

MINUTES
ORLANDO UTILITIES COMMISSION
April 13, 2010
2:00 P.M.

Present:

COMMISSIONERS:

Katie Porta, President
Maylen Dominguez Arlen, First Vice 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 John Hearn 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.

* * *

Commissioner Kirby asked to make a correction to the March 9, 2010 minutes. On page 25, under Commissioner Kirby's comments, strike the second sentence in the first paragraph. On motion by Commissioner Kirby, seconded by President Porta and unanimously carried, the reading of the minutes of the March 9, 2010 Commission Meeting was waived and the minutes were approved as amended.

* * *

Byron Knibbs presented a 25-Year Service Award to Andrell Beacham, Stores Supervisor, Sustainable Services.

* * *

Roseann Harrington presented an update on the Reliably Green neighborhood meetings. Currently, OUC has held five community meetings. Ms. Harrington thanked the City of Orlando for sending a representative to the meetings to speak about the home weatherization programs. The meetings have been well received and customers are learning how to use water and energy more efficiently. OUC has seven additional meetings scheduled through the end of

May. OUC is starting its trade show season and Ms. Harrington encouraged the Commissioners to visit OUC's booth at the Hispanic Expo, which will feature the first appearance of OUC's "green people." Ms. Harrington also stated that her staff members are available to provide Reliably Green presentations at a variety of meetings.

President Porta reminded Commissioners that one of the last neighborhood meetings is May 27 at Leu Gardens. She stated that she enjoyed the meeting she attended at Colonialtown and was pleased to see everyone wearing green in support of the Reliably Green program.

* * *

Ken Ksionek asked Jan Aspuru to discuss Affirmative Item 4 and Wade Gillingham, Assistant Director of Power Production, to discuss Affirmative Items 5 and 6.

Mr. Aspuru stated that Affirmative Item 4 relates to a Contractual Service Agreement (CSA) with General Electric (GE). This agreement covers parts and services for high risk/high dollar equipment for the Stanton Energy Center's Combined Cycle Unit B (CCB), specifically for the combustion turbine and the steam turbine. This agreement will last for a period of approximately 14 years, depending on the factored hours of operation for the CCB. Mr. Aspuru explained that entering into a CSA is prudent industry practice due to the complexity of combined cycle units. Also, the industry approach for maintaining combined cycle units is to have minimal staffing and supplement with third parties, specifically the Original Equipment Manufacturer (OEM). CSAs also provide a mechanism for parts and service discounts from the OEM. OUC evaluated the CSA as a stand-alone agreement and compared it to a similar Colectric agreement, which is a collaboration between JEA, Santee Cooper and MEAG covering similar combined cycle units. Based on discussions with Colectric, negotiations with GE and past knowledge of these types of agreements, OUC staff feels confident that it has negotiated competitive terms and conditions with GE. The key provisions of the CSA provide discounts on parts and services, escalation provisions, priority on parts and services, automated performance monitoring, termination options and warranted performance.

Commissioner McAllaster asked about the escalation caps in the CSA. Mr. Aspuru asked Chris Browder to explain the fixed escalation cap. Mr. Browder explained the actual numbers are still being negotiated, but the concept will be similar to a fixed escalation.

Commissioner McAllaster asked why the CCB has a seven-year maintenance cycle compared to the five-year maintenance cycles of SEC Units 1 and 2. Mr. Aspuru explained that Units 1 and 2 have a five-year cycle because they run continuously. The CCB maintenance is determined by hours and its capacity factor, which can range from 45 percent to 70 percent. He added that, on units of this nature, wear and tear based on starts and cold starts factor into the maintenance needs.

Commissioner McAllaster asked if the \$12 million discount is an estimate based on low, average or high factored fired hours. Mr. Aspuru explained that staff compared the discounted prices to standard price lists based on the necessary maintenance milestones and planned outages.

Mr. Gillingham provided a presentation on Affirmative Item 5. In December 2009, the Commission granted approval to purchase power block spare parts associated with the CCB. These spare parts lie outside the CSA discussed in Affirmative Item 4. Mr. Gillingham presented a diagram showing the power block spare parts and how they will affect the CCB. The GE power block spare parts are part of the digital control system, the excitation system, the equipment associated with starting the combustion turbine, and the vibration analysis and field instrumentation.

Mr. Gillingham also discussed Affirmative Item 6. The turbine valve fine mesh screens are utilized during initial operation of the turbine. The screens provide protection for the steam turbine and must be replaced after eight months of operation. Because of limited staffing and the complexity of the CCB's turbine valves, it is recommended that the OEM, GE, perform this work. This will also ensure continuation of the warranty.

Commissioner McAllaster asked if new screens will be reinstalled, or if screens are only installed to protect new equipment during startup. Mr. Gillingham replied the fine mesh screens are removed, and course mesh screens remain for further protection.

Commissioner McAllaster asked how the eight month deadline to remove the fine mesh screen is calculated. Mr. Gillingham replied that the deadline is the maximum number of months before removal is necessary and is calculated from the first time steam flow is emitted to the turbine, which was in December 2009. Mr. Gillingham stated that the work should be performed before summer peak demand.

Commissioner Kirby declared a voting conflict of Interest with Affirmative Item 12 due to his wife being an employee of Orange County Public Schools. This item will be removed and voted on separately.

Commissioner Kirby also requested that Affirmative Item 10 be pulled for separate consideration.

President Porta presented the remaining Affirmative Items for approval. On a motion by Commissioner Kirby, and seconded by Commissioner Dominguez Arlen, the Affirmative Items with the exception of A-10 and A-12 were approved as follows:

1. Ratification of fuel procurements to the low bidders in January and March 2010 in the aggregate amount of \$9,433,214.60 as follows:

NATURAL GAS PURCHASES:

Jan. 2010	BG Energy Merchants, LLC	\$ 466,839.00
Jan. 2010	BP Energy Company	\$ 437,301.79

Jan. 2010	Chevron Natural Gas	\$ 1,007,107.29
Jan. 2010	Florida Gas Utility	\$ 134,500.00
Jan. 2010	Infinite Energy	\$ 368,691.98
Jan. 2010	Louis Dreyfus Energy	\$ 566,463.34
Jan. 2010	National Energy & Trade	\$ 118,964.03
Jan. 2010	National Fuel Marketing	\$ 1,150,315.43
Jan. 2010	Shell Energy	\$ 959,141.43
Jan. 2010	Virginia Power Energy Marketing, Inc.	\$ 1,319,890.31

COAL PURCHASES:

Mar. 2010	Eastern Coal & Coke	\$ 2,214,300.00
Mar. 2010	Coal Trade, LLC	\$ 689,700.00

2. Ratification of an OUC initiated scope change and conforming Change Order No. 1 to Siemens Energy, Inc. to provide material and services required for the Stanton Energy Center Unit 1 steam turbine generator stator core plate insulation replacement in the amount of \$1,400,000, increasing the total Purchase Order to \$5,648,000;
3. Authorization for the General Manager & CEO to execute Amendment No. 1 to the Indian River Combustion Turbine Support Services Agreement between OUC and RRI Energy, Florida LLC, subject to final OUC legal review and approval, to allow RRI to provide contract support services for the Indian River Combustion Turbine Units at an estimated cost of \$60,000 per month, for a total estimated cost of \$720,000 for a one-year period;
4. Authorization for the General Manager & CEO to execute a Customer Service Agreement with General Electric International, Inc. at an estimated aggregate cost to OUC of \$50,000,000, subject to final OUC legal review and approval. Commission approval of a sole source Purchase Order to General Electric International, Inc. for parts, services and repairs, program management services, additional warranties and automated performance monitoring over the 14 year term of the CSA in the aggregate amount of \$50,000,000, including the initial payment of \$6,000,000 for spare parts and \$5,000,000 for program management fees for the 14 year term of the CSA;
5. Approval of a sole source Purchase Order to General Electric International, Inc. to establish the initial inventory for Stanton Energy Center's Combined Cycle Unit B power block spare parts in an amount not to exceed \$617,213.28;
6. Approval of a sole source Purchase Order to General Electric International, Inc. for the removal of the Stanton Energy Center Combined Cycle Unit B steam turbine valves' fine mesh screens in an amount not to exceed \$250,000;

7. Approval of the Electric Distribution Construction Estimate for the installation of additional underground electric distribution facilities for Circuit Nos. 4-24 and 4-41 in the amount of \$347,211.57;
8. Approval of an OUC initiated scope change with conforming Change Order No. 2 to Oracle Corporation in the amount of \$182,401.60 for renewal of the Oracle Database License Maintenance for the period of June 1, 2010 through May 31, 2011, increasing the total Purchase Order amount to \$531,421.53;
9. Approval of a Capital Expenditure Estimate for Phase 2 of the Mobile Data Project in the amount of \$1,841,126, pending OUC legal review and approval of the contract. Commission approval of an OUC initiated scope change with conforming Change Order No. 2 to CGI Technologies & Solutions, Inc. for implementation of Phase 2 of the Mobile Data Project and three years of maintenance support through September 2013 in the amount of \$1,359,466, increasing the total Purchase Order amount to \$2,694,327; and
11. Approval for the General Manager to execute the Subordination of Encumbrance to Property Rights to Orange County from OUC and the City of Orlando for Parcel 1026.3 located south of Curry Ford Road and east of South Chickasaw Trail.

President Porta called for a separate discussion on Affirmative Item 10. Mr. Ksionek stated that OUC has a ten-year agreement with Adventist Hospital (Adventist). At the time of the agreement, retail electric deregulation of utilities was being considered in the state of Florida. The Commission made a decision in the mid-1990s to enter into long-term electric service agreements with its largest customers. Kevin Noonan confirmed that OUC's strategic plan was to secure future revenue with its top 200 customers. Discounts and incentives were granted under these agreements. Affirmative Item 10 refers to a commitment that was made under a long-term electric service agreement with Adventist to pay incentives to Adventist in order to make improvements to electric and water facilities.

Commissioner Kirby questioned whether Affirmative Item 10 needs Commission approval since there is a long-term electric service agreement in place. Chris Browder explained that, after discussion, it was decided to keep the Commission apprised of this disbursement obligation under the agreement since the disbursement amount is greater than \$100,000. Commissioner Kirby asked if there were copies of meeting minutes or an agreement obligating OUC available for review. Byron Knibbs provided a copy of the agreement with Adventist. Mr. Browder suggested that Affirmative Item 10 could be presented as an advisory item. Ken Ksionek stated that there have been similar Affirmative Items presented in the past covering disbursements under existing long-term electric service agreements. Commissioner Dominguez Arlen agreed that OUC entered into many long-term agreements under which staff still seeks

Commission approval for large sum disbursements. She added that the timing of large sum disbursements should continue to be evaluated by the current Commissioners even if a long-term agreement or contract is in place.

Kevin Noonan gave an example of a long-term electric service agreement with Orange County Public Schools that is brought back to Commission for approval on an annual basis, which typically includes a disbursement over \$100,000 per year. Clint Bullock also cited a long-term no-gas contract with a development was also executed. Mr. Ksionek recalled that the long-term no-gas contract incentive disbursements have been approved by the Commission multiple times over the past several years. Commissioner Dominguez Arlen asked if OUC has any remaining outstanding long-term service agreements. Mr. Noonan confirmed that six long-term electric service agreements are still outstanding and OUC currently does not plan to extend those contracts. He also explained that the no-gas incentive agreement program is still in place.

Commissioner Kirby stated after listening to the discussion and evaluating the contract with Adventist, he is satisfied with the business reasoning at the time of the agreement and that OUC should honor its commitment. President Porta added that she is pleased that OUC's large customers used incentive money to expand their services and increase conservation efforts.

On a motion by Commissioner McAllaster, and seconded by Commissioner Dominguez Arlen, Affirmative Item 10 was approved as follows:

10. Approval of a Purchase Order to Adventist Health System Florida Hospital for the final payment of the Electric Service Agreement in the amount of \$225,000.

On a motion by Commissioner McAllaster, and seconded by Mayor Dyer, Affirmative Item 12 was approved as follows:

12. Authorization for the General Manager & CEO to execute the Release of Utility Easement for Orange County Public Schools for an easement located east of South Texas Avenue and north of Orange Center Boulevard that has been replaced by a new easement covering affected areas in this area.

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

* * *

The Finance Committee held a special meeting on April 7, 2010. The Finance Committee reviewed the debt portfolio risk assessment completed in the fall of 2009, reviewed risk mitigation actions taken to date, and discussed recommendations for the Series 2009B-1 Bonds which mature on June 1, 2010. The Finance Committee reviewed the options for refunding the Series 2009B-1 Bonds and the Resolution authorizing the transaction. The Resolution

authorizes the issuance of the Series 2010C & Series 2010D Refunding Bonds to refund the Series 2009B-1 Bonds and the termination of related swaps. The Series 2010C & Series 2010D Refunding Bonds may be issued as fixed rate bonds and the related swaps terminated if the all-in-true interest cost is at or below five percent. The Series 2010C & Series 2010D Refunding Bonds may also be issued as designated maturity bonds with a maximum maturity of five years. The Finance Committee recommends that the Board adopt the Series 2010C and Series D Refunding Bonds Resolution.

On a motion by Commissioner McAllaster, and seconded by Mayor Dyer, the Resolution was approved as follows:

PRES 1a: A resolution of the Orlando Utilities Commission authorizing the issuance of not exceeding \$250,000,000 utility system revenue refunding bonds, Series 2010C and utility system revenue refunding bonds, Series 2010D for the purpose of refunding the outstanding utility system revenue refunding bonds, Series 2009B-1; setting forth the terms of said bonds; providing for the disbursement of funds; appointing a paying agent and registrar for said bonds; authorizing the negotiated sale of said bonds; delegating certain authority to the General Manager and other officers, including authorizing the execution and delivery of bond purchase agreements; authorizing the execution and delivery of an escrow deposit agreement; appointing an escrow agent; and the termination of certain qualified agreements; authorizing the preparation, deeming final and distribution of a preliminary official statement and the execution and delivery of an official statement; creating and establishing a cost of issuance account; authorizing the execution and delivery of a continuing disclosure undertaking; authorizing proper officials to do all other things deemed necessary or advisable in connection with the issuance, sale and delivery of said bonds; providing certain other matters in connection therewith; and providing an effective date.

* * *

John Hearn reported that income before contributions through March was in line with the budget, which leaves OUC approximately \$9 million ahead of year to date budgeted income before contributions. This is a good position for OUC to be in going into the summer months.

* * *

Ken Ksionek asked Chip Merriam to provide a legislative update. Mr. Merriam described the changes that have been occurring in the federal and state legislatures. In the executive branch, the senior staff of the Obama administration has been meeting with the Senate leadership on the climate bill. The administration's stance on off-shore drilling will force the Senate to discuss many issues if they are to be included in the new climate bill. Mr. Merriam

stated that it is concerning how little time there is left to discuss the bill. He described several other bills that will be presented in Congress, including the Kerry, Graham, and Lieberman Bill that will be presented on Earth Day. These multiple initiatives are in response to the Environmental Protection Agency's agenda and policies. There were several bills discussed in the Florida legislature that could impact OUC: Property Assessed Clean Energy bill, FMPA/Fort Meade bill, Vero Beach bill, Constantine water bill, anti-corruption legislation, a new House of Representatives energy bill, and Precourt energy bill.

Commissioner McAllaster asked if most of the legislative actions concerning OUC are occurring in Washington, D.C. Mr. Merriam replied that OUC is concerned about actions at the administrative level, either with the Environmental Protection Agency or the multiple bills being written in the Senate.

Mr. Ksionek asked Jennifer Szaro to provide a presentation on OUC's solar projects—the Orange County Convention Center 1-megawatt array, the Petra Solar utility pole pilot and the new Orlando Science Center (OSC) installation. The Convention Center and utility pole systems are performing as expected and are part of the overall solar strategy to evaluate a mix of commercial and residential systems, solar farms and solar panels on utility poles. In its first year of operation, the Orange County Convention Center array has provided an average energy reduction of 5.2 percent for the massive facility. OUC recently partnered with the OSC and vendor Azur Solar to build a 31.5 kilowatt array atop the OSC's observatory. Similar in size and scope to the Reliable Plaza installation, the OSC system will come online later this month.

Commissioner Dominguez Arlen asked if the utility pole photovoltaic panels are becoming more efficient and less expensive, and how the utility pole panels have weathered. Ms. Szaro confirmed that the utility pole panels are becoming more efficient and less expensive. They have multiple uses and are modular. Ms. Szaro added that the panels have weathered well and the systems are performing as expected.

Commissioner Dominguez Arlen asked if the purpose for testing different utility pole panels was to compare products, and not due to dissatisfaction with the current project. Ms. Szaro replied that OUC is satisfied with the panels, but wants to ensure it considers all feasible vendor and technology opportunities before further deployment.

Commissioner Dominguez Arlen asked how Reliable Plaza's solar panels are performing and how much carbon is offset by using solar panels. Ms. Szaro replied that the panels are performing as expected at 17 percent efficiency and that they off set about 3 percent of total energy usage for the building on average.

Commissioner Dominguez Arlen also asked where the solar panels are manufactured. Ms. Szaro answered that Florida does not have any solar

photovoltaic manufacturing companies. Generally, they are purchased from companies in California, Germany and Japan.

Commissioner McAllaster asked about the status of money available from the State of Florida for solar projects. Ms. Szaro replied that all state funds have been fully utilized.

Mr. Ksionek asked Rob Teegarden and Clint Bullock to provide an update on the Orange Avenue restoration project. From April 6 to April 11, the Water Business Unit dealt with three water main breaks within 200 feet of each other as a result of a muck-pocket on Orange Avenue between Gore and Columbia Streets. A geotechnical engineer from Ardaman & Associates was immediately retained by OUC and has preliminarily determined that the damage to the road, water main and underground facilities was triggered by an ancient sinkhole beneath Orange Avenue that caused the road to settle. The massive restoration effort involved water and electric crews, as well as crews from the City of Orlando and Florida Department of Transportation (FDOT). The water crews' rapid response early Tuesday morning helped avoid any water or electric service interruptions to Orlando Regional Medical Center and limited the number of impacted water customers to twelve. The restoration activities closed Orange Avenue between Gore and Columbia for six days. Electric crews ensured that service to Orlando Regional Medical Center was not interrupted by providing a back-up feed to the hospital and relocating an overhead pole away from the sinking road. A damaged manhole was replaced and a new conduit was installed without any major electric service interruptions. It is anticipated that final cost allocations will be negotiated with FDOT and other utilities.

President Porta asked where the replacement manhole systems came from. Mr. Bullock replied that new duct systems were supplied from an outside contractor, Central Florida Underground.

Mr. Ksionek distributed an interim report from Ardaman & Associates that summarized their exploration of the settlement that damaged OUC's electric and water facilities. Mayor Dyer stated that the collaboration efforts between all the agencies involved with the restoration project were remarkable. Even though there was disagreement over liability, all parties put that aside for the best interests of the customers in order to concentrate on the repair. Mayor Dyer asked about FDOT's position at the present time. Mr. Teegarden replied that FDOT is still in crisis mode and trying to reopen all of Orange Avenue to the traveling public. Mr. Ksionek stated that a formal notice has not been given, but FDOT indicated that OUC is a responsible party for the yet to be determined cost.

Chuck Cunningham from Ardaman & Associates stated that there is a history of soil settlement in that area. The current depression is circulatory in size, which is typical of sinkhole-type depressions, and approximately 150 feet in diameter. All conditions point to an ancient sinkhole in the area, even though at first FDOT believed that the water main break caused the depression in the road. At that time, their geotechnical engineer had not yet visited the site. Also, their initial tests on the roadway did not penetrate deep enough to expose the entire

problem. Mr. Cunningham stated that the soil under the roadway and utilities is not firm and caused the roadway to “sink” and break the pavement and OUC water line. FDOT’s geotechnical engineer has since visited the site and Mr. Cunningham hopes that the engineer will come to the same conclusion regarding the cause of the depression.

Mayor Dyer and Commissioner Dominguez Arlen asked if FDOT took any measures to stabilize the area. Mr. Cunningham replied that they did not, as it would be a very difficult and expensive task. He stated that FDOT has two options if they decide to stabilize the area. The first is to build a bridge across that area. The second is to inject grout into the area, which would have less than 50 percent chance of success and be nearly as expensive as building a bridge. If the problem persists, he recommends rerouting the utility lines around that area. The area has settled for years and will continue to settle.

Commissioner Dominguez Arlen asked about the normal longevity of the cast iron water main. Mr. Teegarden replied that longevity depends on soil conditions where the water main is embedded. Commissioner Dominguez Arlen asked whether the age of the pipe could be used against OUC. Mr. Teegarden stated that OUC has much older pipe that is still quite serviceable which is consistent with underground pipe systems in major cities throughout the United States. The fact that a pipe is old does not necessarily mean it needs to be replaced. Mr. Teegarden stated that staff is evaluating other muck areas which have pipeline crossings to try to evaluate future risk.

Mr. Ksionek stated that there was no negligence by OUC and the water and electric crews responded in a very responsible manner. He also stated that OUC was in the FDOT right-of-way with a number of other utilities and to relocate utilities in a timely manner was not feasible as the road had to be quickly reopened. Going forward, Mr. Ksionek hopes that FDOT will come to the conclusion that the water main break did not cause the settlement.

* * *

Commissioner Kirby complimented OUC’s efforts and quick response on the Orange Avenue restoration project, which will serve OUC well in the future.

Commissioner Dominguez Arlen stated that she is very excited about the results of the solar projects, especially at the Orlando Science Center, which has educational aspects and is also a living laboratory, in addition to offsetting carbon and being a part of OUC’s portfolio. She stated that these partnerships are critical to educate customers and develop new aspects of its portfolio.

Commissioner McAllaster commented that he had the opportunity to observe OUC at work twice in the past month. He observed the outage work at Stanton Energy Center and complimented the team on their work. He also observed the work on the Orange Avenue restoration and praised everyone who worked on the project. He stated that it is a pleasure to work with OUC and see the level of dedication, skill and ability to get the job done.

President Porta recommended that the Commissioners attend a neighborhood meeting as it is a great learning experience and a great opportunity for customers to learn about electricity. She thanked everyone for the updates at the Commission Meeting.

* * *

Commissioner Kirby moved to adjourn the meeting and Commissioner McAllaster seconded. President Porta adjourned the meeting at 4:00 P.M.

President

Secretary