

**MINUTES
ORLANDO UTILITIES COMMISSION
May 10, 2016
2:00 P.M.**

Present:

COMMISSIONERS:

Linda Ferrone, President
Dan Kirby, Immediate Past President
Cesar E. Calvet, Commissioner

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Maggie Duque, Roseann Harrington, Byron Knibbs
and Chip Merriam, Vice Presidents
Jerry Sullivan, Vice President & Chief Information Officer
Mindy Willis, Vice President & Chief Financial Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Schwartz, Recording Secretary

President Ferrone asked Debbie Bradshaw to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:06 P.M.

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On a motion by Commissioner Calvet, seconded by Commissioner Kirby and unanimously carried, the reading of the minutes of the April 12, 2016 Commission Meeting was waived and the minutes were approved.

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Maggie Duque presented a 30-year service award to Jack Fontaine, Meter Technician I, Customer Service.

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Roseann Harrington discussed OUC's participation in several Earth Day and Water Conservation Month activities, including the Walk for the Trees, Water Color Project Awards, Water Color Project City Arts, Central Florida Earth Day and Pedal Power, Devereaux Community Project, GOAA Earth Day and Lake Worth Earth Day.

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Mr. Ksionek asked Keith Mutters to provide a presentation on Affirmative Item A-7 regarding the Taft to Stanton 230kV Transmission Corridor Upgrade Project. Mr. Mutters reminded the Board that they approved a Purchase Order to Black & Veatch in October 2015 to perform a preliminary engineering study. Mr. Mutters explained that the Taft to Stanton Transmission Corridor serves Orlando and St. Cloud system loads and facilitates transfers to other utilities, including Duke Energy, as well as transfers on and off the system. As a result of the preliminary engineering study, it was decided that the upgrade should be performed in three phases. Phase 1 will consist of the Lake Nona to AIP to Taft section, which is 8.2 miles. Phase 2 will consist of the Stanton to Magnolia Ranch section, which is 8.5 miles. Phase 3 will consist of the Magnolia Ranch to Lake Nona section, which is 5.6 miles.

It was determined that for Phase 1, the existing conductors can be replaced through a re-conductor on the existing towers. Installing a high temperature, low sag conductor will allow the continued use of existing transmission structures for minimal environmental impact and lower costs. Mr. Mutters commended the joint efforts of the Engineering, Planning and Operations Divisions in assessing this project over the past six months.

Commissioner Calvet asked for clarification about the development near the Magnolia Ranch substation. Mr. Mutters replied that the Magnolia Ranch substation serves the Lake Nona area, which is experiencing rapid growth. The substation was constructed adjacent to Duke Energy's substation at their request in order to interconnect both systems.

Commissioner Ferrone inquired if Phase 2 and Phase 3 have been included in long range Capital Plans. Mr. Mutters stated that the overall project has been included in the ten-year Capital Plan for the past four to five years, at an estimated cost of approximately \$59 million. The cost may be adjusted as the project moves forward. Mr. Mutters confirmed that community and customer growth have been factored into the upgrade plan.

Commission Calvet asked if the Magnolia Ranch substation is situated entirely in Orange County and Mr. Mutters replied affirmatively.

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Mr. Ksionek asked Maggie Duque to provide a presentation on Affirmative Item A-12 regarding the Commercial Indoor Lighting Program. Ms. Duque provided background information about the program. As of April 2016, 133 projects have been completed and a total of 143,000 lighting fixtures have been retrofitted, resulting in approximately \$4.1 million in savings for commercial customers. Ms. Duque explained the benefits to the customers as well as to OUC. For the past

five years, Lightyear Technologies, Inc. (Lightyear) has provided the lighting retrofit services. After five years, a new bid was required. Competitive proposals were solicited from qualified vendors to provide lighting retrofit services. It was determined that Lightyear submitted the most responsive and responsible proposal.

The Commercial Indoor Lighting Program has experienced growth over the past several years. OUC recently signed contracts with Orange County Public Schools, Mercedes Benz of South Orlando, Silver Airways, City View Apartments, Winnie Palmer Hospital and Arnold Palmer Hospital. Proposals in development include Coca-Cola Refreshments, Florida A&M University, Frito-Lay and Crowne Plaza Hotels.

Commissioner Calvet asked how commercial customers become aware this program is available. Ms. Duque responded that OUC performs outreach to commercial accounts to inform them about the program. The smallest projects that have been undertaken have been approximately \$100,000.

Commissioner Kirby asked if Lightyear is involved in the marketing of the program. Ms. Duque responded negatively, but acknowledged it was a possibility for them to market the program in the future. Commissioner Kirby also asked how OUC measures customer satisfaction. Ms. Duque stated that OUC solicits feedback from key accounts on an annual basis and that account managers receive feedback from customers on a regular basis. Sam Griffin confirmed that customers are required to sign off on the job after it is completed.

President Ferrone asked for clarification regarding measuring and reporting customer savings. Ms. Duque replied that OUC performs annual audits. President Ferrone responded that she would be interested in hearing how customers measure their own savings. Mr. Griffin stated that large commercial customers typically monitor their energy consumption prior to participating in the Commercial Indoor Lighting Program; therefore they would be able to immediately notice a savings after a retrofit is completed.

Ms. Harrington stated that OUC produces testimonials from commercial customers. Clint Bullock clarified that OUC does make a small monetary return on the program.

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Mr. Ksionek asked Chris Browder to provide a presentation on Affirmative Item A-17 regarding the Partial Release of Easement for Lake Underhill Road and Affirmative Item A-18 regarding the Sanitary Sewer Easement for the Southwest Water Treatment Plant Property. Mr. Browder explained the process for easement requests and releases and that OUC received payments for these easements. These two easements were previously granted to OUC at a cost,

rather than granted at no cost, which is more typical. Mr. Browder advised that with increased development in the community, receiving payment in exchange for releasing easements may become more common.

Commissioner Calvet inquired why OUC initially requested the Lake Underhill easement. Mr. Browder stated that OUC previously planned a transmission corridor in the area, but the plans changed and this particular portion of the easement was no longer needed.

Commissioner Kirby asked for clarification regarding the valuation process for A-17. Mr. Browder stated that property in the area was evaluated by an appraiser at approximately \$30,000. Easements are typically priced at half the appraised value of full ownership. Because of title issues with this particular easement, OUC lowered the price to \$10,000.

President Ferrone asked how many easements are processed on a monthly or annual basis. Mr. Browder stated that the Real Estate Division receives approximately 20-30 calls per month. Requests to sell easements are rising due to community growth.

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President Ferrone asked for clarification related to Affirmative Item A-4, specifically regarding why one of the original companies on the Purchase Order was excluded from the Change Order. Mr. Aspuru responded that the company is no longer in business.

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President Ferrone asked for clarification related to Affirmative Item A-16 regarding whether the Stanton Energy Center prescribed burn services are to ensure a healthy habitat for the red-cockaded woodpecker or to ensure a certain qualification for that piece of land. Garfield Blair responded that the prescribed burn services address both of those issues.

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Commissioner Calvet asked a question related to Affirmative Item A-14 regarding the fuel contract for OUC vehicles and equipment, and whether vehicles must go to a specific location to refuel. Mindy Willis responded that OUC vehicles can refuel at the Pershing, Gardenia and Stanton Energy Center locations.

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Commissioner Calvet asked for clarification related to Affirmative Item A-1 regarding whether all coal is now purchased from the Illinois Basin. Mr. Aspuru responded affirmatively.

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

1. Ratification of the fuel procurements to the low bidders in February 2016 in the aggregate amount \$3,842,386.51 as follows:

NATURAL GAS PURCHASES:

Feb 2016	EDF Trading (Formerly Eagle Energy)	\$ 181,949.97
Feb 2016	Macquarie Cook Energy, LLC	\$ 269,298.49
Feb 2016	NJR Energy Service Company	\$ 740,194.25
Feb 2016	Occidental Energy Marketing	\$ 878,368.87
Feb 2016	Shell Energy	\$ 111,500.00
Feb 2016	Tenaska Marketing Ventures	\$1,466,242.94
Feb 2016	Texla Energy Management, Inc.	\$ 194,831.99

2. Ratification of a Capital Expenditure Estimate for the Stanton Energy Center Unit 1 Steam Turbine Generator Rotor Upgrade Project in the amount of \$2,000,000. Commission ratification of an OUC initiated scope change and conforming Change Order No. 1 to Mechanical Dynamics & Analysis, LTD to perform the Stanton Energy Center Unit 1 steam turbine generator rotor inspection and repairs in the amount of \$2,000,000, increasing the total Purchase Order amount to \$2,488,930;
3. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Combined Cycle Unit B Distributed Controls System Upgrade Project in the amount of \$1,290,000. Approval of a sole source Purchase Order to GE Energy Control Solutions, Inc. to provide the upgrades to the turbine distributed controls system in the amount of \$458,000, pending final contract negotiations and OUC legal review. Approval of a sole source Purchase Order to Emerson Process Management Power & Water Solutions, Inc. to provide the upgrades to the balance of plant controls in the amount of \$750,000, pending final contract negotiations and OUC legal review;
4. Approval of additional funding in the amount of \$270,000 with conforming Change Order No. 2 to Power Engineers, Inc., Black & Veatch Corporation and Stantec Consulting Services, Inc. to continue providing engineering services required to support Electric & Water Production activities, increasing the aggregate Purchase Order amounts to \$1,110,000;
5. Approval of a sole source Purchase Order to Mikon Corporation to perform global position system surveys of the Stanton Energy Center

coal supply and byproduct storage piles in the amount of \$310,000, pending final contract negotiations and OUC legal review. The contract term is five years;

6. Approval of a Purchase Order to Power Engineers, Inc. for engineering, utility coordination and construction oversight required for the Interstate 4 Ultimate Project in the amount of \$285,000;
7. Approval of a Transmission Capital Expenditure Estimate for engineering, procurement and construction support necessary to complete Phase 1 - Taft, AIP and Lake Nona segments of the Taft to Stanton 230kV Transmission Corridor Upgrade Project in the amount of \$10,850,000. Approval of an OUC initiated scope change and conforming Change Order No. 2 to Black & Veatch in the amount of \$1,825,000 to provide design engineering, surveying, soil borings, permitting and construction management services, increasing the total Purchase Order amount to \$2,165,000;
8. Approval of a single source Purchase Order to Checkpoint Technologies, Inc. for ALM software maintenance and support through June 30, 2019, in the amount of \$171,549.64;
9. Approval of a Purchase Order to CDW Government LLC to provide blade servers and memory, including maintenance and support for the period June 1, 2016 through May 31, 2017, in the amount of \$250,000;
10. Approval of a sole source Purchase Order to EMC2 Corporation to provide Enterprise Backup & Recovery annual maintenance and support through May 26, 2017, in the amount of \$139,532.55;
11. Approval of a single source Purchase Order to CDW Government LLC for VMware software maintenance and support for the period of June 12, 2016 through June 30, 2019 in the amount of \$455,402.17;
12. Approval of RFP #3902 - Contract award to Lightyear Technologies, Inc., the most responsive and responsible vendor, to provide lighting retrofit services for the Commercial Indoor Lighting Program in the amount of \$11,000,000, pending final OUC legal review. The contract term is three years with two one-year renewal options;
13. Approval of an OUC initiated scope change and conforming Change Order No. 3 to NorthWrite, Inc. in the amount of \$96,000 to continue providing software and maintenance services for the OUC Consumption Online Program through June 25, 2017, increasing the total Purchase Order amount to \$259,700;

14. Approval of an OUC initiated scope change and conforming Change Order No. 1 to Mansfield Oil Company of Gainesville, Inc. for biodiesel fuel in the amount of \$800,000 and Petroleum Traders Corporation for unleaded gasoline and low sulfur diesel fuel in the amount \$1,200,000 through July 5, 2017, increasing the aggregate Purchase Order amounts to \$5,000,000;
15. Approval of a sole source Purchase Order to Linder Industrial Machinery Company for the Komatsu dozer engine replacement in the amount of \$147,260.86;
16. Approval of RFP #4071 - Contract award to Universal Contracting & Construction, Inc. and Allen E. Smith Ranch & Farming, Inc., the most responsive and responsible vendors, to provide prescribed burn services for the Stanton Energy Center in the aggregate amount of \$1,500,000. The contract terms are four years with a one-year renewal option;
17. Authorization for the General Manager & CEO to execute the Partial Release of Easement for property located south of Lake Underhill Road and west of Huckleberry Finn Drive; and
18. Authorization for the General Manager & CEO to execute the sanitary sewer easement for property located north of Wallace Road and west of Turkey Lake Road.

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Mindy Willis stated that net income for the six months ended March 31, 2016 was \$49.5 million. Strong revenue, customer growth and warmer weather were all contributing factors for the favorable revenue variance. Expenditures are slightly behind budget due to timing. There are similar trends for April, with net income over budget at approximately \$14.5 million.

President Ferrone asked when Ms. Willis expects the timing of the expenditures to readjust. Ms. Willis replied there have been additional expenditures for pensions, and attempts to catch up on expenditures will continue over the next several months.

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Jonathan Sebastian Blount, an OUC customer, expressed his appreciation for OUC's participation in the upcoming Caribbean American Heritage Month and invited the audience to attend the kick-off event on June 1. He discussed the upcoming Copa America Cup at the Camping World Stadium on June 3, 4, and 8, and stated that City Commissioner Hill will be hosting a Welcome Festival on June 7.

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Mr. Ksionek asked Clint Bullock to provide an update on the FMEA Lineman Rodeo, which was hosted by OUC. Over 130 competitors from 12 utilities competed in apprentice and lineman events. Mr. Bullock introduced a video produced by Tim Trudell that highlighted the event. Mr. Bullock announced that OUC also participated in the APPA national event and the lineman team placed third out of 63 teams in the transformer change-out event.

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Mr. Ksionek asked Clint Bullock to provide a Reliability Update. Mr. Bullock provided background information for how OUC compares itself to investor-owned utilities on its reliability metrics. OUC uses both the System Average Interruption Duration Index (SAIDI) and the L-Bar, or average duration of outage events as the two main comparisons. OUC ranked Number 1 in Reliability for the eighteenth year in a row for both the SAIDI and L-Bar ratings. OUC also utilizes PA Consulting Group to conduct a Transmission and Distribution Benchmarking Study. This benchmarking study is conducted on a two year basis against thirteen other utilities. Based on the study, OUC's Transmission and Distribution total costs are in the first quartile, as a top performer.

President Ferrone asked for clarification about cost drivers. Mr. Bullock replied cost drivers could be a result of the changes Transmission and Distribution has made in the past several years by reducing Operations and Maintenance and capital spending. OUC also utilizes a developer contribution policy for projects, such as requiring contributions for undergrounding electric service. He also advised that other utilities may be in a low-growth period.

Mr. Ksionek stated that OUC's design practices and standards are very high, with over 60 percent of OUC's electric system being underground. OUC is achieving good reliability and performance in a prudent manner.

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Commissioner Calvet stated that he visited the Stanton Energy Center for further Commissioner training and thanked Mr. Aspuru for the tour of the facility. He looks forward to his next training session.

Commissioner Kirby had no comments.

President Ferrone commented on her participation in community events and expressed appreciation for how OUC promotes sustainability as well as the utility's involvement in the community. She praised the participants in the Lineman Rodeo and the importance of that career path. She commended OUC on the results of the reliability study and not having to trade off reliability for cost.

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President Ferrone adjourned the meeting at 3:24 P.M.

President

Secretary