

MINUTES
ORLANDO UTILITIES COMMISSION
February 5, 2008
2:00 P.M.

Present:

COMMISSIONERS:

Katie Porta, President

Tommy Boroughs, First Vice President

Maylen Dominguez Arlen, Second Vice President

Lonnie C. Bell, Immediate Past President

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 B. Tart,

Robert Teegarden, Vice Presidents

John Hearn, Vice President & Chief Financial Officer

Gregory T. Rodeghier, 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 2:00 P.M.

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On motion by Mayor Dyer, seconded by Commissioner Bell, and unanimously carried, the reading of the minutes of the December 11, 2007 and January 15, 2008 Commission Meetings was waived and the minutes were approved as written.

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Alvin Frazier presented a 20-year Service Award to Steven A. Lassiter, Fleet/Facilities Coordinator, Corporate Services.

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Roseann Harrington introduced the 2007 PROUD Volunteers of the Year and presented awards to Millard Long, Jim Frank, Ed Beemis and Julio Navarro. These employees volunteered over 3,600 hours during the past year.

Ms. Harrington announced that Commissioner Bell accepted the Martin Luther King, Jr. Drum Major Award on behalf of OUC. This Alpha Phi Alpha award recognized OUC for its commitment to honoring Dr. King's principles of inclusion, leadership and service to small and large businesses, as well as OUC's involvement in the community.

Ms. Harrington distributed copies of OUC's 2007 Annual Report and the new English/Spanish electric and water conservation brochures.

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Ken Ksionek distributed an additional Affirmative Item A-45 for consideration. The item is for an electrical upgrade for the substation at Stanton Energy Center (SEC). Byron Knibbs provided details regarding the substation upgrade, which will modify the existing system to handle future generation at SEC and will be operational in time to accommodate the SEC Unit B.

Mr. Ksionek discussed Affirmative Item A-4 which refers to a competitively bid contract regarding outage work at SEC. Preventative maintenance is performed annually on the main units and may also include equipment upgrades required to meet current Clean Air Interstate Rule (CAIR) mandates. Mr. Aspuru provided additional information regarding the Spring and Fall outages which typically last thirty days for each outage. Every five years, a major extended outage is performed which lasts sixty days. Mr. Aspuru discussed specific projects and extensive work to be performed during the Spring 2008 outage. This work will require ten-hour work days, seven days a week, for sixty days straight by OUC staff and additional specialized contractors. Approximately four hundred people will be dedicated to the outage during the sixty-day period.

President Porta announced a conflict of interest with Affirmative Item A-9. She is employed by Quest, Inc. and the company referred to in this item provides donations to the organization. This item will be removed and voted on separately.

President Porta presented the Affirmative Items for approval. On motion by Commissioner Bell, and seconded by Commissioner Dominguez Arlen, Affirmative Items A-1 through A-45, with the exception of A-9, were approved as follows:

1. Ratification of fuel procurements to the low bidders in November and December 2007 in the aggregate amount of \$5,257,621.63 as follows:

NATURAL GAS PURCHASES:

Nov. 2007	Adams Resources Marketing, Ltd.	\$ 145,406.25
Nov. 2007	Anadarko Energy Services	\$ 197,374.75
Nov. 2007	Chevron Natural Gas	\$ 169,320.48
Nov. 2007	City of Lakeland	\$ 352,230.00
Nov. 2007	Florida Gas Utility	\$1,251,303.39
Nov. 2007	Glencore Ltd.	\$ 110,896.80
Nov. 2007	Infinite Energy	\$ 158,194.55
Nov. 2007	LouisDreyfus	\$ 508,732.29
Nov. 2007	Magnus Energy Marketing, Ltd.	\$ 100,498.12
Nov. 2007	Murphy Gas Gathering, Inc.	\$ 394,868.88
Nov. 2007	National Energy & Trade, LP	\$ 228,436.13
Nov. 2007	National Fuel Marketing	\$ 238,576.57
Nov. 2007	Peoples Gas System	\$ 206,967.08
Nov. 2007	Virginia Power Energy Marketing, Inc.	\$ 952,783.34

NO. 6 FUEL OIL PURCHASES:

Dec. 2007	TransMontaigne Product Services Inc.	\$ 242,033.00
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2. Approval of a sole source Purchase Order to General Electric International, Inc. for the Indian River Combustion Turbine B load gear bearing replacement in an amount not to exceed \$160,000;
3. Approval of Bids #2406 & #2407 – Contract award to the lowest evaluated bidder, GE Prolec Transformers, Inc., to supply two main auxiliary transformers in the amount of \$2,660,500 and two reserve auxiliary transformers in the amount of \$2,251,100, including a provision for 10 percent escalation on material for a total project cost of \$5,619,240;
4. Approval of Bid #2419 – Contract award to the lowest evaluated bidder, Southeastern Mechanical Services, Inc., to perform inspection, repair, maintenance and installation work on the Stanton Energy Center Units 1 and 2 boilers during the 2008 Spring and Fall Outages in the amount of \$21,763,165;
5. Approval of Bid #2420 – Contract award to the most responsive and responsible bidder, DEMCO, Inc., to provide demolition services necessary to remove the existing Stanton Energy Center Cooling Tower Blowdown Treatment A and B Trains required for the 300 Mw Combined Cycle Plant Project in the amount of \$348,050;
6. Approval of the Stanton Energy Center Coal Conveyor Take-Up System Project in the amount of \$400,000. Approval of Bid #2445 – Contract award to the sole bidder, Florida Maintenance & Construction, Inc., for the installation of a Coal Conveyor Gravity Take-Up System in the amount of \$342,150;
7. Approval of a sole source Purchase Order to Invensys Systems, Inc. for the installation of controls hardware required to support Phase 1 of

the Stanton Energy Center Nitrogen Oxide Reduction Project in the amount of \$350,000;

8. Approval of Change Order No. 2 to Siemens Power Generation, Inc. for installation of the Unit 1 and 2 burner control logic software required to support Phase 1 of the Stanton Energy Center Nitrogen Oxides Reduction Project in the amount of \$154,742, increasing the total Purchase Order amount to \$8,550,858;
9. See separate vote;
10. Approval of the Electric Distribution Construction Estimate for the temporary relocation of overhead facilities along Mills Avenue between Virginia Avenue and McCamy Street, located in the Orlando service territory, in the amount of \$105,076.21, with developer contributions in the amount of \$100,365.21;
11. Approval of the Electric Distribution Construction Estimate for the upgrade of the overhead distribution system along Neptune Drive between Delridge Street and Maury Road, located in the Orlando service territory, in the amount of \$188,846.23;
12. Approval of the Electric Distribution Construction Estimate for the installation of an underground electric distribution system to serve Cypress Creek/Oak Ridge Relief High School, located in the Orlando service territory, in the amount of \$153,998.55;
13. Approval of the Electric Distribution Construction Estimate for the installation of an underground electric distribution system to serve the Lockheed Martin Simulation and Test Laboratory, located in the Orlando service territory, in the amount of \$109,776.31;
14. Approval of the Electric Distribution Construction Estimate for the installation of an underground electric distribution system to serve the new SODO Mixed-Use Development project located on Orange Avenue between West Grant Street and West Crystal Lake Street, in the Orlando service territory, in the amount of \$607,873.34;
15. Approval of the Electric Distribution Construction Estimate for the installation of an underground electric distribution system to serve the Eagle Creek Subdivision, Phase 1C-2, located off Narcoossee Road in the St. Cloud service territory, in the amount of \$252,584.55;
16. Approval of the Electric Distribution Construction Estimate for the installation of the underground distribution system for the Starlight Ranch Subdivision, Loop 1, located in the Orlando service territory, in the amount of \$120,918;

17. Approval of Change Request No. 1 to the Electric Distribution Construction Estimate for additional costs required for the installation of a manhole and ductline system along Andes Avenue from Lake Underhill Road to just north of Tower Road in the amount of \$285,085.50, increasing the total project cost to \$568,255.85;
18. Approval of Bid #2429 – Contract award to the most responsive and responsible bidder, Southeast Power Corporation, to provide labor for overhead transmission line maintenance, construction and storm support for a three-year period in an amount not to exceed \$9,300,000;
19. Approval of a Purchase Order to KEMCO Industries, LLC to provide switchboard panels required for the America Substation modifications, in accordance with an existing Purchase Agreement, in the amount of \$681,189. Approval of Bid #2454 – Contract award to the most responsive bidder, Anixter, Inc., for the purchase of 300-volt control cable and 600-volt multi-conductor cable required for the America Substation modifications in the amount of \$117,884. Approval of Bid #2436 – Contract award to the sole bidder, MAC Products, Inc., to provide the necessary materials and labor to replace and relocate the High Pressure Fluid Filled Pumping Plants at the America Substation in the amount of \$448,000 and the Weber Substation in the amount of \$296,000, for a total Purchase Order amount of \$744,000;
20. Approval of Change Order No. 2 to Young Van Assenderp, PA to continue providing legal services related to the remaining three phases of the Taft to Lakeland McIntosh Transmission Line Reconductor Project in the amount of \$445,000, increasing the total Purchase Order amount to \$540,000;
21. Ratification of a Capital Work Order for water distribution improvements in conjunction with the Florida Department of Transportation's East Colonial Drive/Semorán Boulevard Roadway Project in the amount of \$2,142,674.79; which includes a Purchase Order to Lane Construction Corporation in the amount of \$1,807,777.12;
22. Approval of a Capital Work Order for water distribution improvements required for the Narcoossee Road Widening Project in the amount of \$640,500.48 and a Capital Work Order for the Kirby Smith Road Pipeline Project in the amount of \$888,276.17; for a total aggregate amount of \$1,528,776.65;
23. Ratification of Change Order No. 1 to Origin, Inc. to provide continued complex billing consulting services from January 7, 2008 through March 31, 2008 in the amount of \$267,880, increasing the total Purchase Order amount to \$344,725;

24. Approval of Change Order No. 3 to Hewlett Packard Company for the renewal of the annual hardware and software maintenance agreement for the L2000 servers and CPUs for the period of February 13, 2008 through February 12, 2009 in the amount of \$38,214.96; increasing the Purchase Order amount to \$116,115.30;
25. Approval of Change Order No. 4 to Televox Software for automated outbound calling services through December 2008, increasing the total Purchase Order amount to \$247,350;
26. Approval of a Capital Expenditure Estimate in the amount of \$1,297,713 for the Phase III implementation of the Florida Municipal Power Pool Centralized Database Project, which includes approval of a sole source Purchase Order to TechUSA, Inc. in the amount of \$258,400 for Phase III consulting services and a sole source Purchase Order to Open Access Technology International, Inc. in the amount of \$215,828 for software and consulting services. The total cost of the project will be shared by OUC, Lakeland Electric and the Florida Municipal Power Agency;
27. Ratification of RFP #2447 - Ratification for the General Manager & CEO to execute a five-year agreement, with four one-year renewal options, with the Trane Company for maintenance of the OUCooling Lockheed Martin and Orange County Convention Center Chilled Water Plants, contingent upon final negotiations and OUC legal review; including ratification of a Purchase Order to the Trane Company in an amount not to exceed \$1,937,767.57 for the initial five-year term of the agreement;
28. Ratification of a Purchase Order to Energy Task Force, LLC for the direct purchase of ductile iron piping required for the construction of the Lake Nona Chilled Water Plant distribution system in the amount of \$549,320;
29. Approval of a sole source Purchase Order to Evapco, Inc. for the direct purchase of one 3,000 ton cooling tower for the North Central Energy Plant Expansion in the amount of \$212,535;
30. Approval of Change Order No. 2 to Nalco Company to provide water treatment services through December 31, 2013 in the amount of \$2,676,472.32, increasing the total Purchase Order amount to \$3,505,872.32;
31. Ratification of Change Order No. 1 to Ferguson Enterprises for the direct purchase of pipe, fittings and flanges required to maintain the new OUC Administration Building project schedule in the amount of

- \$73,036.22, increasing the total Purchase Order amount to \$125,755.00;
32. Ratification of a Purchase Order to A.G. Mauro Company of Florida for the direct purchase of doors and hardware required to maintain the new OUC Administration Building project schedule in the amount of \$265,025;
 33. Ratification of a Purchase Order to Alfab, Inc. for the direct purchase of steel stairs required to maintain the new OUC Administration Building project schedule in the amount of \$216,115;
 34. Ratification of a Purchase Order to Keymark Corporation for the direct purchase of curtain wall materials required to maintain the new OUC Administration Building project schedule in the amount of \$310,000;
 35. Ratification of a Purchase Order to Tate Access Floors, Inc. for the direct purchase of access floors required to maintain the new OUC Administration Building project schedule in the amount of \$414,422;
 36. Ratification of a Purchase Order to Johnson Controls, Inc. for the direct purchase of HVAC equipment required to maintain the new OUC Administration Building project schedule in the amount of \$594,657;
 37. Ratification of a Purchase Order to Oldcastle Glass, Inc. for the direct purchase of glass and spandrel materials required to maintain the new OUC Administration Building project schedule in the amount of \$320,000;
 38. Ratification of Change Order No. 2 to Ortega Supply for the direct purchase of switchgear and an emergency distribution panel required to maintain the new OUC Administration Building project schedule, increasing the total Purchase Order amount to \$1,117,445;
 39. Approval of Purchase Orders to Golder Associates, Inc. in the amount of \$250,000 and to Tetra Tech NUS, Inc. in the amount of \$150,000 to provide environmental consulting services for a five-year period, for a total aggregate amount of \$400,000;
 40. Approval of Change Order No. 1 to Haddad Resource Management LLC to continue providing general management consulting services related to electric and water resource planning for a one-year period in the amount of \$100,000, increasing the total Purchase Order amount to \$198,500;
 41. Authorization for the General Manager & CEO to execute the appropriate documents between OUC and Orange County for the 1Mw solar photovoltaic system to be located at the Orange County

Convention Center, pending OUC legal review; including approval of a Purchase Order to Orange County in the amount of \$1,500,000 for the proposed project;

42. Ratification of Bid #2443 – A contract award to the lowest, most responsive and responsible bidder, De Lage Landen Financial Services, Inc., for a 60-month Equipment Lease Agreement for a 2007 8.5 ton Carry Deck Crane, contingent upon OUC legal review, in the amount of \$128,400;
43. Authorization for the General Manager & CEO to execute the Release of Utility Easement for Classic VW Orlando for property located west of South Orange Blossom Trail and south of Americana Boulevard;
44. Approval of Subordination of Utility Easement Interests to the Florida Department of Transportation Parcel 372.3R, located south of East Par Street and east of Interstate 4; and
45. Approval of Change Request No. 1 to the Substation Capital Expenditure Estimate for all engineering, procurement and construction necessary to complete the Stanton Energy Center Substation Breaker Upgrade Project at an estimated cost of \$13,620,000, increasing the total project cost to \$13,690,000. Approval of Change Order No. 1 to Black & Veatch to provide design engineering and construction services in an amount of \$1,100,000, increasing the total Purchase Order amount to \$1,150,000.

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Upon motion by Commissioner Bell, seconded by Commissioner Boroughs, Affirmative Item A-9 was approved:

9. Approval of Change Order No. 3 to Brock Specialty Services, Ltd. for additional funding for 2008 Spring Outage maintenance support required during the third-year contract labor services contract for the Power Resources Business Unit in the amount of \$460,000, increasing the total Purchase Order amount to \$10,774,427

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

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Commissioner Dominguez Arlen reported that the Audit Committee met on December 13, 2007 to consider the 2007 audited financial statements. The Audit Committee packet was provided to all Board members

Ernst & Young (E&Y) completed the annual audit and provided an unqualified opinion. Income before contributions for 2007 was \$85 million and total assets were \$2.8 billion at September 30, 2007. The Committee reviewed the audited financial statements and associated notes, as well as the supplemental audit reports provided by E&Y, including the report on internal controls and compliance and the management letter. The Committee recommends approval of the audited financial statements.

Commissioner Boroughs moved to approve the 2007 audited financial statements as recommended by the Audit Committee. Commissioner Bell seconded the motion and it was carried unanimously.

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John Hearn reported that the first quarter of the year was positive to budget. A pre-paid gas transaction is pending since the market has not yet recovered to a point where OUC can execute the transaction. In addition, the new money transaction has not yet transpired since the market has not yet corrected itself enough to proceed. The Finance Committee will meet on February 28 to consider options on how to proceed with these transactions. Discussion ensued regarding the structure of the rating systems used by the various rating agencies.

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Chris Browder reported that the closing on the purchase of the jetport site, which was agreed upon during the Southern Company termination of the Integrated Gasification Combined Cycle project, took place on January 29. OUC filed a Petition to Intervene in FP&L's Certificate of Need docket for its Turkey Point Nuclear Units 6 and 7 in order to preserve OUC's rights in future participation negotiations. FP&L agreed to stipulate that they will continue to have discussions regarding participation. A separate docket will be opened by the Florida Public Service Commission (FPSC) to monitor the situation. Commissioner Porta questioned whether there is a minimum amount of nuclear power that FP&L is required to allocate to OUC. Mr. Browder responded that there is not, however, OUC can now assert its rights and participate in meaningful discussions with FP&L with support and oversight by the FPSC. Proportionate allocations of available capacity in FP&L's plant may be based on the relative capacity needs of the individual parties wishing to participate.

Mr. Browder also provided updates on the TECO coal, Groves Mobile Home Park master metering and Dillard Smith bid protest litigations.

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Ken Ksionek reported that a quarterly status report on OUC's Consumptive Use Permit (CUP) was included with the Commission packets. While there has been

considerable public debate about how to solve Florida's water crisis, OUC remains focused on complying with all conditions of the 20-year CUP. This includes managing the groundwater withdrawal, using reclaimed water in our service territory, planning for the transfer of reclaimed water to West Orange County, developing alternative water supplies from surface waters and employing proactive conservation measures. OUC is pursuing very proactive conservation measures on both the water and electric sides of the utility business, including rate structures that promote conservation. OUC is also very engaged with the water management districts as they set their mandates. Mr. Ksionek asked Mr. Teegarden to provide additional information regarding ongoing surface water projects.

Rob Teegarden commented that first and foremost, OUC is being diligent and proactive in its conservation efforts. In addition, protection of the environment is essential in preserving the aquifer and its limits and levels. The baseflow to the St. Johns River is critical and the water authorities are going to extraordinary lengths to protect it. Although many options are being investigated, safely developing an increment of surface water, while protecting the environment, is the first step of a complex solution. Local governments recognize there is a problem and they are trying to provide the elected officials with correct facts and answers. Mr. Teegarden provided facts regarding conservation successes, working with the City of Orlando to standardize irrigation and land development efforts, and expanding reuse within OUC's service territory.

Mr. Ksionek provided information regarding Progress Energy Florida's (PEF) Levy Nuclear Project allocations for municipals and co-ops. Of the 2,250 megawatt (Mw) project, PEF may be willing to offer up to 450 Mw of capacity, to be allocated among seven municipals and one electric co-op. OUC is requesting a pro-rata share equal to 53 Mw. The projected capital cost for OUC's 53 Mw could exceed \$250 million, as compared to Stanton B's capital cost of \$250 million for 300 Mw; which is six times more expensive. These are preliminary figures and the negotiation process will continue. It is anticipated that a Development Agreement with PEF may be finalized by mid-year, with a payment of OUC's pro-rata share of all costs incurred at the time the project is brought to the Commission for approval and execution. The initial payment could approach \$5 million, with monthly progress payments going forward. Similar to other project negotiations, OUC will request certain exit options and cost exposure limits to be included in the contract should it become necessary to opt out of the project. The targeted completion date for a Joint Ownership Agreement with all participants is expected by the end of 2008.

In addition, Mr. Ksionek commented that Southern Power Company (SPC) has offered to discuss a joint nuclear project. SPC would offer this as a wholesaler, not a retailer. SPC is aware that the Florida municipals are not able to obtain all the capacity they need from PEF and FP&L. SPC would require a commitment from all participants not to back out of the project and will request, after a certain point in the development on a pay-as-you-go basis. No site selection has been

made, however, SPC will look at sites to best accommodate the participants' transmission systems. The municipal utilities have agreed to meet with Southern to discuss this option. OUC's intent is to obtain 10 percent nuclear in its overall generation portfolio by 2020. OUC's current portfolio includes approximately 4 percent nuclear generation.

Mr. Ksionek stated that Orlando continues to have many viable construction projects underway. Two of these projects include the SODO Project on Orange Avenue near Michigan Street located south of downtown and the Mills Park Development located north of downtown. These projects continue to support growth, even though the current market is somewhat slow.

Mr. Ksionek reported that the new Administration Building reached the top-off milestone with the final concrete pour completed for the roof slab. Pre-cast concrete panels are being hung and installation of the glass curtain walls will begin in mid-February. The next construction milestone date is the building dry-in, which is scheduled for April 7. Mr. Ksionek thanked Doug Spencer for keeping the project on schedule, even with delays of building materials. The project is scheduled for a September 19, 2008 completion date and is within the \$46.8 million capital budget.

Mr. Ksionek asked Doug Spencer to provide additional details regarding the work that Grubb & Ellis will perform as OUC's broker for the sale of the existing Administration Building. Mr. Spencer commented that Grubb & Ellis will act as OUC's agent to solicit contracts from potential buyers, review the offers and put together the best possible deal. The Grubb & Ellis contract is for a nine-month period. Upon expiration of the contract, OUC may elect to continue on a month-to-month basis, or cancel the contract and utilize another broker. Mr. Spencer provided further details regarding the process and provided a sample of an offering report Grubb & Ellis prepared for ChampionsGate.

Mr. Ksionek stated that without objection, the March 11, 2008 Commission meeting will be cancelled in order to accommodate the Central Florida Regional Fly-In to Tallahassee. Individual Commissioner meetings will be scheduled if an emergency approval is required for a major business item. In addition, he distributed calendars indicating all Commission, Audit Committee and Finance Committee meetings.

No objections were offered and the next Commission meeting will be held on April 8, 2008.

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Commissioner Bell and the other Board members congratulated President Porta on her new role as President of the Board.

Commissioner Boroughs commented that he believes it is important to secure all the nuclear generation possible, especially due to the increased cost of all types of fuel supplies.

Commissioner Dominguez Arlen congratulated Mayor Dyer on his recent re-election as Mayor of the City of Orlando. She agreed with Commissioner Boroughs' comments regarding nuclear energy, but believes that OUC should proceed with caution.

Mayor Dyer stated that the State of the City Address and his inaugural address will be incorporated into one event in early May. The details will be announced at a later date.

President Porta thanked the Board members for the opportunity to serve as President and stated that she believes in OUC's water and electric system and wants to ensure that it is available for future generations. She also commented on a press conference she attended on January 31 with Mayor Crotty at the University of Central Florida to celebrate receiving a \$1.8 million grant from the Florida Department of Environmental Protection for the solar photovoltaic project at the Orange County Convention Center.

President Porta presented Commissioner Bell with a plaque and gavel commemorating his two years as President of the Commission. The Board members thanked Commissioner Bell for his leadership during the past two years.

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Commissioner Boroughs moved to adjourn the meeting. Mayor Dyer seconded the motion and President Porta adjourned the meeting at 3:20 P.M.

President

Secretary