

**MINUTES
ORLANDO UTILITIES COMMISSION
April 14, 2015
2:00 P.M.**

Present:

COMMISSIONERS:

Linda Ferrone, President
Gregory D. Lee, First Vice President (via telephone)
Maylen Dominguez, Second Vice President
Dan Kirby, Immediate Past President
Buddy Dyer, Mayor

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Roseann Harrington, Byron Knibbs, Chip Merriam and
Rob Teegarden, Vice Presidents
Jerry Sullivan, 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 Ferrone asked Ron Toporek to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:04 P.M.

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On a motion by Commissioner Dominguez, seconded by Mayor Dyer and unanimously carried, the reading of the minutes of the March 10, 2015 Commission Meeting was waived and the minutes were approved.

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Clint Bullock presented a 30-year service award to John McGruder, Sr. Programmer Analyst, Electric and Water Delivery Business Unit.

Byron Knibbs presented a 20-year service award to Ruth Jayson-Polk, Manager, Finance and Training, Customer and Sustainable Services.

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Commissioner Lee joined the meeting via telephone.

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President Ferrone read aloud a Proclamation declaring April to be Water Conservation Month at OUC.

President Ferrone recognized Commissioner Kirby for receiving the Medal of Honor award for the Orlando chapter of the American Institute of Architects.

Commissioner Kirby thanked OUC staff and Commissioners for their support.

Roseann Harrington also congratulated Commissioner Kirby for his award and thanked him for his commitment to sustainability. She announced the Spring into Sustainability meetings with the City of Orlando, where OUC staff will be discussing Power Pass, Consumption Dashboard, Conservation Rebates, EV Charging Stations, Solar Panels and Home Warranty Protection Programs.

Ms. Harrington also announced the upcoming Watercolor Project Celebration on April 23. OUC will participate in four festivals on Earth Day. She thanked her team for their hard work on these projects.

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Mr. Ksionek asked Jerry Sullivan to provide a presentation on Affirmative Item A-15 related to the Outage Management System (OMS) and Computer Aided Dispatch (CAD) System Upgrade Project and Automated Meter Infrastructure (AMI) Integration Support, and Affirmative Item A-16 related to the Elster Energy Axis Management System (EAMS) Upgrade Project. Mr. Sullivan explained that these projects are necessary to expand the Smart Grid system, which has been growing at an exponential rate. Item A-14 will integrate the outage management and dispatch systems with the AMI smart grid meters. Item A-15 will improve performance and analytics, increase the data pipeline, identify issues earlier, create a foundation for proactive alerts and capture water AMI interval reads. Elster provides the meters, while software helps improve throughput. Mr. Sullivan explained how the project components and software interact with the EAMS.

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Commissioner Dominguez asked about the status of the Power Pass Program. Byron Knibbs replied that approximately 2,100 customers have signed up for the pilot program, and is expecting greater participation once the program is fully launched and advertised.

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

1. Ratification of the fuel procurements to the low bidders in January 2015 in the aggregate amount \$7,937,090.26 as follows:

NATURAL GAS PURCHASES:

Jan. 2015	BP Energy	\$ 273,630.00
Jan. 2015	EDF Trading (Formerly Eagle Energy)	\$ 828,556.08
Jan. 2015	Enbridge Marketing, LP	\$ 608,391.31
Jan. 2015	Florida Power & Light	\$ 204,754.71
Jan. 2015	Infinite Energy	\$ 138,741.46
Jan. 2015	Macquarie Cook Energy, LLC	\$ 696,069.04
Jan. 2015	Tenaska Marketing Ventures	\$1,499,688.05
Jan. 2015	Texla Energy Management, Inc	\$ 595,051.22

COAL PURCHASES:

Jan. 2015	Crimson Coal Corporation	\$1,032,073.94
Jan. 2015	Foresight Coal Sales, LLC	\$1,556,073.46
Jan. 2015	Mercuria Coal Marketing/ECC	\$ 504,060.99

2. Approval of Change Request No. 1 to the Capital Expenditure Estimate for Electric & Water Production's Arc Flash Assessment & Protection Project in the amount of \$860,000, increasing the total project cost to \$1,085,000;
3. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Allied Universal Corporation in the amount of \$410,270 to provide liquid chlorine for the Water Treatment Plants through December 31, 2016, increasing the total Purchase Order amount to \$1,201,524. Approval of an of an OUC initiated scope and conforming Change Order No. 3 to Key Chemical, Inc. in the amount of \$873,456 to provide caustic soda for the Water Treatment Plants through December 31, 2016, increasing the total Purchase Order amount to \$2,584,125;
4. Approval of RFP #3905 - Contract award to AirTek Construction, Inc., the only responsive and responsible vendor, to provide inspection and repair services for the Stanton Energy Center Unit 1 precipitator in the amount of \$457,530, pending final contract negotiations and OUC legal review;
5. Approval of a Purchase Order to Reiss Engineering, Inc. to develop and update the water quality model as required for Phase I of the Water Quality Modeling Project in the amount of \$249,768;
6. Approval of RFP #3790 - Contract award to Layne Christensen Company and Stewart's Electric Motor Works, Inc., the most responsive and responsible vendor, to provide well and pump maintenance and repair services in the aggregate amount of \$675,000. The contract terms are three years with two one-year renewal options;

7. Approval of RFP #3885 - Contract award to Terry's Electric, Inc., the lowest, most responsive and responsible vendor, for lighting installation and maintenance services in the amount of \$7,000,000. The contract term is three years with two one-year renewal options;
8. Approval of RFP #3853 - Contract awards to Aaron's Backflow, Inc. and Utility Partners of America, Inc., the lowest, most responsive and responsible vendors, to provide backflow prevention testing and repair services in the aggregate amount of \$3,340,159. The contract terms are three years with two one-year renewal options;
9. Approval of an OUC initiated scope change and conforming Change Order No. 1 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. in the aggregate amount of \$1,807,000 to continue providing general contracting services through June 24, 2016, increasing the total Purchase Order amount to \$3,307,000;
10. Approval of additional funding in the amount of \$138,409.71 with conforming Change Order No. 3 to Konica Minolta for equipment usage and maintenance costs through December 31, 2015, increasing the total Purchase Order amount to \$800,188.87;
11. Authorization for the General Manager & CEO to execute the Partial Release of Easement for Airport Industrial Park Orlando, located north of Tradeport Drive and west of Ringhaver Drive;
12. Authorization for the General Manager & CEO to execute the Release of Easement for Adventist Health Systems, located north of Interstate 4 and south of Vineland Road;
13. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Checkpoint Technologies, Inc. in the amount of \$46,085 for Application Lifecycle Management software licenses and support through September 30, 2016, increasing the total Purchase Order amount to \$133,581.29;
14. Approval of a sole source Purchase Order to Elster Solutions LLC to provide Automated Meter Infrastructure integration support required for the Outage Management System and Computer Aided Dispatch System Upgrade Project in the amount of \$180,040, pending final contract negotiations and OUC legal review;
15. Approval of a Capital Expenditure Estimate for the Elster Energy Axis Management System Upgrade Project, which includes software, hardware, licenses and professional services in the amount of \$1,182,523. Approval of sole source Purchase Order to Elster

Solutions LLC for consulting, implementation services and program management for the Elster Energy Axis Management System Upgrade Project in the total amount of \$280,520, pending final contract negotiations and OUC legal review;

16. Approval of an OUC initiated scope change and conforming Change Order No. 1 to the State of Florida Department of Management Services in the amount of \$342,000 to continue providing supplemental voice, data and internet services through March 31, 2018, increasing the total Purchase Order amount to \$570,000; and
17. Approval of an OUC initiated scope change and conforming Change Order No. 5 to CDW-Government LLC in the amount of \$140,939.99 to continue providing VMWare software annual maintenance and support for the period May 4, 2015 through June 11, 2016, increasing the total Purchase Order amount to \$360,089.67.

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Mr. Ksionek asked Ms. Harrington to provide a presentation regarding the Warranty Protection Program. Ms. Harrington stated that warranty programs are a proven means of increasing utility income while providing customers greater value. Partnering with an experienced outside vendor, American Water Resources (AWR), allows OUC to offer a full-range of affordable and value-added products and services. The first phase of the program will offer five residential based programs. Phase Two will begin at a yet to be determined date and consist of two commercial products. AWR will pay OUC a guaranteed licensing fee of no less than \$950,000 per year and will handle the entire customer enrollment and claims service process. OUC will not perform repairs or installations. Ms. Harrington discussed AWR's qualifications and OUC's marketing strategies. Ms. Harrington thanked Malcolm and the rest of the AWR team, as well as Morgan Knezovich, Dawn Frye, Gina Johnson, Bobby Collins and Terrie Tressler for their work on the program.

Commissioner Kirby asked if the future phases would include commercial programs, and Ms. Harrington replied affirmatively. They are scheduled to go live at the end of summer. OUC created a model that would allow for the addition of more products and services.

Commissioner Dominguez asked about how these items are typically covered by insurance. Ms. Harrington replied that these are typically gaps in the homeowner's insurance policy. Approximately 95 percent of homeowners insurance policies do not cover them.

Commissioner Dominguez inquired about the approximate revenue beyond AWR's guarantee, and how much the average customer is spending on these types of items annually. Ms. Harrington replied that the guarantee from AWR is very strong, and that the amount customers spend on these items depends on

the age of the home. The water line program would cost customers \$48 per year, but an event can cost several thousands of dollars.

Commissioner Ferrone inquired about the estimated revenue potential over the next several years. Ms. Harrington stated it starts at 20 percent and rises each year.

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Commissioner Lee reported that the Audit Committee conducted its regular meeting on March 12, 2015. The Audit Committee discussed a revised Internal Audit Charter. The changes made focus on ensuring the charter is aligned with the requirements of the Institute of International Auditors. The Committee recommends that the Commission approve the revised Internal Audit Charter.

Commissioner Dominguez asked for clarification regarding the changes to the charter. Mark Thompson replied that the revised charter evolves the services of Internal Audit. Aligning the new charter with the Institute of Internal Auditors' model charter allows OUC to perform advanced auditing services, including advisory and consulting services. President Ferrone confirmed that the changes were reviewed in detail at the Audit Committee meeting.

On a motion by Commissioner Kirby and seconded by Commissioner Dominguez, PRES-1a was approved as follows:

PRES-1a Adoption of the revised Internal Audit Charter as recommended by the Audit Committee.

The Audit Committee reviewed OUC's 2015 Annual Risk Assessment and approved the 2015 Audit Plan. The Committee also reviewed Internal Audit activities, including an overview of three recently completed audit reports.

Financial performance for the four months ending January 2015 was reviewed, including a projection of annual results for Fiscal Year 2015. Income before contributions for Fiscal Year 2015 is expected to be \$89.9 million, or \$1.9 million higher than the annual budget.

A proposal to extend the current contract for audit services with Ernst & Young for two years was reviewed. The Audit Committee recommends that the Commission approve the two year extension to the contract with Ernst & Young.

On a motion by Commissioner Kirby and seconded by Commissioner Dominguez, PRES-1b was approved as follows:

PRES-1b Approval of an OUC initiated scope change and conforming Change Order No. 1 to Ernst & Young in the amount of \$597,500 to continue providing external auditing services through July 31, 2017, increasing the total Purchase Order amount to \$1,397,500.

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John Hearn stated that OUC net income is approximately \$38 million for the first six months of Fiscal Year 2015, or approximately \$5.9 million ahead of budget. This is a strong position to be in while approaching the summer months.

Mr. Hearn also stated that on March 31, OUC was able to competitively price revenue refunding bonds in order to cover a portion of the 2015-16 Capital Plans. The true interest cost on the bonds is 3.568 percent.

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Mr. Ksionek asked Chip Merriam to provide a Legislative Update. Mr. Merriam stated that this is a very busy time for legislative issues and thanked Kevin Noonan for his assistance at the state level. Mr. Merriam discussed several proposed bills at the state level that could affect OUC, including public records, location of utilities, associations of government officials, water resources and local government construction. Mr. Merriam also explained legislative issues at the national level.

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Mr. Ksionek distributed an aerial photo of the Stanton Energy Center and discussed the history of OUC's solar installations and future projects under construction. OUC currently has approximately 12 MW of solar capacity. Mr. Ksionek stated that the proposals received in 2014 to place a community solar farm on top of the Pershing parking facility were not favorable. Therefore, three new solar sites are under consideration at the SEC. The recently proposed pricing is under evaluation and is significantly less than OUC's current solar farms. The planned service date is the end of 2015 or the beginning of 2016. Commercial customers and other municipals may participate in joint ownership of the new solar farm. Mr. Ksionek advised that the sustainability team will be bringing this utility-scale solar project and many other community farm installations in the upcoming months.

President Ferrone asked for clarification on whether or not OUC is considering all three options and Mr. Ksionek responded affirmatively.

Commissioner Dominguez asked how additional solar farms would increase the percentage of solar. Mr. Ksionek stated this could double OUC's solar capacity.

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Commissioner Kirby stated that he was pleased to hear the discussion about moving forward on utility scale solar. He stressed his hopes to give priority to meeting OUC customer demands first. He was pleased to hear the update on the OMS and AMI improvements and looks forward to future phases. He recently attended Mayor Dyer's Green Economy Summit and was pleased that

Orlando was mentioned as a national leader. He thanked OUC and the Commissioners for their support while receiving the AIA Medal of Honor. He commented on House Bill 1325 and the nature of Gainesville's potential Commissioners as compared to OUC's Commissioners.

Commissioner Dominguez expressed her excitement about the potential solar farms at the SEC. She congratulated Commissioner Kirby on his award. She was glad to see a commercial for OUC's green programs. Mr. Ksionek thanked Claston Sunanon for his appearance in OUC's promotional materials.

Commissioner Lee congratulated Commissioner Kirby on his award. He stated he regretted not being able to attend the meeting in person but appreciated listening to the presentations.

Mayor Dyer stated he is excited about the potential for additional solar generation. He also commented on the Spring into Sustainability meetings and stated that he would like to proclaim Orlando as the Greenest Community in the Southeast United States. He mentioned the opportunity to receive a free composting bin from the City of Orlando.

President Ferrone also praised the Spring into Sustainability meetings and the other sustainability efforts. She praised OUC's financial performance. She has recently spent time with Internal Audit and Information Technology and praised their continuous improvement.

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President Ferrone adjourned the meeting at 3:35 P.M.

President

Secretary