

MINUTES
ORLANDO UTILITIES COMMISSION
August 20, 2013
2:00 P.M.

Present:

COMMISSIONERS:

Dan Kirby, President
Linda Ferrone, First Vice President
Maylen Dominguez, Second Vice President

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Byron Knibbs, Chip Merriam and Rob Teegarden,
Vice Presidents
Jerry Sullivan, Vice President & Chief Information Officer
John H. Hearn, Vice President & Chief Financial Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Schwartz, Recording Secretary

President Kirby asked John Hearn to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:13 P.M.

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On a motion by Commissioner Dominguez, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the July 9, 2013 Special Meeting was waived and the minutes were approved.

On a motion by Commissioner Dominguez, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the July 9, 2013 Budget Workshop was waived and the minutes were approved.

On a motion by Commissioner Dominguez, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the July 9, 2013 Commission Meeting was waived and the minutes were approved.

On a motion by Commissioner Dominguez, seconded by Commissioner Ferrone and unanimously carried, the reading of the minutes of the July 23, 2013 Strategic Planning Meeting was waived and the minutes were approved.

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Jenise Osani introduced the Top 100 Companies for Working Families award and invited Janie Wallace to speak about OUC's achievements. Ms. Wallace announced that OUC was ranked Number 8 for 2013. She thanked the Human Resources and Accounting staff for their hard work, as well as the Commissioners and OUC leadership. Ms. Wallace presented the trophy to President Kirby on behalf of the entire Commission.

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Mr. Ksionek asked Chip Merriam to give a presentation on Affirmative Item A-11 regarding the Lined Pond System Project – Phase 1. Mr. Merriam described the planned improvements to the lined pond system, including increasing the size of the ponds, utilizing more advanced types of pond liner materials and changing the drain design, as well as the overall pond design and construction approach. The scope of the project includes detailed and sedimentation design; construction bid specifications development; construction bid evaluation; construction quality assurance; and project management and commissioning support.

Commissioner Ferrone inquired about the key highlights from the various proposals and what influenced choosing the preferred vendor, Tetra Tech. Mr. Merriam replied that the biggest differences between Tetra Tech and other vendors were the level of experience and the level of detail.

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Mr. Ksionek asked Gaby Ortigoni to give a presentation on Affirmative Item A-12 regarding the Educational Outreach Program. Ms. Ortigoni explained that OUC partnered with the Orlando Science Center (OSC) in 2009 to provide an educational outreach program to Orange and Osceola county fifth grade students in OUC's service territory, called the Alternative Water & Energy Supply, Observation, Methods & Education (A.W.E.S.O.M.E.) Program. Ms. Ortigoni introduced JoAnn Newman, President and CEO of OSC; Heather Norton, Director of Educational Services and Kellen Nixon, Director of Educational Development. Using content approved by OUC, the curriculum and activities meet the Sunshine State Standards and provide a hands-on approach to prepare fifth grade students for the Science FCAT. Since 2009, the program has reached 33,720 students and has received consistently high evaluations from students and teachers. By extending the A.W.E.S.O.M.E Program and implementing new activities and curriculum, OUC will reach a segment of our customers by encouraging the students to share what they have learned with their parents, teach students a respect for the environment and how to incorporate conservation in their daily lives, and invest in future generations by fostering a love of science and technology.

Commissioner Ferrone asked if there had been any discussions regarding a program for younger students. Ms. Ortigoni responded that given the high results of the A.W.E.S.O.M.E. Program, other programs are being considered. Commissioner Ferrone praised the program for reaching a high amount of students and pushed for additional investment in similar programs.

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Mr. Ksionek asked Chris Browder to give a presentation on Affirmative Item A-16 regarding the Cady-Way, LLC Developer Agreement. Mr. Browder explained that this is a new type of agreement but may be utilized more going forward, given the Strategic Plan's emphasis on partnering with companies to encourage development in the area. He introduced Paul Chipok, legal representative for the Developer, and Rick Parker, real estate professional in OUC's Legal Department who has been working on this deal. Mr. Browder described the background and terms of the deal. The Developer will file for petitions to vacate property to go to OUC and grant right of ways to OUC, install service infrastructure and dedicate it to OUC as a contribution-in aid-of-construction, commit to utilize OUC services and agree not to provide any such utility services on the site. In turn, OUC will join in the plat for the Cady Way PD and dedicate certain OUC property for roadway use, convey to Developer by deed certain real property and grant Developer certain permanent easements for utility, drainage and sidewalk access as well as certain temporary construction easements. The deal is subject to several conditions of closing.

Commissioner Dominguez commented on the forward thinking in collaborating with Developers, and asked if it would be possible to formulate additional ways to gain additional benefits from such partnerships, such as including renewable energy projects in the negotiations. Mr. Browder stated that this type of approach would indeed provide OUC to many additional possibilities with different types of partnerships with developers. Commissioner Kirby concurred with Commissioner Dominguez's suggestion.

Commissioner Ferrone asked whether OUC or the Developer took the lead in this deal. Mr. Browder responded that OUC was approached by the Developer, who had already put plans in place with the City of Orlando. However, OUC is getting more proactive in seeking similar opportunities.

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Commissioner Ferrone inquired about Affirmative Item A-14 regarding the professional development, coaching and E-Learning services. She asked if these services will be available to the entire organization or for specialized components. Mr. Browder responded that these services represent only a small portion of OUC's training and development budget and are available to all departments and employees.

Commissioner Kirby inquired about Affirmative Item A-6 regarding the Southwood Substation Transformer Project. Mr. Bullock explained that OUC utilized the CCNA process and identified four vendors to perform transmission line work, design engineering work, substation work, relay design work and relay tech type work. A Master Services Agreement was put in place with each vendor, and Project Agreements are assigned to vendors for specific individual projects.

Commissioner Kirby asked for clarification regarding the CCNA process and the time period for these Master Services Agreements. Mr. Bullock stated that this project is under the \$200,000 limit specified by the CCNA process. Mr. Browder explained that these agreements were set up with unspecified terms. Mr. Ksionek further explained the CCNA process and the purpose for setting up specific Master Services Agreement, and clarified that they can be terminated at any time.

Commissioner Kirby inquired how firms are notified when work is available. Mr. Bullock stated that projects are defined within the capital plan and are communicated to the four firms.

Commissioner Kirby stated the importance of transparency in this process and ensuring that all companies are able to equally compete for work. He asked that OUC staff address this as part of policy and procedures.

Commissioner Dominguez inquired about the possibility of shorter term lengths for the Master Services Agreements, for a period of less than five years. Mr. Bullock replied that it is difficult to have a shorter contract term because of the length of transmission line projects. Commissioner Kirby clarified that once a specific project contract is established, the length of the Master Services Agreement is no longer an issue.

Mr. Ksionek stated that OUC staff will look at three to five years as the standard length for Master Services Agreements going forward.

Commissioner Ferrone stated the importance of utilizing many different vendors and building a portfolio of vendors to rely on in Central Florida. Mr. Browder replied that with very specialized work, a single company usually wins contracts because it has the most experience. This approach allows OUC to utilize multiple vendors and increase their experience and portfolio.

Commissioner Kirby stated the importance of never utilizing convenience as a driving factor in selecting vendors. Mr. Bullock stated that OUC has been utilizing more vendors and the portfolio has expanded over the years.

Mr. Ksionek stated that OUC staff will follow up on this directive.

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

1. Ratification of the above fuel procurements to the low bidders in May 2013 in the aggregate amount \$14,247,076.22 as follows:

NATURAL GAS PURCHASES:

May 2013	BP Energy	\$ 885,462.57
May 2013	EDF Trading (Formerly Eagle Energy)	\$ 886,296.78
May 2013	Enbridge Marketing, LP	\$ 144,517.94
May 2013	ETC Marketing, Ltd.	\$ 809,058.77
May 2013	Florida Gas Utility	\$ 134,805.54
May 2013	Infinite Energy	\$3,584,828.96
May 2013	Macquarie Cook Energy, LLC	\$ 288,189.94
May 2013	National Energy & Trade	\$1,185,371.70
May 2013	Shell Energy	\$ 614,988.71
May 2013	Southwestern Energy	\$ 803,152.25
May 2013	Texla Energy Management, Inc.	\$1,758,336.37

COAL PURCHASES:

May 2013	Crimson Coal Corporation	\$1,173,760.64
May 2013	Eastern Coal and Coke	\$1,375,011.79
May 2013	JP Morgan	\$ 603,294.26

2. Approval of a Natural Gas Storage Agreement between SG Resources Mississippi, LLC and OUC for the release of storage capacity by BP Energy for a four-year term beginning October 1, 2013. Approval of a Purchase Order to SG Resources Mississippi, LLC to provide natural gas storage capacity for a four-year term beginning October 1, 2013, in the amount of \$1,500,000. All contract documents are subject to final legal review and approval;
3. Approval of RFP #3495 – Contract award to Aquilex SMS, LLC, the lowest, most responsive and responsible vendor, to perform inspection and repair services on the Stanton Energy Center Unit 2 steam generator and Stanton Energy Center Combined Cycle Unit B heat recovery steam generator, plus Stanton Energy Center Unit 1 emergency repair services in the amount of \$1,750,000, subject to final contract negotiations and OUC legal review;
4. Approval of RFP #3494 – Contract award to AirTek Construction, Inc., the lowest, most responsive and responsible vendor, to provide inspection and repair services for the Stanton Energy Center Unit 2 precipitator in an amount of \$382,971, subject to final contract negotiations and OUC legal review;
5. Approval of a sole source Purchase Order to Siemens Energy, Inc. to provide technical field assistance, inspection and repair services support services for the Stanton Energy Center Unit 2 steam turbine in the amount of \$950,000. Approval of a single source Purchase Order to Mechanical Dynamics & Analysis, LTD to provide electrical testing

services and associated work for the Stanton Energy Center Unit 2 generator and exciter in the amount of \$485,000;

6. Approval of a Substation Capital Expenditure Estimate for the Southwood Substation Transformer Project in the amount of \$2,737,000. Approval of a Purchase Order to Black & Veatch to provide design engineering and construction management services in an amount not to exceed \$335,000. Approval of a Purchase Order to Pennsylvania Transformer Technology, Inc. to provide a 115/12.47kV transformer, field installation services and spare parts in the amount of \$782,381;
7. Approval of RFP #3480 – Contract award to Terry’s Electric, Inc., the most responsive and responsible vendor, to perform substation construction services for the St. Cloud South Substation associated with the St. Cloud Facilities Upgrade Project in the amount of \$980,000;
8. Approval of additional funding in the amount of \$120,000 with conforming Change Order No. 2 to Florida Door Solutions to continue providing preventative maintenance and repairs for all barrier gates and arms, dock levelers and overhead doors through July 17, 2014, increasing the total Purchase Order amount to \$309,891;
9. Approval of a single source Purchase Order to Presidio Networked Solutions to provide multiple blade servers, virtual software and installation services in the amount of \$167,299.76;
10. Approval of an OUC initiated scope change and conforming Change Order No. 1 to BP Consulting Group, Inc. in the amount of \$100,000 to continue providing environmental consulting services through November 10, 2014, increasing the total Purchase Order amount to \$400,000;
11. Approval of a Capital Expenditure Estimate for Phase 1 of the Stanton Energy Center Lined Pond System Project in the amount of \$3,839,059. Approval of SOQ #3492 – Contract award to Tetra Tech, Inc., the most responsive and responsible vendor, to provide design and construction QA/QC services in the amount of \$3,789,059, pending OUC legal review and approval of the contract;
12. Approval of an OUC initiated scope change and conforming Change Order No. 2 to the Orlando Science Center to continue to provide an educational outreach program to Orange and Osceola County fifth grade students in OUC’s service territory for a one-year period in the

amount of \$255,750, increasing the total Purchase Order amount to \$693,750;

13. Approval of a Purchase Order for OUC's 2014 property and casualty insurance premiums in an amount not to exceed \$3,894,280;
14. Approval of RFP #3519 – Contract awards to Organizational Dynamics, Kincaid Performance Solutions, Crowned Grace International and CMA Enterprises Incorporated, the most responsive and responsible vendors, to provide as-needed professional development, coaching and E-Learning services for a three-year period in an aggregate amount not to exceed \$450,000;
15. Approval of an OUC initiated scope change and conforming Change Order No. 1 to the Universal Protection Service, LLC in an amount not to exceed \$1,426,000 to continue providing security officer services through October 31, 2014, increasing the total Purchase Order amount to \$6,354,065.25; and
16. Approval for OUC to enter into a Developer Agreement with Cady-Way, LLC, subject to final legal review. Authorization for the General Manager & CEO to execute the Developer Agreement and all related closing documents.

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Mr. Ksionek presented the 2014 Operating Budget and 2014-2018 Capital Plan for consideration. The budget was presented to Commissioners at the July 9, 2013 Budget Workshop and approval is requested at this time.

On motion by Commissioner Dominguez, seconded by Commissioner Ferrone, New Business Item 1a/1b was adopted and accepted as follows:

NB-1a/1b Adoption of the proposed 2014 Operating Budget as presented and acceptance of the 2014-2018 Capital Plan as presented.

Commissioner Kirby inquired about the impact of the cancellation of the Renewable Energy Program rider rate before a new program is put in place. He asked if there are any OUC customers currently subscribing to the Renewable Energy Program who are unable to subscribe to the solar farm.

Byron Knibbs clarified that the Renewable Energy Program is an existing, inefficient program. OUC staff is currently discussing construction of a second solar farm, as well as other, more efficient renewable programs.

John Hearn clarified that only 16 customers participated in the Renewable Energy Program, and they have all been contacted regarding the program's cancellation.

Commissioner Kirby requested delaying the cancellation of the Renewable Energy Program until a new program is enacted. Commissioner Dominguez and Commissioner Ferrone concurred with Commissioner Kirby's suggestion. The cancellation of the Renewable Energy Program rider was removed from the agenda item.

On motion by Commissioner Kirby, seconded by Commissioner Ferrone, New Business Item 2 was adopted as amended:

NB-2 Adoption of the community solar farm rider rate schedule, effective October 1, 2013, pending Florida Public Service Commission review.

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Commissioner Dominguez reported that the Audit Committee held its regular meeting on August 13, 2013. Internal Audit activities were presented to the Committee, including a summary of the recently issued audit reports and a status of open items.

The Audit Committee Charter was reviewed and no changes were recommended.

The external audit status update was provided, including Ernst & Young's presentation of the 2013 annual financial statement audit work plan.

The financial performance for the period year ending June 30, 2013 was presented with Income before contributions of \$38.2 million, or \$5.9 million lower than budget. The year ended September 30, 2013 with projected Income before contributions expected to be \$72.1 million, or \$5 million below budget.

The Audit Committee approved management's recommendation to recognize unamortized bond issue costs as a regulatory asset. The recommendation presented included systematically recognizing these costs for rate recovery equally over a 10-year period.

The Audit Committee approved management's recommendation to reclassify the net book value of all assets associated with the Crystal River 3 Nuclear Plant to a regulatory asset in conjunction with Duke Energy's determination to close this facility. The net book value of Crystal River 3 Nuclear Plant assets, including insurance proceeds received July 31, 2013, was \$12.1 million.

On a motion by Commissioner Dominguez and seconded by Commissioner Ferrone, PRES-1a was approved as follows:

PRES-1a Approval to recognize a regulatory asset, estimated to be \$3.6 million at September 30, 2013, for unamortized bond issue costs and systematically recognize these costs over a ten-year period as recommended by the Audit Committee.

On a motion by Commissioner Dominguez and seconded by Commissioner Ferrone, PRES-1b was approved as follows:

PRES-1b Approval to recognize a regulatory asset of approximately \$12.1 million for net realizable value of OUC's portion of the Crystal River 3 Nuclear Plant's property, plant, equipment and supplies assets as recommended by the Audit Committee.

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John Hearn reported that revenues for July matched the revised forecast. There has been relief on the expenditure side of the budget, as staff has worked to lower expenses. Net income is approximately \$2.6 million under budget through the end of July.

Mr. Hearn reported that the update to the Enterprise One financial software went live over the weekend of August 16. The project was several weeks ahead of schedule and under budget, and the update was very successful.

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OUC customer Jonathan Sebastian Blount spoke about the importance of the Caribbean American community and thanked OUC for its contributions to the community. He also recognized President Dan Kirby for being an African American leader in the City of Orlando.

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Mr. Ksionek commented that the Winter Park Power Purchase Agreement was approved by the City of Winter Park on August 20.

Mr. Ksionek stated that approximately 50 percent of OUC's net income is earned during July, August and September. OUC's last summer peak was in July 2007, at 1,182 megawatts. During the week of August 12, OUC reached 1,150 megawatts, or within 30 megawatts of the previous peak. Mr. Ksionek reiterated OUC's commitment to reliability and achieving budgeted net income in order to continue reliable service.

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Commissioner Ferrone congratulated OUC staff on the formation of the Strategic Plan, as well as the 2014 Budget and 2014-2018 Capital Plan. She urged OUC staff to continue working hard to lower expenses and create new opportunities for revenue growth.

Commissioner Dominguez commented on the importance of the A.W.E.S.O.M.E. Program and OUC's e-learning ventures. She congratulated OUC and the Human Resources team for receiving the Top 100 Companies for Working Families award. She stressed the importance of work-family balance and giving back to OUC employees.

President Kirby also congratulated OUC staff on placing 8th in the Top 100 Companies for Working Families. He thanked the Marketing, Communications and Community Relations team for their work on the A.W.E.S.O.M.E. Program and being present in the community. He commended OUC staff for negotiating the Winter Park Power Purchase Agreement. He stated that the Commission is unified on putting customers first and helping them maintain options. It is important to be at the forefront of offering customers what they would expect from a leading municipal utility.

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President Kirby adjourned the meeting at 3:31 P.M.

President

Secretary