

**MINUTES**  
**ORLANDO UTILITIES COMMISSION**  
**May 17, 2011**  
**3:00 P.M.**

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**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, 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

President Dominguez asked Debbie Bradshaw to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 3:01 P.M., immediately following the Security Briefing.

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On a motion by Commissioner McAllaster, seconded by Mayor Dyer and unanimously carried, the reading of the minutes of the April 12, 2011 Commission Meeting was waived and the minutes were approved.

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Al Frazier presented a 25-year service award to Jack Fontaine, Meter Technician I, Customer Experience.

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Commissioner Kirby asked whether there was any financial impact regarding Affirmative Item A-5 regarding the Resolution and Third Amended and Restated Interlocal Agreement for the Florida Gas Utility. Jan Aspuru replied that the item has no financial impact.

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

1. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Air Conditioning Automation Controls System Project in the amount of \$195,000. Approval of RFP #3031 – Contract award to Trane US, Inc., the lowest, most responsive and responsible vendor, for equipment and installation services for a replacement air conditioning automation controls system in an amount not to exceed \$185,268, subject to final contract negotiations and OUC legal review.
2. Approval of RFP #3037 – Contract award to Rubber Applications, Inc., the sole responsive vendor, to provide repairs and refurbishment of rubber-lined piping and coal conveyor pulleys and associated maintenance agreement at the Stanton Energy Center for a three-year period in an amount not to exceed \$110,000, subject to final contract negotiations and OUC legal review;
3. Approval of an OUC initiated scope change and conforming Change Order No. 5 to Black & Veatch to provide engineering services for Phase 2 of the Stanton Energy Center Unit 1 Flue Gas Scrubber Upgrade Project in an amount not to exceed \$414,600, increasing the total Purchase Order amount to \$2,771,390;
4. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Unit 2 Air Heater Repair Project in the amount of \$349,000. Approval of a sole source Purchase Order to Alstom Power Inc., Air Preheater Company for replacement components for the air preheater in the amount of \$128,000;
5. Adoption of a Resolution approving and authorizing execution of the Florida Gas Utility Third Amended & Restated Interlocal Agreement by the General Manager & CEO;
6. Approval of the Lighting Construction Estimate for the St. Cloud High School Parking Lot Lighting, located in the St. Cloud service territory, in the amount of \$161,955.65, which includes \$112,145.95 for lighting equipment from OUC's stock inventory and \$49,809.70 for the installation of poles, fixtures and wires by Terry's Electric, Inc, OUC's lighting contractor. The School District of Osceola County has executed a twenty-year service agreement with OUC for this lighting system and will be responsible for the monthly payments;
7. Approval of the Electric Distribution Construction Estimate for the installation of the underground electric distribution system to serve the Millenia Park Subdivision, located on Vineland Road, east of Florida Turnpike in the Orlando service territory, in the amount of \$490,022.99, with customer contributions in the amount of \$37,566;

8. Approval of the Electric Distribution Construction Estimate for the upgrade of the underground electric distribution system to serve the Orlando International Airport Switch Site No. 2 in the amount of \$113,144.79;
9. Approval of the Electric Distribution Construction Estimate for the installation of a temporary overhead and permanent underground electric distribution system to serve the new model homes and lift station at SouthLake Park, located in Lake Nona South in the St. Cloud service territory, in the amount of \$216,849.54, with customer contributions in the amount of \$115,287.21;
10. Approval of a RFP #3022 – Contract award to Terry’s Electric, Inc., the lowest, most responsive and responsible vendor, for lighting installation and maintenance services for a three-year period in the aggregate amount of \$6,000,000;
11. Approval of Change Request No. 1 to the Transmission Capital Expenditure Estimate for engineering, procurement and construction necessary to complete the Pershing to Michigan Transmission Line Upgrade Project in the amount of \$7,369,443, increasing the total project cost to \$7,459,443. Approval of an OUC initiated scope change with conforming Change Order No. 1 to Black & Veatch to provide design engineering, permitting and construction management services for the project in an amount not to exceed \$708,900, increasing the total Purchase Order amount to \$778,900;
12. Approval of Change Request No. 1 to the Substation Capital Expenditure Estimate for all engineering, procurement and construction necessary to complete the St. Cloud South Unit B Addition Project in the amount of \$3,410,000, increasing the total project cost to \$3,500,000. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Power Engineers, Inc. to provide all necessary engineering and construction management services in an amount not to exceed \$728,200, increasing the total Purchase Order amount to \$798,200. Approval of a Purchase Order to Pennsylvania Transformer Technology, Inc. to provide one substation power transformer in the amount of \$843,045. Approval of a Purchase Order to Central Electric Manufacturing Company to provide one metal-clad switchgear in the amount of \$752,535. Approval of a Purchase Order to Controllix Corporation to provide one substation capacitor bank in the amount of \$106,050;
13. Approval of additional funding in the amount of \$972,393 with conforming Change Order No. 3 to Allied Universal Corporation to continue providing caustic soda and liquid chlorine through May 31, 2012, increasing the total Purchase Order amount to \$4,697,398;

14. Approval of a Capital Expenditure Estimate for the Water Plant Chlorinator Valve Replacement/Upgrade Project in the amount of \$122,059.39;
15. Approval of a Capital Work Order for the construction and administration costs of OUC's Orange Avenue Water Distribution System Improvements Project, located from West Gore Street to West Columbia Street, in an amount not to exceed \$141,040.28;
16. Approval of RFP #3044 – Contract awards to the most responsive and responsible vendors: Johnson Controls, Inc. to provide cooling tower cleaning and disinfection services for a three-year period at the Downtown South, Lockheed Martin and Orange County Convention Center Chilled Water Plants in an amount not to exceed \$162,679; and Con Air Industries, Inc. to provide cooling tower cleaning and disinfection services for a three-year period at the Downtown West, Downtown North, Lake Nona, Vistana and Millenia Mall Chilled Water Plants in an amount not to exceed \$139,120;
17. Approval of RFP #3010 – Contract award to SWS Environmental First Response for \$700,000, to Perma-Fix of Florida, Inc. for \$200,000 and to Petrotech Southeast, Inc. for \$150,000, the most responsive and responsible vendors, to provide emergency and routine environmental response services for a three-year period in the aggregate amount of \$1,050,000;
18. Approval of RFP #2984 – Contract award to BPA International, Inc., the most responsive and responsible vendor, to perform call monitoring services for a three-year period in the amount of \$366,560, pending final contract negotiations and OUC legal review;
19. Approval of a Capital Expenditure Estimate for the Route Management System Project in the amount of \$186,630, pending legal review. Approval of RFP #3006 – Contract award to C2Logix, Inc., the lowest, most responsive and responsible vendor, to provide software, licenses, implementation services and five years of maintenance support through 2016 in the amount of \$136,976;
20. Approval of an OUC initiated scope change and conforming Change Order No. 7 to Embarcadero Technologies, Inc. in the amount of \$55,324 for the renewal of the annual software license and maintenance agreement for database development tools for the period of June 23, 2011 through June 23, 2012, increasing the total Purchase Order amount to \$383,632.64;
21. Approval of an OUC initiated scope change with conforming Change Order No. 2 to Digital Inspections in the amount of \$88,640.60 to provide the Cascade software license maintenance through November 30, 2014, increasing the total Purchase Order amount to \$168,873.38;

22. Approval of an OUC initiated scope change with conforming Change Order No. 3 to Oracle Corporation in the amount of \$187,873.65 for renewal of the Oracle database license maintenance for the period of June 1, 2011 through May 31, 2012, increasing the total Purchase Order amount to \$719,295.18;
23. Approval of a Capital Expenditure Estimate for the Bar Coding Software Upgrade Project in the amount of \$317,298. Approval of a Purchase Order to Data Systems International, Inc. to provide software licenses, implementation services and one year of maintenance support through April 2012 in the amount of \$176,745, pending OUC legal review of the contract.
24. Approval of a sole source Purchase Order to AT&T to provide voice, data and internet services for the period June 1, 2011 through May 31, 2014 in the amount of \$2,153,621.10; and
25. Approval of an OUC initiated scope change and conforming Change Order No. 4 in the amount of \$119,480.94 to the State of Florida Department of Management Services to provide supplemental voice, data and internet services for the period of June 1, 2011 through May 31, 2012, increasing the total Purchase Order amount to \$338,480.94.

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John Hearn reported that Income before contributions for the seven months ended April 30, 2011 was \$24.2 million, approximately \$4.6 million below budgeted net income due to mild weather and planned outages.

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Chris Browder provided an update on the Duke Energy/Progress Energy Florida merger. He stated that PEF representatives visited OUC in April to discuss the possible merger with Duke Energy (Duke). Progress Energy Florida (PEF) would become a wholly-owned subsidiary of Duke. Many administrative functions would be moved to the Carolinas, but the day-to-day PEF operations would remain in Florida. The companies are proposing a joint open-access transmission tariff which might benefit Florida utilities. There are several issues of concern, including the market strength of the merged companies. OUC will analyze the impacts of the merger to ensure that it does not create a liability for OUC. Several agencies, including the Federal Energy Regulatory Commission, Department of Justice, Nuclear Regulatory Commission and the Public Service Commissions in Florida and North Carolina, must approve the merger. The current timeline for the merger as presented by PEF anticipates the current hearings to finish by November with a potential closing date of December 2011. OUC will likely intervene on the merger docket pending before the FERC on a "friendly" basis to protect its interests.

Commissioner Kirby asked if the two companies gave any indication that their joint capacities would either increase or reduce the speed at which they would

invest in the generation facilities. Mr. Browder responded no, but with the combined assets of the generation fleet, they might retire some older assets.

Commissioner McAllaster asked if the companies have their own power lines from the Carolinas to Florida or if they would have an interconnecting transmission system. Jan Aspuru replied that they would have to wheel power through Southern Company's transmission system.

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Mr. Ksionek explained that OUC is currently 16 months into a very successful contract to supply 100 MW to Vero Beach for the next 20 years. There are some conflicts with rates inside and outside the city limits, and there has been action on the part of the residents as well as some Vero Beach city commissioners to discuss other available options. The City of Vero Beach received a letter of intent from Florida Power & Light to purchase the electric system. One of the terms of the agreement is that the city shall terminate the Power Purchase Agreement with OUC.

Mr. Ksionek asked Jan Aspuru to provide additional information about the power supply contract with the City of Vero Beach. Mr. Aspuru stated that there is a movement within the city to sell the utility to FP&L. OUC has been serving the contract since January 2010 and expectations have been met on both sides. OUC has been approached by FP&L and the City of Vero Beach about the status of the contract and the implications associated with it. FP&L queried OUC about assigning the contract to them and was advised that OUC's bond covenants will not allow that the assignment. There are contract terms and conditions for cancellation or termination which would allow the other party to be able to seek damages. There are two caps on damages which are \$20 million and \$50 depending on the type of default. OUC is in the process of calculating a cancellation impact and providing a preliminary report to Vero Beach. There will be no formal discussions until the OUC Board has been briefed.

President Dominguez asked about the amount and length of the contract, and Mr. Aspuru responded that it is a 20 year agreement with a mutual option for a 10 year extension. OUC initially provided 100 MW in 2010 and is currently supplying about 112 MW.

Commissioner McAllaster asked what is driving the possible breach of contract. Mr. Aspuru responded that it began with high rates prior to the agreement with OUC. Rates decreased by 20 percent after Vero Beach began receiving OUC power. Vero Beach is surrounded by FP&L which is heavily reliant on natural gas which is at a historical low. As a result, FP&L rates are about 13 percent lower than the current Vero Beach rates. Customers living outside the city limits also feel that they do not have representation because the electric utility is run by the city council.

Commissioner McAllaster also asked how the cancellation of the contract will affect OUC's long term energy portfolio, and if it would have any affect on OUC's bond rating. Mr. Aspuru responded that OUC would be in position to

aggressively pursue other wholesale energy options and that he does not believe it would have any affect on bond ratings.

Commissioner Ferrone asked what percentage of OUC's portfolio this agreement entails. Mr. Aspuru responded that OUC has 1,850 MW of generation capacity and the 112 MW sold to Vero Beach accounts for about 4 to 5 percent.

Commissioner McAllaster asked if the City of Vero Beach generates any power. Mr. Aspuru replied affirmatively, but that there is some contention about the continued operation of their oil and gas units.

Commissioner Ferrone asked if it would be possible to sway positions and opinions going forward and Mr. Aspuru replied that he is unsure. In his opinion, residents inside the city limits would rather not sell the utility and residents outside the city limits tend to support the FP&L takeover.

Mr. Ksionek provided an update on the V.C. Summer Nuclear Project. OUC due diligence and contract negotiations continue with Santee Cooper and the project is proceeding according to schedule. OUC received the first draft of the Power Purchase Agreement on May 9 and negotiations have begun. On May 5, OUC re-submitted transmission service requests to Florida Power & Light and Southern Company for 52 MWs in 2016 and 52 MWs in 2019, which would connect OUC to the Santee Cooper transmission system. The Nuclear Regulatory Commission (NRC) issued a recent bulletin to companies licensed to operate U.S. nuclear power plants requesting information by June 10 on how the plants are complying with the requirements to deal with the potential loss of large areas of the plant after extreme events. At the May 10 Nuclear Energy Assembly in Washington, DC, the President of the Nuclear Energy Institute stated that events at the Fukushima Daiichi Nuclear Plant in Japan are not expected to have a major impact on new nuclear plant licensing. Mr. Ksionek distributed recent nuclear power industry commentaries from two rating agencies, Moody's and Standard & Poor's. Standard & Poor's has a more optimistic overview of the future of the nuclear industry than Moody's and both financial commentaries provide good perspectives.

Mr. Ksionek provided an update on the Crystal River/Levy projects. On April 27, Mr. Ksionek met with the CEO of Progress Energy Florida (PEF) who provided an update on the Duke Energy and PEF merger, as discussed by Mr. Browder. PEF also provided an update on the Crystal River Nuclear Unit 3 extended outage and the Levy Nuclear Project. OUC owns 1.5 percent, or 13 MW, of PEF's 838 MW Crystal River Unit 3 Nuclear Plant. The unit has undergone a major and complex outage for the past 18 months to replace the steam generators inside the concrete containment building. Replacement of the large reinforced concrete containment wall section required to gain access to the generators inside has exposed further problems. The post tensioning of horizontal and vertical tendons that provide structural integrity has caused additional delamination of concrete within the containment building walls. As a result of the new containment wall damage, PEF has extended the unit's 18 month outage indefinitely. With regard to replacement power, OUC is protected

under an existing agreement with PEF through 2013, whereby OUC continues to receive 13 MW of replacement energy at the nuclear equivalent price as if the unit was operating at a minimum capacity factor of 80 percent. PEF remains committed to correcting the problem and restoring the unit to full commercial operation, as well as seeking an extension of the operating license.

Mr. Aspuru added that there are no safety issues to the repairs, that it is just a financial issue for OUC.

Mr. Ksionek reported that PEF's quantitative and qualitative analyses continue to show that the Levy Nuclear Project remains feasible. PEF continues to negotiate with select long-lead equipment vendors for fabrication and storage of equipment and stated that there are no equipment cancellations to date. They continue to work on the combined Construction and Operating License Application (COLA) and the current NRC review indicates approval of the COLA in the second quarter of 2013 for a delayed commercial operation of Unit 1 in 2021. PEF is also planning to continue their engineering, procurement and construction negotiations and have targeted a full Notice to Proceed date for the same date they receive their COLA in the second quarter of 2013. The primary focus of the update was to reinforce PEF's interest in OUC as a partner for the Levy Nuclear Project. PEF remains interested in joint ownership with municipalities and cooperatives while taking into consideration that the Duke Energy/PEF merger should improve their financing capability. Detailed discussions will continue with OUC and other potential partners as their proposed project activities are accomplished.

President Dominguez asked if it would be possible for Duke Energy to change its mind on the Levy Nuclear Project after the merger, and if he received any sense of financial issues that OUC will have as a result of the problems at the Crystal River facility. Mr. Ksionek stated that nuclear is a strong part of Duke Energy's portfolio, and he did not get the impression that the project would be pulled after the merger. Mr. Ksionek stated that, beyond 2013, OUC would have to negotiate for continued replacement power at the nuclear equivalent price or procure insurance to protect OUC for future years.

Mr. Ksionek asked Clint Bullock to update the Board on OUC's efforts to restore power following the severe tornados in the southeast on April 27. OUC staff traveled to the town of Cleveland, Tennessee to assist the power restoration process. He introduced two staff members present at the Commission Meeting—Line Supervisor Spencer Barnes and Lead Line Technician Gary Thomas—and thanked the other 16 employees who also traveled to the city: Dave Russell, David Meyer, James Alexander, Richard McCoy, Andy Peaden, Richard Boley, Chris Hosier, Jason Drayton, Warren Bumgarner, Rick Bloom, Roy Bloom, Tim Wills, Jeff Tolbert, Paul Hearn, Dwayne Collins and Alfred Jones. Mr. Bullock also presented a video showing OUC's power restoration efforts in Cleveland.

Commissioner McAllaster asked how Cleveland was chosen to receive assistance from OUC. Mr. Bullock responded that, through the mutual aid process, requests are sent in to state agencies, such as Florida Municipal



Electric Association (FMEA). OUC indicated how many resources it could provide, and once OUC was available to travel, Cleveland was the next city on the list to receive assistance.

Mr. Ksionek distributed a water report prepared by Rob Teegarden and his staff.

Mayor Dyer left the meeting at 3:50 P.M.

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Commissioner Ferrone stated that she is very impressed by the sense of community among OUC and also within the much larger community.

Commissioner Kirby acknowledged and thanked the OUC crews that traveled to Tennessee for the restoration efforts.

Commissioner McAllaster also thanked the staff members that traveled to Tennessee.

President Dominguez thanked staff for the Security Briefing and the other updates that are constantly provided to the Board. She praised the Random Acts of Greenness videos and encouraged others to make their own videos.

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President Dominguez adjourned the meeting at 3:56 P.M.

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President

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Secretary