

MINUTES
ORLANDO UTILITIES COMMISSION
August 21, 2012
2:00 P.M.

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
Clint Bullock, Alvin Frazier, Roseann Harrington, Byron Knibbs, Denise Stalls,
Rob Teegarden, Vice Presidents
Chip Merriam, Chief Legislative & Regulatory Compliance Officer
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 Dominguez asked John Hearn to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:02 P.M.

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On a motion by Commissioner McAllaster, seconded by Commissioner Kirby and unanimously carried, the reading of the minutes of the July 10, 2012 Budget Workshop was waived and the minutes were approved. On page 45, second paragraph, of the July 10, 2012 Commission Meeting minutes, Commissioner Kirby requested to strike the phrase "his life" and insert the phrase "the life of a family member." On a motion by Commissioner Kirby, seconded by Commissioner McAllaster and unanimously carried, the reading of the minutes of the July 10, 2012 Commission Meeting was waived and the minutes were approved with the correction.

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Clint Bullock presented a 40-year service award to Allen Kemp, Contract Inspector Administrator, Energy Delivery Business Unit.

Clint Bullock presented a 25-year service award to Spencer Barnes, Line Supervisor, Energy Delivery Business Unit.

Clint Bullock presented a 25-year service award to Wayne Zimmerman, Manager, Construction and Maintenance, Energy Delivery Business Unit.

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Roseann Harrington informed the Board that OUC was ranked Number 15 in the Orlando Sentinel's Top 100 Companies for Working Families. She also recognized Gaby Ortigoni for receiving the Orlando Business Journal's Top 40 Under 40 award.

Dr. Audrey Brown announced that OUC received an award from Jones High School, one of OUC's partner schools, as the 2011-2012 Most Outstanding Partner in Education. Ms. Harrington thanked Dr. Brown for her work on this endeavor.

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Ken Ksionek asked Jan Aspuru to give a presentation on Affirmative Item A-2 regarding the Indian River Plant CT C Combustion Inspection and CT D Hot Gas Path Inspection, Major Inspection and Repair Project. Mr. Ksionek stated that the main purpose of these inspections is to identify and fix problems within the units and prevent potential major damage that could result in significant loss of property and/or life. Mr. Aspuru explained that the three types of combustion turbine inspections recommended by the Original Equipment Manufacturer are combustion inspections, hot gas path inspections and major inspections. On June 12, 2012, the Commission approved a hot gas path inspection on CT D and a combustion inspection on CT C. The hot gas path inspection on CT D revealed damage to the compressor-combustor cylinder. The cause of the damage is still under investigation, as the previous hot gas path inspection occurred nine years ago. The current focus is to repair CT D and return it to service. Mr. Aspuru presented several photos indicating the damage to the compressor-combustor cylinder.

Three different repair alternatives were evaluated: to procure a used compressor-combustor cylinder, to do an off-site repair in Savannah, GA, or to do an on-site repair. The preferred alternative is an on-site repair at an estimated cost of \$535,000. Because this requires that the rotor be pulled, it is also recommended that a major inspection on CT D also be performed at this time. The cost for performing the major inspection with the unit open at this time is estimated to be \$1.465 million versus a forecasted cost of \$4.5 million, which would be the cost to perform the inspection during the scheduled time period of 2015-2017. The total project cost is estimated to be \$2 million.

Commissioner Kirby asked when the next scheduled major inspection would occur. Mr. Aspuru responded that it would be at least ten years from now. A

combustion inspection would occur three years from now, restarting the inspection cycle.

President Dominguez asked about the price differentials for the three repair alternatives. Mr. Aspuru responded that the cost of an off-site repair was slightly higher than the on-site repair.

Commissioner McAllaster stated that the low pricing was due to Mitsubishi's desire to be competitive. Mr. Aspuru praised Mitsubishi for its efforts to prove they are a viable source of repairs and maintenance at the SEC.

Commissioner Ferrone asked about the risks associated with a welding repair. Mr. Aspuru responded that all three alternatives involved certain risks but the staff concluded that the on-site repair alternative represented the least amount of risk.

Commissioner Ferrone asked if Siemens would be involved in determining the cause of the CT D damage. Mr. Aspuru responded that, though Mitsubishi is performing this work, Siemens has been notified of the finding and has expressed interest in participating in the repair process.

Mr. Ksionek asked Ms. Harrington to give a presentation on Affirmative Item A-19 regarding the Customer Facing Web Initiatives Project. Ms. Harrington discussed current customer interactions. Ninety-five percent of customers use traditional methods, such as telephone and walk-in centers, to interact with OUC. However, only 49 percent of payments come from traditional methods.

OUC performed customer research in Spring 2012. It was determined that customer wants include an improved digital experience across various platforms and access to services and information (outages, billing and payment). Lower rates and convenience factor would motivate customers to move to electronic payment methods.

The goals of OUC's web initiative project include: reducing the number of live interactions and providing more self-service options; reducing paper bills; improving the user experience on both the website and interactive voice response (IVR) to encourage greater usage; bringing OUC's website up to e-commerce industry standards; and creating a platform that accommodates new apps and changes in technology with the addition of prepay advanced metering infrastructure (AMI) and meter data management (MDM). The Phase I Foundational Projects include placing priority on upgrades that would have a high return on investment and reduce full-time equivalent positions, giving precedence to forms/services most desired by existing and new customers, keeping up with e-commerce industry standards, ensuring user-friendly experience and syncing with the IVR. Ms. Harrington recognized OUC's in-house project management team, including Jenise Osani, Luz Aviles, Bobby Nelson and Morgan Knezovich. She also recognized one of the local vendors for this project, Purple, Rock, Scissors.

Ms. Harrington stated that the cost of this project is \$5.97 million, with a net present value of \$3.19 million. The project's design/build will take place in Fall 2012 with testing occurring in early 2013. It is anticipated that the project will go live on May 6, 2013.

Commissioner Ferrone asked how OUC plans to transition rate payers from using traditional payment methods to using 100 percent electronic payment methods, as well as the estimated time period for this transition. Ms. Harrington responded that OUC will continue to utilize third-party walk-in centers, such as Amscot. OUC will begin closing walk-in service centers in Fall 2013, after the new IVR system goes live.

Commissioner Kirby asked how OUC would phase out the walk-in service centers. Ms. Harrington responded that service centers will be closed at a staggered rate, and more details will be presented to the Commission at a later date.

President Dominguez asked if OUC would incentivize early adoption of electronic payment methods. Ms. Harrington responded that OUC has considered different options, and will continue to consider more options during Phase 2 of the project. President Dominguez also advised that phone calls to service centers will continue during the entire transition period, and that OUC needs to ensure that customers feel safe and secure when contacting OUC. Ms. Harrington stated that the qualifications for customer service representative positions will change, as there will be more complicated calls.

Commissioner Ferrone stated that it is a wise decision to connect the IVR Project with web initiatives, and asked if OUC will be pushing customers from IVR to the website. Ms. Harrington responded that the same transactions can be done on both IVR and the web, and that OUC has a detailed plan to migrate customers. The priority is for customers to use the web, although some customers prefer to use their phone.

Commissioner Kirby asked about the contract length with Purple, Rock, Scissors. Ms. Harrington responded that they will work with OUC during the following year to help migrate customers. Commissioner Ferrone asked if the total project cost includes marketing and customer training. Ms. Harrington stated that this does include marketing and training costs for PRS, and that OUC's costs for this project are included in the 2013 budget.

Mr. Ksionek asked Chip Merriam to give a presentation on Affirmative Item A-21 regarding the Stanton Energy Center Combustion Waste Storage Area (CWSA) Pond Liner Design and Build Project. Mr. Merriam explained that the CWSA pond was built in 1987 as part of the original SEC construction. The pond liner is currently in need of replacement and improvements are also requested. The project was originally presented to the Commission on April 10, 2012. As a result of Commissioner comments, OUC requested and received a time extension from

the Florida Department of Environmental Protection (FDEP) to initiate a new RFP process.

Mr. Merriam explained design issues with the project, including pond elevation, improving the footprint, construction sequencing, liner system changes and liner thickness changes. Sand, that is currently on top of the liner, will be replaced with soil cement, a combination of soil cement and on-site materials or a fiberglass concrete mix. This will lower the risk of exposing the liner. With the new design, the pond liner will have several layers of protection including a clay layer, a geotextile layer or concrete and soil cement.

The next steps in the project include detailed design by TetraTech and coordination with the FDEP and utilizing TetraTech during the construction services due to the unique nature of the project. The original cost of the project was approximately \$5.4 million. Because of the new design elements, the current project cost has risen to approximately \$10 million. However, this is the worst-case scenario situation. The project is necessary to meet water management and landfill regulatory requirements.

President Dominguez asked about the cost for the best-case scenario situation. Mr. Merriam responded that it would cost approximately \$7.6 million, but with the unknown factors of constructing this type of project the worst case scenario was presented to the Commission.

Commissioner Ferrone asked about the cost of the project if the bentonite layer is not as deep. Mr. Merriam responded that an 80 foot wall is approximately \$10 per square foot. A shallower layer could be less than \$7-8 per square foot. More geology assessments and testing are needed before estimating the total cost of the project.

Mayor Dyer asked if Tetra Tech would perform the construction or if the work would be subcontracted. Mr. Merriam responded that most of the construction would be subcontracted out, and added that OUC has urged Tetra Tech to utilize local contractors.

Commissioner Kirby requested more background information about the selection process for Affirmative Item A-7 regarding the Stanton Energy Center Electrostatic Precipitator Inspection & Repairs. Mr. Aspuru responded that three vendors were solicited and two responded. Aquilex submitted a significantly higher proposal than AirTek.

Commissioner Kirby inquired about the status of the negotiations for Affirmative Item A-8 regarding the Stanton Energy Center Limestone Contract, and why a five-year contract is being utilized instead of a three-year contract with two one-year renewal options. Mr. Aspuru responded that the evaluation committee concluded that a five-year contract provided OUC with the best value. Mr. Ksionek reminded the Board that OUC can terminate the contract for convenience at any time and go back to the market.

Commissioner Kirby inquired about Affirmative Item A-15 regarding the Incremental Data Storage Purchase, and when additional storage will need to be purchased. Mr. Rodeghier responded that OUC purchases new storage increments when the current storage has reached 70 percent of capacity. The last purchase occurred approximately two years ago, which is a longer time period than anticipated. However, as new projects are completed, future data storage will need to be purchased at shorter intervals.

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

1. Ratification of the above fuel procurements to the low bidders in May 2012 in the aggregate amount \$8,931,868.94 as follows:

NATURAL GAS PURCHASES:

May 2012	BP Energy Company	\$ 698,238.29
May 2012	ConocoPhillips	\$1,123,604.73
May 2012	EDF Trading (Formerly Eagle Energy)	\$ 425,235.76
May 2012	Enbridge Marketing, LP	\$ 185,850.28
May 2012	Infinite Energy	\$1,308,612.50
May 2012	Macquarie Cook Energy, LLC	\$ 486,808.06
May 2012	National Energy & Trade	\$ 307,262.69
May 2012	Rainbow Energy	\$ 253,397.79
May 2012	Sequent Energy Management	\$1,233,402.24
May 2012	Shell Energy	\$ 784,269.70
May 2012	Southwest Energy	\$ 404,248.68
May 2012	Texla Energy Management, Inc.	\$1,720,938.22

2. Ratification of Change Request No. 1 to the Capital Expenditure Estimate for the Indian River Plant CT C Combustion Inspection and CT D Hot Gas Path Inspection, Major Inspection and Repair Project to perform emergent repair work and a Major Inspection on CT D in an amount not to exceed \$2,000,000, increasing the total project cost to \$6,058,698. Ratification of an OUC initiated scope change and conforming Change Order No. 1 to Mitsubishi Power Systems Americas Inc. to provide all materials and services required to repair the Indian River Plant CT D compressor-combustor cylinder and perform the Major Inspection on CT D in an amount not to exceed \$2,000,000, increasing the total Purchase Order amount to \$6,058,698
3. Approval of an OUC initiated scope and conforming Change Order No. 1 to Transtate Industrial Pipeline Systems, Inc. in the amount of \$17,248 for maintenance associated with the new Stanton Energy Center Unit 1 and 2 natural gas meter station through January 31, 2013, increasing the total Purchase Order amount to \$110,000;
4. Approval of Purchase Orders to Progress Rail Services; WATCO Companies, Inc.; Reliable Rail Services, LLC; Appalachian Railcar

Services, Inc.; and Energy Related Activities, Inc. to provide railcar repairs and maintenance for Fiscal Years 2013 and 2014 in an aggregate amount not to exceed \$1,770,000;

5. Approval of a sole source Purchase Order to CSX Transportation, Inc. for mandatory railcar inspections and repairs for a three-year period in the amount of \$1,740,000;
6. Approval of RFP #3269 – Contract award to Tampa Armature Works, Inc., TAW Orlando Service Center, Inc. and Stewart’s Electric Motor Works, Inc., the most responsive and responsible vendors, to provide electric motor repairs for a five-year period in an aggregate amount not to exceed \$750,000;
7. Approval of a sole source Purchase Order to Siemens Energy, Inc. to provide replacement rapping system components for the Stanton Energy Center Unit 2 electrostatic precipitator in an amount not to exceed \$152,000. Approval of RFP #3306 – Contract award to AirTek Construction, Inc., the lowest, most responsive and responsible vendor, to provide inspection and repair services for the Stanton Energy Center Unit 1 and 2 precipitators in an amount not to exceed \$791,912, subject to final contract negotiations and OUC legal review;
8. Approval of RFP #3301 – Contract award to Ocala Bedrock, Inc., d/b/a Bedrock Resources, the lowest, most responsive and responsible vendor, to provide aggregate limestone for a five-year period in the amount of \$9,200,000, subject to final contract negotiations and OUC legal review;
9. Approval of RFP #3302 – Contract award to Alstom Power, Inc., the lowest, most responsive and responsible vendor, to design, furnish and install the Stanton Energy Center Unit 1 air heater upgrades required for Phase 2 of the Nitrogen Oxide Reduction Project in an amount not to exceed \$2,790,887, subject to final contract negotiations and OUC legal review;
10. Approval of RFP #3298 – Contract award to Trane U.S., Inc., the lowest, most responsive and responsible vendor, to furnish and install a new packaged rooftop air conditioner for the Stanton Energy Center sludge conditioning building in an amount not to exceed \$287,200, subject to final contract negotiations and OUC legal review;
11. Approval of RFP #3307 – Contract award to Aquilex SMS, LLC, the most responsive and responsible vendor, to perform the Stanton Energy Center Unit 1 and 2 steam generator inspection and repair

services in an amount not to exceed \$4,900,000, subject to final contract negotiations and OUC legal review;

12. Ratification of a Substation Capital Expenditure Estimate for the St. Cloud North Substation Transformer Project at an estimated cost of \$1,105,000. Ratification of a single source Purchase Order to GE Prolec Transformers, Inc. to manufacture, deliver and install a new transformer in an amount not to exceed \$700,000;
13. Approval of Bid #3025 – Authorization for the General Manager & CEO to execute a five-year Purchase Agreement with Central Electric Manufacturing Company, the lowest, most responsive and responsible vendor, to provide metal-clad switchgear units and bus duct, including field installation services and spare parts for an estimated aggregate amount not to exceed \$8,200,000. Approval of a Purchase Award to Central Electric Manufacturing Company for two metal-clad switchgear units and bus duct, including field installation services and spare parts, required for the Weber Switchgear Upgrade Project in the amount of \$1,325,000;
14. Approval of a single source Purchase Order to Southern Electric Supply, d/b/a Consolidated Electric Supply Division of Rexel Inc., to provide Allen-Bradley ControlLogix Programmable Logic Controllers hardware and equipment for the Southwest Water Treatment Plant in the amount of \$191,549.62;
15. Approval of additional funding in the amount of \$234,495 with conforming Change Order No. 1 to EMC2 Corporation to purchase incremental data storage, increasing the total Purchase Order amount to \$463,271;
16. Authorization for the General Manager & CEO to approve OUC's property and casualty insurance purchases in an amount not to exceed \$3,087,224;
17. Approval of an OUC initiated scope change and conforming Change Order No. 1 to East Central Florida Resource Conservation & Development Council, Inc. in the amount of \$80,000 to continue providing water education and enforcement services through August 31, 2013, increasing the total Purchase Order amount to \$164,000;
18. Approval of RFP #3304 – Contract award to SimplexGrinnell LP, the most responsive and responsible vendor, to monitor, inspect and maintain the 24-hour fire and burglar alarm systems for a three-year period in the amount of \$122,746;

19. Approval of a Capital Expenditure Estimate for the Customer Facing Web Initiatives Project in the amount of \$5,969,404. Approval of a single source Purchase Order to Purple, Rock, Scissors for website design and development services in the amount of \$512,969;
20. Approval of an OUC initiated scope change and conforming Change Order No. 1 to CH2M Hill Engineers, Inc. in the amount of \$200,000 for the completion of the Stanton Energy Center groundwater monitoring plan, increasing the total Purchase Order amount to \$273,500;
21. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Combustion Waste Storage Area Pond Liner Design & Build Project in the amount of \$10,148,277. Approval of RFP #3288 – Contract award to Tetra Tech, Inc., the most responsive and responsible vendor, to design and construct a new pond liner for the project in the amount of \$10,148,277, pending OUC legal review and approval of the contract;
22. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Bloomberg LP in the amount of \$54,800 to continue providing financial data, information and trading services through September 30, 2014, increasing the total Purchase Order amount to \$136,800;
23. Ratification of the General Manager & CEO's execution of the Partial Release of Easement granted under the Lighting Service Agreement with Holiday Chevrolet, for property located north of Irlo Bronson Memorial Highway and west of Old Hickory Tree Road; and
24. Authorization for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation and OUC for Parcels 103.2R and 107.2R, for property located south of Irlo Bronson Memorial Parkway and west of Hickory Tree Road, and south of Irlo Bronson Memorial Parkway and west of Commerce Center Drive, respectively.

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Mr. Ksionek presented the 2013 Operating Budget and 2013-2017 Capital Plan for consideration. He noted that the 2013 Operating Budget includes a reduction in electric base rates while maintaining OUC's commitment to reliability and sustainability. The budget was presented to Commissioners at the July 10, 2012 Budget Workshop and approval is requested at this time.

On motion by Commissioner Kirby, seconded by Commissioner Ferrone, New Business Item 1 was adopted and accepted as follows:

NB-1 Adoption of the proposed electric base rates pending Florida Public Service Commission review, for implementation October 1, 2012.

On motion by Commissioner Kirby, seconded by Commissioner Ferrone, New Business Item 2a/2b was adopted and accepted as follows:

NB-2a/2b Adoption of the proposed 2013 Operating Budget as presented and acceptance of the 2013-2017 Capital Plan as presented.

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Commissioner Kirby reported that the Finance Committee held its regular meeting on August 9, 2012. The Committee reviewed the quarterly management reports, recent financing transaction and upcoming financing opportunities. The Committee also discussed the results of the sale of the Series 2012A Refunding Bonds (Bonds). The portion of the Bonds related to the refunding of the Series 2002C Bonds achieved a present value savings of 21 percent, or \$2.1 million. The portion of the Bonds related to the refunding of the Series 2003 Bonds reflected a reduction in the true interest cost from 3.5 percent to 2.6 percent. The Bonds were well received in the market. A refunding of additional bonds is expected later this calendar year.

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John Hearn reported that year to date net income is approximately \$50 million, which is approximately \$2.6 million ahead of budget. Revenue for July was slightly less than budget, but expenditures were lower to offset that discrepancy.

Commissioner Kirby asked about rationale behind the projected 2.2 percent growth in water services in 2013. Mr. Hearn responded that much of this growth is expected because of the growth of multi-family homes. Other economic factors also influence this projected growth.

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OUC customer Darren Leach spoke about water rates for irrigating sod and new landscaping. OUC previously denied his request for an adjustment for a lower-tiered rate while watering new sod for a one-month period. He stated that Orange County Utilities has water rate guidelines for establishing new landscaping and filling pools. He requested that OUC establish a time period of lower water rates for initial irrigation purposes.

OUC staff will review the information and respond to the customer.

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Commissioner Ferrone congratulated OUC staff on the new budget and rate decrease.

Commissioner Kirby congratulated OUC on being recognized as Number 15 in the Top 100 Companies for Working Families list. He recently attended the Florida Energy Summit, which presented insightful information regarding the local market. He congratulated Mayor Dyer on receiving the Bob Graham Architectural Awareness Award from the American Institute for Architects. He stated that OUC owes customers improvements in sustainability and recommended three goals: bring about measurable demand reductions, empower customers to make better decisions about energy use and target new opportunities to partner with customers and other community partners on effective use of sustainables and conservation.

Commissioner McAllaster commended the service award recipients. He was pleased to see the Customer Facing Web Initiatives Project moving forward. He thanked OUC staff for all the hard work in reducing electric rates.

Mayor Dyer thanked Mr. Merriam for his presentation regarding the CWSA Pond Liner Project. He congratulated Commissioner Ferrone on her workplace, North Highland, being ranked as the best place to work in the state by Florida Trend.

President Dominguez thanked the Board and OUC staff for a productive meeting and congratulated the service award recipients. She stressed the importance of keeping rates low for customers and reiterated Commissioner Kirby's statement regarding the importance of sustainability. While OUC's conservation efforts are hard to quantify, they are working and helping customers.

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President Dominguez adjourned the meeting at 3:43 P.M.

President

Secretary