

**MINUTES
ORLANDO UTILITIES COMMISSION
March 12, 2013
2:00 P.M.**

Present:**COMMISSIONERS:**

Dan Kirby, President
 Craig McAllaster, First Vice President
 Linda Ferrone, Second Vice President
 Maylen Dominguez, Immediate Past President
 Buddy Dyer, Mayor

Kenneth P. Ksionek, General Manager & Chief Executive Officer
 Jan Aspuru, Clint Bullock, Roseann Harrington, Byron Knibbs, Denise Stalls and
 Rob Teegarden, Vice Presidents
 Greg Rodeghier, Vice President & Chief Information Officer
 John H. Hearn, Vice President & Chief Financial Officer
 W. Christopher Browder, Vice President & General Counsel
 Nanci Schwartz, Recording Secretary

President Kirby 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 a motion by Commissioner McAllaster, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the January 15, 2013 Commission Meeting was waived and the minutes were approved.

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John Hearn presented a 25-year service award to Steve Lassiter, Fleet/Facilities Coordinator, Financial and Support Services.

Jan Aspuru presented a 20-year service award to David Bramlett, Project Engineer, Energy and Water Production.

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OUC customer Cherie Faircloth spoke about digital meters and issues with regulating OUC.

OUC customer Ellen Richardson inquired about the process of uninstalling digital meters.

Trini Quiroz spoke about digital meters and disseminating information to the public, specifically Spanish-speaking customers.

President Kirby stated that OUC staff will review the information presented and respond to the customers.

Mayor Dyer asked Chris Browder to discuss the opt-out policy and procedures for digital meters. Mr. Browder explained that, currently, customers are not required to pay an opt-out fee or provide a doctor's note. A fee will be established at the end of the digital meter roll-out period, at which time customers will again be given the opportunity to decide if they want to remain out of the program. A doctor's note is no longer required as the digital meters pose no threat to customers.

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Mr. Ksionek asked Clint Bullock to give a presentation about Affirmative Item A-7 regarding the Airport Substation D Unit Addition Project. Mr. Bullock explained that a scheduled inspection on November 29, 2012 showed damage to the Pershing B Unit transformer. Although the transformer was repaired and put back in service on February 25, 2013, it is operating in a weakened condition. Various options included an eighteen-month replacement of the Pershing B Unit, the addition of a Pershing C Unit or the addition of an Airport D Unit. An evaluation and pricing of the options concluded that the Airport D Unit addition has a lower cost, a diverse location, is close to load and provides additional contingency for the Airport substation.

Preliminary engineering approval was received on January 13, 2013 and the General Manager and CEO approved the \$5.2 million project on February 11, 2013. On February 12, 2013, Purchase Orders were issued to Waukesha for the 230/34.5kV transformer; to Central Electric for the 34.5kV switchgear; to Black and Veatch for engineering and construction management services and to HVB AE Power Systems, Inc. for the 230kV power circuit breaker. The in-service target date for the Airport D Unit is August 2013.

Commissioner McAllaster asked what will happen to the Pershing B Unit. Mr. Bullock responded that the unit will remain in service under increased surveillance. The installation of the Airport D Unit is the current priority, with maintenance on the Pershing A Unit scheduled for next year. At that time, OUC will continue to monitor and assess the plans for the B Unit.

Commissioner Dominguez asked about the associated risks with running the B Unit to failure. Mr. Bullock explained that the addition of the D Unit will mitigate any problems that would arise from a B Unit failure.

Mr. Ksionek thanked the Board for allowing him to make non-discretionary, emergency approvals for these types of events.

Mr. Ksionek asked Janie Wallace to give a presentation about Affirmative Item A-17 regarding the Wellness Program Phase II. Mr. Browder stated that Phase I began with the Know Your Numbers Program, and there has been much success with lowered healthcare premiums and early detection for employees. Ms. Wallace stated that the Know Your Numbers Program launched in January 2010 resulted in increased health awareness, individual success stories and a decrease in claim costs in 2012. Despite the program's success, it had limited access to program components, lacked a tracking mechanism to measure participation, did not reward participation, was unable to expand program offerings and offered limited resources.

Phase Two will transition the current wellness program from Know Your Numbers to Manage Your Numbers. Changes include providing more accessible and broader education themes, promoting activities that focus on improving health and encouraging healthier lifestyle habits, and providing incentives. The program will include on-line health risk assessments, on-site and remote biometric screenings, web-based and on-site targeted education classes, physical activities for individuals and competitions, and telephonic health coaching. OUC will also partner with HumanaVitality, a comprehensive wellness solution focused on physical activity, education, screenings, tobacco cessation and nutrition.

Commissioner McAllaster inquired about metrics showing the program's cost benefit. Ms. Wallace responded there is a well-established return of \$3 for every dollar spent. Once the program begins, there are many generic reports that will show the results of the program.

Commissioner Ferrone asked about the participation rate of the program. Ms. Wallace responded that an average of 55 percent of employees participated in biometric screenings over the past two years.

Mayor Dyer commented that the City of Orlando has a comprehensive wellness program that has been previously recognized by the Orlando Business Journal. Mayor Dyer stated the City's fire department has an Insurance Service Office rating of 1 and is about to receive an international accreditation. OUC's water system plays a large role in that rating and accreditation, as well as a cardiac save rate of three times the national average. As a new initiative, the City will train every employee in hands-on CPR by April 1, and over the next five years the City hopes to train every citizen. The City would also like to train OUC employees.

Commissioner Ferrone asked a question about Affirmative Item A-14 regarding the Temporary Staffing & Support Services for Secure Account Management (SAM). She inquired if the staffing will be used for just this project, or if this the first part of a larger request? Byron Knibbs responded that this staffing request is

specifically for SAM, but may be used for future projects with Commission approval.

Commissioner McAllaster asked if the official sole source procedures were followed for the sole source affirmative items submitted by Electric and Water Production. Jan Aspuru confirmed the procedures were followed.

Commissioner McAllaster also asked a question about Affirmative Item A-16 regarding the Oracle Database Annual License Maintenance & Support. He inquired if Oracle had a specific clause regarding cyber security. Greg Rodeghier responded Oracle does not, but they do maintain systems from that perspective.

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

1. Ratification of the above fuel procurements to the low bidders in November and December 2012 in the aggregate amount \$19,087,050.96 as follows:

NATURAL GAS PURCHASES:

Nov. 2012	ConocoPhillips	\$1,471,488.48
Nov. 2012	EDF Trading (Formerly Eagle Energy)	\$ 696,229.35
Nov. 2012	Infinite Energy	\$ 436,497.50
Nov. 2012	NJR Energy Services	\$ 185,151.96
Nov. 2012	Shell Energy	\$ 128,800.00
Nov. 2012	Southwestern Energy	\$1,046,217.09
Nov. 2012	Texla Energy Management, Inc.	\$ 555,868.51
Dec. 2012	BP Energy	\$ 766,348.71
Dec. 2012	Chevron	\$ 291,774.13
Dec. 2012	City of Lakeland	\$ 232,798.84
Dec. 2012	ConocoPhillips	\$1,777,575.14
Dec. 2012	EDF Trading (Formerly Eagle Energy)	\$ 798,071.46
Dec. 2012	Enbridge Marketing, LP	\$ 178,442.88
Dec. 2012	Florida Gas Utility	\$ 121,868.00
Dec. 2012	Gavilon LLC	\$ 306,521.95
Dec. 2012	Infinite Energy	\$ 324,365.12
Dec. 2012	Macquarie Cook Energy, LLC	\$ 316,402.47
Dec. 2012	National Energy & Trade	\$ 363,033.60
Dec. 2012	NJR Energy Services	\$ 770,400.00
Dec. 2012	Sequent Energy Management	\$ 256,186.69
Dec. 2012	Shell Energy	\$1,441,651.90
Dec. 2012	Southwestern Energy	\$ 703,133.16
Dec. 2012	Texla Energy Management, Inc.	\$ 669,028.42

COAL PURCHASES:

Nov. 2012	Crimson Coal Corporation	\$2,180,716.48
Dec. 2012	Crimson Coal Corporation	\$1,209,251.87
Dec. 2012	Eastern Coal and Coke Co., Inc.	\$1,360,018.62
Dec. 2012	JP Morgan	\$ 499,208.63

2. Ratification of the General Manager & CEO's execution of the Long-Term Power Supply Agreement between the City of Lake Worth and

OUC for power supply for a three-year term beginning January 1, 2014;

3. Approval of a single source Purchase Order to Air Liquide Industrial U.S. LP to provide PLC/Fire Alarm master shut-off valve manifolds and an iDATAL System at six Water Treatment Plants in the amount of \$134,100;
4. Approval of Change Request No. 3 to the Capital Expenditure Estimate in the amount of \$492,908 to complete the Ozone Generator Replacement Project for the Southwest Water Treatment Plant, increasing the total project cost to \$11,727,908. Approval of additional funding with conforming Change Order No. 1 to Overland Contracting, Inc. to provide the Guaranteed Maximum Price installation and Construction Manager at Risk services required for the Southwest Water Treatment Plant Ozone Generator Replacement Project in the amount of \$6,355,100, increasing the Purchase Order amount to \$6,387,900;
5. Approval of a sole source Purchase Order to Siemens Energy, Inc. to provide technical field assistance and to perform voltage regulator testing and calibration to the Stanton Energy Center Unit 1 steam generator valves in an amount not to exceed \$360,000;
6. Approval of a sole source Purchase Order to AVP Valve, Inc. to provide valve inspections, repair and mechanical services for Stanton Energy Center Units 1 and 2, Combined Cycle Unit B, and Indian River Plant Combustion Turbines for a three-year period in an amount not to exceed \$570,000, subject to final contract negotiations and OUC legal review;
7. Ratification of Change Request No. 1 to the Substation Capital Expenditure Estimate for the Airport Substation D Unit Addition Project in the amount of \$5,093,000, increasing the project cost to \$5,190,000. Ratification of a Master Engineering Support Services Agreement and OUC initiated scope change and conforming Change Order No. 1 to Black & Veatch in an amount not to exceed \$555,000 to provide design engineering and construction management services, increasing the total Purchase Order amount to \$650,000. Ratification of Purchase Orders to Waukesha Electric Systems Inc. for a 230/34.5kV transformer, field installation services and spare parts in the amount of \$965,580; Central Electric Manufacturing Company for a 34.5kV metal-clad switchgear unit and bus duct, field installation services and spare parts in the amount of \$830,717; and HVB AE Power Systems Inc. for

a 230kV power circuit breaker, field installation services and spare parts in the amount of \$109,250;

8. Approval of the Transmission Capital Expenditure Estimate for the St. Cloud North to East Transmission Line Access Pads, Roads and Compensating Storage Construction Project in the amount of \$4,440,000. Approval of RFP #3431 – Contract award to Jimmy Hickman Excavating, the most responsive and responsible vendor, for the construction of access pads, roads and compensating storage areas in the amount of \$4,300,000;
9. Approval of the Lighting Construction Estimate for State Road 436, from State Road 50 to Terry Brook Drive, located in the Orange County, in the amount of \$716,651.65, which includes \$136,044.60 for lighting equipment from OUC's stock inventory, \$80,000 to Comprehensive Engineering Services, Inc. for the photometric design and \$500,607.05 to Terry's Electric, Inc., OUC's lighting contractor, for the installation of poles, fixtures, concrete bases, conduit and wires;
10. Approval is RFP #3398 – Contract awards to Stage Door II, Inc. and All Terrain Tractor Services, Inc., the most responsive and responsible vendors, to provide surface restoration services for a three-year period in the aggregate amount of \$621,600;
11. Approval of RFP #3449 – Contract award to Thomas Electrical Systems & Testing, Inc., the lowest, most responsive and responsible vendor, to provide testing of electrical personnel protection equipment and insulated devices for a three-year period in the amount of \$156,000;
12. Approval of additional funding in the aggregate amount of \$750,000 with conforming Change Order No. 1 to the Flash-Rite, Inc. and Sunbelt Rentals, Inc. Purchase Orders to provide traffic control and lane closure services, increasing the aggregate Purchase Order amounts to \$1,650,000;
13. Approval of Change Request No. 1 to the Capital Expenditure Estimate for implementation of Phase II of the Meter Data Management System Project in the amount of \$5,992,004, increasing the total project cost to \$10,348,472. Approval of multi-phase conforming Change Order No. 2 to Red Clay Consulting, Inc. in the amount of \$2,875,334.00 to provide software development and implementation services for Phase II of the MDM Project, increasing the total Purchase Order amount to \$4,078,946.25. Approval of multi-phase conforming Change Order No. 1 to Oracle Corporation for software licensing and support services for

Phase II of the MDM Project in the amount of \$1,539,847.00, increasing the total Purchase Order amount to \$2,113,734.75;

14. Approval of additional funding in the amount of \$200,000 with conforming Change Order No. 1 to Persistent Systems, Inc. to continue providing temporary project staffing and support services for Secure Account Management through December 2013, increasing the total Purchase Order amount to \$265,000;
15. Approval of RFP #3437 – Contract awards to the lowest-most responsible and responsive vendors to provide landscape maintenance services for a three-year period to Annan Landscape Co. for Option 1 in the amount of \$336,700 and P & L Lawn Maintenance Inc. for Options 2 and 3 in the amount of \$389,864, for a total amount of \$726,564;
16. Approval of an OUC initiated scope change and conforming Change Order No. 5 to Oracle Corporation in the amount of \$258,345.05 for renewal of the Oracle database license maintenance and support for the period of May 30, 2013 through May 29, 2014, increasing the total Purchase Order amount to \$1,226,788.01;
17. Approval of RFP #3303 – Contract award to Humana, Inc. to administer Phase Two of OUC's Wellness Program from March 1, 2013 through February 29, 2016, in the amount of \$900,000;
18. Approval of a Purchase Order to Reliance Standard Life Insurance Company for group life insurance for active and retired employees, and accidental death & dismemberment and long term disability Insurance for active employees for a three-year period at a total projected cost of \$1,830,987, effective April 1, 2013;
19. Approval of the re-appointment of Tom Washburn, retiree; and appointment of Jan Aspuru, Vice President, Electric and Water Production, to the Board of Trustees of the OUC Pension Plan, effective April 1, 2013 for terms ending on December 31, 2018; and
20. Approval of an OUC initiated scope change and conforming Change Order No. 4 to Burgess Chambers and Associates, Inc. to continue providing retirement benefit consulting services through September 30, 2014, in the amount of \$160,000, increasing the total Purchase Order amount to \$450,000.

President Kirby informed the Board of a recent interaction with OUC's Customer Service staff regarding a minor bill discrepancy, after which he contacted Mr. Ksionek to discuss OUC's quality management process and Customer Service training policies.

Mr. Ksionek responded that the incident was not a systemic problem, and discussed OUC's Revenue Assurance and Quality Management Division's responsibility for auditing Customer Service engagements on a regular basis. Mr. Ksionek apologized to President Kirby for his experience, and assured the Board that this type of interaction is used as learning experience for the specific representative involved, as well as the Customer Service department at large. Additional training and support will be provided for all Customer Service and Collection agents.

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Commissioner Dominguez reported that the Audit Committee conducted its regular meeting on March 5, 2013.

Internal Audit activities were presented to the Committee including a summary of the recently issued audit reports and a status of open items. The 2013 Annual Audit Work Plan was also presented.

The financial performance for the period year ending January 31, 2013 was presented with Income before contributions of \$12.6 million; \$4.0 million lower than budget.

The external audit status update included a brief introduction of Mike Patillo, the Ernst & Young audit partner transitioning responsibilities from Mike Barrett. Mike Barrett, the current audit partner, will be retiring in June 2013.

The preliminary results of the depreciation study were also presented. Management is reviewing these results, which will be reviewed by Ernst & Young prior to implementation. Preliminary depreciation expense cost reductions are estimated to be \$12.1 million. Depreciation expense reductions of \$4.0 million were included in the 2013 operating budget.

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Commissioner McAllaster reported that the Finance Committee held its regular meeting on March 7, 2013.

The Committee reviewed the quarterly management reports, the 2013 Annual Work Plan and the results of the final cost of issuance for the Series 2013A Refunding Bonds. Total costs of issuance were less than the estimated amount. The Committee discussed the annual financing plan, noting that no significant financing transactions are anticipated this year.

The Committee approved adding Clint Bullock to the Energy Risk Management Oversight Committee to fill a current vacant slot.

The Finance Committee reviewed changes to the Investment Policy. These changes will allow more options for investments and enhance OUC's investment income while maintaining appropriate risk levels. The Finance Committee recommends that the Commission adopt the proposed policy changes.

On a motion by Commissioner McAllaster and seconded by Commissioner Ferrone, PRES-2a was approved as follows:

PRES-2a Adoption of the revised Investment Policy expanding the ability to invest in corporate securities from 25 percent to 35 percent of the pooled portfolio and change the minimum credit ratings for corporate securities from A+/A1 to A-/A3.

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John Hearn reported that growth through February has been slower than anticipated in both electric and water sales. Net income for Fiscal Year 2013 is approximately \$4.9 million under budget.

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Mr. Ksionek asked Jan Aspuru to provide a presentation on the retirement of Crystal River Unit 3 (CR3) nuclear unit. CR3 has not operated since September 2009 when a delamination of the concrete containment structure was discovered while replacing the steam generators in the unit. Further delaminations were discovered in 2011. On February 5, 2013, Progress Energy Florida (PEF), now Duke Energy (Duke), formally announced its decision to retire the unit. OUC has a 1.6 percent (14 MW) ownership share in the unit. Mr. Aspuru provided a brief background on CR3, which was built by PEF and went into commercial operation in 1977. Co-owners, including OUC, have been operating under a Settlement Agreement which was executed in 2002 and remains effective through the end of 2013. The agreement has protected OUC from any major impacts associated with the prolonged outage. Any impacts to OUC beyond 2013 will depend on the outcome of ongoing negotiations between OUC, Duke and other co-owners. Mr. Aspuru stated he expects these discussions to be ongoing for several months.

President Kirby stated concern about how this decommissioning will affect OUC's Electric Integrated Resource Plan (IRP), under the assumption that the Steam Generator Replacement Project would be successful and result in a 20 year operating license extension. Mr. Aspuru stated that the future nuclear power from CR3 was included in the IRP, and this will be a point of contention during the settlement negotiations with Duke.

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Mr. Ksionek asked Roseann Harrington to provide a presentation on OUC Customer Research. OUC utilizes a variety of internal and external tools, including self-performed surveys, focus groups, user testing, Metrix Matrix transaction surveys, BPA quality monitoring, eSource market research and J.D. Power Customer Satisfaction studies. Ms. Harrington provided background information on the recent J.D. Power satisfaction studies. Quarterly online interviews were completed from July 2012 through November 2012, and 310 OUC customers were surveyed. The current information shows the midpoint score, which is the average of the first two quarterly fielding waves. J.D. Power's scoring system provides the most weight to price and power quality, followed by customer service, billing and payment, communications, and corporate citizenship. The results indicated that OUC is above the South Midsize average, with exceptions for events such as severe weather and rate decreases. OUC ranks second compared to its' peers in the state of Florida. Ms. Harrington explained the comparisons in each scoring area.

Commissioner Ferrone asked for clarification regarding the numbers on the vertical scale. Ms. Harrington stated that these numbers are J.D. Power's scale.

Commissioner Dominguez asked if there are any incentive programs to reward superior performance or improvement results in the BPA quality monitoring, as well as what happens when an agent consistently trends low. Luz Aviles responded that OUC has offered recognition such as movie tickets and trophies for agents who consistently scored high, as well as agents who significantly improved performance. OUC offers a three-month development plan whereby agents in need of improvement are paired with higher-performing agents or assigned to a supervisor to provide additional support with problem areas. If the agent is not successful during the three-month plan, additional corrective measures are taken to help correct the issue.

Commissioner Dominguez emphasized the importance of quickly disseminating new information to Customer Service agents so they can perform well. Ms. Aviles stated that agents are trained prior to launching new programs and initiatives. Also, the BPA trending reports influence future training programs. Changes have been made with how performance is tracked in order to allow agents a greater opportunity to implement quality measures.

President Kirby asked about the frequency Metrix Matrix transaction surveys, and if OUC has investigated the use of online chatting for customer service. Ms. Aviles stated that the survey happens within one week of the transaction. OUC would like to implement immediate surveys in the future. Online chatting is included in Phase II item of customer service projects.

Commissioner Ferrone asked if J.D. Power provides explanations in addition to their scoring statistics, and if there are any key findings that would be helpful to the Commission. Ms. Harrington stated that OUC can compare itself to other

utilities. The information is circulated to other departments and used to update policies and procedures and improve performance in specific areas.

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Mr. Browder introduced Carlos Woody, OUC attorney and professor of law at Florida Agricultural and Mechanical University. Mr. Browder commended Mr. Woody for his recent work in writing *Florida Constitutional Law - Fifth Edition*.

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Commissioner Dominguez spoke about the importance of communication with customers and the data received from customer research tools. She appreciated President Kirby's comments and commended the mission to improve OUC in all areas. She thanked the customers who spoke at the meeting.

Commissioner McAllaster stated he looks forward to hearing answers to issues raised at the Commission Meeting. He also emphasized the importance of communication and learning from the process of installing automated meters.

Commissioner Ferrone spoke about the themes of trust and sincere intent that arose during the meeting. She also thanked the speakers, and implored that customers and OUC staff continue to trust that they have the same goals. She stated her appreciation for OUC's management team, and the business policies that make the Commissioners' job easier.

President Kirby presented Commissioner Dominguez with a ceremonial gavel in recognition of her two years of service as President. Commissioner Dominguez thanked President Kirby for the recognition.

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President Kirby adjourned the meeting at 3:57 P.M.

President

Secretary