

**MINUTES
ORLANDO UTILITIES COMMISSION
DECEMBER 11, 2007
2:00 P.M.**

Present:

COMMISSIONERS:

Lonnie C. Bell, President
Katie Porta, First Vice President
Tommy Boroughs, Second Vice President
Maylen Dominguez Arlen
Mayor Buddy Dyer

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Alvin Frazier, Roseann Harrington, Byron Knibbs,
Doug Spencer, Denise Stalls, Rob Teegarden, Vice Presidents
Gregory T. Rodeghier, Chief Information Officer
Thomas B. Tart, Vice President & General Counsel
Beth Mason, Recording Secretary

President Bell asked Thomas Tart to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:00 P.M.

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On motion by Mayor Dyer, seconded by Commissioner Boroughs and unanimously carried, the reading of the minutes of the November 13, 2007 Commission Meeting was waived and the minutes were approved as written.

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Byron Knibbs presented a 25-Year Service Award to Edward C. Matthews, Construction Coordinator; and a 20-Year Service Award to Angelo R. Perri, Jr., Associate Electrical Engineer, Energy Delivery Business Unit.

Rob Teegarden presented a 20-Year Service Award to John N. Gray, Water Quality Manager, Water Business Unit.

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Roseann Harrington presented the Florida Municipal Electric Association's Annual Community Service Award, the 2008 Water Conservation Calendars and H₂OUC Tap Water bottles to the Board. Ms. Harrington announced that OUC's new hybrid vehicles will be featured in the Downtown Christmas Parade and the Capital One Citrus Bowl Parade.

Byron Knibbs presented PA Consulting Group's ReliabilityOne Award which recognizes OUC as the most reliable utility in the southeast. In addition, Mr. Knibbs introduced OUC linemen James Alexander, Richard Boley and Chris Hozier who recently represented OUC at the 2007 International Lineman's Rodeo in Kansas City, Missouri. This team won first place in the municipal division with a perfect score of 400 and earned eighth place in the overall competition out of 213 participating teams. In addition, the team won first place in the 2007 American Public Power Association Lineman's Competition earlier in the year. The team presented the trophy and was congratulated on their exceptional performance by the Board.

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Mr. Ksionek asked Jan Aspuru to provide additional information regarding Affirmative Item A-3. Mr. Aspuru stated that this agreement will enable OUC and other utilities to maximize wholesale power sales. The Florida Cost-Based Broker System (FCBBS) is a not-for-profit corporation which is being formed for the sole purpose to facilitate, operate and maintain a computerized broker system. Mr. Aspuru explained how OUC previously handled these transactions, stated that it will facilitate more transactions, but OUC would not be obligated to trade into it. In addition, if the other utilities do not finalize their intent to join and the Member Agreement is not finalized, there is no commitment on OUC's part.

Mr. Ksionek stated that at the November 13, 2007 Commission meeting, he was authorized to execute two tri-party Chilled Water Agreements for the Lake Nona Central Energy Plant. Doug Spencer was asked to provide further information regarding Affirmative Item A-19 and the negotiations regarding this matter. Mr. Spencer commented that this process took over two years and that the plant will initially start out with approximately 5,000 tons capacity to serve the Burnham Institute for Medical Research and the University of Central Florida College of Medicine. The plant will look similar to the North Plant and could expand up to 100,000 tons of chilled water capacity. Mr. Spencer thanked OUC and City of Orlando staff for their diligent work on this project. Commissioner Porta questioned whether the Nemours Children's Hospital Orlando (Nemours) will be able to connect to this system. Mr. Spencer responded that if Nemours' final site selection is Lake Nona, it will be able to connect to this chiller plant.

Mr. Ksionek asked Roseann Harrington to provide an update on Affirmative Item A-25 regarding the Ivanhoe Foundation Lease Agreement. OUC has had a 20-year partnership with the Ivanhoe Foundation. The third amendment to the Lease Agreement will provide an additional 20-year fixed term which will allow the Ivanhoe Foundation to receive local and state grants for capital improvements and OUC will be provided with co-naming rights of the building. Ms. Harrington recognized the team of people which have been working on the amendment for the past year.

Mr. Ksionek commented on Affirmative Item A-30 regarding a ratification authorizing the commitment of \$1 million over the next four years to the Florida Energy Sustainability Consortium, which he discussed with President Bell prior to executing the required documents. Over the years, OUC staff has discussed utilizing the Stanton Energy Center to pilot and demonstrate various efficiencies and technologies and OUC will make the facility readily available to the Consortium. OUC, Tampa Electric, Progress Energy Florida and Florida Power & Light have been invited to serve on an Advisory Board, which is also a condition of the commitment. This will enable OUC to have direct input on which types of projects will bring the most value to customers. The approval is contingent upon the Consortium receiving grant approval.

Mr. Ksionek noted a change to Commission meeting dates shown on Affirmative Item A-31. A new calendar was distributed, changing the January 29 meeting date to February 5, 2008. Mr. Ksionek stated that Commission Meetings are normally scheduled for the second Tuesday of each month, however, there are several variations that have been made in 2008 in order to accommodate Commissioner schedules and various utility related conferences.

President Bell presented the Affirmative Items for approval. On motion by Commissioner Porta and seconded by Commissioner Boroughs, the Affirmative Items were approved, with a revision to Affirmative Item A-31, changing the January 29, 2008 Commission meeting to February 5, 2008, as follows:

1. Ratification of fuel procurements to the low bidders in October 2007 in the aggregate amount of \$14,055,107.08 as follows:

NATURAL GAS PURCHASES:

Oct. 2007	Anadarko Energy Services	\$ 620,723.08
Oct. 2007	BG Energy Merchants, LLC	\$ 388,978.65
Oct. 2007	BP Energy Company	\$1,536,658.76
Oct. 2007	Chevron Natural Gas	\$1,905,415.10
Oct. 2007	City of Lakeland	\$ 125,469.56
Oct. 2007	Crosstex Gulf Coast Marketing	\$ 785,128.08
Oct. 2007	Eagle Energy Partners	\$ 101,930.01
Oct. 2007	Florida Gas Utility	\$ 492,892.35
Oct. 2007	LouisDreyfus	\$1,869,648.00
Oct. 2007	Murphy Gas Gathering, Inc.	\$ 147,693.43
Oct. 2007	National Energy & Trade	\$ 429,856.86

Oct. 2007	Peoples Gas System	\$ 398,775.00
Oct. 2007	Prior Energy Company	\$2,898,174.29
Oct. 2007	Sequent Energy	\$ 496,232.50
Oct. 2007	Southern Company	\$ 208,160.67
Oct. 2007	Southwest Energy	\$ 281,214.60
Oct. 2007	Virginia Power Energy Marketing, Inc.	\$1,110,563.64

NO. 6 FUEL OIL PURCHASES:

Oct. 2007	TransMontaigne Product Services Inc.	\$ 257,592.50
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2. Ratification of the revised Clean Coal Technology Project scope, terminating the development and construction of the Gasification Island and converting the 300 MW combined cycle plant to natural gas operation with distillate back-up, purchasing a 165 acre new future generation site and adding the site dewatering and underground utilities relocation and corresponding reduction of the total Project from \$390,100,000 to \$296,244,000; including ratification of Change Order No. 5 to the Purchase Order to Southern Power Generation and Energy Marketing Company Florida in the amount of \$59,506,000, decreasing the total Purchase Order amount to \$230,407,100;
3. Authorization for the General Manager & CEO to execute a Member Agreement By and Among the Members of the Florida Cost-Based Broker System, Inc. between Florida Cost-Based Broker System, Inc. and OUC with a projected in-service date of November 1, 2008, pending final OUC legal review;
4. Approval of the Lighting Construction Estimate for Carver Shores, located in the City of Orlando, in the amount of \$127,276.77; which includes \$28,921.92 for lighting equipment from OUC's stock inventory and \$98,354.85 for installation of poles, fixtures and conduit from OUC's lighting contractor, Terry's Electric, Inc.;
5. Approval of the Electric Distribution Construction Estimate for an overhead to underground conversion along Mills Avenue from Minnesota Street to McCamy Street, located in the Orlando service territory, in the amount of \$140,860.53, with developer contributions in the amount of \$140,860.53;
6. Approval of the Electric Distribution Construction Estimate for the installation of an underground distribution system to serve the new customer installed chiller plant at Valencia Community College, West Campus, located on Kirkman Road in the Orlando service territory, in the amount of \$158,618.91;
7. Approval of Change Order No. 1 to the Transmission Capital Expenditure Estimate for additional permitting, procurement, engineering and construction costs required for the Stanton to Taft

Transmission Corridor Improvement Project in the amount of \$1,600,000, increasing the total project cost to \$15,400,000;

8. Approval of Bid #2410 – A contract award to Thomas & Betts, the lowest, most responsive and responsible bidder for steel transmission poles required for the Stanton North Substation in the total amount of \$564,360. Approval of a Purchase Order to KEMCO Industries, LLC to provide switchboard panels required for the Stanton North Substation in the total amount of \$597,913;
9. Approval of Bid #2418 – A five-year contract award to Controllix Corporation, the lowest, most responsive and responsible bidder to provide metal enclosed capacitor banks, spare parts and auxiliary equipment in an amount not to exceed \$1,250,000; including a Purchase Order to Controllix Corporation for three 12.47kV capacitor banks required for the Stanton North Substation in the total amount of \$251,672;
10. Approval of Bid #2404 – A three-year contract award to Pike Electric, Inc., the lowest, most responsive and responsible bidder to provide overhead electric distribution construction services in the amount of \$9,000,000;
11. Approval of a Capital Work Order for the water distribution improvements associated with Orange County's Wetherbee Road Phase II and III Realignment Project in the amount of \$373,952.86, which includes reimbursement to the developer in an amount not to exceed \$330,000.00;
12. Approval of the finalized Capital Work Order for water distribution improvements in the Bryn Mawr Subdivision in the amount of \$308,747.28;
13. Approval of the finalized Capital Work Order for water distribution improvements in the Peppermill Subdivision in the amount of \$242,702.86;
14. Approval of Change Order No. 1 to Ring Power Corporation for additional maintenance and repair services for OUC's emergency generators in the estimated amount of \$37,500, increasing the total Purchase Order amount to \$134,940;
15. Approval of Change Order No. 3 to Duval Asphalt Products, Inc. to continue providing EZ Street cold patch asphalt mix for roadway and temporary sidewalk repairs from January 1, 2008 through December 31, 2009 in the amount of \$80,000, increasing the total Purchase Order amount to \$179,000;

16. Approval of Bid #2432 – A three-year contract award to Utility Partners of America, Inc., the lowest, most responsive and responsible bidder, to perform water meter and backflow preventer installations, testing and exchange services in the amount of \$1,950,000;
17. Approval of Bid #2442 – A three-year contract award to ProMow Landscaping, Inc., the lowest, most responsive and responsible bidder, to perform sod restoration work in the amount of \$200,000;
18. Approval of Change Order No. 3 to System Innovators, Inc. for the renewal of the RevenueCollector and Cashier for Windows Software Maintenance Agreement for 2008 through 2010 in the amount of \$113,513.86, increasing the total Purchase Order amount to \$190,203.93;
19. Ratification of the Lake Nona Central Energy Plant Capital Project in the amount of \$15,300,000; including ratification of sole source Purchase Orders to S.I. Goldman to design and build the Lake Nona Central Energy Plant and distribution pipeline in the amount of \$13,350,000 and Trane for four chillers in the amount of \$1,408,980;
20. Ratification of Change Order No. 1 to Ortega Supply for the direct purchase of light fixtures, lighting controls and cable trays required for the new OUC Administration Building in the amount of \$317,059, increasing the total Purchase Order amount to \$857,643;
21. Approval of a sole source Purchase Order to Interior Contract Services, Inc. for the purchase and installation of all modular furniture required for OUC's new Administration Building in an amount not to exceed \$1,000,000;
22. Approval of a Purchase Order to Gate Precast Company for pre-cast material required for OUC's new Administration Building in the amount of \$1,078,548;
23. Approval of a sole source Purchase Order to Itron, Inc. for the Premier Plus4 hardware and software maintenance agreement for a three-year period in the amount of \$142,200;
24. Approval of Change Order No. 1 to Portland General Electric Company for continuation of OUC Consumption Online's web-based online services for a two-year period in the amount of \$45,576, increasing the total Purchase Order amount to \$142,988;
25. Approval for the General Manager & CEO to execute the Third Amendment to the Lease Agreement for the Ivanhoe Foundation's use of OUC's former Ivanhoe Plant for a fixed period of 20 years, commencing upon approval of OUC, the City of Orlando and the

Ivanhoe Foundation, Inc., and terminating 20 years thereafter, unless terminated sooner, in accordance with the terms of the Lease Agreement;

26. Ratification of Bid #2440 – The purchase of vehicles from the lowest, most responsive and responsible bidders: ten vehicles from Don Reid Ford in the amount of \$170,550 and twenty-one vehicles from Heintzleman's Truck Center in the amount of \$522,273, for a total purchase amount of \$692,823;
27. Approval of Change Order No. 3 to Colectric Partners, Inc. for OUC's one-year renewal as an Associate Member in the amount of \$132,000, increasing the total Purchase Order amount to \$519,500;
28. Approval of Change Order No. 4 to Workers Occupational Resource Center and Florida Hospital Centra Care Business Health Services to exercise the third one-year contract renewal option to provide medical services in the amount of \$100,000, increasing the total Purchase Order amount to \$332,420;
29. Approval of a sole source Purchase Order to Ring Power Corporation to refurbish one D-10R Caterpillar dozer and provide other emergency and routine repairs as needed for additional Caterpillar equipment located at the Stanton Energy Center in the aggregate amount of \$1,000,000;
30. Ratification of funding not to exceed the amount of \$1,000,000 over a four-year period to the Florida Energy Sustainability Consortium for research in energy sustainability. The funding is contingent upon receiving grant approval and OUC being placed on the Center for Excellence Grant Funding Program's Advisory Board; and
31. Approval of the 2008 regular Commission meeting dates for 2:00 p.m. on the following dates: February 5; March 11, April 8, May 13, June 17, July 15, August 26, October 21, November 11 and December 9. No meeting will be held in September.

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Commissioner Porta reported that the Finance Committee met on November 29, 2007 and packets were provided to each Commissioner. The Committee reviewed annual reports related to energy risk management and treasury. Commissioner Porta commented on the recent articles raising concerns regarding Florida's Local Government Investment Pool (LGIP) and reported that the OUC staff monitoring these funds made an evaluation to remove OUC funds from the LGIP on November 7, after determining the LGIP was continuing its

exposure to mortgage-backed securities. OUC's exposure was minimal and currently has no investments in the LGIP.

In October, the Board authorized the execution of a long-term natural gas supply agreement if a discount from the index of \$0.80 could be achieved. The current market conditions have not allowed the execution at this time. OUC will need to issue debt to cover a portion of the capital needs for fiscal years 2008 and 2009. The details of the transaction are included in Item PRES-1a. The Committee recommends Board approval of the Utility System Revenue Bonds Series 2008 Resolution.

Commissioner Porta further commented that OUC will not issue the bonds unless the market is right and this Resolution will allow OUC to proceed if the market corrects itself. This transaction will also be bid, not a closed bid. Linda Howard commented that OUC has until April 8 to finalize this transaction. In addition, Ms. Howard recognized Mike Hollingsed for his knowledge and foresight in removing \$57 million of OUC's funds from the LGIP, thus limiting exposure and losses.

Commissioner Boroughs requested an explanation on how the interest rate works, specifically regarding the swap and lock-in previously done. Ms. Howard responded that an interest rate lock-in was done, with the hope that the rate would increase, but it has decreased. Currently, the market is not stable enough to enter the swap and OUC will wait to execute the transaction when the market meets OUC's requirements. When the timing is right, or the market changes, the bonds will be executed once the appropriate parameters are met, or by April 8. Mike Hollingsed explained the difference between a cash market and a swap market. If the market is not agreeable by April 8, other options can be explored.

On motion by Commissioner Porta, seconded by Commissioner Boroughs, adoption of the Utility System Revenue Bonds, Series 2008 Resolution was unanimously adopted as follows:

PRES-1a A Resolution of the Orlando Utilities Commission authorizing the issuance of not exceeding \$300,000,000 Utility System Revenue Bonds, Series 2008 in one or more series; setting forth the terms of said bonds; providing for the disbursement of funds; appointing a paying agent and registrar for said bonds; authorizing a competitive sale using an electronic bid platform; delegating certain authority to the General Manager and other officers, including authorizing the publication of an official notice of sale; authorizing the execution and delivery of an official statement and the preparation, deeming final and distribution of a preliminary official statement; creating and establishing a Series 2008 account in the project fund and a cost of issuance account; delegating authority to the General Manager to solicit bids for a credit facility and to accept,

execute and deliver the commitment; authorizing the execution and delivery of a continuing disclosure undertaking; authorizing the termination of the interest rate hedging agreement and the negotiation, execution and delivery of a termination confirmation related thereto; authorizing proper officials to do all other things deemed necessary or advisable in connection with the issuance, sale and delivery of said bonds; providing certain other matters in connection therewith; and providing an effective date.

President Bell thanked the Finance Committee members and staff for making such sound decisions regarding the current financial market.

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Linda Howard reported that preliminary numbers indicate that we are exactly on budget through November 2007. A pro forma will be done in January for the first quarter of the fiscal year.

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Thomas Tart reported on a lawsuit filed by Dillard Smith Construction Company regarding the Taft to Lakeland McIntosh Transmission Line Reconductor Project the Board approved on August 28, 2007. Dillard Smith is contesting the bid award to Southeast Power Corporation and has requested an injunction against proceeding with the project until the lawsuit is resolved. Mr. Tart commented that proper purchasing procedures were followed regarding the bid process and award and anticipates OUC will prevail in contesting the lawsuit.

Mr. Tart reported that OUC received the first of three payments in the amount of \$1.4 million for reimbursement of coal taxes paid to the Blue Diamond Coal Company as the result of a Supreme Court ruling. Mr. Tart provided a brief history of the coal tax and court battle and stated the reimbursement payments to OUC will total \$4 million over a three-year period.

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Mr. Ksionek commented on the climate changes and what is happening in the State of Florida, specifically regarding the 89 recommendations that Chairman Boroughs and the Florida Energy Commission (FEC) adopted recently.

Denise Stalls provided a PowerPoint presentation outlining the FEC's creation, guiding principles, and advisory group and stakeholder recommendations. Specific items affecting OUC regarding energy efficiency and conservation, energy supply and delivery, renewable energy and climate change were reviewed. In addition, several Chairman/member recommendations were

discussed. Discussion ensued regarding emission reductions and the Governor's Executive Orders. Commissioner Boroughs commented that extending the timeframe for adoption of long-term reductions of greenhouse gas emissions to 2020 will allow the necessary time needed for nuclear to come on line, deployment of solar energy and renewable programs, and new technology to be developed and implemented.

Mr. Ksionek asked Denise Stalls to provide an update on the Florida Department of Environmental Protection's (FDEP) \$1.8 million grant award for the Orange County Convention Center's photovoltaic project. Ms. Stalls commented that in October, OUC partnered with Orange County for a 1-megawatt solar array system to be installed on the Convention Center. A grant was submitted through the Florida Renewable Energy Technology Grant Program that is funded by the FDEP. Orange County had unsuccessfully applied for the grant in 2006; however, in October, they were notified that one or more of the participants that were awarded money in 2006 could not meet their commitments. These funds had become available and Orange County was next in line for funding. The project was awarded \$1.8 million on December 10 and is also eligible for up to \$700,000 for the 2007 project. OUC committed to \$1.5 million for this project and will receive all the renewable energy credits from the project. This project will be the largest photovoltaic system in the southeast United States. The details are being negotiated with Orange County and will be sent back to both Boards for final approval.

Mr. Ksionek commented that Clint Bullock and Jennifer Szaro are in Washington, DC meeting with the Department of Energy to discuss zero energy homes, available grants and opportunities with the federal government.

Mr. Ksionek provided an update on nuclear discussions with Progress Energy Florida (PEF) and Florida Power & Light (FP&L). Discussions regarding PEF's Levy County Nuclear Units 1 and 2 are moving forward and he anticipates that PEF's CEO will make a recommendation to his Board on a meaningful share they will offer for joint ownership. Seven municipal utilities and a co-op have come together to set forth the criteria for allocating the shares of the Levy County project. The municipals and co-op in Florida have a combined peak demand of approximately 11,000 megawatts (MW) and OUC's peak is approximately 1,300 MW. Therefore, OUC anticipates receiving 11 to 12 percent of whatever is offered to the municipals and co-op. OUC has expressed an interest in 100 MW from PEF, but will probably fall short of that number. Mr. Ksionek will present any proposed agreement to the Board for approval.

FP&L has taken a different direction and has filed their Need for Power application for Turkey Point Nuclear Units 6 and 7. They have filed for 100 percent need of the units and have ceased discussions with OUC after Mr. Ksionek met with Armando Olivera, President of FP&L, and he stated that further joint ownership discussions will not be held until project development, permitting, licensing and cost are more finalized. Therefore, OUC will petition to

intervene FP&L's Turkey Point Nuclear Units 6 and 7 Need process in order to preserve our rights. The Need Hearing will be held at the end of January 2008. OUC's intent is not to delay the project, but to be allowed the opportunity to participate in good faith joint ownership discussions in the future. Zoila Puig Easterling provided additional information regarding the petition.

Mr. Ksionek announced that as part of OUC's succession plan, Thomas Tart will assume the position of Vice President of Government & Regulatory Relations in January. Mr. Tart has served the Commission for the past 26 years and has been General Counsel for 21 of those years. Beginning in January, Mr. Tart will be handling governmental and regulatory issues regarding the utility industry.

Mr. Ksionek introduced Chris Browder, who will begin his career with OUC on December 17 in the position of Vice President of Legal Affairs. Mr. Browder is a practicing attorney with GrayRobinson. He has a great understanding of the electric and water utility business and has represented OUC on many legal issues during the past eight years.

Mr. Browder stated that he is very proud to have the opportunity to serve OUC. He looks forward to working with the rest of the legal staff and will be proud to work with them and that Mr. Tart will be a hard act to follow.

Mr. Tart thanked the Board for the opportunity to serve and that OUC is a unique organization to work with. He provided a brief history of his accomplishments while serving OUC during the past 26 years. He is pleased with the selection of Mr. Browder and looks forward to working with him and the rest of the legal team.

Mr. Ksionek announced that four brokers have provided proposals to provide services to find a purchaser for the existing Administration Building. Doug Spencer and his team will evaluate the proposals and it is anticipated that the broker selection will be made by December 21.

Mr. Ksionek announced that the next Commission meeting is February 5, 2008.

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Commissioner Dominguez Arlen congratulated Clint Bullock and his team on receiving the solar grant for the Orange County Convention Center. This will be a huge project for OUC and she is proud to be associated with OUC.

Commissioner Porta congratulated Byron Knibbs on receiving the ReliabilityOne Award, as well as the lineman team for their participation and placing in the recent Lineman Rodeos.

President Bell stated that it has been a quiet, yet challenging year and thanked everyone for their hard work during the past year.

Commissioner Boroughs also extended congratulations to everyone on the success of the past year and stated that the challenges of government relations have never been greater.

Mayor Dyer and the entire Board congratulated Tom Tart on becoming OUC's Government Liaison, welcomed Chris Browder to the team, and extended everyone a happy holiday season.

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Commissioner Porta moved to adjourn the meeting. Commissioner Boroughs seconded the motion and President Bell adjourned the meeting at 4:00 P.M.

President

Secretary