

MINUTES
ORLANDO UTILITIES COMMISSION
June 8, 2010
2:00 P.M.

Present:

COMMISSIONERS:

Katie Porta, President
Dan Kirby, Second Vice President
Craig McAllaster, Commissioner
Mayor Buddy Dyer

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Alvin Frazier, Roseann Harrington, Byron Knibbs,
Robert Teegarden, Denise Stalls, Vice Presidents
John H. Hearn, Vice President & Chief Financial Officer
Gregory T. Rodeghier, Vice President & Chief Information Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Werline, Recording Secretary

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

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On a motion by Commissioner Kirby, seconded by Mayor Dyer and unanimously carried, the reading of the minutes of the May 11, 2010 Commission Meeting was waived and the minutes were approved.

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John Hearn presented a 20-Year Service Award to Thomas Alan Gross, Senior Retail Pricing Coordinator, Financial Services.

Jan Aspuru presented a 20-Year Service Award to Jack Lyons, Senior Engineer, Power Resources Business Unit.

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Ken Ksionek asked Jan Aspuru to give a presentation on Affirmative Item 2 regarding the Landfill Gas Processing Agreement with the City of St. Cloud. He discussed the partnership between OUC and the City of St. Cloud and the plans for the landfill gas-to-energy project. The landfill site has a ten year production life that can be consumed and will be able to generate about 0.8 MW. The gas is very good quality and will not require any special treatment; however, the

collection system will need to be rebuilt. Mr. Aspuru explained that the capital estimate for this project is \$3.27 million. OUC will receive the gas at no cost plus all environmental attributes, and if the project meets certain criteria at the end of 10 years, there will be profit sharing. Thirty percent of any profit will be placed in the combined OUC/City of St. Cloud Economic Development Fund.

President Porta asked why the project only has a ten year life cycle. Mr. Aspuru responded that the City of St. Cloud has been flaring gas for many years and it is estimated that there are only ten years of usable gas volume left to run a generator.

Ken Ksionek asked Clint Bullock to give a presentation on Affirmative Item 4 regarding the Southwood Substation Bus Tie Transformer project. Mr. Bullock stated the Southwood bus tie transformer is a 40-year-old 230/115kV transformer. During a visual inspection in April 2010, it was discovered that the transformer's windings were damaged. Repair and/or replacement options were evaluated and OUC staff determined that the most cost effective option is to repair the existing transformer instead of purchasing a new unit. The transformer will be taken out of service and sent to the manufacturer to rewind the transformer. The transformer will be sent via rail to General Electric's facility in Bradenton, Florida for repair. Ratification of this item is required to meet the schedule to return the transformer to full service by Summer 2011 availability.

Commissioner McAllaster asked about previous maintenance done on the transformer, the price of maintenance on the transformer and what future damage there could be to the transformer and substation. Mr. Bullock replied that maintenance upgrades for the entire substation are currently taking place at a cost of \$6.7 million. This repair and the restoration of the bus tie transformer will result in a like new condition. The substation will also undergo upgrades in the coming years. Commissioner Kirby asked if the repaired transformer will have a 40-year lifespan. Mr. Bullock replied affirmatively.

Commissioner McAllaster asked when the transformer will go offline. Mr. Bullock replied that the transformer is currently energized in a standby mode and will not be used unless it is absolutely necessary during the summer months. The transformer will go completely offline in October 2010 and the repaired unit will be returned in May 2011, in time for the summer demand.

President Porta asked if the remaining six 230/115kV bus tie transformers will also need to be repaired. Mr. Bullock replied that a scheduled repair or replacement for the Pershing substation is in the budget and standard preventive maintenance will continue to be performed on all units.

Ken Ksionek asked Keith Mutters to give a presentation on Affirmative Item 12 regarding the Meter Data Management System (MDMS) Project, which is a foundational component of OUC's Smart Grid strategy. Mr. Mutters described the Smart Grid system and its improvements in the areas of generation, transmission, distribution and customer service are aimed towards operational and reliability improvements. The Advanced Metering Infrastructure (AMI) collector system upgrade will create a two-way mesh network communications

system and will add 225 collectors in Orlando. The MDMS project has many benefits to OUC, which include a software solution designed for a single and central data repository to gather data from all meter systems and to supply this data to multiple applications. After reviewing several proposals, Siemens eMeter was selected to provide software and implementation services for the MDMS project. Phase I will go live for Orlando customers in May 2011 and Phase II will go live for St. Cloud customers in November 2011. The projected cost for the project is \$4,356,468.

Commissioner McAllaster asked if all current OUC meters will be replaced by two-way meters. Mr. Mutters replied that the current budget does not allow for a full rollout of AMI meters to every electric customer. Staff is currently targeting areas where the AMI meters will be the most cost effective and operationally effective. Once the new collector system is installed, OUC can begin additional rollouts of the AMI meters.

Commissioner Kirby stated that it is paramount to provide information to customers so that they can make informed decisions about their electric consumption. He asked if selecting this particular MDMS software prevents OUC from considering other software options for its customer portal. Mr. Mutters replied that it does not, which is why the selection committee recommended that the customer portal not be a part of the MDMS for its contract award. Commissioner Kirby stated that he is glad that OUC is not prevented from considering other software options for the customer portal.

Mr. Ksionek compared the desire for a full rollout of two-way meters with the desire for a complete conversion from overhead to underground of the electric distribution system. Both options are desirable to customers, but neither would be economically viable. Mr. Ksionek then stated that FP&L has over four million electric meters and they are currently upgrading only 25 percent of their system. Similarly, OUC is implementing a small number of new meters and will evaluate their performance before making a decision about further rollouts. Mr. Ksionek also stated that manufacturers need to ensure that smart meters are tamper proof and that there are many issues to consider as this new technology is implemented.

John Hearn stated that OUC is trying to minimize rate increases while providing information to customers in a timely manner. Staff may make future recommendations to the Commission regarding additional AMI meters, but are currently making recommendations at no additional rate impact.

President Porta asked if commercial or residential customers will benefit most from this program. Mr. Mutters replied that both groups will benefit. Currently, there are few programs designed to provide consumption and conservation information to residential customers. President Porta stated that this program would help inform residential customers on how much electricity they use.

Commissioner McAllaster asked to discuss Affirmative Items 15 through 19. He expressed concern about the process for subordinations of existing OUC easements and their long-term effect on OUC.

Mr. Browder explained the process for subordinations. If a potential subordination will impact existing or future infrastructure in a way that presents a technical challenge, OUC would not be willing to enter into the subordination. Typically, where there is no negative impact on OUC's facilities, minor portions of existing easements are subordinated with no compensation in an effort to be cooperative with sister agencies. Commissioner McAllaster stated that OUC must be careful to not subordinate land to the detriment of its rate payers. Mr. Browder agreed and clarified that OUC is careful not to subordinate large portions of usable land without compensation.

Commissioner McAllaster declared a voting conflict of interest with Affirmative Item 9 since he is a member of the Nemours Board of Managers, Florida. This item will be removed and voted on separately.

President Porta presented the remaining Affirmative Items for approval. On a motion by Mayor Dyer, and seconded by Commissioner Kirby, the Affirmative Items, with the exception of A-9, were approved as follows:

1. Ratification of fuel procurements to the low bidders in March 2010 in the aggregate amount of \$9,358,354.88 as follows:

NATURAL GAS PURCHASES:

Mar. 2010	Anadarko Energy Services	\$ 331,373.50
Mar. 2010	BG Energy Merchants, LLC	\$ 342,950.50
Mar. 2010	BP Energy Company	\$ 321,060.00
Mar. 2010	Chevron Natural Gas	\$ 655,090.36
Mar. 2010	ConocoPhillips	\$ 266,798.26
Mar. 2010	EDF Trading (Formerly Eagle Energy)	\$ 112,533.30
Mar. 2010	ExxonMobil Gas & Power Marketing	\$1,015,910.69
Mar. 2010	Florida Gas Utility	\$ 354,030.00
Mar. 2010	Louis Dreyfus Energy	\$ 850,558.23
Mar. 2010	National Fuel Marketing	\$2,644,875.80
Mar. 2010	Shell Energy	\$ 897,658.34
Mar. 2010	Total Gas & Power	\$ 704,602.06
Mar. 2010	Virginia Power Energy Marketing, Inc.	\$ 860,913.84

2. Commission authorization for the General Manager & CEO to execute the Landfill Gas Processing Agreement between the City of St. Cloud and OUC, subject to final OUC legal review. Commission approval of a Capital Expenditure Estimate for the St. Cloud Landfill Gas to Energy Project in the amount of \$3,270,000, which includes a Purchase Order to Tetra Tech NUS, Inc. for design-build services required for the project in an amount not to exceed \$2,793,329;
3. Approval of Bid #2888 – Contract award to Mikon Corporation, the only firm to submit a responsive and responsible bid, to perform Global Position System surveys of the Stanton Energy Center coal supply and byproduct storage piles for a five-year period in an amount not to exceed \$260,435, subject to final contract negotiations and OUC legal review;

4. Ratification of a Substation Capital Expenditure Estimate for the Southwood Substation Bus Tie Transformer project at an estimated cost of \$2,700,000. Ratification of a sole source Purchase Order to General Electric Energy Services to repair and rewind the bus tie transformer at a fixed price of \$2,520,000;
5. Approval of Bid #2880 – Contract award to Terry’s Electric, Inc., the lowest, most responsive and responsible bidder, for substation construction work required for the Southwood Substation Upgrade Project in the amount of \$690,000;
6. Approval of Change Request No. 1 to the Capital Expenditure Estimate for the Cathodic Protection Systems Replacement & Repair Project in the amount of \$478,300, increasing the total project cost to \$548,300. Approval of an OUC initiated scope change with conforming Change Order No. 1 to Mesa Products, Inc. for the replacement and upgrade of the cathodic protection systems for the underground transmission lines in the amount of \$418,300, increasing the total Purchase Order amount to \$488,300;
7. Approval of RFP #2879 – Contract award to Betacom, Inc., the most responsive and responsible bidder, to provide communication tower inspection and maintenance services for a five-year period in an amount not to exceed \$400,000, pending OUC legal review and approval of the contract;
8. Approval of the Electric Distribution Construction Estimate for the relocation of overhead electric distribution facilities along Narcoossee Road, from Ralph Miller Road to Starline Drive in the St. Cloud service territory, required for the Narcoossee Road Widening Project, Phase 2A, in the amount of \$445,692.38;
9. Pulled for separate vote;
10. Approval of additional funding in the amount of \$55,000.00 with conforming Change Order No. 4 to GE Intelligent Platforms, Inc. to continue providing software maintenance and support for the SCADA Network through August 31, 2012, increasing the total Purchase Order amount to \$154,900.18;
11. Approval of additional funding in the amount of \$74,000 with conforming Change Order No. 4 for to Air Liquide Industrial U.S. LP to continue providing annual inspections, maintenance and repairs through June 10, 2012, increasing the total Purchase Order amount to \$162,900;

12. Approval of a Capital Expenditure Estimate for the Meter Data Management System Project in the amount of \$4,356,468, pending OUC legal review and approval of the contract. Approval of RFP #2755 – Contract Award to Siemens Energy, Inc., the most responsive and responsible bidder, to provide software licenses, implementation services and five years of maintenance support through December 2015 in the amount of \$2,686,151;
13. Approval of a Capital Expenditure Estimate for the Warehouse Material Handling Equipment and Installation Project in the amount of \$263,514. Approval RFP #2906 – Contract award to FHS, Inc., the most responsive and responsible bidder, to provide and install warehouse material handling equipment for the Stanton Energy Center Combined Cycle Unit B and the Pershing Substation Operations Maintenance warehouses, and to provide supplemental equipment for all OUC warehouse facilities for a three-year period, for a total amount of \$249,514;
14. Approval of RFP #2847 – Contract award to Aqua Cops Water Systems, Inc., the most responsive and responsible bidder, to provide insulation and home fix-up services for a three-year period in the amount of \$300,000;
15. Approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation, OUC and the City of Orlando for Parcels 487.15R, 801.2R, 802.5R and 819.14, located along Interstate 4 northeast of Conroy Road;
16. Approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation and OUC for Parcels 803.7 and 809.7, located south of Sand Lake Road and east of Kirkman Road;
17. Approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation, OUC and the City of Orlando for Parcel 806.2, located south of Sand Lake Road and west of John Young Parkway;
18. Approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation, OUC and the City of Orlando for Parcel 103.4R, located north of Sand Lake Road and east of Turkey Lake Road; and
19. Commission approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation, OUC and the City of Orlando for Parcel 107.3, located south of Sand Lake Road and east of International Drive.

On a motion by Commissioner Kirby, and seconded by Mayor Dyer, Affirmative Item 9 was approved as follows:

9. Approval of the Electric Distribution Construction Estimate for the installation of an electric distribution system to serve Nemours Children's Hospital, located on Nemours Parkway in the Orlando service territory, in the amount of \$628,148.24.

Commissioner McAllaster previously announced a conflict of interest and abstained from the vote.

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Commissioner McAllaster reported that the Audit Committee held its regular meeting on May 27, 2010 to review the recently published Internal Audit reports as well as the status of open items. They also reviewed the lessons learned outlined by the Chilled Water Business Unit from the recent economic downturn in order to improve service delivery and financial value. The Audit Committee Charter was presented for an annual review. No changes were recommended. The Defined Benefit Pension Plan audit report was reviewed for the year ended September 30, 2009 including the external auditor letter reports. In addition, an overview of pension and other post-employment benefits was presented including a brief description of each benefit and its associated current and estimated accrued liabilities. The external audit work plan for the fiscal year was also reviewed.

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John Hearn provided a financial update and noted that preliminary numbers for May 2010 indicate that OUC is still ahead of budgeted net income. There were expenditures for outages that were due at the end of May 2010. The Financial staff continues to work on the 2011 budget and plans to present the budget at the July Budget Workshop. As currently planned, there will not be any electric or water rate increases for 2011.

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Chris Browder provided an update on the Orange Avenue restoration efforts. Mr. Ksionek distributed a letter from the Florida Department of Transportation (FDOT). OUC was called to respond to a water main break on Orange Avenue on April 6, 2010 as a result of sub-surface sinkhole activity. On May 10, 2010, OUC received a letter from the FDOT's Director of Transportation Operations for District Five, Alan Hyman, asking for a meeting with OUC to discuss the cost allocation of the roadway repairs that the FDOT performed. According to the FDOT, the cost of repairs to the roadway totaled \$685,000. The FDOT initially indicated that OUC should cover the entire road repair cost. After input from OUC's water engineers and OUC's geotechnical engineers, as well as Alan Oyler from the City of Orlando, the FDOT seemed to better understand OUC's position regarding the sinkhole as the cause of the incident. The FDOT agreed to try to develop a cost allocation methodology that would place all affected utilities in the same position relative to roadway repair costs, as would have

been the case on any other roadway repair. This would include the cost of fixing the utility's facilities and the pavement above the repair. OUC asked the FDOT to provide a cost breakdown of the FDOT's costs as well. Mr. Browder will update the Commissioners as discussions progress.

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Ken Ksionek asked Roseann Harrington and Kevin Noonan to provide a presentation regarding the new Green Neighborhoods program. Ms. Harrington distributed the customer kickoff packets. Mr. Noonan explained that the program is a partnership with the City of Orlando and will be offered to neighborhoods with a history of high electric consumption. The program will provide weatherization and insulation to homes in an effort to increase the home's energy efficiency and lower the customer's monthly utility expenses. The City has designated \$500,000 for the program and OUC will contribute \$200,000 of its own funds, for a total of \$700,000 in funding. Ms. Harrington explained the process for registering participants. After improvements are made, homeowners will receive a flyer that outlines improvements and potential annual energy savings made to their homes and a letter that outlines potential annual savings due to the improvements made. OUC staff will also educate customers on how to change their behavior to further increase energy efficiency.

Commissioner Kirby stated that Green Neighborhoods is a fantastic program and a good part of OUC's conservation efforts. However, he is concerned that the welcome letter and packet do not adequately emphasize that the program will help lower customers' utility bills, which is the biggest concern for customers. He stated that OUC staff should consider refocusing the marketing materials to increase the profile on lowering utility bills and saving money. He also stated that he was concerned about the name of the program because improvements to individual homes do not make a neighborhood "green". Commissioner Kirby clarified that he does not want to detract from program, but he wants to ensure that the program emphasizes that the improvements will help lower customers' utility bills.

President Porta stated that she is interested in seeing the results of the marketing studies and stressed that it is important to educate customers on how to change their behavior in order to lower their utility bills.

President Porta asked what actions customers can take if a home needs more than \$1,000 worth of efficiency upgrades and if there are other programs customers can utilize. Mr. Noonan replied that Honeywell will provide information to customers about other conservation programs, which will allow customers to plan for future energy saving improvements.

Mr. Ksionek distributed Reliability Charts and asked Clint Bullock to present OUC's Reliability Benchmarking Report. Mr. Bullock stated that each year, the Florida Public Service Commission (PSC) requires that the Investor-Owned Utilities (IOUs) report on reliability using various metrics. OUC creates benchmarking charts to compare OUC's performance to the IOUs. Mr. Bullock presented charts showing OUC's reliability score on all three indices which are

superior to the IOUs. In 2009, OUC's MAIFle (average frequency of momentary interruptions) index was 7.5 momentary events. The SAIDI (rolling average interruption duration) index was 38 minutes. The L-Bar (average restoration time) was 68 minutes.

Commissioner McAllaster asked if the SAIDI index for Gulf Power was high because of hurricanes. Mr. Bullock explained that named storms are excluded from the evaluation, but other uncontrollable events such as a car hitting a power pole, afternoon thunderstorms, tree trimming, staffing and size of system can affect the rating.

Commissioner McAllaster asked if OUC's investment in other municipal power systems, such as Vero Beach, will affect its reliability rating. Mr. Bullock stated that Purchase Power Agreements do not apply to the reliability rating.

Mr. Ksionek stated that OUC has recently received seven additional offers on the old OUC Administration Building. He asked Chris Browder to discuss the top offer from GDC Properties, LLC (GDC) and distributed their offer packet. Mr. Browder reported that GDC is offering \$2.8 million dollars for the building. The proposed re-use of the building would consist of approximately 57 live-work loft units and approximately 12,000 square feet of commercial space. Mr. Browder recommends that OUC enter into a non-binding Letter Agreement and take the property off the market for approximately one month in order to engage in discussions with GDC. The Letter Agreement will include a term sheet of the basic deal points to be included in the purchase and sale agreement. Mr. Browder requested approval for Mr. Ksionek to sign and execute the Letter Agreement within the next few days. Mr. Browder will provide an update on the progress of the sale at the July Commission Meeting.

Commissioner McAllaster asked if OUC would benefit from electric charging stations used at the old Administration Building. Mr. Browder responded that OUC may benefit from the charging stations. Commissioner McAllaster added that this proposal would benefit OUC employees by not creating a lot of additional traffic to the old building. Mr. Browder stated that it is his understanding that residents might be able to utilize the CNL parking garage for regular vehicles, but that the potential building owners will market apartments to residents who do not own vehicles. He stated that this is a good offer and has the potential for a solid partnership with the potential building owners.

Ken Ksionek discussed the 2010 hurricane season and distributed OUC's 2010 Hurricane Guide. Mr. Ksionek stated that the National Oceanic and Atmospheric Administration forecast for the 2010 hurricane season predicts 14 to 23 named storms, 8 to 14 hurricanes and 3 to 7 hurricanes rated Category 3 or higher. OUC staff has participated in tabletop exercises and emergency preparedness plans, upgraded its operations manual and taken all the necessary annual preparations and precautions. All OUC employees recently underwent National Incident Management System training.

Commissioner McAllaster asked if OUC has worked with City of Orlando at the new Orlando Operations Center (OOC). Greg Rodeghier responded that the

OOC is live and that OUC has been in production at the data center since last month. Commissioner McAllaster also asked how customers will receive the Hurricane Guide. Mr. Ksionek replied that it is sent as a bill insert and is also available to download from OUC’s website.

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Commissioner McAllaster stated that he is pleased with the St. Cloud landfill gas-to-energy project and encouraged staff to continue looking for similar opportunities. He congratulated Ms. Harrington on the Green Neighborhoods program and agreed with Commissioner Kirby about emphasizing cost reductions in the customer correspondence. He stated that it is important to encourage customer education on energy and water efficiency as a way to help customers lower their utility bills. He stated that OUC needs to convey reliability information to customers, and that OUC’s high reliability ratings are a result of its investment in infrastructure.

Commissioner Kirby explained that four primary factors that impact his decision-making as a Commissioner. They are: 1) cost to customer; 2) impact on reliability and customer service; 3) environmental stewardship; and 4) the long term impact to OUC as a community resource.

President Porta stated that, while it is important to keep costs low for the customers, it is also important to invest in OUC’s infrastructure to maintain its high reliability ratings. She stated that the Green Neighborhoods program is the type of program for which she advocated when joining the Commission. This program will be a great asset to many neighborhoods and is a good use of funds.

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Commissioner McAllaster moved to adjourn the meeting and Commissioner Kirby seconded. President Porta adjourned the meeting at 3:44 P.M.

President

Secretary