

MINUTES
ORLANDO UTILITIES COMMISSION
January 18, 2011
2:00 P.M.

Present:

COMMISSIONERS:

Maylen Dominguez, President
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, Alvin Frazier, Roseann Harrington, Byron Knibbs,
Denise Stalls, Robert Teegarden, 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

Commissioner Dominguez asked John Hearn to give the invocation, followed by the Pledge of Allegiance to the Flag. Commissioner Dominguez welcome Linda Ferrone as a new Commissioner and stated the Orlando City Council affirmed Commissioner Ferrone's appointment to the Orlando Utilities Commission board on January 10, 2011. The Commission Meeting was called to order at 2:00 P.M.

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On a motion by Mayor Dyer, seconded by Commissioner McAllaster and unanimously carried, the reading of the minutes of the December 14, 2010 Commission Meeting was waived and the minutes were approved.

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Commissioner Dominguez called for the election of officers to serve on the 2011 Commission. Commissioner Kirby moved to nominate Maylen Dominguez as President and the motion carried unanimously.

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Commissioner McAllaster moved to nominate Dan Kirby as First Vice President and the motion carried unanimously.

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Mayor Dyer moved to nominate Craig McAllaster as Second Vice President and the motion 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, Beth Mason and Chris Browder be appointed as Assistant Secretaries to the Commission.

Commissioner McAllaster moved that Mr. Ksionek's recommendations be approved and the motion carried unanimously.

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

Mr. Ksionek also provided proposed dates for the 2011 Audit and Finance Committee Meetings for review by the respective Commissioners.

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Roseann Harrington presented the awards for Volunteer of the Year to Thomas Johnson, Nioker White and Michael Weiner. Ms. Harrington introduced Luanne Lumpkins, Vice President of the American Heart Association of Greater Orlando, who presented OUC with a Gold Level recognition as a Start! Fit-Friendly Company in Greater Orlando. She thanked Janie Wallace for championing the application process and the Know Your Numbers program at OUC.

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Mr. Ksionek asked Debbie Bradshaw to discuss Affirmative Item A-11 regarding the Ozone Generator Replacement Project. Ms. Bradshaw described the history of ozone improvements at OUC and the existing liquid oxygen feed gas system. Ms. Bradshaw explained the current maintenance issues with the current ozone generators. Expert consultants from Camp, Dresser, McKee, Inc. have performed a system-wide evaluation of OUC's ozone treatment process and determined that the system needs to be improved. A ten-year replacement

program is planned to get as much life out of current equipment as possible and delay capital expenses. This plan is flexible enough to move up replacements if necessary. The plan includes an Ozone System Supplier Agreement to help expedite equipment delivery. Ms. Bradshaw stated that the program will implement the construction of Southwest and Pine Hills Water Treatment Plants (WTP) first. The salvaged equipment from the Pine Hills WTP will be used for spare parts. The ten-year cost estimate for the ozone program is expected to be \$58,066,458. Ms. Bradshaw also explained the next steps for the project.

Commissioner Kirby asked how much savings this project could bring about in terms of operations cost. Ms. Bradshaw replied that the sidestream injection proposal is expected to save \$600,000 net present value per plant. She stated that she will research further information about the percentage of total savings. Commissioner Kirby also asked if OUC foresees a change in total treatment capacity over the ten-year time period. Ms. Bradshaw replied that this project is based on the current Consumptive Use Permit allocation of 109 mgd, which will allow for demand growth. President Dominguez asked how long the prospective suppliers have been in business. Ms. Bradshaw replied that a few of the suppliers are well-established and OUC feels comfortable with having them bid on the project. President Dominguez also asked about how the project requirements have shifted since it began in the 1990s, and if requirements may shift in the future. Ms. Bradshaw replied that the treatment requirements should remain the same for the foreseeable future, as ozone is one of the best disinfectants for water treatment plants.

Commissioner Ferrone asked if the schedule for replacement takes into account predictive failures. Ms. Bradshaw explained that the failures are hard to predict, but the schedule's flexibility should allow for replacement of failed units whenever necessary.

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

1. Ratification of spot fuel procurements to the low bidders in October 2010 in the aggregate amount of \$10,125,502.33 as follows:

NATURAL GAS PURCHASES:

Oct. 2010	BP Energy Company	\$ 170,950.00
Oct. 2010	Chevron Natural Gas	\$1,207,164.46
Oct. 2010	City of Lakeland	\$1,135,494.38
Oct. 2010	Florida Gas Utility	\$ 105,860.00
Oct. 2010	Louis Dreyfus Energy	\$1,289,742.70
Oct. 2010	Macquarie Cook Energy, LLC	\$ 720,944.71
Oct. 2010	National Fuel Marketing	\$1,536,603.20
Oct. 2010	Sequent Energy Management	\$ 609,352.24
Oct. 2010	Texla Energy Management, Inc.	\$ 702,562.79
Oct. 2010	Total Gas & Power	\$1,068,137.42
Oct. 2010	Virginia Power Energy Marketing, Inc.	\$1,578,690.43

2. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Chlorine Gas to Bleach Conversion Project in the amount of

- \$226,600. Approval of RFP #2910 – Contract award to Odyssey Manufacturing Company to replace gaseous chlorine with chlorine bleach for the Stanton Energy Center Units 1 & 2 and to install a permanent chlorine bleach feed system for the Combined Cycle Unit B in an amount not to exceed \$188,760;
3. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Unit 1 Chimney Elevator Replacement Project in the amount of \$570,000. Approval of a RFP #2897 – Contract award to Hoist-Co., Inc., the lowest, most responsive and responsible vendor, for replacement of the chimney elevator in an amount not to exceed \$514,072.90, subject to final contract negotiations and OUC legal review ;
 4. Approval of a Capital Expenditure Estimate for the Vibration Monitoring System Replacement Project in the amount of \$837,980. Approval of RFP #2935 – Contract award to Emerson Process Management Power & Water Solutions, Inc., the lowest, most responsive and responsible vendor, for the replacement of the vibration monitoring system in an amount not to exceed \$807,980, subject to final contract negotiations and OUC legal review;
 5. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Munters Corporation to provide the Stanton Energy Center Unit 1 scrubber modules 1A and 1B fixed grid wash systems in the amount of \$98,240, increasing the total Purchase Order amount to \$147,860;
 6. Approval of a RFP #2956 – Contract award to First Union Rail Corporation, the lowest evaluated proposal for a two-year full service lease, for a two-year full service lease of 121 railcars in an amount not to exceed \$1,357,620, pending final contract negotiations and OUC legal review;
 7. Approval of the Electric Distribution Construction Estimate for the installation of overhead electric distribution facilities along East Wetherbee Road, located in the Orlando service territory, in the amount of \$101,320.69;
 8. Approval of the Electric Distribution Construction Estimate for the installation of the underground electric distribution system to serve the Camden Lake Nona Apartments, located on Dowden Road east of Narcoossee Road in the Orlando service territory, in the amount of \$260,985.95, with customer contributions in the amount of \$148,110.00;

9. Approval of RFP #2988 and RFP #2999 – Contract awards to Valmont-Newmark, Inc., the most responsive and responsible vendor, to provide 19 steel transmission poles required for the St. Cloud North to Magnolia Ranch 69 kV Transmission Line Project in the amount of \$450,000, and 7 steel transmission poles for the Pershing to Grant 115 kV Transmission Line Upgrade Project in the amount of \$300,000;
10. Approval of RFP #2962 – Contract award to Flash Rite, Inc. and Sunbelt Rentals, Inc., the most responsive and responsible vendors, to provide traffic control and lane closure services for a three-year period in the aggregate amount of \$900,000;
11. Approval of Change Request No. 1 for Phase II of the Ozone Generator Replacement Project for the final design of the Southwest Water Treatment Plant and preliminary design for the Pine Hills Water Treatment Plant in the amount of \$2,050,000, increasing the project cost to \$2,450,000. Approval of a multi-phase project conforming Change Order No. 1 to Camp, Dresser & McKee, Inc. to provide continued design engineering services for Phase II of the project in the amount of \$1,598,422, increasing the total Purchase Order amount to \$1,947,238;
12. Authorization for the General Manager & CEO to execute a Joint Project and Reimbursement Agreement with Orange County for the Southwood Subdivision Gravity Sewer Rehabilitation and Water System Improvements Project. Approval of a Capital Work Order in an amount not to exceed \$1,492,618.36 for the construction, administration and inspection costs for OUC's water distribution portion of the Southwood Subdivision Gravity Sewer Rehabilitation and Water System Improvements Project. Approval of a Purchase Order to Orange County Utilities for OUC's construction costs in an amount not to exceed \$1,273,328.76;
13. Approval of a Capital Work Order for the Water Main Improvement Project for Phase 1 of the Secondary Water Main to the Southeast Repump Facility, to commence at the intersection of J. Lawson Boulevard and South Boggy Creek Road and extend east to the OUC Southeast Water Repump Facility located within the Lake Nona development, in an amount not to exceed \$102,905.72;
14. Approval of a sole source Purchase Order to Oracle America, Inc. in the amount of \$167,763.79 for the purchase of partitioning, diagnostic and performance tuning software, which includes the first year software maintenance support;
15. Approval of additional funding in the amount of \$500,000 with conforming Change Order No. 4 to Tetra Tech, NUS Inc. to provide additional environmental engineering services to meet future regulatory

requirements through February 2013, increasing the total Purchase Order amount to \$1,186,021;

16. Approval of all OUC initiated scope change and conforming Change Order No. 2 to Penn Credit Corporation in the amount of \$466,000, increasing the total Purchase Order amount to \$558,000; and to ONLINE Information Services, Inc. d/b/a ONLINE Collections in the amount of \$348,000, increasing the total Purchase Order amount to \$440,000; to continue providing collection agency services for remaining renewal options through September 2014;
17. Adoption of the revised policy for Tampering, Unauthorized Use or Theft of Utility Service Investigation Charge of \$115 per hour and Utility Tampering Fee as follows: increase fee from \$150 to \$200 for the first occurrence, from \$200 to \$400 for the second occurrence and from \$250 to \$800 for each additional occurrence thereafter, effective February 1, 2011. The Florida Public Service Commission has approved the revised fee structure.
18. Approval of a Purchase Order to Altec Industries, Inc. to lease five aerial tower trucks for one 96-month term, one 84-month term, one 60-month term and two 48-month terms for a total Purchase Order amount of \$1,163,704;
19. Approval of additional funding in the amount of \$600,000 with conforming Change Order No. 9 to Goober Inc. d/b/a Lightyear Technologies for the continuation of OUC's Commercial Indoor Lighting Program through April 16, 2011, increasing the total Purchase Order amount to \$6,624,000;
20. Approval of a Capital Expenditure Estimate for capital related costs for the Pershing Asphalt Removal and Replacement Project in the amount of \$3,392,226.50. Approval of RFP #2998 – Contract award to JCB Construction, Inc., the most responsive and responsible vendor, for the asphalt removal waste disposal and installation of the new parking surface in the amount of \$4,256,029.80;
21. Authorization for the General Manager & CEO to execute the Partial Release of Utility Easement for Airport Industrial Park of Orlando, Inc. for property located east of Tradeport Drive and south of Ringhaver Drive;
22. Authorization for the General Manager & CEO to execute the Partial Release of Utility Easement for South Campus Owners Association, Inc. for property located south of Destination Parkway and east of Universal Boulevard; and
23. Authorization for the General Manager & CEO to execute the Release of Utility Easement for Landings at Shingle Creek for property located south of Destination Parkway and east of Universal Boulevard.

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Commissioner McAllaster reported that the Audit Committee met on December 16, 2010. The Committee reviewed the status of Internal Audit's 2010 Work Plan and a brief overview of the final settlement of the Orange County Supplemental Payment Audit. The results of the September 30, 2010 year-end annual audit process were also provided, which included the annual audited financial statements, results of operations, a summary of the notes to the financial statements and Ernst & Young's unqualified opinion, the 10-year statistical report with key highlights for the period of 2006 – 2010 and the report on internal controls including the management letter from Ernst & Young.

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John Hearn distributed the 2010 Annual Report to the Commissioners. He thanked Ms. Harrington and the Marketing, Communications and Community Relations staff for their work on the report. Mr. Hearn reported that Income before contributions for the three months ended December 31, 2010 was \$14.5 million, which is slightly ahead of budgeted net income. Mr. Hearn stated that financial projections for 2011 will be presented at the February 24, 2011 Audit Committee Meeting.

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Mr. Ksionek advised the board on a participation option involving Santee Cooper's share of the V.C. Summer Nuclear Project in South Carolina. Currently, OUC's generation portfolio consists of a balance of coal and natural gas, with a four percent for nuclear capacity. OUC is a co-owner of Progress Energy Florida's Crystal River Unit 3 nuclear unit and FP&L's St. Lucie Units 1 & 2 nuclear units. On average, utilities in the State of Florida have an eight percent nuclear capacity. The State of Florida has a goal to have 15-20 percent nuclear capacity by 2025. OUC needs to make incremental strides to reach this goal.

Mayor Dyer asked Mr. Ksionek for a clarification regarding the state of Florida's goal to have 15-20 percent overall nuclear generation capacity by 2025. Mr. Ksionek replied that this is an average of what the investor owned utilities (IOUs) planned to add to in their ten-year site plans. Mr. Ksionek stated that there has been a delay in adding nuclear capacity by the Florida IOUs. President Dominguez asked if the State of Florida's 15-20 percent goal takes into account the IOU delay and Mr. Ksionek responded that the estimate was originally projected for 2020, but the date has now been pushed back to 2025 due to delays. Commissioner Ferrone asked if the 2012 turbine upgrades will increase capacity, and Mr. Ksionek replied affirmatively.

In January 2010, OUC was approached by South Carolina's state-owned electric and water utility, Santee Cooper, with an offer to enter into an agreement to purchase power or be joint owner of a portion of their share of a new nuclear facility. For the past year, OUC has evaluated the viability of transporting energy from South Carolina to Central Florida. Santee Cooper,

along with the majority owner South Carolina Gas & Electric is currently in the permitting stages to build two new nuclear reactors at its V.C. Summer site in Fairfax County, South Carolina. This facility is co-owned by Santee Cooper and South Carolina Electric & Gas (SCE&G). Unit 1 has been successfully operating for 26 years with an availability factor of 85 percent. Units 2 and 3 will each have a capacity of 1,100 megawatts. Site clearing on the project began in 2005 and the South Carolina Public Service Commission granted the Need approval in 2009. It is anticipated that they will receive the Construction and Operating License (COLA) in December 2011. Unit 2 is scheduled to come online in 2016 and Unit 3 in 2019, putting it well ahead of the schedules of the Florida IOUs pursuing additional nuclear capacity. Mr. Ksionek stated that OUC studied the feasibility of bringing the power 450 miles from the South Carolina nuclear plant to the Orlando service territory and explained that this can be accomplished through a process called “wheeling,” which uses dedicated capacity within multiple power providers’ transmission systems. OUC has approached FP&L, Southern Company, Progress Energy and Santee Cooper through a transmission service request process and determined that there is transmission access. Upgrades will be necessary but OUC will not be required to build a new transmission line. With the delay and uncertainty with nuclear opportunities from Florida’s IOUs, the out-of-state options need to be considered. There are also five other utilities in the Southeast interested in the Santee Cooper nuclear project.

Mr. Ksionek stated that the backbone of generation for the United States bulk electric system is coal and nuclear, which is highly reliable and runs around the clock. It would be irresponsible to shut down the SEC Units 1 & 2 with 200 years of domestic coal available to fuel them, with the best available environmental control technology installed on each unit and more than 50 percent of their useful life is still available. However, OUC needs to add nuclear generation capacity to meet future demand and to hedge against the risks of coal generation—greenhouse gas legislation, environmental regulation, coal combustion waste disposal, coal contracts and coal transportation. The President supports a clean energy standard, which includes energy efficiency, renewables, nuclear generation and electric vehicles.

Mr. Ksionek explained the benefits of the V.C. Summer Project. The timing meshes with OUC’s needs and the existing transmission pathways avoid the need to acquire real estate easements or build expensive transmission lines. It does not conflict with any Florida IOU opportunities. Using the existing V.C. Summer site makes the project more likely to receive permitting from the Nuclear Regulatory Commission. The site preparation and early construction for the Non-Nuclear Regulatory Commission jurisdiction installations have already begun. Early mover discounts and an estimated overnight cost of \$10.6 billion make pricing very attractive when compared to the Turkey Point and Levy Florida sites, even with multiple transmission wheels.

Mr. Ksionek also explained the benefits of partnering with Santee Cooper. It is another municipal entity, with a similar philosophy in operating generation facilities. Santee Cooper has invested \$600 million to date in order to move the

project forward. The plant will be completed with or without OUC's partnership. OUC will not be required to invest any funds in the nuclear units until 2016, so there would be no customer revenue requirements until 2016 or beyond.

OUC will hold a workshop to review the updated Electric Integrated Resource Plan on February 22, 2011. Santee Cooper has requested a letter of intent with non-binding conditions by March 8, 2011. If OUC commits, another workshop would be held in May to review all staff due diligence and address questions before bringing a final recommendation to the Board at the June 14, 2011 Commission Meeting.

Commissioner Ferrone asked if there was a possibility of being locked out by the other interested utilities. Mr. Ksionek advised that OUC is a preferred partner amongst the other utilities.

Commissioner McAllaster asked if 2016 was a reasonable date for the first unit to come online and if power was not needed by OUC would it be resold on the open market and finally, if this deal would exclude other possible deals with other IOUs. Mr. Ksionek replied that if Santee Cooper can receive the nuclear regulatory commission permit by the end of 2011, the plant should be constructed within the estimated timeframes. Mr. Aspuru responded that OUC will use all the nuclear power that is generated. Mr. Ksionek stated that OUC would still be able to negotiate deals with other IOUs as they become available.

Mr. Ksionek asked Jennifer Szaro to provide an update on electric vehicles. Ms. Szaro stated that Orlando is among a handful of U.S. cities and the only city in the southeast that is at the forefront for Electric Vehicle (EV) readiness. Mayor Dyer stated that Orlando is one of the top cities in the country for EVs. Ms. Szaro explained that based on current projections, electric vehicles will not require additional OUC electric generation for at least eight years. OUC is working to study the impact the vehicles and their charging stations will have on the distribution system and the infrastructure they will require. OUC has partnered with California-based Coulomb Technologies' ChargePoint America program, which, through a U.S. Department of Energy grant, is installing hundreds of public EV charging stations in Central Florida this year. These stations will be for "opportunity charging" at places such as shopping malls and airports and that will help OUC determine the best business model to utilize. She also discussed EV advantages over traditional vehicles that included a lower cost of ownership and significantly less carbon emissions.

Commissioner McAllaster asked where electric charging stations will be located. Ms. Szaro replied that currently, 75 percent of electric vehicle charging will occur at home. Public charging stations will be placed at the airport, theme parks, hotels, shopping centers and public parking garages.

Commissioner Kirby discussed how charges would be levied on electric charging stations in paid public parking garages. He also discussed how OUC will make it convenient for customers to charge electric vehicles at home. Ms. Szaro stated that it would be up to the parking companies to determine if they charge an additional fee for charging vehicles as well as parking but they are not

permitted to charge for electricity, and that OUC is partnering with vehicle manufacturers and dealerships, as well as through Project Get Ready to address customer questions regarding purchasing electric vehicles.

Commissioner Ferrone asked about the cost per mile for charging electric vehicles. Ms. Szaro presented a cost per mile comparison between gas, hybrid and electric vehicles. She stated that the cost of a home-use charging station is estimated to be \$500 to \$1,000 plus the cost to upgrade service.

President Dominguez asked about the life length of a charging station. Ms. Szaro stated that the expected life is approximately seven years and that all electric vehicles use a standardized plug.

Mayor Dyer stated that having a universal plug is very important for the development of electric vehicles and the use of public charging stations. He also stated that he was selected to meet with the Billings Institute at a conference in Washington, D.C., due to the city's leadership in green technology, specifically in electric vehicles.

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Commissioner Ferrone stated that she is honored to be selected to serve on as a Commissioner and is looking forward to serving for the next four years.

Commissioner Kirby welcomed Commissioner Ferrone to the Board. He stated that nuclear energy is the best way to increase OUC's base generation capacity and that Santee Cooper would be a very good partner for OUC. He encouraged OUC to continue looking forward and deal with unexpected events throughout the year. He stated that he completed the National Incident Management System course and that OUC has gone through crucial steps to deal with emergency situations.

Mayor Dyer congratulated President Dominguez, Commissioner Kirby and Commissioner McAllaster on their new roles, and welcomed Commissioner Ferrone to the Board. He stated that the state of Florida closed with CSX on the purchase of the 61 mile rail corridor. The application will be fast-tracked and used as an example in the future. Once the award is made, there will be a 60 day review period in Congress and Congressman Mica and Congresswoman Brown will attempt to expedite the review period. An early Spring groundbreaking is expected for SunRail. Mayor Dyer has been appointed as Chairman of the U.S. Conference of Mayors TaskForce on high speed rail.

Commissioner McAllaster welcomed Commissioner Ferrone to the Board and congratulated President Dominguez on her new role. Commissioner McAllaster stated that he attended the Green Neighborhood meeting in Rosemont and was encouraged by the attendance at the event. Commissioner McAllaster challenged everyone at OUC to look at the issues of conservation and alternative energy to make OUC the standard of what a municipal utility should be.

President Dominguez stated that she agrees with Commissioner McAllaster and believes that OUC needs to continue to focus on renewable energy options. She stated that she was very grateful to serve as President and hopes to continue serving OUC well during her presidency.

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Commissioner McAllaster moved to adjourn the meeting and Mayor Dyer seconded. President Porta adjourned the meeting at 3:57 P.M.

President

Secretary