to the Stanton Energy Center. Ms. Stalls reported that there are upgradient and downgradient wells specifically placed to control and monitor this issue.

Mr. Ksionek reported on a winter system peak demand day occurring on January 22, 2009. He distributed a chart showing previous summer and winter peak demand days for energy. On January 22, 2009, Orlando peaked at 1,085 Mw, or plus 6 Mw. The Power Pool peaked at 3,446 Mw, or plus 15 Mw as well. St Cloud set an all time high of 154 Mw, or plus 15 Mw. He also stated that St.

Cloud has its highest peak demand in the winter versus Orlando, which peaks in the summer.

Mr. Ksionek distributed the 2008 Annual Report.

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Commissioner Kirby commented that he was in Washington, DC for the inauguration of the nation's 44th president, along with millions of other people. It was a time of celebration, as well as somber reflection as we recognize the difficult time we are in and commented on Dr. Joseph Lowery's benediction prayer at the inauguration. President Obama has challenged that in 16 years, 25 percent of the United States' electricity should be generated from renewable sources. OUC has consistently been in the forefront of planning for a balanced fuel generation mix and draws from a number of sources in an effort to alleviate volatility in the fuel market and its impact to customers. OUC continues to work over the short and long term to keep rates low, which is a continuous challenge. President Obama has outlined an \$825 billion economic stimulus packet including tens of billions of dollars to reshape the country's electric industry into a greener enterprise. This plan has the ambitious goal of putting 460,000 people to work on energy projects, doubling the amount of energy produced in the next three years and paying for thousands of miles of transmission lines to move electricity from wind farms and solar installations, many of which are in the West and Southwest portion of the country, to consumers throughout the entire nation. Conservation efforts are achieved in many forms and reduce energy demand. These changes are happening very fast and the entire team at OUC is addressing these issues. OUC will continue to strive to maintain the balance with forward thinking and making the tough decisions required to provide customers with affordable and reliable utility service.

Commissioner Kirby welcomed Commissioner McAllaster to the Board and stated that he is looking forward to working with him. He congratulated Pam and Charlie Hill on their 20-year service awards, as well as Alvin Frazier for receiving his 25-year service award. He commended them for their achievements and looks forward to their continued service at OUC.

Commissioner Dominguez Arlen stated that it is difficult to raise rates and it is done with a lot of thought and consideration. OUC needs to think about how to get its energy. She also stated that she is excited about the Toilet Voucher Program and she hopes to implement more programs like this. She welcomed Commissioner McAllaster to the Board.

Commissioner McAllaster stated that he has always respected OUC and finds the long tenure and commitment of its employees is a testament to its success. He commended all employees and challenged them to maintain the reliability and forward thinking of the organization in order to control costs and maintain its reliability. He believes that OUC will make a big difference in the future in

determining the power grid and power mix that will continue to make Florida the place where people want to live, which is an incredible challenge. He thanked the Board for the opportunity to serve the community in this capacity.

President Porta thanked John Hearn and Mindy Wills for their time and effort regarding the annual report. She also thanked Mayor Dyer for his leadership regarding the downtown venues.

Mayor Dyer thanked Berri Davis, who has been with the City of Orlando for 27 years, and is leaving to become the comptroller of the Orlando Museum of Art. Mayor Dyer also welcomed Commissioner McAllaster to the Board.

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Ken Ksionek commented that there are OUC energy and water projects that would qualify under the President's economic stimulus package. In conjunction with the City of Orlando, the State of Florida and the Large Public Power Council, OUC will be applying for stimulus monies for landfill gas, biomass gasification, photovoltaics, and water Project RENEW, among a list of projects with a budget estimate in excess of \$500 million.

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Commissioner McAllaster moved to adjourn the meeting. President Porta adjourned the meeting at 4:45 P.M.

President

Secretary