

**MINUTES
ORLANDO UTILITIES COMMISSION
May 11, 2010
2:00 P.M.**

Present:**COMMISSIONERS:**

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

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Alvin Frazier, Roseann Harrington, Byron Knibbs,
Robert Teegarden, Denise Stalls, 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 Porta asked John Hearn to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:00 P.M.

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On motion by Mayor Dyer, seconded by Commissioner Kirby and unanimously carried, the reading of the minutes of the April 13, 2010 Commission Meeting was waived and the minutes were approved.

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

1. Ratification of fuel procurements to the low bidders in January and February 2010 in the aggregate amount of \$8,273,562.94 as follows:

NATURAL GAS PURCHASES:

Feb. 2010	BG Energy Merchants, LLC	\$ 385,156.75
Feb. 2010	BP Energy Company	\$ 360,900.00
Feb. 2010	City of Lakeland	\$ 696,632.44
Feb. 2010	Chevron Natural Gas	\$ 208,682.42
Feb. 2010	EDF Trading (Formerly Eagle Energy)	\$ 101,974.59

Feb. 2010	Enbridge Marketing, LP	\$ 123,633.29
Feb. 2010	ExxonMobil Gas & Power Marketing	\$ 405,358.55
Feb. 2010	Florida Gas Utility	\$ 433,962.07
Feb. 2010	Infinite Energy	\$ 249,027.36
Feb. 2010	Louis Dreyfus Energy	\$ 755,358.25
Feb. 2010	National Fuel Marketing	\$1,837,135.36
Feb. 2010	Rainbow Energy	\$ 157,765.69
Feb. 2010	Shell Energy	\$2,120,020.17
Feb. 2010	Total Gas & Power	\$ 134,496.00

FUEL OIL PURCHASES:

Jan. 2010	Automated Petroleum & Energy Co., Inc.	\$ 303,460.00
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2. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Turbine Underfloor Fire Protection Systems Upgrade Project in the amount of \$226,439. Approval of Bid #2853 – Contract award to W. W. Gay Fire & Integrated Systems, Inc., the lowest, most responsive and responsible bidder, for materials, installation and testing in an amount not to exceed \$156,439, pending final contract negotiations and OUC legal review;
3. Ratification of additional funding in the amount of \$750,000 for an OUC initiated scope change with conforming Change Order No. 1 to Orlando Rock for installing fiber matting over access roads and providing additional environmental measures to prevent soil washouts into sensitive areas, increasing the total Purchase Order amount to \$2,788,000;
4. Approval of the Electric Distribution Construction Estimates for the underground electric distribution system upgrade for the Bryn Mawr subdivision, Phase 5 of 14, located in the Orlando service territory, in the amounts of \$137,252.37 and \$160,501.93 for the installation of conduit and cable systems respectively, for a total of \$297,754.30;
5. Approval of the Electric Distribution Construction Estimates for the underground electric distribution system upgrade for the Green Manor subdivision, located in the Orlando service territory, in the amounts of \$100,881.88 and \$102,193.87 for the installation of conduit and cable systems respectively, for a total of \$203,075.75;
6. Approval of the Electric Distribution Construction Estimate for the installation of an underground electric distribution system to serve The Landmark at Universal apartments, located in the Orlando service territory, in the amount of \$198,038.98;
7. Approval of the Electric Distribution Construction Estimate for the upgrade of the overhead electric distribution system for Circuit 9-34, Phase 3 of 7, located in the Orlando service territory, in the amount of \$166,396.94;

8. Approval of the Electric Distribution Construction Estimate for the installation of an underground feeder cable on Circuit No. 11-21, located along Truman Road in the Orlando service territory, in the amount of \$219,702.69;
9. Approval of the Electric Distribution Construction Estimate for the upgrade of the overhead electric distribution system for Circuit No. 18-42, located in the Orlando service territory, in the amount of \$116,899.18;
10. Approval of the Lighting Construction Estimate for Nemours Parkway in the Orlando service territory in the amount of \$124,310.68, which includes \$76,833.84 for lighting equipment from OUC's stock inventory and \$47,476.84 for the installation of poles, fixtures and wires by Terry's Electric, Inc, OUC's lighting contractor; Boggy Creek Improvement District has executed a twenty-year service agreement with OUC for this lighting system and will be responsible for the monthly billing;
11. Approval of a Capital Expenditure Estimate for the SONET Communication Systems project at an estimated cost of \$1,600,000; which includes approval of a Purchase Order to KEMCO Industries, LLC to purchase, assemble and install the SONET equipment and switchboard panels in the amount of \$1,320,000;
12. Approval of a Capital Work Order for the Lucerne Terrace Improvement Project for the water distribution improvements in the amount of \$205,522.55; which includes approval of a Purchase Order to Orlando Health, Inc. for reimbursement of construction costs in an amount not to exceed \$175,467.07;
13. Ratification of additional funding in the amount of \$201,733 for an OUC initiated scope change with conforming Change Order No. 1 to Property Casualty Insurance to ensure continuity of coverage of OUC property, increasing the total Purchase Order amount to \$2,607,233;
14. Approval of the Capital Expenditure Estimate for Chiller No. 4 for the Downtown North Central Chilled Water Plant in the amount of \$1,160,000; which includes approval of a sole source Purchase Order to Westbrook Service Corporation for the installation of the Chiller No. 4 equipment in the amount of \$1,025,000; approval of a sole source Purchase Order to Trane US, Inc. for the direct purchase of Chiller No. 4 in the amount of \$428,434;
15. Approval of a Capital Expenditure Estimate for the sand filtration system at the Lockheed Martin Chilled Water Plant in the amount of \$550,000; which includes approval of a sole source Purchase Order to

- S. I. Goldman Company, Inc. for the installation of the sand filtration system in the amount of \$540,000; and approval of a Purchase Order to Chemworks, Inc. for the direct purchase of the sand filtration equipment in the amount of \$126,320;
16. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Black and Veatch to provide additional permitting support services required for the Stanton Energy Center solar farm and a National Pollutant Discharge Elimination System permit and to perform a wastewater storage capacity feasibility study in the amount of \$129,200, increasing the total Purchase Order amount to \$227,500;
 17. Approval of additional funding in the amount of \$67,000 for an OUC initiated scope change with conforming Change Order No. 6 to CH2MHill Southeast, Inc. to provide the additional scope of work required for the revised groundwater investigation plan, increasing the total Purchase Order amount to \$256,340.12;
 18. Approval of additional funding in the amount of \$1,500,000 with conforming Change Order No. 3 to the Temporary Staffing Support Purchase Order, increasing the total Purchase Order amount to \$5,500,000;
 19. Approval of a Capital Expenditure Estimate for the Advanced Metering Infrastructure collector network expansion in the amount of \$216,000, which includes a Purchase Order to WESCO Distribution, Inc. for the purchase of 225 Elster collectors in the amount of \$193,000;
 20. Approval of an OUC initiated scope change with conforming Change Order No.1 to Detectent, Inc. to provide data analytical services to identify un-metered consumption for a three-year period in the amount of \$259,000, increasing the total Purchase Order amount to \$346,000;
 21. Approval of RFP #2861 – Contract award to Portland General Electric, the most responsive and responsible bidder, for the software and maintenance services for OUConsumption Online for a three-year period in the amount of \$140,000;
 22. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Costa DeVault, Inc. in the amount of \$160,000 to exercise a one-year renewal option to provide public information and communications services, including Spanish translation services, increasing the total Purchase Order amount to \$440,000;
 23. Approval of additional funding in the amount of \$70,000 with conforming Change Order No. 1 to Gray Robinson, P.A. to be used for litigation costs and fees incurred to date and for Commission-wide general legal services through September 30, 2010, increasing the total Purchase Order amount to \$120,000;

24. Approval of additional funding in the amount of \$40,000 with conforming Change Order No. 1 to Young Van Assenderp, PA to provide representation regarding OUC's Demand-Side Management Conservation Plan and continued general legal services through September 30, 2010, increasing the total Purchase Order amount to \$110,000;
25. Approval of RFP #2871 – Contract award to TITAN Technology Partners, the most responsive and responsible bidder, to provide Configurable Network Computing technical support services for a three-year period at a total cost not to exceed \$558,000, subject to final OUC legal review; and
26. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Absolute Access & Security Products, Inc. to continue providing computer wiring installation services in support of the voice and data systems through April 2013 in the amount of \$150,000, increasing the total amount of the Purchase Order to \$224,000.

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The Finance Committee held its regular meeting on May 6, 2010 to discuss the quarterly reports, review the most recent debt transactions, approve cash reserve levels and review policies and guidelines. On April 28, 2010, OUC successfully issued \$96.5 million 2010C Refunding Bonds that were approved at the April 13, 2010 Commission Meeting. OUC achieved an all-in cost of 4.48 percent, inclusive of the swap termination, which was .52 percent lower than the approved target rate of 5.00 percent. On May 5, 2010, OUC issued \$97.4 million 2010D Designated Maturity Bonds for a one-year term. The bonds were approved at the April 13, 2010 Commission Meeting. OUC achieved a .47 percent yield. All long-term and short-term bond credit ratings were affirmed and stable. All current cash reserves were reviewed. Recommended changes to the cash levels were approved, increasing the overall cash reserves target to \$268.3 million. Having adequate cash reserves is a critical factor in OUC maintaining its AA ratings from all three rating agencies. The Finance Committee reviewed the policies related to investment, debt, derivatives and energy risk management. No changes were recommended.

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John Hearn reported that net income through April was about \$31 million, which is approximately \$6 million ahead of budget. This surplus was mainly a result of operating expenses being under budget. Operating revenues are on target for the total year to date.

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Ken Ksionek asked Chip Merriam to provide a legislative update. The Florida legislature passed 301 bills in the previous session. Mr. Merriam discussed several bills that will affect OUC. The PACE bill will provide the authority to local

governments and utilities to lend money to taxpayers for efficiencies and guarantee those loans against home tax assessments. At the time the home is sold, the new homeowner would assume the responsibility for paying off the loan. Commissioner Dominquez Arlen asked if the loan will appear on the Multiple Listing Service when the house is listed for sale. Mr. Merriam replied that the home listing should show the benefits that were created and that there is an assessment to be paid off in the future. Another bill concerns Consumptive Use Permit (CUP) holders such as OUC. This bill changes the CUP compliance review periods from every five years to every ten years. A new law allows OUC staff to perform fire hydrant inspections themselves, which could result in a cost savings. The prompt payment act had several revisions and forces governmental entities to quickly react when a vendor submits a payment request. House Bill 1565 requires agencies such as water management districts to complete a Statement of Estimated Regulatory Cost. Any time an agency enacts a new rule that includes a cost impact in excess \$200,000, it will have to state what the rule will cost those that will be impacted. Mr. Merriam also discussed several bills that could have impacted OUC but were not passed.

Governor Crist will request a special legislative session to discuss budget changes, oil drilling issues and renewables. President Porta asked about the Governor's plan for renewables. Mr. Merriam replied that Governor Crist has only stated that renewables deserve attention.

Mr. Merriam reported on several issues at the federal level, including the Kerry-Lieberman and Carper-Alexander bills. He noted that Senator Graham removed himself from the Kerry-Lieberman energy bill, and that opposition to these bills will come from environmental agencies, who want a full climate bill. Senator Lisa Murkowski is close to getting the 51 necessary votes on a Disapproval Resolution that would take away the Environmental Protection Agency's (EPA) authority to regulate greenhouse gases. A Disapproval Resolution allows a member of Congress to disapprove of an agency's actions, remove part of the agency's authority and return this authority to the Congress. Another bill introduced by Senator Jay Rockefeller would delay the implementation of rulemaking on greenhouse gases by the EPA for two years. There were two confirmations for Federal Energy Regulatory Commission nominees that will go to the Senate. Mr. Merriam thanked Senator Nelson's staff for their help in getting OUC time to speak to the finance committees. The EPA has begun a 90-day comment period for new rules regulating coal ash.

Commissioner Kirby asked how OUC can best stay informed regarding state-level discussions regarding renewables. Mr. Merriam replied that he will attend all relevant sessions.

President Porta asked if the Public Service Commission nominees who were not confirmed will sit until new appointees are announced. Mr. Merriam replied that they can sit until the Governor makes new appointments or until the legislature comes back into session. Mayor Dyer commented that a new Governor will likely retract any appointments that were not confirmed.

Ken Ksionek provided an update on two proposed nuclear power plants and distributed an April 30, 2010 Progress Energy Florida (Progress Energy) press release. In Summer 2007, OUC was approached by Progress Energy and Florida Power & Light (FPL) regarding ownership in new nuclear power plants. On July 15, 2008, OUC held a Strategic Planning Workshop and presented the Electric Integrated Resource Plan which indicated that nuclear energy was the best cost alternative for zero emission base load generation in Florida.

Mr. Ksionek received Commission approval on December 9, 2008 to enter into a Joint Ownership Agreement with Progress Energy for up to 5.88 percent ownership share, not to exceed 128.5 MWs, of the Levy Nuclear Project. However, this agreement was never executed. Progress Energy stated in May 2009 that they would delay the Levy Nuclear Project by 20 months because they could not receive a limited work authorization. Commissioner Dominguez Arlen asked if a financing issue also caused the delay. Mr. Ksionek said that the economy was already in a downturn and there were also permitting and licensing concerns. At the same time, the bond rating agencies warned utilities that unless they strengthened financial portfolios before building nuclear generation facilities, they would face possible negative rating actions. In Spring 2010, both Progress Energy and FPL received downgraded ratings from bond agencies citing higher debt and a deteriorating political and regulatory environment.

In accordance with the PSC, Progress Energy and FPL filed nuclear cost recoveries in May 2010. Both utilities indicated that they were focused on pursuing the licenses, permits and approvals to move forward with nuclear plants and feel nuclear is feasible from a financial, regulatory and technical basis, but would wait to proceed until they received the Combined Operating License (COL). The Progress Energy Levy 1 service date is delayed from 2016 to 2021 and Levy 2 is scheduled to go in service in 2022. The FPL Turkey Point 6 commercial operation date is rescheduled to 2022 and Turkey Point 7 is rescheduled to 2023. In addition to a delayed schedule, the total estimated costs for Levy is \$17-\$22 billion, up from \$14-\$17 billion, and \$12.8-\$18.7 billion for Turkey Point, up from \$12.1-\$17.8 billion.

Mr. Ksionek distributed a chart that indicates OUC's current nuclear capacity is 4 percent. The projection for future nuclear power capacity is 11 percent by 2020, which will be delayed due to Progress Energy and FPL's revised schedules. OUC moved the nuclear funding requirement in the five-year plan to 2012 and beyond. John Hearn stated that OUC collected \$2 million from 2009 rates, which has been set aside in the electric base stabilization fund to be used for future renewables and nuclear power. OUC will not receive any nuclear recovery revenues in 2010 and 2011. OUC staff has been working on the next year's budget with the goal of no electric or water rate changes.

Mr. Ksionek reported that OUC has recently been approached by Santee Cooper in South Carolina about buying capacity in the expansion of their V.C. Summer nuclear power plant. Both Progress Energy and FPL are still interested in OUC participation, but will not discuss joint ownership or purchase power agreements until receiving their COLs in the 2012 and 2013 time period.

Commissioner McAllaster asked about the status of Progress Energy's current nuclear power plant. Mr. Ksionek replied that Progress Energy is upgrading its Crystal River Unit 3 plant. When the nuclear power plant went into its outage in September 2009, workers discovered a crack or delamination in the 42 inch concrete containment wall. Progress Energy replaced the nuclear reactor and the mechanical components and repaired the concrete defect and is now performing non-invasive tests to verify the containment wall defect is gone. It is expected that the plant will come back online at the end of Summer 2010. In the meantime, OUC still receives its ownership share of power from Progress Energy from traditional energy sources at the same cost as nuclear power.

Commissioner Dominguez Arlen asked if there is a renewed interest in nuclear power as a result of the recent oil spill in the Gulf of Mexico. Mr. Merriam replied that many legislators are talking about smaller plants and how to speed up the regulatory process. Mr. Ksionek stated that the loan back-up guarantees that several companies received are a good sign that the government is supporting more nuclear power. President Porta asked if Santee Cooper has a permit for its new nuclear power plant, and Mr. Ksionek replied that it should receive its permit in the 2011-2012 timeframe.

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Commissioner Dominguez Arlen thanked the Financial Services Department for its hard work during stressful financial times. She is pleased to see that the bond rating agencies continue to give high ratings to OUC.

Commissioner Kirby also congratulated John Hearn and the entire Financial Services Department on maintaining high bond ratings, and noted this as a factor in OUC being able to maintain low current electric and water rates. He added that the recent oil spill in the Gulf of Mexico shows the importance of maintaining safety in everyday operations and commended OUC staff for its attention to safety.

Mayor Dyer stated that he enjoyed participating with OUC on a work-along on May 11 to install \$28,000 worth of energy efficiency improvements for an OUC customer.

President Porta also attended the work-along and stated that the homeowner learned about the project at the Smith Center neighborhood meeting. President Porta believes that it is important for OUC to help homeowners make energy efficiency improvements in their homes in order to reduce the carbon footprint. President Porta also discussed several meetings she attended about solar and green initiatives.

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Mayor Dyer moved to adjourn the meeting and Commissioner McAllaster seconded. President Porta adjourned the meeting at 3:00 P.M.

President

Secretary