

**MINUTES
ORLANDO UTILITIES COMMISSION
January 27, 2015
2:00 P.M.**

Present:

COMMISSIONERS:

Dan Kirby, President
Linda Ferrone, First Vice President
Gregory D. Lee, Commissioner
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 German Romero to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:11 P.M.

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On a motion by Commissioner Lee, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the December 2, 2014 Commission Meeting was waived and the minutes were approved.

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President Kirby called for the election of officers to serve on the 2015 Commission. Mayor Dyer moved to nominate Linda Ferrone as President, Gregory D. Lee as First Vice President and Maylen Dominguez as Second Vice President. The motions carried unanimously.

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Mayor Dyer 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 Lee will serve as Chair of the Audit Committee with President Ferrone 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 Dominguez as a member. No objection was offered.

Mr. Ksionek also provided proposed dates for the 2015 Audit and Finance Committee Meetings for review by the respective Commissioners.

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Commissioner Kirby passed the gavel to President Ferrone.

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Clint Bullock presented a 30-year service award to Sandy Jefferson, Administrative Specialist I, Energy and Water Delivery Business Unit.

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Roseann Harrington recognized employees from Energy Delivery who attended the meeting in support of Sandy Jefferson.

Ms. Harrington announced that the Florida section of the American Water Works Association honored Project A.W.E.S.O.M.E. with the Best in Class award in the Large Utility category.

Ms. Harrington announced the OUCares Workplace Giving Campaign was the largest employee donation in the company's history at over \$170,000 with over 700 contributors. Fifty-one percent of the participants increased their donations from the previous year. She recognized Karlene Santiago and Queen Massaline for their work on the campaign.

Ms. Harrington presented awards to OUC's Top 3 PROUD Volunteers of the Year for 2014: Michael Weiner (1,317 hours), Thomas Johnson (976 hours) and Tony Engelmeyer (691 hours).

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President Ferrone presented Commissioner Kirby with a ceremonial gavel in recognition of his two years of service as President. Commissioner Kirby thanked President Ferrone for the recognition.

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Mr. Ksionek asked Wade Gillingham to provide a presentation on Affirmative Item A-3 related to the Fuel Lean Gas Reburn (FLGR) Engineering Project, A-5 related to the Mercury Removal System – Activated Carbon Contract, and A-4 related to the Mercury Continuous Emissions Monitoring System (CEMS) Maintenance Contract. Mr. Gillingham explained that these items are related to recent Environmental Protection Agency (EPA) regulatory actions, including the Cross-State Air Pollution Rule (CSAPR) to regulate NOX and the Mercury and Air Toxics Standards (MATS) to regulate mercury.

FLGR is an incremental NOX mitigation strategy with a lower capital cost and shorter construction time. Mr. Gillingham explained how the gas placement and chemical reaction works to regulate mercury. He also provided a cost comparison to selective catalytic reduction (SCR) mercury removal strategies.

Mr. Gillingham explained how SEC Unit 2's SCR and Unit 1 and 2 scrubbers are beneficial towards the removal of mercury. However, additional systems will be required to meet the new MATS mercury limits. After an evaluation of different methods of mercury removal and real-time mercury monitoring, it was determined that that injecting activated carbon will substantially lower the mercury in the flue gas. Mr. Gillingham provided a cost analysis for the testing phase of the project as well as the permanent installation of the activated carbon injection system.

OUC has also revamped the mercury CEMS in order to meet MATS compliance standards. The maintenance contract covers all service beyond the scope of OUC's CEMS technicians while assuring compliance with MATS. OUC was able to capture a lower cost due to local resources already being utilized at SEC.

Commissioner Kirby asked if it will be feasible to undo changes to the fuel gas system in order to utilize future technology. Mr. Gillingham replied affirmatively, and added that OUC is continuing to investigate additional incremental NOX technologies. In a gas shortage, it will also be feasible to bypass the system and continue to burn coal.

Commissioner Kirby also inquired if the contract length with Spectrum Systems, Inc. has been determined. Mr. Gillingham responded that the contract term is five years.

President Ferrone asked if the FLGR project will affect OUC's ability to burn landfill gas. Mr. Gillingham responded that it will not. President Ferrone also inquired if OUC will have the ability to burn more natural gas or if this is the optimal amount. Mr. Gillingham replied that this project is optimal for a NOX reduction strategy, but evaluations are occurring. He added that OUC currently burns natural gas along with coal, at a maximum of 20 percent.

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Mr. Ksionek asked Claston Sunanon to provide a presentation on Affirmative Item A-10 related to the FTS-2 Gas Transportation Service Agreements.

Mr. Sunanon explained that three contracts with Florida Gas Transmission Company, LLC (FGT) are due to expire in 2016 and will be extended for a period of five to ten years. Natural gas is used as one of the primary fuel sources for the generators at SEC and the Indian River Plant, as well as to fulfill obligations for OUC's Power Purchase Agreements with the Cities of Vero Beach, St. Cloud and Lake Worth. OUC utilizes the FGT pipeline to deliver the natural gas. Mr. Sunanon explained the capacity rates and costs for the different FGT contracts. OUC must continue to extend the FTS-2 contracts in order to lower fuel costs, meet increased EPA regulations and maintain usage of the increasingly constrained FGT pipeline.

President Ferrone inquired about the service tiers utilized by OUC's other FTS contracts. Mr. Sunanon responded that two contracts are FTS-1, three are FTS-2 and one is FTS-3.

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

1. Ratification of the fuel procurements to the low bidders in October 2014 in the aggregate amount \$22,676,022.26 as follows:

NATURAL GAS PURCHASES:

Oct 2014	BP Energy	\$1,171,592.27
Oct 2014	EDF Trading (Formerly Eagle Energy)	\$1,476,169.06
Oct 2014	Enbridge Marketing, LP	\$ 838,358.88
Oct 2014	Florida Power & Light	\$ 113,722.80
Oct 2014	Infinite Energy	\$ 617,875.58
Oct 2014	Macquarie Cook Energy, LLC	\$1,783,509.89
Oct 2014	Shell Energy	\$2,092,195.43
Oct 2014	Southwest Energy	\$ 168,679.32
Oct 2014	Southwestern Energy	\$ 169,479.23
Oct 2014	Tenaska Marketing Ventures	\$2,381,978.93
Oct 2014	Texla Energy Management, Inc.	\$3,321,066.02

COAL PURCHASES:

Oct 2014	Crimson Coal Corporation	\$2,705,473.10
Oct 2014	Foresight Coal Sales, LLC	\$5,202,611.81
Oct 2014	Mecuria Energy Trading, Inc.	\$ 633,309.94

2. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Cascade Room Coal Conveyor Transfer Point Modifications Project in the amount of \$743,200. Approval of RFP #3843 - Contract award to Industrial Conveyor Belt Systems, LLC, the lowest, most responsive and responsible vendor, to furnish and install the Stanton

Energy Center coal conveyor transfer point modifications in the amount of \$533,500, pending final contract negotiations and OUC legal review;

3. Approval of Change Request No. 1 to the Capital Expenditure Estimate for the Stanton Energy Center Unit 1 Fuel Lean Gas Reburn Engineering Project in the amount of \$2,097,500, increasing the total project cost to \$2,194,500. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Breen Energy Solutions, LLC to furnish and install a fuel lean gas reburn system in the amount of \$1,897,500, increasing the total Purchase Order amount to \$1,994,500, pending final contract negotiations and OUC legal review;
4. Approval of RFP #3848 - Contract award to Spectrum Systems, Inc., the lowest, most responsive and responsible vendor, for the Stanton Energy Center Mercury Continuous Emissions Monitoring System maintenance contract in the amount of \$500,000. The contract term is five years;
5. Approval of RFP #3838 - Contract award to Calgon Carbon Corporation, the lowest, most responsive and responsible vendor, to provide an activated carbon product for the Stanton Energy Center Unit 1 mercury removal system in the amount of \$9,306,000, pending final contract negotiations and OUC legal review. The contract term is three years;
6. Approval of Change Request No. 1 for the Capital Expenditure Estimate for the Stanton Energy Center Unit 2 Reheat Outlet Tube Replacement Project in the amount of \$1,903,433, increasing the total project cost to \$2,000,000. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Chicago Tube and Iron Company, Inc. to furnish reheater replacement tubing in the amount of \$892,003, increasing the total Purchase Order amount to \$988,570, pending final contract negotiations and OUC legal review;
7. Approval of RFP #3830 - Contract award to Modern Welding Company of Florida, Inc., the lowest, most responsive and responsible vendor, to fabricate new grating for the Stanton Energy Center Unit 1 Scrubber Building floor trenches in the amount of \$136,000, pending final contract negotiations and OUC legal review;
8. Approval of RFP #3849 - Contract award to Irwin Industries, Inc., the most responsive and responsible vendor, to perform Stanton Energy Center Units 1 & 2 and Combined Cycle Unit B steam generator inspection and repair services in the amount of \$2,524,693.50, pending final contract negotiations and OUC legal review;

9. Approval of additional funding in the amount of \$350,000 with conforming Change Order No. 1 to AVP Valve, Inc. to continue providing valve inspections, repair and mechanical services for the Stanton Energy Center Units 1 & 2, Combined Cycle Unit B and Indian River Plant Combustion Turbines, increasing the total Purchase Order amount to \$920,000;
10. Authorization for the General Manager & CEO to execute FTS-2 Gas Transportation Service Agreements with Florida Gas Transmission Company, LLC for OUC's forecasted natural gas demand requirements in the amount of \$36,629,626. The contract terms vary from five to ten years, effective March 1, 2016;
11. Approval of a single source Purchase Order to Emerson Process Management Power & Water Solutions, Inc. to provide the Stanton Energy Center Unit 1 precipitator energy management system in the amount of \$122,000, pending final contract negotiations and OUC legal review;
12. Approval of Change Request No. 1 to the Water Capital Expenditure Estimate in the amount of \$1,475,026 for final design and easement acquisitions for the Boggy Creek Road North Water Main Installation Project, increasing the total project cost to \$1,542,567. Approval of a Purchase Order to Dewberry Engineers, Inc. for engineering services in the amount of \$539,518;
13. Approval of Change Request No. 1 to the Electric & Water Distribution Construction Estimates for the LYNX Parramore Bus Rapid Transit Project in the aggregate amount of \$473,934.09 for construction, administration and inspection costs, inclusive of any work performed utilizing LYNX's contractor, increasing the total project cost to \$1,648,354.55. Approval of additional funding in the amount of \$236,155.18 with conforming Change Order No.1 to LYNX for reimbursement of construction costs for electric associated work, increasing the total Purchase Order amount to \$805,238.82. Approval of additional funding in the amount of \$122,310.70 with conforming Change Order No. 1 to LYNX for reimbursement of construction costs for water associated work, increasing the total Purchase Order amount to \$603,627.70;
14. Approval of RFP #3806 - Contract award to Terry's Electric, Inc., the lowest, most responsive and responsible vendor, to perform substation construction services required for the Taft Substation Line Reconfiguration Project in the amount \$798,000;
15. Approval of a Purchase Order to Altec Industries, Inc. to lease two aerial tower trucks for twelve months and three aerial tower trucks for sixty months in the aggregate amount of \$456,120;

16. Approval of RFP #3826 - Contract awards to American Systems Corporation; Global One Networks, LLC; Network Cabling Services, Inc.; ProPlus Communications, Inc.; and Terry Meier, Inc., the most responsive and responsible vendors, to provide data wiring services in the aggregate amount of \$375,000. The contract terms are three years with two one-year renewal options;
17. Approval of RFP #3820 - Contract award to Mechanical Services of Central Florida, Inc., the lowest, most responsive and responsible vendor, for HVAC maintenance, repair and replacement services in the amount of \$1,333,883.70. The contract term is three years with two one-year renewal options;
18. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Coastal Air Consulting, Inc. in the amount of \$118,000 to provide annual air emissions compliance and Relative Accuracy Test Audit testing through March 31, 2016, increasing the total Purchase Order amount to \$323,000;
19. Approval of a single source Purchase Order to Meridian Integration, LLC to provide Customer Care & Billing migration and archive software, implementation services and three years of maintenance and support in the amount of \$113,500, pending final contract negotiations and OUC legal review;
20. Approval of Bid #3803 - Contract award to Presidio Networked Solutions, Inc., the most responsive and responsible vendor, for Cisco Smartnet maintenance and support through January 31, 2018 in the amount of \$325,000; and
21. Approval of a sole source Purchase Order to Oracle America, Inc. for annual software maintenance and support through January 2016 for J.D. Edwards OneWorld in the amount of \$387,128.27.

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Commissioner Lee reported that the Audit Committee conducted its regular meeting on December 18, 2014. Internal Audit activities were presented to the Committee including an overview of five recently completed Internal Audit reports. The annual review of OUC's Diversity Program was presented. OUC is continuing to look for innovative ways to enhance diversity spending. The goal for 2015 is to increase diversity spending to 10 percent of discretionary spending.

The results of the September 30, 2014 financial statement audit were presented with Ernst & Young's unmodified audit opinion. The ten-year financial and statistical report was also presented. Income before contributions for the year ended September 2014 was \$89.3 million and total assets were \$3.2 billion. In addition, Ernst & Young presented reports regarding internal controls and

management letter comments, each with no findings. Ernst & Young also presented a summary of their audit procedures including the manner in which risks were addressed.

The Committee reviewed Protiviti's report on Internal Audit which included 12 observations and 21 detailed recommendations. The General Manager & CEO and Interim Audit Director were directed to implement the observations and detailed recommendations.

The Committee concurred with the General Manager & CEO's recommendation to appoint Mark Thompson as the new Director of Internal Audit.

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Commissioner Ferrone reported the Finance Committee held its regular meeting on December 4, 2014. The Committee reviewed the annual Treasury and Energy Risk Management Reports. The Committee also reviewed proposed changes to the Energy Risk Management Policy. All policy changes are conforming and administrative in nature. The Finance Committee recommends Commission approval of the revised Energy Risk Management Policy.

The Committee appointed Dr. Halil Kiyamaz, Professor of Finance, to the Energy Risk Management Operating Committee and added two regional Minority and Women-Owned Businesses (MWBE) to the authorized investment broker list.

The Committee reviewed and approved cash reserves targets designed to meet liquidity needs and maintain current bond ratings.

On a motion by Commissioner Kirby and seconded by Commissioner Lee, PRES-2a was approved as follows:

PRES-2a Adoption of the proposed Energy Risk Management Policy as recommended by the Finance Committee.

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John Hearn stated that net income for the first quarter was approximately \$1.3 million ahead of budget. This is evenly divided between additional revenues, including wholesale opportunities, and reduced expenses. Both electric and water retail revenues are slightly below budget.

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Mr. Ksionek thanked the Commission for his re-appointment as General Manager and CEO. He announced that a Water Resource Strategy Workshop will be held on February 24, 2015 at 2:30 P.M. The next Commission Meeting will be held on March 10, 2015 at 2:00 P.M.

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Commissioner Lee congratulated Sandy Jefferson on her Service Award and commended the PROUD Volunteers of the Year. He thanked Commissioner Kirby for his leadership and service as president. He also congratulated President Ferrone on her new office.

Mayor Dyer also thanked Commissioner Kirby for his service and congratulated President Ferrone on her new office.

Commissioner Kirby congratulated the PROUD Volunteers of the Year. He stressed the importance of increasing diversity. He thanked the Board for allowing him to serve as president and looks forward to working with President Ferrone during her term.

President Ferrone thanked the Board for their congratulations and looks forward to serving as president. She stressed her respect for the organization, especially in regards to Community Service and Service Awards. She also commented on the positive budget news for the first quarter of 2014.

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President Ferrone adjourned the meeting at 3:00 P.M.

President

Secretary