

**MINUTES
ORLANDO UTILITIES COMMISSION
July 9, 2013
2:28 P.M.**

Present:

COMMISSIONERS:

Dan Kirby, President
Linda Ferrone, First Vice President
Maylen Dominguez, Second 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 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 2:28 P.M.

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On a motion by Commissioner Dominguez, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the May 14, 2013 Commission Meeting was waived and the minutes were approved.

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President Kirby read a Resolution of Appreciation for adoption to recognize Craig McAllaster for his four years of service on the OUC Board.

RESOLUTION OF APPRECIATION

Whereas, the ORLANDO UTILITIES COMMISSION wishes to recognize and honor CRAIG McALLASTER, for his exemplary dedication and service to the Commission from 2009 to 2013, for serving as a champion of the customers of the Commission and for always being an ardent supporter of its employees; and

Whereas, Craig McAllaster, Dean of the Rollins College Crummer Graduate School of Business and former president of the Southern Business Deans Association, is also very active in the Central Florida community serving numerous organizations while constantly ensuring the best interests of the Commission were always represented on the OUC Board; and

Whereas, the ORLANDO UTILITIES COMMISSION extends appreciation to Mr. McAllaster for his years of steadfast service and the significant contributions he made during his time on the Commission in which he provided his wisdom and business acumen in navigating through difficult economic times, instituted both rate increases and decreases, acted as an advocate for fiscal responsibility in order to maintain OUC's strong bond ratings, and assisted OUC in managing and balancing its current and future generation portfolio by understanding the fundamental importance of traditional generation and encouraging the pursuit of new forms of energy going forward; and

Whereas, Mr. McAllaster provided great perspective to innovation and the costs associated with future endeavors within the electric and water industry; promoted the strategic buyback of the Indian River Plant and opened doors of opportunity through his professional relationships to explore optimization of existing generation assets; supported business opportunities to provide wholesale power agreements to the cities of Bartow and Lake Worth; and was an advocate of environmental stewardship and the Green Neighborhood and Efficiency Delivered Programs.

Now, Therefore, Be It Resolved, the ORLANDO UTILITIES COMMISSION expresses our deepest gratitude to Mr. McAllaster for his loyal, steadfast and capable service as a member of this Commission, and whose success can be measured by his character and many contributions. Mr. McAllaster lead by example in utilizing conservation and energy efficiency measures, and his premature departure from the Board creates a void of great institutional knowledge and business savvy.

Be It Further Resolved, the ORLANDO UTILITIES COMMISSION recognizes Craig McAllaster for his outstanding leadership and service by making this Resolution a part of the official Commission records and by presenting to him a testimonial copy as a symbol of the pride and esteem in which he is held by the Commission.

In Witness Whereof, Commission President Dan Kirby, Commissioners Linda Ferrone, Maylen Dominguez, and Mayor Buddy Dyer and General Manager & CEO Ken Ksionek.

Dated this 9th day of July, 2013.

/s/ Dan Kirby
Commission President

/s/ Linda Ferrone
First Vice President

/s/ Maylen Dominguez
Second Vice President

/s/ Buddy Dyer
Mayor

/s/ Kenneth P. Ksionek
General Manager & CEO

Commissioner Ferrone expressed her appreciation for serving with Commissioner McAllaster and will miss his professional question-asking and the passion with which he has served on the Board.

Commissioner Dominguez also expressed she will miss Commissioner McAllaster.

Mayor Dyer thanked Commissioner McAllaster for his service to OUC and his contribution to the Board.

On behalf of the Commission, President Kirby presented Commissioner McAllaster with an OUC meter lamp for his new home. Jan Aspuru also presented Commissioner McAllaster with a model turbine blade plaque in recognition of his interest in OUC’s plant operations.

Commissioner McAllaster stated it was an honor to serve with his fellow Commissioners and commended Mr. Ksionek’s leadership through difficult times. He also stated that the strength of the Commission is its people and he is sad to have left the Commission prematurely.

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Clint Bullock presented a 25-year service award to William Scott Pugh, URD Construction Inspector, Electric and Water Delivery.

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Roseann Harrington announced that OUC recently received a safety award from the Florida Municipal Electric Association for continued safe work practices and training given throughout the year. OUC placed first in Category E, which includes 1 million to 3 million man hours. This award demonstrates OUC’s commitment to protecting workers’ safety while ensuring reliable electric service, and Ms. Harrington thanked Steve Langley and his staff for their efforts.

Ms. Harrington announced that Chip Merriam recently received the Roundtree Rising Star Award from the American Public Power Association at their national conference in Nashville, Tennessee. Ms. Harrington presented a short video clip about Mr. Merriam’s achievements.

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Mr. Ksionek asked Jan Aspuru and Clint Bullock to give a presentation on the City of Winter Park Interconnection Agreement. Mr. Aspuru provided background information regarding OUC's excess generation capacity and efforts to sell the excess capacity to other cities through short term power supply agreements. The City of Winter Park has historically been served by Duke Energy. On January 10, 2013, Winter Park issued an Invitation to Negotiate (ITN) for wholesale power. OUC submitted a joint response with FMPA and the City of Lakeland, which would require energy to be wheeled through the Duke transmission systems, increasing the cost of the bid. OUC also submitted an OUC-only response to provide up to up to 20 megawatts through a direct distribution level interconnection with Winter Park. The OUC-only response was selected and a Purchase Power Agreement (PPA) has been negotiated between OUC and Winter Park.

Commissioner Dominguez inquired about the cost differential between the two proposals. Mr. Aspuru responded that the joint proposal would have cost almost 20 percent more than the OUC-only response due to the added cost of having to wheel the energy through Duke's transmission system.

The PPA will begin on January 1, 2014 for a period of six years, with an OUC option to opt out for the sixth year. OUC will provide up to 20 megawatts of supplemental capacity and energy. This relationship will provide total revenues of up to \$30.7 million for a full six-year term, as well as a twenty-year interconnection agreement.

Commissioner Ferrone inquired about the megawatts and revenues associated with OUC's other wholesale agreements. Mr. Aspuru replied that OUC supplies Vero Beach with approximately 100 megawatts and the City of Bartow with 75 megawatts. He will follow-up with Commissioner Ferrone regarding revenues associated with each PPA.

Mr. Bullock explained the unique aspects of the distribution level interconnection agreement, which positions OUC with strategic long-term tie with Winter Park. Through this agreement, two new circuits will originate from the Bennett Substation. There will be a point of interconnection at Glenridge Way and South Lakemont Avenue. Compatible system voltage will be 12.47kV, and the total estimated cost of the project is \$1.2 million.

Commissioner Ferrone asked a question about Affirmative Item A-14 regarding the E-Learning Courses – Water Technician Training Program. She inquired about the vendor's performance and the effectiveness of the Electric Training Program. Chris Browder responded that the vendor has performed satisfactorily and allows training modules to be customized to fit client demands.

President Kirby announced a conflict of interest with Affirmative Item A-15 regarding the Subordination of Utility Interests to the Florida Department of Transportation (FDOT) due to his employer being under contract with the FDOT.

President Kirby presented the remaining Affirmative Items for approval. On a motion by Mayor Dyer, and seconded by Commissioner Dominguez, the Affirmative Items, with the exception of Affirmative Item A-15, were approved as follows:

1. Ratification of the above fuel procurements to the low bidders in March and April 2013 in the aggregate amount \$22,910,564.84 as follows:

NATURAL GAS PURCHASES:

Mar. 2013	BP Energy	\$ 146,675.00
Mar. 2013	Chevron	\$ 147,562.50
Mar. 2013	Conoco Phillips	\$1,478,634.28
Mar. 2013	EDF Trading (Formerly Eagle Energy)	\$ 945,986.60
Mar. 2013	Macquarie Cook Energy, LLC	\$ 780,065.80
Mar. 2013	Sequent Energy Management	\$ 124,329.97
Mar. 2013	Shell Energy	\$ 431,691.69
Mar. 2013	Southwestern Energy	\$1,218,787.60
Mar. 2013	Texla Energy Management, Inc.	\$ 947,659.91
Apr. 2013	BP Energy	\$ 752,185.28
Apr. 2013	Conoco Phillips	\$ 387,949.28
Apr. 2013	EDF Trading (Formerly Eagle Energy)	\$1,525,668.71
Apr. 2013	Florida Gas Utility	\$ 234,297.51
Apr. 2013	Gavilon, LLC	\$ 245,472.44
Apr. 2013	Macquarie Cook Energy, LLC	\$ 927,896.04
Apr. 2013	Sequent Energy Management	\$ 436,046.71
Apr. 2013	Shell Energy	\$ 747,582.18
Apr. 2013	Southwestern Energy	\$1,036,877.91
Apr. 2013	Texla Energy Management, Inc.	\$1,582,829.86

COAL PURCHASES:

Mar. 2013	Crimson Coal Corporation	\$1,197,791.22
Mar. 2013	Eastern Coal and Coke Co.	\$2,595,103.24
Mar. 2013	Consol Sales Energy Company	\$ 587,037.05
Apr. 2013	Crimson Coal Corporation	\$1,954,260.01
Apr. 2013	Eastern Coal and Coke Co.	\$1,990,062.67
Apr. 2013	Foresight Coal Sales, LLC	\$ 488,111.38

2. Approval of RFP #3447 – Contract award to Air Liquide Industrial U.S. LP, the lowest, most responsive and responsible vendor, to provide high pressure hydrogen and liquid carbon dioxide for the Stanton Energy Center for a three-year period in an amount of \$225,738;
3. Approval of RFP #3472 – Contract award to W. G. Yates & Sons Construction Company, the lowest, most responsive and responsible vendor, to provide construction services for the Stanton Energy Center dry sorbent injection delivery systems for acid gas mitigation in an amount of \$2,538,000, subject to final contract negotiations and OUC legal review;

4. Approval of RFP #3477 – Contract award to Markair, Inc., the lowest, most responsive and responsible vendor, to furnish and install the turbine roof exhaust fan covers in the amount of \$118,133, subject to final contract negotiations and OUC legal review;
5. Authorization for the General Manager & CEO to execute a Long-Term Partial Requirements Power Supply Agreement with the City of Winter Park for up to a six-year term beginning January 1, 2014, subject to final OUC legal review and approval. Authorization for the General Manager & CEO to execute an Interconnection Agreement with the City of Winter Park for a twenty-year term beginning January 1, 2014, subject to final OUC legal review and approval;
6. Approval of the Electric Distribution Construction Estimates for the City of Winter Park interconnection in the amounts of \$847,561.07, \$253,108.08 and \$98,442.25 for the installation of switchgear, metering cabinets, underground cable, overhead equipment and conduit system, respectively, located from the Bennett Substation through Baldwin Park to the intersection of Glenridge Way and South Lakemont Avenue, for an aggregate amount of \$1,199,986.40;
7. Approval of RFP #3479 – Contract award to Tatman Associates, Inc., the lowest, most responsive and responsible vendor, for substation structures and equipment required for the St. Cloud Facilities Upgrade Project, the Holden to Southwood Transmission Line Upgrade Project and the Airport Term-Site Upgrade and Pumping Plant Project in the aggregate amount of \$1,402,540;
8. Approval of RFP #3491 – Contract award to Utility Partners of America, Inc., the most responsive and responsible vendor, to perform potable, chilled and reclaim water meter plus backflow prevention device services for a three-year period in the amount of \$1,762,251;
9. Ratification of Change Request No. 1 to the Capital Expenditure Estimate for the Enterprise Backup and Recovery Project in the amount of \$638,813.50, increasing the total project cost to \$761,540.85. Ratification of RFP #3357 – Contract award to CDW Government, Inc., the most responsive and responsible vendor, to provide hardware, software, complete installation, and three years of maintenance and support required for the Enterprise Backup and Recovery Project in the amount of \$899,990
10. Ratification of an OUC initiated scope change and conforming Change Order No. 1 to Siemens Enterprise Communications, Inc. in the aggregate amount of \$202,034.70 for continued product support and

maintenance for enterprise telecommunications systems through July 2015, increasing the total purchase order amount to \$1,575,922.70;

11. Approval of a sole source Purchase Order to Software House International Corp. for a three-year Enterprise Licensing Agreement for Microsoft software maintenance for the period of August 1, 2013 through July 31, 2016 in the amount of \$1,176,145.74;
12. Approval of a Purchase Order to Nortrax Equipment Co. for the purchase of two John Deere loader/backhoes in the amount of \$166,552.50 and two Interstate trailers in the amount of \$29,812, for an aggregate amount of \$196,364.50;
13. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Xerox Corporation in the amount of \$55,106.76 to continue leasing a Xerox DocuColor 8000AP Digital Color Press through June 30, 2014, increasing the total Purchase Order amount to \$614,426.52;
14. Ratification of an OUC initiated scope change and conforming Change Order No. 1 to Bullzi Security, Inc. in an amount not to exceed \$250,000 to continue e-Learning development and implementation for the Water Technician Training Program through December 2014, increasing the total Purchase Order amount to \$677,200; and
15. Pulled for separate vote.

On a motion by Mayor Dyer, and seconded by Commissioner Ferrone, Affirmative Item A-15 was approved as follows:

15. Authorization for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation and OUC for Parcels 481.2R and 482.3R, located south of Caravan Court and north of Interstate 4.

President Kirby previously announced a conflict of interest and abstained from the vote.

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President Kirby asked if there were any comments for New Business Item 1 regarding the Commissioner nomination. The City of Orlando Nominating Board submitted three candidates for consideration of the position previously held by Craig McAllaster, who resigned on June 6, 2013.

Commissioner Ferrone moved to enable Gregory D. Lee, an OUC customer and qualified elector, to succeed Craig McAllaster as a Commission member, as is allowed by the Charter of the Commission, and that his name be submitted for consideration as the Commission's nomination to the Orlando City Council for confirmation to serve a term of four years, effective July 9, 2013. Commissioner Dominguez seconded the motion and it was approved on a vote of 4-0.

Mr. Ksionek stated that, without objection, Commissioner Dominguez will continue to serve as Chair of the Audit Committee with Commissioner Lee as a member. No objection was offered.

Mr. Ksionek stated that without objection, Commissioner Ferrone will serve as Chair of the Finance Committee with President Kirby as a member. No objection was offered.

Mayor Dyer stated that Commissioner Lee's appointment would be confirmed by the Orlando City Council prior to the next Audit Committee Meeting, and therefore Commissioner Lee would be able to participate in that meeting.

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Commissioner Ferrone reported that the Finance Committee held its regular meeting on May 23, 2013. The Committee reviewed the quarterly management reports and received updates on rating agency and investor communication plans. The Finance Committee also reviewed a proposed change to the Investment Policy. The change will add an additional option allowing investments in open-end, no load mutual funds that are substantially comprised of mortgage backed securities with a Morningstar rating of at least 4 out of 5 stars. The Finance Committee recommends that the Commission adopt the proposed policy changes.

Chip Merriam presented an update on OUC's sustainability efforts. Further discussion will take place during a future Commission Workshop on the Strategic Plan.

President Kirby commended the Finance Committee's work in providing a recommendation on the Investment Policy and in strengthening OUC's criteria.

On a motion by Commissioner Ferrone and seconded by Mayor Dyer, PRES-1a was approved as follows:

PRES-1 Adoption of revision to the Investment Policy as recommended by the Finance Committee.

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John Hearn reported that net income through the first nine months of Fiscal Year 2013 is \$5.9 million below budget. Operating revenues are \$18.5 million under budget which has been offset by reduced costs of \$12.6 million. Staff anticipates that by the end of Fiscal Year 2013, revenues will be approximately \$24 million below budget, while operating expenses will be approximately \$15.8 million below budget, for a net budget deficiency of approximately \$8.2 million. Forecasting for Fiscal Year 2014 has been conservative and reflected issues such as mild weather, decreased customer usage and slower than anticipated economic development.

Commissioner Dominguez asked for clarification regarding the future budget, and whether staff took into consideration recent trends to avoid utilizing reserves. Mr. Hearn responded that OUC has taken into consideration growth trends, as well as customer usage patterns.

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Mr. Ksionek asked Roseann Harrington to provide an update on new payment options and closing of customer walk-in centers. Ms. Harrington stated that the new website went live on June 1, 2013. Approximately 400 new third-party payment options will be added by July 25, and the IVR upgrade is scheduled for August 13. OUC is on schedule to close the walk-in centers on September 28. Ms. Harrington gave an update on the my.ouc.com statistics and congratulated the website and customer service team efforts. Ms. Harrington provided a schedule for specific third-party payment options going online, and emphasized that this information would not be communicated to customers until all payment options have gone live on July 25. The additional third-party payment options will be communicated through maps, zip code flyers, and an information booth. The closing of walk-in centers has been communicated through flyers, signage, ouc.com, IVR, bill inserts, targeted letters and e-mails, the Connections newsletter.

Commissioner Ferrone inquired if customers have been accepting of the transition and the convenience factor of automation and third-party payment centers. Ms. Harrington stated that since customer communication started, walk-in centers have already seen a decline in foot traffic.

Commissioner Dominguez asked about the location of the information booth and if there will be computers to show customers how to pay online. Ms. Harrington replied that OUC personnel will staff booths located in the Reliable Plaza, Gardenia and St. Cloud lobbies and be able to redirect customers to the nearest payment location and also educate them on OUC's new payment options. Commissioner Dominguez emphasized the importance of using face-time opportunities to communicate with customers. Ms. Harrington replied that everyone is committed to assisting customers through this transition, and thanked everyone involved with the project.

President Kirby requested that OUC monitor accounts that have recently transitioned to paperless billing for any increase in collections. Customers may be used to receiving a paper bill and therefore forget to pay their account.

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Mr. Ksionek asked Chip Merriam to provide an update on the Administrative Announcement on Greenhouse Gas Emissions. Mr. Merriam gave an overview of the three parts of this announcement: the President's speech, the memorandum, and the laws necessary to implement the requirements. The Environmental Protection Agency (EPA) will be required to come up with new rulemaking to implement the memorandum. The President wants to reduce the overall emissions of carbon worldwide. The target for the United States is approximately 17 percent reduction of 2005 levels by 2020. Mr. Merriam stated that while this seems feasible, the overall emissions for developing countries have rapidly increased. The developing countries are looking for financial incentives from the United States to help them reduce emissions. The memorandum presented an aggressive timeframe, including proposed rule development by 2014 and final rules determined by 2015. States would need to submit plans for an implementation schedule by June 2016. However, there are some issues regarding authority granted to the EPA and leeway granted to the states. Mr. Merriam stated that although this announcement does not provide much certainty for OUC, a carbon reduction strategy has already been implemented as part of the Strategic Plan.

President Kirby inquired who would govern issues involving states being allowed to engage in "beyond-the-fence" measures. Mr. Merriam replied there is no congressional governance for this at the current time.

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Mr. Ksionek stated that the Strategic Planning workshop will occur on July 23. A white paper will be delivered by July 17.

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Commissioner Dominguez congratulated OUC staff for receiving the FMEA safety award and Mr. Merriam for receiving the APPA Rising Star award. She also thanked Mr. Bullock and Mr. Aspuru for their hard work on negotiating the PPA with the City of Winter Park. She also congratulated Commissioner Lee and stated it was challenging to make a selection.

Commissioner Ferrone stated she is very excited for the opportunity to utilize excess generation capacity to serve the City of Winter Park. She thanked Commissioner McAllaster for his service and the City of Orlando for three wonderful Commissioner candidates. She welcomed Commissioner Lee to the Board.

President Kirby expressed appreciation for the website going online and is anticipating monitoring changes with the transition with service center closures. He stated that the PPA with the City of Winter Park will serve both OUC and the Winter Park residents well. He gave special note to the FMEA safety award recognition and expressed the importance of safety in the organization.

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President Kirby adjourned the meeting at 3:38 P.M.

President

Secretary