

**MINUTES**  
**ORLANDO UTILITIES COMMISSION**  
**June 12, 2012**  
**3:00 P.M.**

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**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, Al Frazier, Roseann Harrington, Byron Knibbs,  
Denise Stalls, Rob Teegarden, Vice Presidents  
John Hearn, Chief Financial Officer  
Chip Merriam, Chief Legislative & Regulatory Compliance Officer  
Greg Rodeghier, Chief Information Officer  
W. Christopher Browder, Vice President & General Counsel  
Nanci Schwartz, Recording Secretary

President Dominguez asked Ron Torporek to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 3:06 P.M.

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On a motion by Commissioner Kirby, seconded Commissioner McAllaster and unanimously carried, the reading of the minutes of the May 8, 2012 Commission Meeting minutes was waived and the minutes were approved.

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Jan Aspuru presented an update on Affirmative Item A-3 regarding Unit Train Storage and OUC's changing fuel markets. Mr. Aspuru explained that the electric industry is currently in a very unique fuel market situation. He stated that the State of Florida is like an "island" from an electric grid standpoint, with limited transmission capacity to import wholesale energy into the state and basically no natural gas storage. Mr. Aspuru explained the combined cycle dispatch costs versus the coal dispatch costs at Stanton Energy Center in recent years.

Mr. Aspuru explained that there are three main issues in managing current market conditions: plant operations, coal supply and transportation and natural gas supply, storage and transportation. He explained the difficulties in cycling

**WORKSHOP MINUTES**  
**ORLANDO UTILITIES COMMISSION**  
**June 12, 2012**  
**1:00 P.M.**

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**Present:**

**COMMISSIONERS:**

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Dan Kirby, First Vice President  
Craig McAllaster, Second Vice President  
Linda Ferrone, Commissioner  
Buddy Dyer, Mayor

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The Strategic Planning Workshop of the Orlando Utilities Commission was held Tuesday, June 12, 2012, at 1:00 P.M., at the Orlando Utilities Commission's Seventh Floor Open Area.

Ken Ksionek provided opening remarks explaining the purpose of this briefing as well as a high-level overview of OUC's business model.

John Hearn briefed the Board on changes in OUC's business environment since 2006. He provided an overview of OUC's mission, vision and strategic objective, including discussion of the Initiative 1 of the Strategic Plan – Reducing Electric Base Rates.

Roseann Harrington discussed OUC's customer research and its impact in regards to the Strategic Plan.

Clint Bullock provided information on Initiative 2 – Optimize Customer Service. He explained how the new Strategic Plan will optimize customer service and lower expenses, as well as establishing the appropriate level of reliability while balancing cost and maintaining our current position of the most reliable utility.

Denise Stalls explained Initiative 3 – Improve Organizational Effectiveness.

John Hearn provided a preview of the 2013 Fiscal Year Budget.

The Workshop adjourned at 3:00 P.M. to begin the Commission Meeting.

The Workshop reconvened at 3:55 P.M. for Commissioner questions and further discussion.

The Workshop adjourned at 4:40 P.M.

coal units in terms of operations and maintenance and stated that the new natural gas igniters will improve operational flexibility.

Because coal units normally operate as base loaded units, the utility practice is to lock in most of forecasted consumption under longer term contracts. To take advantage of the low natural gas prices, OUC has significantly reduced the dispatch of SEC's coal units. However, the lower-than-planned coal operations also have led to a reduction of coal deliveries and a need to store the idle coal trains. OUC has five train sets but room to park just one on-site at the SEC. Therefore, it is necessary to provide unit train storage for a three-year period based on price and availability.

Commissioner McAllaster asked if previously leased coal trains will be stored or turned in, and about the size of the coal pile kept at SEC. Mr. Aspuru replied that OUC currently has two leased sets with one set getting ready to be returned. There are approximately 40 days coal storage at SEC.

Commissioner Ferrone asked if the Florida Municipal Power Pool provides OUC a purchasing scale in regards to the contracting of raw fuel purchases. Mr. Aspuru replied that the FMPP is currently limited to leveraging generation assets but that current discussions include the possibility of creating a centralized fuel division.

President Dominguez asked if a centralized fuel division would include natural gas storage. Mr. Aspuru provided that it is a possibility.

Commissioner Kirby asked a question about Affirmative Item A-2 regarding the Combustion Turbine C Inspection and Combustion Turbine D Hot Gas Inspection and Repairs Project. He inquired why the project would utilize a sole source purchase order when there are at least two vendors to provide services. Mr. Aspuru replied that Mitsubishi Power Systems Americas, Inc. is now eligible to provide inspection and repair services in the United States after non-compete contract restrictions with Siemens expired. OUC is issuing a single source purchase order in order to establish Mitsubishi as an additional provider of services and a competitor to Siemens for combustion turbine repair work. The dollar amount being requested for Mitsubishi includes all the work for this project.

Commissioner Kirby also asked a question about Affirmative Item A-6 regarding the Hydrofluosilicic Acid Contract. He inquired if there had been any indication during the bidding process that the contract would be subject to a subsequent renewal process? Mr. Teegarden replied that the current contract is for three years with two one-year renewal options. The requested change order is to provide additional funding through the remainder of the initial three-year contract period ending on October 31, 2013.

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

1. Ratification of the below spot fuel procurements to the low bidders in March 2012 in the aggregate amount of \$5,637,983.80 as follows:

**NATURAL GAS PURCHASES:**

Mar. 2012	Chevron Natural Gas	\$ 122,812.20
Mar. 2012	CIMA Energy LTD.	\$ 108,493.99
Mar. 2012	ConocoPhillips	\$1,704,078.74
Mar. 2012	Enbridge Marketing, LP	\$ 359,177.12
Mar. 2012	Infinite Energy	\$ 391,952.43
Mar. 2012	Macquarie Cook Energy, LLC	\$ 863,123.80
Mar. 2012	National Energy & Trade	\$ 493,088.45
Mar. 2012	NJR Energy Services	\$ 334,909.01
Mar. 2012	Rainbow Energy	\$ 196,098.95
Mar. 2012	Shell Energy	\$ 399,854.14
Mar. 2012	Southwestern Energy	\$ 318,611.28
Mar. 2012	Tenaska Marketing Ventures	\$ 345,783.69

2. Approval of a Capital Expenditure Estimate for the Indian River Plant Combustion Turbine C Inspection and Combustion Turbine D Hot Gas Path Inspection & Repairs Project in the amount of \$4,058,698. Approval of a single source Purchase Order to Mitsubishi Power Systems Americas, Inc. to perform the Combustion Inspection, Hot Gas Path Inspection and blade repairs in an amount not to exceed \$4,058,698, subject to final contract negotiations and OUC legal review;
3. Approval of Purchase Orders to CSX Transportation, Inc.; Florida Central Railroad Company, Inc.; Peabody Midwest Mining, LLC; Progress Energy Florida, Inc.; Duke Energy Carolinas, LLC; Alliance Coal, LLC; Alpha Coal Sales Company, LLC; James River Coal Company; Southern Company Rail Services; Gainesville Regional Utilities; Appalachian Railcar Services, Inc.; Tampa Electric Company; Traxys North America LLC; Pioneer Group, Inc.; Lakeland Electric and Consol Energy Sales Company to provide unit train storage for a three-year period in an aggregate amount not to exceed \$430,000;
4. Approval of RFP #3248 – Contract award to Phillips & Jordan, Inc., the most responsive and responsible vendor, for the construction of access pads, roads and compensating storage required for the Lake Agnes to Lakeland McIntosh Segment of the Taft to Lakeland McIntosh Transmission Line Reconductor Project in an amount not to exceed \$4,500,000;
5. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Power Engineers, Inc. to continue providing Owner's Engineer Services in an amount not to exceed \$125,000, increasing the total Purchase Order amount to \$199,000;

6. Approval of additional funding in the amount of \$262,931.00 with conforming Change Order No. 1 to Brenntag Mid-South, Inc. to continue supplying hydrofluosilicic acid to OUC's water treatment plants through October 31, 2013, increasing the total Purchase Order amount to \$442,817.60;
7. Approval of a Purchase Order to Cubix, Inc. to provide carpet, flooring and upholstery services for a three-year period in the amount of \$953,500;
8. Approval of SOQ #2931 – Contract award to Schneider Electric Engineering Services, LLC and Eaton Corporation, the most responsive and responsible vendors, to provide arc flash assessments in the aggregate amount of \$434,500;
9. Approval of RFP #3275 – Contract awards to Albu & Associates, Inc.; A. K. Holcomb Construction, Inc.; Andrew General Contractors, Inc.; Brasfield & Gorrie, LLC; E. L. Bailey & Company, LLC; Johnson-Laux Construction, LLC; and McCree General Contractors, Inc., the most responsive and responsible vendors, to provide general contracting services for a three-year period in the aggregate amount of \$1,500,000;
10. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Trane U.S. Inc. in the amount of \$973,000 to provide HVAC maintenance services for various OUC facilities through July 13, 2014, increasing the total Purchase Order amount to \$3,064,995;
11. Approval of RFP #3274 – Contract award to SWS Environmental Services, the lowest, most responsive and responsible vendor, to supply clean cover soil for the Stanton Energy Center Combustion Waste Storage Area for a five-year period in an amount not to exceed \$2,023,560, subject to final contract negotiations and OUC legal review;
12. Authorization for the General Manager & CEO to execute the Release of Easements and the Termination of Temporary Parking Easement & Sublease Agreement for the City of Orlando/Dr. Phillips Performing Arts Center, located north of the East-West Expressway, west of Rosalind Avenue, south of South Street and east of the Florida Department of Transportation/CSX rail line; and
13. Approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation and OUC for Parcel 164.6R, located north of East Rollins Street and east of North Orange Avenue.

Commissioner Ferrone stated that the Audit Committee conducted its regular meeting on June 4, 2012. Internal Audit activities were presented to the Committee, including a summary of the recently issued audit reports and a status of open items. The Audit Committee Charter was presented for annual review. No changes were recommended and no action was proposed. The external audit status update included an overview of the planning for the 2012 annual financial statement audit. The overview included a summary of the areas of focus as well as the required auditor communications. The external auditors also presented a review of the completed Defined Benefit and Other Post-Employment Benefit plan audits. Each of the plan audits were issued with unqualified opinions and no management letter comments were noted. Financial performance for the seven month period year ending April 30, 2012 was presented with Income before contributions of \$22.7 million or \$2.6 million higher than budget. In addition, financial pro-forma information was presented with Income before contributions projected to \$7.5 million higher than budget, or \$77.9 million. An update was provided to summarize the accounting treatment for the sale of the former Administration Building as well as the acquisition of the Indian River Plant generation facility. There were no items requiring action by the Board.

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Commissioner McAllaster stated that the Finance Committee held its regular meeting on June 7, 2012. The Committee reviewed the quarterly management reports, reviewed three policies, and recommended an upcoming financing transaction. The Finance Committee reviewed changes to the Energy Risk Management and Investment policies. Provisions have been added to the Energy Risk Management Policy to address the management of environmental attributes related to renewable energy. The Investment Policy was revised to provide more flexibility for the extended low interest rate environment.

The Finance Committee recommends that the Board adopt the proposed policy changes. On a motion by Commissioner McAllaster and seconded by Commissioner Kirby, PRES-2a was approved as follows:

PRES-2a: Adoption of revisions to the Energy Risk Management Policy and Investment Policy as recommended by the Finance Committee.

In addition, the Finance Committee considered the OUC Fuel Rate Adjustment Policy, a new policy which documents the steps that OUC currently takes to review and adjust fuel rates.

The Finance Committee recommends that the Commission adopt the Fuel Rate Adjustment policy. On a motion by Commissioner McAllaster and seconded by Commissioner Kirby, PRES-2b was approved as follows:

PRES-2b: Adoption of the Electric Fuel Rate Adjustment Policy as recommended by the Finance Committee.

A transaction to refund several series of outstanding bonds was considered and the Series 2012A Refunding Bonds Resolution was recommended for approval.

OUC expects to receive all bond ratings by the end of June and will sell the bonds in July.

The Finance Committee recommends that the Board adopt the Series 2012A Refunding Bonds Resolution. On motion by Commissioner McAllaster and seconded by Commissioner Kirby, PRES-2c was approved as follows:

PRES-2c: A resolution of the Orlando Utilities Commission authorizing the issuance of not exceeding \$75,000,000 utility system revenue refunding bonds, Series 2012A for the purpose of refunding certain outstanding utility system revenue bonds that satisfy the requirements described herein; setting forth the terms of said bonds; providing for the disbursement of funds; appointing a paying agent and registrar for said bonds; authorizing the negotiated sale of said bonds; delegating certain authority to the General Manager and other officers, including authority to execute and deliver a Bond Purchase Agreement; authorizing the execution and delivery of an escrow deposit agreement; appointing an escrow agent; 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 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.

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John Hearn reported lower expenditures contributed to being approximately \$1.7 million ahead of budgeted net income through May 30. Both electric resale and water revenues exceeded budget. Electric retail revenue was slightly below budget. Budgeted net income through Fiscal Year 2012 is approximately \$4.3 ahead of budget.

Mr. Hearn provided an overview of the meeting with Moody's that occurred on Friday, June 8 and stated that the overall results were positive. OUC will continue to work with the rating agency over the next two to five weeks in order to better understand several specific issues.

Commissioner McAllaster asked if there was any discussion at the meeting regarding Florida's dependence on natural gas. Mr. Hearn stated that Mr. Aspuru emphasized OUC's fuel diversity.

Commissioner Ferrone asked Mr. Hearn to discuss Moody's previous areas of concern for OUC. Mr. Hearn reviewed each of the agency's rating criteria: cost recovery framework, willingness/ability to raise rates, management of generation risk, rate competitiveness, liquidity, debt ratio and adjusted debt service coverage.

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Commissioner Ferrone stated that she recently attended a conference in which the CEOs of several major companies were in attendance. Her takeaway from the conference was that actions taken during times of extreme challenge are often character building from an individualistic and company standpoint. She stated that OUC is not waiting for a critical moment to create a new strategic plan and is pleased with this proactive nature to enact major change.

Commissioner McAllaster stated it is critical to prepare OUC for the future and commended OUC's leadership team for the work on the budget and Strategic Plan.

Mayor Dyer stated that he had recently visited Japan and noted that 30 percent of power generation in that country is nuclear, and yet fifty percent of the nuclear capability has been shut down. He met with Mayor Jacobs during the previous week to discuss the Florida Citrus Bowl renovations. Finally, the City of Orlando will be hosting the annual convention of the United States Conference of Mayors.

President Dominguez stated that she recently participated in the Efficiency Delivered Program at her home and commended the process.

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President Dominguez adjourned the meeting at 3:50 P.M. and stated that the prior Strategic Planning Workshop will be reconvened immediately following the Commission Meeting.

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President Dominguez adjourned the meeting at 3:50 P.M.

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President

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Secretary