

MINUTES
ORLANDO UTILITIES COMMISSION
March 8, 2011
2:00 P.M.

Present:

COMMISSIONERS:

Dan Kirby, First 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

Commissioner Kirby asked Ron Toporek to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:11 P.M.

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On a motion by Mayor Dyer, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the January 18, 2010 Commission Meeting was waived and the minutes were approved.

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Jan Aspuru presented a 25-year service award to Wade Wright, Team Leader, Power Resources Business Unit.

Jan Aspuru presented a 20-year service award to Jimmie Lee Jones, Maintenance Facilitator I, Power Resources Business Unit.

Roseann Harrington announced that Rob Teegarden was honored with a Defender of the Environment Award of Excellence by Nature Wise, Inc. on March 5. She also announced that OUC received three ADDY awards and commended Jenise Osani, Erika Hodges, Deborah Ernshaw and Janet LeClair for their work on OUC's advertising campaigns. Kevin Anthony presented the 2010 Meter Reader of the Year awards to Jose Roman and Krum Sokolov. Mr. Roman read 141,031 meters with an average accuracy of 99.97 percent and an access rate of 100 percent. Mr. Krum read 142,883 meters with an average accuracy of 99.99 percent and an access rate of 99.91 percent.

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Mr. Ksionek asked Jan Aspuru to discuss Affirmative Item A-5 regarding the Sludge Conditioning Contract for Stanton Units 1 & 2. Headwaters Resources, Inc. provides operations, maintenance and marketing for the combustion byproduct conditioning facility at Stanton Energy Center (SEC). Headwaters funds the process through the sale of fly-ash to the construction market. OUC shares profits beyond a certain percentage of sales. Mr. Aspuru explained that, under the contract, Headwaters also provides lime-enhanced fly-ash as a more cost-effective alternative to using lime for stabilization of scrubber sludge. The stabilization additives decrease OUC's requirement for lime and increase the quantity of marketable fly-ash from SEC's two coal-fired units. The five-year, \$4 million extension of this service is estimated to save OUC \$1.6 million per year.

Mr. Ksionek discussed Affirmative Items A-15, A-17, and A-18 regarding the enhancement and expansion of infrastructure to prepare for projected growth in Lake Nona South. The new development, consisting of 2,300 acres, will include the Medical City at Lake Nona, and demonstrates the demand for energy in OUC's southeast territory. The projected build-out load for the Medical City will be approximately 50-60 MW, which is equivalent to Universal Studios, OUC's largest electric customer.

Mr. Ksionek asked Kevin Noonan to discuss Affirmative Item A-21 regarding the Home Energy Reporting Program. This program will not only help OUC surpass the Florida Public Service Commission's conservation goals, but also has the potential to become OUC's largest residential conservation program. Public Service Commissions in 11 other states have accepted OPower's methodologies and procedures for meeting conservation goals set by the commissions. The program will provide for the delivery of home energy reports to customers, comparing energy consumption to that of 100 similar homes and offering tips on how to reduce energy use. Behavioral studies have shown that customers are more likely to lower energy consumption when compared to other customers. OUC hopes that 50 percent of customers will take some sort of action to conserve energy after receiving their home energy reports, and hopes to see a 1 percent reduction in overall energy use per customer. The project team consists of several groups across OUC, including Conservation and Renewables; Information Technology; Marketing, Communications & Community Relations; Customer Connection; and Strategic Planning. The program is expected to begin in April and the first reports are scheduled to be sent to customers in August.

Commissioner Ferrone asked how households would be targeted by the program, and what measurements would determine the results of the program. She also asked how the behaviors of customers receiving reports have changed among other utilities, and how the program has spread in other utilities. Mr. Noonan replied that the reports will be distributed to a cross-section of OUC's service territory, including single-family homes, condominiums and apartments in various neighborhoods and socio-economic groups, so OUC will receive a

picture of where the most energy is being consumed. Using this data will allow OUC to target future programs. Results will be determined by comparing the kilowatt hour consumption of people who received reports versus individuals who did not receive reports. Mr. Noonan stated that most utilities started out with a small group, and typically increased customers after six months or one year. Utilities using the program are seeing sustained energy savings of between 1 and 3 percent, and that energy savings tends to grow and then flatten out based on weather and seasons.

Commissioner Kirby asked how the reports would be delivered and inquired about customer access to reports via the Internet. Mr. Noonan replied that the reports will be mailed separately from customer bills six times per year. In the future, there will be more opportunities for electronic distribution. It was determined that electronic distribution would be postponed until OUC's web portal is live near the end of 2011. Commissioner Kirby stated that ability of customers to access the reports through the web portal is critical and urged that this be made available as quickly as possible. Commissioner Kirby also advised to consider the feasibility of an at-cost opt-in, where customers not included in the initial program could pay to get reports.

Commissioner Kirby presented the Affirmative Items for approval. Commissioner Kirby announced a conflict of interest regarding Affirmative Item A-28, which was pulled from the agenda. On a motion by Mayor Dyer and seconded by Commissioner Ferrone, the Affirmative Items, with the exception of Affirmative Item A-28, were approved as follows:

1. Ratification of spot fuel procurements to the low bidders in November and December 2010 in the aggregate amount of \$13,205,616.96 as follows:

NATURAL GAS PURCHASES:

Nov. 2010	Chevron Natural Gas	\$ 356,472.99
Nov. 2010	City of Lakeland	\$1,002,389.24
Nov. 2010	Florida Gas Utility	\$ 200,762.00
Nov. 2010	Gavilon, LLC	\$ 193,954.26
Nov. 2010	National Fuel Marketing	\$ 360,901.29
Nov. 2010	Sequent Energy Management	\$ 217,333.56
Nov. 2010	Tauber Oil Company	\$ 277,510.83
Nov. 2010	Texla Energy Management, Inc.	\$ 693,502.97
Nov. 2010	Virginia Power Energy Marketing, Inc.	\$1,918,573.14
Dec. 2010	Chevron Natural Gas	\$ 542,051.27
Dec. 2010	City of Lakeland	\$ 238,049.59
Dec. 2010	ConocoPhillips	\$ 160,250.00
Dec. 2010	ExxonMobil Gas & Power Marketing	\$ 158,920.00
Dec. 2010	Florida Gas Utility	\$ 188,496.00
Dec. 2010	Gavilon, LLC	\$ 481,215.66
Dec. 2010	Louis Dreyfus Energy	\$ 196,400.00
Dec. 2010	Macquarie Cook Energy, LLC	\$1,061,575.10
Dec. 2010	National Fuel Marketing	\$ 717,688.73
Dec. 2010	NJR Energy Services	\$ 225,025.84
Dec. 2010	Shell Energy	\$ 119,740.00
Dec. 2010	Tenaska Marketing Ventures	\$ 371,531.71
Dec. 2010	Texla Energy Management, Inc.	\$ 845,363.30

Dec. 2010	Virginia Power Energy Marketing, Inc.	\$1,851,590.89
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NO. 2 AND NO. 6 FUEL OIL PURCHASES:

Dec. 2010	Automated Petroleum & Energy Co., Inc.	\$507,587.68
Dec. 2010	Fleetwing Corporation	\$174,600.51
Dec. 2010	TransMontaigne Product Services Inc.	\$144,130.40

2. Ratification of Bid #2956 - Contract award to Trinity Industries Leasing Company for a three-year full service lease of 121 railcars in an amount not to exceed \$1,916,640;
3. Ratification of a sole source Purchase Order to Siemens Energy, Inc. to provide technical support services, inspection and tests required for the Stanton Energy Center Unit 1 steam turbine generator inspection in an amount not to exceed \$325,000;
4. Approval of a sole source Purchase Order to Metso Minerals Industries, Inc. to provide the ball mill #1 split ring gear replacement and technical field assistance for the Stanton Energy Center Flue Gas Desulphurization Additive Preparation System in an amount not to exceed \$242,000;
5. Approval for the General Manager & CEO to execute a five-year contract extension with Headwaters to continue providing operations, maintenance and combustion byproduct marketing services for the sludge conditioning facility at Stanton Energy Center, subject to final contract negotiations and OUC legal review. Approval of a Purchase Order to Headwaters Resources, Inc. for the purchase of stabilization additives for a five-year period in the amount of \$4,000,000;
6. Approval of an OUC-initiated scope change and conforming Change Order No. 1 to GenOn Florida, LP to continue providing services under the Indian River Combustion Turbine Units Support Services Agreement for a one-year period at an annual cost of \$720,000, increasing the total Purchase Order amount to \$1,440,000;
7. Approval of funding for Santee Cooper, Southern Company and FP&L to perform transmission studies required for participation in the V.C. Summer Units 2 & 3 Nuclear Project in an aggregate amount not to exceed \$375,000;
8. Ratification of a Transmission Capital Expenditure Estimate for the Turkey Lake to Metrowest Transmission Dead-End Pole Replacement Project in the amount of \$395,109;
9. Ratification of Bid #3021 – Contract award to Southeast Power Corporation, the most responsive and responsible bidder, to construct

- 19 foundations required for the St. Cloud North to Magnolia Ranch Transmission Line Upgrade Project in the amount of \$850,000;
10. Approval of Bid #3021 – Contract award to Reliable Constructors, Inc., the most responsive and responsible bidder, to construct seven foundations required for the Pershing to Grant Transmission Line Upgrade Project in the amount of \$220,000;
 11. Approval of a Transmission Capital Expenditure Estimate for the Pine Hills to Woodsmere Dead-End Transmission Structure Replacement Project in the amount of \$233,856;
 12. Approval of the Electric Distribution Construction Estimates for the installation of electric distribution interconnection facilities along Innovation Way, north of Pope Street, required for the Stanton Solar Photovoltaic Project site located at the Stanton Energy Center in the amounts of \$220,951.26, \$108,384.65, and \$354,803.00 for the installation of overhead equipment, conduit and cable systems respectively, for a total of \$684,138.91;
 13. Approval of the Electric Distribution Construction Estimate for the installation of an overhead electric distribution system along Nolte Road, from Old Hickory Tree Road to Hickory Tree Road, located in the St. Cloud service territory, required for Phase 1 of the City of St. Cloud's Nolte Road Construction Project in the amount of \$367,689.86;
 14. Approval of the Electric Distribution Construction Estimate for the overhead to underground conversion along Lucerne Terrace, Copeland Drive and Underwood Street, located in the Orlando service territory, in the amount of \$144,274.40, with customer contributions in the amount of \$93,196.84 and a salvageable material credit in the amount of \$51,077.56;
 15. Approval of the Electric Distribution Construction Estimate for the relocation of an existing switch site along Lake Nona Boulevard, north of State Road 417, located in the Orlando service territory, in the amount of \$108,373.72, with customer contributions in the amount of \$78,357.50 and a salvageable material credit in the amount of \$30,016.20;
 16. Approval of the Electric Distribution Construction Estimates for the underground electric distribution system upgrade of the Atrium Subdivision, Loop 1 of 2, located in the Orlando service territory, in the amounts of \$66,611.65 and \$115,510.13 for the installation of conduit and cable systems respectively, for a total of \$182,121.78;
 17. Approval of the Electric Distribution Construction Estimate for the installation of underground feeder cable and associated switchgear for

Feeder Circuit No. 32-222, extending 3.4 miles from the Lake Nona Substation along the OUC transmission right-of-way, Lake Nona Boulevard and Tavistock Boulevard, located in the Orlando and St. Cloud service territories, in the amount of \$1,477,665.53;

18. Approval of the Electric Distribution Construction Estimate for the installation of underground feeder cable and switchgear for Circuit Nos. 32-12 and 32-34, extending from the Lake Nona Substation along the OUC transmission right-of-way, Lake Nona Boulevard and Veterans Way, located in the Orlando service territory, to serve the Veterans Affairs Orlando Medical Center in the amount of \$885,715.20, with customer contributions in the amount of \$305,768.71;
19. Ratification of a sole source Purchase Order to Hewlett Packard Company for the purchase of hardware and software and four years of prepaid maintenance in the amount of \$258,999.12;
20. Ratification of additional funding in the amount of \$110,506 with conforming Change Order No. 1 to Orlando Freightliner, Inc. for the purchase of one additional 2011 crew cab utility truck for the Water Distribution Division, increasing the total Purchase Order amount to \$852,677. Ratification of Bid #3016 – Contract award to Oilmen’s Truck Tank, Inc., the sole responsive and responsible bidder, for the purchase of a 4,000-gallon fuel truck in the amount of \$191,890;
21. Approval of RFP #3014 – Contract award to OPower, Inc. to implement and provide services for the Home Energy Reporting Program for a three-year period in an amount not to exceed \$2,500,000, contingent upon final OUC legal review and approval of a Service Agreement;
22. Approval of an OUC-initiated scope change and conforming Change Order No. 2 to Quest, Inc. in the amount of \$71,723.14 to exercise the final one-year renewal term for Material Salvage Services through February 28, 2012, increasing the total Purchase Order amount to \$405,876;
23. Approval of a sole source Purchase Order to media outlets including, but not limited to: television channels 2, 6, 9, 18, 27, 35 and 65; Bright House Networks; Clear Channel Outdoor Media; *La Prensa*; COX Radio, Inc. Orlando and Clear Channel radio networks; *Orlando Sentinel* and *OrlandoSentinel.com*; MNI Interactive; *Orlando Business Journal*; *St. Cloud in the News*; *Osceola News Gazette*; *Orlando Times* and *First Monday* for customer education and public information communications for a one-year period from March 2011 to March 2012 in the aggregate amount of \$1,000,000;
24. Approval of a RFP #3004 – Contract award to Coastal Air Consulting Inc., the lowest, most responsive and responsible vendor, to provide annual air emissions compliance and Relative Accuracy Test Audit

testing for Stanton Energy Center for a three-year period in the amount of \$115,000;

25. Approval of an OUC-initiated scope change and conforming Change Order No. 1 to Itron, Inc. for three years of MV90 software maintenance in the amount of \$84,932, increasing the total Purchase Order amount to \$162,409;
26. Approval of additional funding in the amount of \$80,000 with conforming Change Order No. 1 to Ford & Harrison, LLP for ongoing legal services through September 30, 2011, increasing the total Purchase Order amount to \$155,000; and
27. Authorization for the General Manager & CEO to execute the Release of Utility Easements for the K. Hovnanian Homes for property located north of Vineland Road and east of the Florida Turnpike.
28. PULLED.

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John Hearn reported that the Audit Committee met on February 24, 2011 to review the 2011 Audit Committee Work Plan and status of the Internal Audit 2010 Work Plan and open items. In addition, the 2011 Internal Audit Work Plan was presented. The financial results of the four month period ended January 31, 2011 were discussed with Income before contributions at \$23.2 million.

In conjunction with the Orange County supplemental audit, an amendment to the Orange County Territorial Agreement is being proposed. The proposed amendment clarifies existing terms of the agreement related to the supplemental payment and provides for an audit provision.

On motion by Mayor Dyer and seconded by Commissioner Ferrone, PRES-1a, the Amendment to the Orange County Water Service Territorial Agreement, was approved as follows:

PRES-1a: This Amendment 1 to the amended and restated Orlando Utilities Commission/Orange County Water Territorial Agreement.

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Commissioner Kirby reported that the Finance Committee met on February 22, 2011 to review quarterly management reports and to discuss three recommended resolutions related to financing transactions.

First, the Series 2010D Bonds will mature on May 1, 2011. The bonds are Designated Maturity Obligation Bonds with a final maturity in 2027. Several financing options were explored, including a "Windows" product, which is a variable rate bond alternative that does not require liquidity.

On motion by Commissioner Kirby and seconded by Commissioner Ferrone, PRES-2a, the Series 2011A Revenue Refunding Bonds Resolution, was adopted as follows:

PRES-2a: A resolution of the Orlando Utilities Commission authorizing the issuance of not exceeding \$100,000,000 Utility System Revenue Refunding Bonds, Series 2011A, for the purpose of refinancing the outstanding Utility System Revenue Refunding Bonds, Series 2010D; setting forth the terms of said bonds; providing for the disbursement of funds; appointing a paying agent, tender agent, remarketing agent and registrar for said bonds and approving agreements with respect to such parties; authorizing the negotiated sale of said bonds; delegating certain authority to the general manager and other officers, including authorizing the execution and delivery of a bond purchase agreement and the approval of the terms of such series as set forth herein and in Exhibit A hereto; authorizing the execution and delivery of an escrow deposit agreement; appointing and escrow; authorizing the preparation, deeming final and distribution of a preliminary official statement and the execution and delivery of an official statement; creating and establishing a cost of issuance account; authorizing the execution and delivery of a remarketing agent agreement and a continuing disclosure undertaking; authorizing proper officials to do all other things deemed necessary or advisable in connection with the issuance, sale and delivery of said bonds; providing certain other matters in connection therewith; and providing an effective date.

In addition, the Series 2008 Bonds are currently structured as weekly Variable Rate Demand Obligations in the principal amount of \$200 million. The Finance Committee reviewed the amending resolution authorizing the series be split into two \$100 million parts with two remarketing agents.

On motion by Commissioner Kirby and seconded by Mayor Dyer, PRES-2b, the Series 2008 Bonds Amending Resolution, was adopted as follows:

PRES-2b: A resolution of the Orlando Utilities Commission amending its resolution adopted on April 8, 2008 relating to the issuance of not exceeding \$200,000,000 Utility System Revenue Bonds, Series 2008 to provide for two subseries of such bonds; to provide for two remarketing agents, one for each such subseries; and to approve the form of remarketing agreements; designating new remarketing agents with respect to such bonds; authorizing proper officials to do all other things deemed necessary or advisable in connection with such amendments and the remarketing of such bonds; providing certain other matters in connection therewith; and providing an effective date.

The Series 2008 Bonds are backed by a liquidity facility that expires on April 17, 2011. On motion by Commissioner Kirby and seconded by Commissioner Ferrone, PRES-2c, the Standby Bond Purchase Agreement Replacement Resolution, was adopted as follows:

PRES-2c: A resolution of the Orlando Utilities Commission authorizing the replacement of a Standby Bond Purchase Agreement issued by Banco Bilbao Vizcaya Agentaria, S.A., as liquidity provider with respect to its Utility System Revenue Bonds, Series 2008; approving the form of an alternate Standby Bond Purchase Agreement with JPMorgan Chase Bank, National Association, and delegating to authorized officers the

authority to negotiate and finalize the terms thereof; approving the form of a reoffering circular; authorizing the payment of costs of issuance related to the transactions described herein; authorizing proper officials to do all other things deemed necessary or advisable in connection with the issuance of the alternate liquidity facility; providing certain other matters in connection therewith; and providing an effective date.

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John Hearn reported that Income before contributions for the five months ended February 28, 2011 was slightly behind budget. Retail electric, retail water and wholesale electric sales were lower than expected in February.

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Mr. Ksionek asked Chip Merriam to give a legislative update. Mr. Merriam explained recent changes in the Executive Branch in preparation for the 2012 election. He discussed how the Deficit Commission Recommendations, specifically the end of tax-exempt bonds, could affect OUC. Mr. Merriam also discussed Congressional issues, including Senate committees, health care, budget, clean energy standards, cyber security and grid act. He also provided some points of bicameral discussion, including nuclear development, domestic oil and gas development, environmental lawsuits and tax incentives for electric vehicles and efficiency. At the state level, there is a new Governor, Cabinet, Speaker and President. The theme of the legislature is less regulation to promote business and jobs. Mr. Merriam discussed Consumptive Use Permitting changes, including minimum flows and levels, the Central Florida Coordination Act, meetings with water management districts and conservation requirements. There have been 1,800 pieces of legislation filed, including municipal governing body meetings, bottled water surcharge, term limits, numeric nutrient criterion, gifts, procurement of professional services, verification of employment and assessment of real property.

Commissioner Ferrone asked for clarification regarding the Rainy Day Fund. Mr. Merriam replied that 10 percent of the previous year's revenue will be set for the new fiscal year.

Mayor Dyer stated that agencies may only create rules and regulations when delegated that authority by the legislature. Very detailed legislation would curtail the need for rules and regulations, while vague legislation would require agencies to interpret legislation and create additional rules and regulations. Mayor Dyer asked if the current Rainy Day Fund has been spent down. Mr. Merriam replied affirmatively, and the new Rainy Day Fund is much more prescribed and focused.

Mr. Ksionek thanked the Board for approval of Affirmative Item A-7 and stated that OUC is actively working on a Letter of Intent for the V.C. Summer Nuclear Project. The letter should be completed and accomplished within the week. Mr. Ksionek stated that he has been engaged in discussions with the CEO of

Santee Cooper, who indicated that OUC would be an important participant for the project and is a preferred partner.

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Commissioner Ferrone stated that over the past month she participated in several of OUC's environmentally-oriented programs and was very impressed with the organization and community support for these programs. She looks forward to seeing the results of these programs over the coming years. She is continuing to learn how OUC gathers data that can be used to guide programs in the future.

Mayor Dyer stated that the State of the City address is scheduled for March 10 at 10:00 A.M. and extended an invitation to view the address at City Hall or via television or internet. There will be 12 minutes of speech and the rest will be participatory comments and questions from citizens.

Commissioner Kirby stated that he will be traveling to Tallahassee for the new legislative session and advised that citizens of Florida should be watchful during the legislative session. He stated that he was pleased to hear about the increased need in OUC's southeast Orlando service area. He applauded the efforts of OUC's two Meter Readers of the Year. He congratulated the members of OUC staff that were involved in campaigns that received ADDY Awards, as well as Wade Wright and Jimmie Lee Jones for their Service Awards. He also mentioned the importance of the Home Energy Reporting Program in helping OUC's customers take charge of efforts to conserve energy.

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Commissioner Kirby adjourned the meeting at 3:36 P.M.

President

Secretary