Present:

COMMISSIONERS:
Maylen Dominguez
Dan Kirby, First Vice President
Craig McAllaster, Second Vice President
Linda Ferrone, Commissioner
Buddy Dyer, Mayor

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Al Frazier, Roseann Harrington, Byron Knibbs,
   Denise Stalls, Rob Teegarden, Vice Presidents
John Hearn, Chief Financial Officer
Chip Merriam, Chief Legislative & Regulatory Compliance Officer
Greg Rodeghier, Chief Information Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Werline, Recording Secretary

President Dominguez asked Ruth Jayson-Polk 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 Kirby, seconded by Commissioner Ferrone and
unanimously carried, the reading of the minutes of the December 13, 2011
Commission Meeting minutes was waived and the minutes were approved.

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President Dominguez noted that she received confirmation from the Orlando
City Council of her reappointment to the Commission.

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Commissioner Dominguez called for the election of officers to serve on the 2012 Commission. Commissioner Kirby moved to nominate Maylen Dominguez as President and the motion carried unanimously.

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Mayor Dyer moved to nominate Dan Kirby as First Vice President and the motion carried unanimously.

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Commissioner Ferrone moved to nominate Craig McAllaster as Second Vice President and the motion carried unanimously.

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Commissioner McAllaster moved to reappoint Ken Ksionek as General Manager & CEO and Secretary of the Commission and the motion carried unanimously.

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Mr. Ksionek also recommended that John Hearn, Chris Browder and Beth Mason be appointed as Assistant Secretaries to the Commission. Mayor Dyer moved that Mr. Ksionek’s recommendations be approved and the motion carried unanimously.

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

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

Mr. Ksionek also provided proposed dates for the 2012 Audit and Finance Committee Meetings for review by the respective Commissioners.

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Mr. Ksionek asked John Hearn to provide a presentation regarding New Business Item NB-1 related to the Proposed Electric Fuel Charge Rate. John Hearn stated that no electric fuel or base rate change was planned for 2012. However, gas prices are lower than forecasted and are expected to remain low for two to three years. The updated forecast reduced natural gas prices during 2012 and 2013 from $5.00-$5.75 per mmbtu to $3.60-$4.65 per mmbtu, or a 25-30 percent decrease. The impact of reduced gas prices on OUC’s total fuel
costs is about 11 percent, with a bill impact of 4.5 percent for residential customers, 3.8 percent for small commercial customers and 5.3 percent for large commercial customers. Customers would be notified of the proposed rate decrease in February and it would be effective March 1, 2012. The typical monthly electric bill, excluding taxes, for residential customers using 1,000 kWh will decrease from $119.82 to $115.00, a decrease of $4.82.

President Dominguez presented Item NB-1 for adoption. On a motion by Mayor Dyer and seconded by Commissioner Ferrone, the NB-1 was approved as follows:

NB-1. Adoption of the proposed electric fuel charges for implementation March 1, 2012, pending Florida Public Service Commission review.

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Mayor Dyer left the meeting at 2:29 P.M.

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Byron Knibbs presented a 30-year service award to John Prince, Master Fleet Technician, Sustainable Services.

Al Frazier presented a 25-year service award to Valarie Alfaro, Collections Specialist, Customer Experience.

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Roseann Harrington congratulated Rob Teegarden and OUC staff for their work on the annual water color project. The project began in 2006 as a partnership between OUC and Orange County Utilities. The goal of the project is to encourage water conservation awareness amongst school children. Each year, elementary school children contribute artwork to the calendar, while middle school and high school children decorate rain barrels. Since its inception, 14,000 students from 60 schools have participated. This year, the American Water Works Association recognized the Water Color Project with the Best in Class award for public education and community relations. Ms. Harrington distributed calendars to the Commissioners.

Ms. Harrington also presented the PROUD volunteers of the year. Employees contribute personal time to organizations and OUC matches their time two-to-one. Ms. Harrington recognized the top volunteers by hours—Nioker White (737 hours), Thomas Johnson (997 hours) and Michael Weiner (1,701 hours).

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Ken Ksionek asked Clint Bullock to provide a presentation regarding Affirmative Item A-7. Amcor Rigid Plastics (Amcor) is a bottle manufacturing and warehouse company with a high load factor (75 percent). Amcor is outgrowing their existing facility which is currently served by Progress Energy Florida with a
5 MW load. Their expansion requires a new facility with a 10 MW load. Amcor chose to build a new facility in OUC’s service territory.

Amcor’s electric revenues are estimated at $6 million, representing 1 percent of total annual electric revenues. Under the proposed contract, OUC will provide the initial 5 MW load requirement and install a manhole ductline system and 2 feeder circuits from AIPO Substation No. 19 to Amcor’s site. OUC will then provide the 10 MW load requirement within 6 months of contract execution (May 2, 2012). OUC will waive the customer contribution of the Electric Line Extension cost of $860,000, contingent on Amcor meeting contract requirements.

Amcor will have a seven year term contract, with an initial energy requirement for years 2 and 3 of contract. A firm energy requirement must be met for years 4-7 of the contract. If the initial and firm energy requirements are not met, Amcor must reimburse OUC $860,000. If the initial energy requirement only is met, but the firm energy requirement is not, Amcor must reimburse OUC $430,000. Amcor’s credit rating threshold must also be maintained. Amcor expects to be operating at 10 MW capacity by the end of 2012.

Commissioner McAllaster asked if OUC is currently serving this territory and Mr. Bullock responded affirmatively. Amcor will initially be served with overhead feeders, but OUC will convert to all underground facilities by May 2012.

Commissioner Ferrone asked about revenue associated with Amcor’s initial 5 MW capacity. Mr. Bullock replied that it would be approximately $3 million.

Commissioner McAllaster asked if the payback for this project is the seven year contract term or sooner. Mr. Bullock replied that there is a lot of conservatism in the contract. The contract assumed that Amcor would use 5 MW during the first three years and 10 MW after that. However, OUC is confident that Amcor will be using 10 MW much sooner.

Commissioner Kirby asked for clarification regarding when OUC is required to finish installation of the underground distribution system. Mr. Bullock replied that OUC must be in position to have the 10 MW infrastructure in place by May 2012.

Commissioner McAllaster asked what will happen to the existing overhead lines. Mr. Bullock said that they will continue to serve other customers in the area and serve as back-up for the underground lines.

Ken Ksionek asked Jennifer Szaro to provide a presentation regarding Affirmative Item A-14 related to Commercial Solar Aggregation Program and Community Solar Farm. Ms. Szaro stated that for the Commercial Solar Aggregation Project, OUC utilized a group RFP process to bid out a collective solar project on multiple buildings. The company selected has offered a Power Purchase Agreement through OUC, and OUC will bill customers. This allows for economies of scale and competitive pricing.
The Commercial Solar Aggregation Project will consist of five commercial customers: the City of Orlando, Orange County Convention Center, Orlando Health, Universal Studios and Greater Orlando Aviation Authority. Each site will have its own solar array connected to the customer side of the meter. The Purchase Power Agreement (PPA) will be held by OUC and the customer will have a billing agreement with OUC. The PPA rate will be $0.175/KWH. Installations will be completed by the third or fourth quarter of 2012. ESA Renewables (ESA) was selected through the RFP process.

The Community Solar Farm is the first of its kind in the state of Florida. A centralized solar community array will be built at the Gardenia facility and will be connected to OUC’s distribution system. Customers will be able to subscribe to a portion of that solar array as if it were their own. OUC will act as the billing agent and pay the developer through a PPA. Benefits to the project include that it requires no upfront customer investment and eliminates site-related barriers to participation. It can serve multi-family residences and renters, and can address concerns posed by shaded sites, roof-penetrations or aesthetics and other maintenance issues. ESA will own, operate, construct and finance the project. OUC will pay ESA on a per kilowatt hour basis for the output from the system and charge customers based on the actual system output.

The Community Solar Farm is designed to encourage participation and test this type of business model in OUC’s market. The Gardenia solar array will be constructed in two 200-KW stages based on customer subscriptions. A third-party developer will finance, own and operate the array with a Power Purchase Agreement from OUC. The project must be fully subscribed before construction begins.

President Dominguez asked about the customers on the waiting list. Ms. Szaro replied that customers can buy power in 1 KW increments. It is expected that the average customer will purchase power in 5 KW increments. OUC will limit customer purchases 10 KW of power in case commercial customers want to purchase power.

Commissioner Ferrone asked how similar projects have performed in other markets. Ms. Szaro responded that models have varied considerably so it is hard to make a comparison.

Commissioner McAllaster asked what 5 KW of power will cost customers. Ms. Szaro responded that it would be approximately one cent premium over current OUC rates. A calculator will be provided on OUC’s website and in marketing materials to assist customers in understanding the differential cost and lifetime savings for the investment.

Commissioner Kirby recommended that the website also allow customers to check how the solar farm is performing. Ms. Szaro replied that customers will have this access.

Commissioner Ferrone asked for clarification regarding the long-term intent in Affirmative Item A-3 related to the Agreement for Interchange Service. Jan
Aspuru responded that these are standardized wholesale energy agreements used to transact under the Florida Broker System. OUC has agreements with Florida Power & Light, TECO, Progress Energy Florida and other organizations. This agreement will allow OUC to do future business, at its option, with Cargill in trading wholesale energy. Cargill is a well established, national company with good access to wholesale energy markets outside of Florida.

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

1. Ratification of the below spot fuel procurements to the low bidders in October and November 2011 in the aggregate amount of $11,807,939.22 as follows:

**NATURAL GAS PURCHASES:**

- Oct. 2011 Chevron Natural Gas $484,679.25
- Oct. 2011 Macquarie Cook Energy, LLC $730,554.40
- Oct. 2011 Sequent Energy Management $419,925.77
- Oct. 2011 Tenaska Marketing Ventures $143,807.57
- Oct. 2011 Texla Energy Management, Inc. $1,332,081.08
- Oct. 2011 Total Gas & Power $488,930.35
- Oct. 2011 Virginia Power Energy Marketing, Inc. $733,024.34
- Nov. 2011 BP Energy Company $393,645.30
- Nov. 2011 Chevron Natural Gas $176,961.74
- Nov. 2011 Macquarie Cook Energy, LLC $482,826.74
- Nov. 2011 Southwestern Energy $105,822.35
- Nov. 2011 Texla Energy Management, Inc. $115,633.91
- Nov. 2011 Virginia Power Energy Marketing, Inc. $331,365.64

**NO. 2 AND NO. 6 FUEL OIL PURCHASES:**

- Oct. 2011 TransMontaigne Products & Energy Co., Inc. $107,207.92
- Oct. 2011 Automated Petroleum & Energy Co., Inc. $201,784.11
- Nov. 2011 Automated Petroleum & Energy Co., Inc. $271,205.60
- Nov. 2011 TexPar Energy, LLC $135,524.60

**COAL PURCHASES:**

- Oct. 2011 Foresight Coal Sales $515,543.30
- Oct. 2011 Sunrise Coal LLC $1,509,025.98
- Nov. 2011 Foresight Coal Sales $1,502,439.98
- Nov. 2011 Crimson Coal Corporation $531,160.50

2. Authorization for the General Manager & CEO to execute a Coal Supply Agreement between OUC and JP Morgan for coal deliveries from April 2012 through December 2014 in an amount not to exceed $59,202,000, subject to final OUC legal review and approval;

3. Authorization for the General Manager & CEO to execute an Agreement for Interchange Service between Cargill Power Markets LLC and OUC, pending final OUC legal review;

4. Approval of RFP #3153 – Contract award to Ceram Environmental Inc., the most responsive and responsible vendor, to supply the
Stanton Energy Center Unit 1 selective catalytic reduction system in an amount not to exceed $3,497,673, subject to final contract negotiations and OUC legal review;

5. Approval of Change Request No. 1 to the Capital Expenditure Estimate for the installation of the reheat tubes required for the Stanton Energy Center Unit 1 Reheat Outlet Tube Replacement Project in the amount of $838,400, increasing the total project cost to $1,838,400. Approval of RFP #3205 – Contract award to Aquilex SMS, Inc., the lowest, most responsive and responsible vendor, to perform the Stanton Energy Center Unit 1 steam generator inspection, repairs and installation of the reheat outlet tubes in an amount not to exceed $3,350,000, subject to final contract negotiations and OUC legal review.

6. Approval of RFP #3142 – Contract award to Aquilex SMS, Inc., the lowest, most responsive and responsible vendor, to install the Stanton Energy Center Unit 2 scrubber mist eliminator wash system in an amount not to exceed $110,560;

7. Ratification of the Electric Distribution Construction Estimates for the installation of electric distribution facilities along Florida Crown Drive, Tradeport Drive and Ringhaver Drive in the amounts of $1,436,748.19 and $1,985,507.05 for the installation of switchgear, transformers and cable, and a manhole duct-line system respectively, for a total of $3,422,255.24;

8. Approval of additional funding in the amount of $240,000 with conforming Change Order No. 1 to Presidio, Inc. to continue providing cyber security consulting services for the Energy Management System, increasing the total Purchase Order amount to $480,000;

9. Authorization for the General Manager & CEO to execute the Master Ozone Procurement Agreement with Ozonia North America, LLC for seven Water Treatment Plants; and the Facility Agreement and Parts Agreement with Ozonia North America, LLC for the Southwest Water Treatment Plant, contingent upon successful negotiation and legal review. Approval of Change Request No. 2 for the Capital Expenditure Estimate for the Southwest WTP Ozone Improvements Project in the amount of $8,785,000, increasing the total project cost to $11,235,000. Approval of Bid #3194 – Contract award to Ozonia North America, LLC, the lowest, most responsive and responsible bidder for the ozone equipment required for the Southwest WTP in the amount of $3,000,000;

10. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Stewarts Electric Motor Works in the amount of $90,000 to continue providing electric motor reconditioning and repair services through December 31, 2012, increasing the total Purchase Order amount to $305,457;
11. Approval of a Capital Work Order for the Lake Lawne Subdivision Water Main Upgrade and Fire Hydrant Installation Project in the amount of at $931,866.02, which includes reimbursement of approximately $885,169.15 from the City of Orlando;

12. Approval of a sole source Purchase Order to Quest, Inc. to continue providing material salvage services for a five-year period through February 28, 2017 in the amount of $485,000;

13. Approval RFP #3102 – Contract award to SimplexGrinnel LP, the lowest, most responsive and responsible vendor, to provide inspection, testing, certification and repair services for the sprinkler and spray fire suppression systems for a three-year period in the amount of $186,465;

14. Approval for the General Manager & CEO to execute Solar Power Purchase Agreements with ESA Renewables, LLC for six sites for an estimated total amount of $7,383,062 for twenty five year contract terms, subject to final negotiations and legal review;

15. Adoption of the modified Pilot Solar Thermal Credit Rider rate schedule and the related revisions to OUC’s Residential Solar Service Agreement for implementation February 1, 2012, pending Florida Public Service Commission review;

16. Approval of additional funding in the amount of $150,000 with conforming Change Order No. 1 to Gray Robinson, P.A. for real estate transaction fees to date in Fiscal Years 2011 and 2012 and for Commission-wide legal services through the end of Fiscal Year 2012, increasing the total Purchase Order amount to $225,000; and

17. Authorization for the General Manager & CEO to execute the Release of Easement for Walmart, for property located north of Oak Ridge Road and west of South Orange Blossom Trail.

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Commissioner McAllaster reported that the Audit Committee met on December 15, 2011. Internal Audit activities were presented to the Committee including a summary of the recently issued audit reports. An overview of the 2011 Audited Financial Statements was presented to the Committee with Ernst & Young’s unqualified audit opinion. Ernst & Young also presented to the Audit Committee a report on Internal Controls including the management letter. There were no new management letter comments. In addition to the annual audit report, the Ten Year Financial and Statistical report was presented along with key financial statement trend information. Income before contributions for the year ending September 30, 2011 was $38.4 million, or $8.2 million higher than budget and $0.3 million higher than the prior year.

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John Hearn stated there were some challenges during the first quarter of the fiscal year, particularly on the revenue side. Retail electric and water revenues trailed budget. This shortfall was partially offset by expenditures being under budget. OUC is $2 million behind budgeted net income through the first quarter. Staff is in the midst of preparing a pro forma for 2012, which will be presented to the Audit Committee in March.

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Mr. Ksionek stated that, under the direction of the Commissioners, OUC has evaluated and pursued a significant number of conservation and renewable alternatives. The Community Solar Farm presented earlier is another example of a supply side renewable energy initiative. At previous meetings, OUC has presented the supply or generation side of its Electric Integrated Resource Plan. OUC has also focused on the demand side initiatives, and Mr. Ksionek asked Kevin Noonan to provide a presentation on OUC’s Clean Energy Strategy which includes both supply and demand side initiatives.

Mr. Noonan stated that, currently, there are no regulatory requirements for any type of renewable generation. However, there are requirements regarding conservation from the Florida Public Service Commission. OUC has formulated a Clean Energy Strategy that includes conservation, renewables, efficiency improvements and nuclear energy. It incorporates supply-side and demand-side components. The benefits include fuel diversity and environmental stewardship.

With the help of the Strategic Planning group, a methodology has been formulated that determines rebate amounts based on avoided costs. It takes into consideration both avoided capacity and energy requirements. Mr. Noonan explained the formula for determining rebates and other incentive amounts. Changes to the conservation rebate programs include: formulating HVAC rebates by both the size of the unit and its SEER rating, a two-tiered insulation program, introducing new Energy Star appliance rebates for washing machines and heat pump water heaters, a solar water heater rebate, a relaunch of the Efficiency Delivered Program and a revamp of the New Home Rebate Program. As an example, Mr. Noonan explained how the new heat pump water heater rebates were formulated and the benefits to OUC. For the solar water heater, OUC is moving to a $1000 up front rebate for residential customers, rather than a production credit.

Commissioner McAllaster asked about the average size in tons for an air conditioning system on a 2600 square foot home. Mr. Noonan replied that the average system, taking advantage of OUC’s rebate programs, has been about a 15 SEER, 3.3 ton unit. This is encouraging because customers are realizing the gains to be made by going above the building code which is a SEER 13.

Mr. Noonan explained the changes to the Efficiency Delivered program, effective April 1, 2012. The bid process is being utilized to bring in a vendor to launch the program. This is an evolution of the existing Home Fix Up Program which began in the early 1980s and includes a comprehensive weatherization and insulation program. In the past, this program has only been offered to
customers who make less than $40,000 per year. The new program will be available to all OUC customers regardless of income. However, as income level rises, OUC’s participation in offsetting costs is decreased. Customers in the top tier of the Efficiency Delivered Program will be able to receive rebates at the point of sale rather than having to apply for them.

OUC’s current Gold Ring Program offers a maximum $700 rebate for a home that is Energy Star certified. OUC is proposing to reformat the Gold Ring Program into a new Residential New Home Rebate Program, which will offer measure specific rebates for HVAC, insulation, cool/reflective roofs, Energy Star appliances and solar water heaters. The rebates will be remitted to the home buyer, not the home builder.

On the supply side of the Electric Integrated Resource Plan are several projects that comprise part of OUC’s overall carbon reduction strategy. Those projects include: the solar farm, Harmony biomass project, landfill gas project, efficiency upgrades at Stanton Energy Center and other nuclear components. These will give OUC a clean energy supply approaching 18 percent of retail sales in the 2016 timeframe.

Commissioner Ferrone asked why the landfill gas energy supply decreases over the years. Mr. Noonan replied that landfill gas capacity tends to rise and fall based on when new cells of the landfill come online and older cells decrease capacity. Mr. Aspuru confirmed that the energy output is fluid and dynamic depending on how the landfill is utilized.

Mr. Noonan explained that, when combining the conservation and customer-sided renewables to the supply-side clean energy, the overall clean energy percentage rises. It is predicted that nearly 20 percent of retail sales in the 2016 timeframe will come from clean energy sources.

President Dominguez asked if the formula is specific to OUC or if it is used by other organizations, and if there are goals for the different types of conservation. Mr. Noonan replied that some of the larger investor owned utilities use this model. He stated that if regulation were to change in any areas, OUC’s plan would need to be reevaluated, but OUC would still be in a position regarding conservation and renewables.

Commissioner Kirby stated that point of sale rebates are important for customers. He challenged OUC to be flexible when it comes to rebates, and to analyze changes in marketplace popularity and to use that analysis when reevaluating rebates. Mr. Noonan responded that OUC’s plan allows flexibility. President Dominguez emphasized the importance of monitoring trends and changes and conveying that information to customers.

Commissioner Ferrone asked if a predictive model was used to determine how many people will take advantage of different incentive. Mr. Noonan replied that, as the program continues, OUC will better determine the elasticity of demand and make changes on a quicker basis.
President Dominguez asked if data has been received from the Green Neighborhoods Program. She also stressed the importance of taking the time to analyze results in increasing the popularity of conservation programs. Mr. Noonan replied that it has been one year since the first installations of the Green Neighborhoods Program were made. OUC is analyzing the data to determine how much money and energy was saved. There was a discussion on setting rebate prices and how to analyze and change rebates to best serve OUC customers.

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Mr. Ksionek distributed the 2011 Annual Report to the Commissioners.

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Commissioner Ferrone stated that she is proud of the care with which OUC took in studying the electric rate reduction and is excited to have voted on the motion. She praised OUC’s other efforts in being good stewards in the community.

Commissioner Kirby stated that on January 27 he represented OUC at the Electric Transportation Workshop. The message he took away from the meeting is that OUC is a leader in electric transportation but there is still a lot of work to be done. While the marketplace is currently not growing very fast, OUC should continue to assert itself in the marketplace and do all it can to prepare customers for upcoming changes. In particular, work needs to be done in regards to the legal ramifications of electric vehicle charging station installations and encouraging commercial customers to install charging stations. He congratulated OUC staff on the Community Solar Farm and anticipates high customer participation and the need for an additional solar array soon. He stressed the importance of Point of Sale rebates and praised the changes in OUCs rebate structure to offer them to customers.

Commissioner McAllaster stated that he became a member of the Board three years ago. One of the first things he voted on was a rate increase, so he is very glad to have voted for the rate decrease. He commended Jan Aspuru and the Power Resources team on Affirmative Item A-4, which is a positive step in regards to potential energy legislation. He also commended Clint Bullock on bringing Amcor into OUC’s service territory. He stated that he is proud of OUC employees and all their efforts in making the company a great asset for the community.

President Dominguez congratulated John Prince and Valarie Alfaro for their service awards. She stated that it is important for OUC to stay flexible and dynamic in order to best serve its customers. She also praised Byron Knibbs and his staff on the Community Solar Farm. She thanked Mr. Ksionek and the other Commissioners for their leadership.
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President Dominguez adjourned the meeting at 3:51 P.M.

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President

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Secretary