

MINUTES
ORLANDO UTILITIES COMMISSION
October 8, 2013
2:00 P.M.

Present:**COMMISSIONERS:**

Dan Kirby, President
 Linda Ferrone, First Vice President
 Maylen Dominguez, Second Vice President
 Gregory D. Lee, Commissioner
 Buddy Dyer, Mayor

Kenneth P. Ksionek, General Manager & Chief Executive Officer
 Jan Aspuru, Clint Bullock, Roseann Harrington, 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 German Romero to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:11 P.M.

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On a motion by Commissioner Ferrone, seconded by Commissioner Lee and unanimously carried, the reading of the minutes of the August 20, 2013 Commission Meeting was waived and the minutes were approved.

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John Hearn presented a 40-year service award to Paul Kunz, Director, Fleet/Facilities and Logistics, Financial and Support Services.

Clint Bullock presented a 20-year service award to Adonis Willis, Project Engineer, Electric and Water Delivery.

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President Kirby welcomed the new Commissioner, Gregory D. Lee. Commissioner Lee thanked President Kirby and the rest of the Board members

for the warm welcome, and expressed his excitement about serving OUC and the community as a Commissioner.

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Roseann Harrington noted that a structural beam from the Dr. Phillips Performing Arts Center is located in the lobby for signatures. The Performing Arts Center is currently under construction and will open next year.

Ms. Harrington announced that OUC received third place in the Ride for Ronald event. Twenty-nine members from OUC participated, cycling over 1,500 miles and raising \$9,000. Clint Bullock, who serves as Chairman of the Board of Ronald McDonald charities, raised \$4,000 and was the third-highest fundraiser. This event is part of OUC's wellness initiative.

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Mr. Ksionek asked Chris Browder to give a presentation on Affirmative Item A-10 regarding the Group Medical, Dental and Prescription Program. Since OUC is self-insured, it must pre-fund the accounts that the various healthcare administrators must use to pay the medical, dental and other claims of OUC's employees and families. The funding required by the administrators is based on an estimate, which is calculated using the previous year's claims history of OUC's insured employees and other covered individuals. Based on OUC's 2013 claims costs, the claims funding requirement rose approximately 14 percent for 2014, but OUC negotiated benefits adjustments which allowed OUC to reduce the impact to the employees to approximately 9 percent. OUC will continue to utilize Aetna and Express Scripts for 2014.

Commissioner Ferrone asked if OUC considered utilizing other insurance administrators. German Romero stated that OUC performed a financial analysis which indicated that since OUC is self-insured, the only real benefit from an administrator is the cost reductions it can negotiate with the healthcare providers. Due to discounts Aetna has been able to secure, there would be no financial benefit to switching administrators. It would also be inconvenient to employees and dependents whose doctors might not be covered under a new insurance program.

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President Kirby announced a conflict of interest regarding Affirmative Items A-13 and A-15. President Kirby presented the remaining Affirmative Items for approval. On a motion by Commissioner Dominguez and seconded by Commissioner Ferrone, the Affirmative Items, with the exception of Affirmative Items A-13 and A-15, were approved as follows:

1. Ratification of the above fuel procurements to the low bidders in June and July 2013 in the aggregate amount \$29,338,864.13 as follows:

NATURAL GAS PURCHASES:

Jun. 2013	BP Energy	\$ 538,443.75
Jun. 2013	EDF Trading (Formerly Eagle Energy)	\$ 704,217.40
Jun. 2013	Enbridge Marketing, LP	\$ 188,114.66
Jun. 2013	ETC Marketing, Ltd.	\$ 782,960.10
Jun. 2013	Florida Gas Utility	\$ 390,481.00
Jun. 2013	Gavilon LLC	\$ 334,576.64
Jun. 2013	Infinite Energy	\$3,445,324.68
Jun. 2013	Macquarie Cook Energy, LLC	\$1,612,253.52
Jun. 2013	National Energy & Trade	\$ 935,030.38
Jun. 2013	NJR Energy Services	\$ 226,233.98
Jun. 2013	Sequent Energy Management	\$ 235,150.00
Jun. 2013	Shell Energy	\$ 364,099.74
Jun. 2013	Southwestern Energy	\$ 149,235.95
Jun. 2013	Tampa Electric Company	\$ 163,889.28
Jun. 2013	Texla Energy Management, Inc	\$ 806,031.63
Jul. 2013	BG Energy	\$ 417,210.95
Jul. 2013	BP Energy	\$1,082,700.00
Jul. 2013	Chevron	\$ 635,104.08
Jul. 2013	Enbridge Marketing, LP	\$ 164,255.84
Jul. 2013	ETC Marketing, Ltd.	\$ 680,155.14
Jul. 2013	Florida Power & Light	\$ 123,803.74
Jul. 2013	Infinite Energy	\$3,271,985.17
Jul. 2013	Macquarie Cook Energy, LLC	\$1,036,336.08
Jul. 2013	NJR Energy Services	\$ 811,099.97
Jul. 2013	Sequent Energy Management	\$ 198,607.91
Jul. 2013	Shell Energy	\$ 812,423.66
Jul. 2013	Texla Energy Management, Inc.	\$ 227,822.13

COAL PURCHASES:

Jun. 2013	Crimson Coal Corporation	\$1,757,071.57
Jun. 2013	Foresight Coal Sales, LLC	\$ 471,141.19
Jun. 2013	JP Morgan	\$1,163,664.83
Jul. 2013	Crimson Coal Corporation	\$4,034,457.02
Jul. 2013	Foresight Coal Sales, LLC	\$ 500,882.91
Jul. 2013	Sunrise Coal Company	\$ 504,499.80
Jul. 2013	JP Morgan	\$ 569,599.43

2. Approval of a Capital Expenditure Estimate for Stanton Energy Center Combined Cycle Unit B Hot Gas Path and Steam Turbine Minor Inspection Project in the amount of \$8,478,500. Approval of a Disbursement of Funds to General Electric International, Inc. in the amount of \$7,878,500 for these inspections which is consistent with the price and payment terms set forth in the Contractual Service Agreement. Approval of a sole source Purchase Order to General Electric International, Inc. in the amount of \$600,000 for owner responsible and emergent work;
3. Approval of a sole source Purchase Order to Metso Minerals Industries, Inc. to provide material, equipment and technical field assistance for the Stanton Energy Center limestone ball mill trunnion bearing seal upgrade in the amount of \$138,000;

4. Approval of RFP #3502 – Contact award to TAW Power Systems, Inc., the lowest, most responsive and responsible vendor, to provide maintenance, inspection and repair services for the Water Production emergency generators in the amount of \$165,686, pending final contract negotiations and OUC legal review. The contract term includes three-years with two one-year renewal options;
5. Approval of three Electric & Water Distribution Construction Estimates for the LYNX Parramore Bus Rapid Transit Project in the aggregate amount of \$1,174,420.46 for construction, administration and inspection costs, inclusive of any work performed utilizing LYNX's contractor. Approval of two Purchase Orders to LYNX for reimbursement of construction costs in amounts not to exceed \$569,083.64 for electric associated work and \$481,317 for water associated work, should OUC exercise its option to utilize LYNX's contractor for the LYNX Parramore Bus Rapid Transit Project;
6. Approval of a RFP #3520 – Contact award to USIC Locating Services, Inc., the sole responsive and responsible vendor, to provide underground line locating services for underground electric, water, chilled water and fiber optic facilities in the amount of \$1,800,000. The contract term includes three-years with two one-year renewal options;
7. Approval of Change Request No. 1 to the Capital Expenditure Estimate for Phase II of the Enterprise Content Management System Project for Commission-wide rollout in the amount of \$848,580, increasing the total project cost to \$1,877,280;
8. Approval of a Capital Expenditure Estimate in the amount of \$884,092.46 for the HP-UNIX Server Upgrade Project. Approval of a sole source Purchase Order to Hewlett Packard Company for hardware, software and implementation services required for the HP-UNIX Server Upgrade Project in the amount of \$1,220,000. The contract includes four years of maintenance and support services;
9. Approval of RFP #3526 – Contract award to Integration Systems, LLC, the most responsive and responsible vendor, for video surveillance storage system hardware, software and installation services in the amount of \$210,616.08. The contract term includes four years of hardware and software maintenance;
10. Approval of Purchase Orders to Aetna Life Insurance Company in the amount of \$18,921,889 and Express Scripts, Inc. in the amount of \$5,188,711 for a total estimated medical program cost of \$24,110,600, for benefit rates effective January 1, 2014;

11. Approval of a Purchase Order in the amount of \$217,950 to de la Parte & Gilbert, P.A. to provide legal services for various water resource issues during Fiscal Year 2014;
12. Approval of RFP #3528 – Contract award to Wolf Consulting, Inc., the most responsive and responsible vendor, to provide well-building assessments and industrial hygiene services at OUC sites and legionella sampling at OUC's cooling towers in the amount of \$177,540. The contract term includes three-years with two one-year renewal options;
13. Pulled for separate vote;
14. Authorization for the General Manager & CEO to execute the Release of Easement for the Pineloch Wawa, for property located south of Pineloch Street and west of Orange Avenue; and
15. Pulled for separate vote.

On a motion by Commissioner Dominguez, and seconded by Commissioner Ferrone, Affirmative Items A-13 and A-15 were approved as follows:

13. Approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation and OUC for parcels 480.11R, 483.5R, 485.4R, 523.5R, 524.2R, 585.4R, 586.5R, 824.5R, 825.5R and 827.5R, located adjacent to Interstate 4 in the vicinity of Caravan Court, Oak Ridge Road and International Drive.
15. Approval for the General Manager & CEO to execute the Subordination of Utility Interests between the Florida Department of Transportation and OUC for parcels 480.11R, 483.5R, 485.4R, 523.5R, 524.2R, 585.4R, 586.5R, 824.5R, 825.5R and 827.5R, located adjacent to Interstate 4 in the vicinity of Caravan Court, Oak Ridge Road and International Drive.

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

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Mr. Ksionek asked Jan Aspuru to give a presentation on New Business item NB-1 regarding discussions with the Canaveral Port Authority for a potential partnership involving the use of the Indian River Plant (IRP) site. Mr. Aspuru explained that the 100 acre IRP was sold to Reliant Energy in 1999, and OUC

bought back the facility in 2011. OUC's goal for the IRP is to optimize its use and value while preserving the ability to build future generation. OUC has been approached by several different entities for potential beneficial uses of the IRP, including the Canaveral Port Authority for an inland port, multimodal cargo terminal.

A Multimodal Terminal Logistics Center is being proposed which would handle dry and liquid bulk material, import and export manufactured goods, load rail cars from barges, and have distribution centers around the area. The project will cost approximately \$23 million, and involve many partners, including the Florida East Coast Railroad, NASA, Brevard County and Florida Department of Transportation. The proposed facility would have minimal impact on existing generation operations and no impact on future generation expansion. The first phase will last 8-10 years. Regional benefits include removing 32,000 trucks from the road, easing traffic, saving fuel and creating 239 new jobs. Potential OUC benefits include a \$7 million investment on IRP site infrastructure and monthly lease revenues.

President Kirby reiterated the importance of making sure that whatever infrastructure changes are involved are done in a way that preserves OUC's options for the future use of the site. Commissioner Dominguez commented on the ideal timing for this project. Mr. Aspuru added that with recent layoffs in the area, there is a lot of community support for economic development.

Commissioner Ferrone inquired about specific locations of IRP and Port Canaveral on the various maps. Mr. Aspuru clarified the location of both sites.

Mayor Dyer asked which railway currently connects to the IRP and Mr. Aspuru replied that a Florida East Coast Railroad spur connects to the site.

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Mr. Ksionek asked Clint Bullock to give a presentation on New Business item NB-2 regarding the Centralized Transmission Operator Services. Mr. Bullock explained that OUC is under the jurisdiction Florida Reliability Coordination Council (FRCC) of the North American Electric Regulatory Commission (NERC). Under NERC requirements, OUC is registered as a Transmission Operator (TOP). A TOP is responsible for the operation of breakers and switches, ensuring sufficient resources to maintain voltage and monitoring real time system conditions to ensure that the bulk electric system is not overloaded.

Mr. Bullock explained that OUC is currently under Critical Infrastructure Protection (CIP) Version 3. OUC is the only Florida Municipal Power Agency (FMPA) member that identified critical cyber assets within the control center. Under CIP Version 5, assets within all electric utility TOP control centers will be considered critical. As the only FRCC utility to recently pass a CIP audit without a violation, OUC is uniquely positioned to offer centralized TOP services within the control center to other Florida utilities. This opportunity may save other

utilities millions of dollars by sharing the costs of one TOP member being CIP Version 5 compliant. Other utilities would avoid up-front investments, while OUC would receive a contribution toward fixed costs incurred to be compliant with CIP Version 3 and ultimately CIP Version 5. Liability would be reduced related to compliance costs, and the ultimate cost will be reduced due to a sharing mechanism related to these audits. Finally, there would be a reduction in operating expenses.

The FMPA and OUC will hold a workshop on October 16 and 17 to discuss this opportunity with other utilities and identify interested participants. OUC will then develop a formal proposal.

Commissioner Dominguez thanked Mr. Bullock on the clarity of the presentation. She inquired if this opportunity will increase the risk of violations during audits. Mr. Bullock stated that the risk of increased violations is incremental, as OUC is and must be compliant with current standards.

Commissioner Dominguez also asked whether the cost will change based on the number of participants. Mr. Bullock replied that the cost would change depending on the number and that there is a very small window for this service offering. The requirement for CIP Version 5 is currently scheduled for the first quarter of Fiscal Year 2015-2016. Utilities will need to decide quickly whether to self-perform or utilize OUC.

Commissioner Ferrone inquired whether this project just addresses CIP Version 5, or whether there are long-term shared services plans. Mr. Bullock replied that CIP Version 5 is the driver for the current project and working with other utilities. However, this does have the opportunity to develop into long-term agreements and additional services.

Commissioner Ferrone also asked if there was any idea how many utilities would participate in this project. Mr. Bullock replied that the current plan is to have utilities issue a letter of intent so a cost model can be developed based on the number of participating utilities.

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Commissioner Ferrone reported that the Finance Committee held its regular meeting on October 1, 2013. The Committee reviewed the quarterly management reports and received updates on upcoming request for proposals for the financing team. Over the next 18 months, the Finance Committee will review RFPs for financial advisors, underwriters and bond and disclosure counsel. The Finance Committee also received an update on the 2014 financing plan and the status of the Treasury Policy Consolidation Project.

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John Hearn reported that staff is in the process of closing the September numbers and will have an update ready for the next Audit Committee Meeting. Net income for Fiscal Year 2013 is predicted to be within \$5 million under budget. OUC had a \$25 million revenue shortfall, approximately \$16 million of which was recouped from lower operating expenses, and approximately \$4 million recouped from non-operating cost savings.

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Chris Browder reported on the progress of the negotiations with the Orlando Ballet in response to the discovery of mold at the Ivanhoe facility. The Ivanhoe Foundation and the Orlando Ballet utilize the retired Ivanhoe Power Plant building under a lease arrangement that has been in place since 1987. In August of this year, mold was detected in the building and OUC advised the Ivanhoe Foundation that they should move out all personnel and relocate their facilities while testing was performed to evaluate the extent of the mold issue. After testing showed extensive mold in the facility, OUC determined that the best course of action was to permanently terminate the lease with the Ivanhoe Foundation and keep everyone out of the building. OUC staff is drafting a short-term agreement with the Orlando Ballet and the Ivanhoe Foundation to allow them to move out, but store their props, instruments, and other materials in the Ivanhoe facility while the groups locate a new location for their operations. Under the short-term agreement, the Ivanhoe Foundation and all subtenants will surrender possession of the building to OUC and OUC will resume the operations and maintenance of the facility and evaluate the best use of the site in the future. This evaluation will consider what course of action would be in the best interest of the OUC ratepayers.

Commissioner Dominguez asked on the approximate duration of cleanup. Mr. Browder stated that there are multiple cleanup options which all take different periods of time. The exact cleanup procedure and duration will be determined at a later date.

Commissioner Lee inquired if OUC has considered any redevelopment strategies at the site. Mr. Browder said that staff has not yet considered development plans as the current lease was scheduled to be in place until 2027. Currently, OUC is evaluating the condition of the site and receiving quotes for various methods of cleanup.

Mr. Browder also reported on a recent court ruling on a wrongful death claim against OUC in Osceola County that has been pending since 2007. The court issued a directed verdict in favor of OUC. Mr. Browder praised the diligence of Carlos Woody and the rest of the Legal Department team that worked on the case, and stated that this is as an example of the types of long-term cases that the OUC Legal Department must manage.

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Mr. Ksionek asked Byron Knibbs to provide an update on OUC's sustainability programs. The Community Solar Farm at the Gardenia facility began operation on October 2, 2013, and can produce up to 400 kilowatts. Currently, 39 customers are subscribed to the solar farm, with a fixed customer rate of 13 cents per kilowatt hour. A ribbon cutting event is scheduled for October 29 at 10:30 a.m.

The Community Solar Farm Phase 2 will be located at the OUC Pershing operations facility. The first array will provide covered parking on the west parking lot. The second array will be constructed on top of the parking garage. Potential capacity will be in excess of 400 kilowatts, and it is scheduled to be completed in 2014. OUC will consider utilizing a reverse auction process to select the Power Purchase Agreement (PPA) vendor.

Mr. Knibbs stated that OUC has deployed 135 electric vehicle (EV) charging stations within the service area. Up to eight DC fast chargers will be deployed in 2014. OUC's Commercial Charging Station Rebate offers \$1,000 for commercial customers who wish to deploy a charging station on their property. Mr. Knibbs provided several statistics related to EVs. In 2012, Florida ranked second in the nation for EV sales and fourth in the nation for number of charging stations, with Orlando having the highest number of charging stations in the state. OUC's public chargers have provided nearly 10,000 charging sessions to date.

OUC is evaluating multiple residential and commercial business models for charging stations, including a residential EV incentive program, flat monthly rate access to public charging, a residential charging station purchasing program, workplace EV service offering and a multi-family EV program. OUC staff is currently performing market research and plans to conduct focus groups before the end of 2013. Program recommendations will be made by the first quarter of 2014.

Finally, OUC has been nominated for the Solar Electric Power Association's 2014 Municipal Utility of the Year Award for the innovative approach to implementing solar programs such as community solar, net metering and our solar production incentive. President Kirby will represent OUC at the awards ceremony.

President Kirby asked for clarification regarding potential residential charging station programs. Mr. Knibbs replied that OUC is aiming for turnkey programs as well as automobile programs that encourage customers to purchase electric vehicles. Because of the high number of apartment complexes in the Orlando area, OUC is developing programs to install charging stations in those areas.

Commissioner Ferrone asked where EV charging stations are most utilized. Jennifer Szaro replied that that most charging activity takes place in parking garages, shopping strips, and major facilities such as the convention center and the airport. She explained the importance of reaching the critical infrastructure locations in the community in order to insure there is proper coverage for EV

charging stations. Another high-usage location is workplaces, which is being driven by both companies and their employees. Corporate offices, apartment complexes and other facilities have inquired with OUC how to obtain EV charging stations in order to attract tenants. Mr. Knibbs also stated that customers can utilize phone applications to locate the closest charging stations and how long it will take to get there.

Commissioner Dominguez stated the importance of placing EV charging stations in strategic places such as work environments, in order to encourage customers to purchase EVs. Ms. Szaro stated that OUC will be addressing which types of organizations and businesses are looking for such assistance in focus groups, as well as how to offer such services for entities that would like to offer EV charging stations.

Mayor Dyer announced that Orlando has kicked off a program called Drive Electric Orlando, which is a partnership between Orlando rental car agencies, hotels and tourist attractions designed to offer vacationers and business travelers an exciting and convenient opportunity to use an eco-friendly car during their next trip. The City has also implemented a new car share program, which will utilize some EVs. Mayor Dyer asked how many OUC customers currently had installed solar systems through our solar programs, and Ms. Szaro replied 105.

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Mr. Ksionek asked Jerry Sullivan to provide a presentation on OUC's Customer Experience and related projects. Mr. Sullivan summarized several Customer Experience projects, including the web redesign, Interactive Voice Response (IVR), migration of St. Cloud accounts to the Orlando system, the addition of 400 payment centers and the closing of the walk-in service centers. He also summarized the Smart Grid projects (AMI meters and Meter Data Management) and the major Enterprise One (E1) upgrade. Projects for 2014-2015 include pre-paid meters, the Outage Management System (OMS) and upgrading the Customer Information System (CIS).

Mr. Sullivan recognized Hedi Ago, Bobby Nelson, Shekhar Shrinivasan, Harry Bryant, Charlene Berry, Heather Stearns, Ashish Smart, Teresa Manderson, Tara Parsons, Rhonda Stanley, Marie Gurskey, Jenise Osani, Deborah Spivey, Morgan Knezovich, Luz Aviles, Terry Torres and Janet Pinder for their work on the web projects. For the Enterprise One upgrade, he recognized Fred Yglesia Jr., Kathie Seal, Kirk Baker, Ben Stringer, Jeff White, Patti Petrone, Sherri Harley and Janet Pinder. He also recognized Stephen Snape, Brian Enright, Thomas Rindfuss, Tara Parsons, Skip Widman and Alicia Chiodo for their work on the IVR project. Stephen Snape, Brian Enright and Miguelina Reyes played a demonstration of both the English- and Spanish-language IVR. Skip Widman thanked the rest of the team for their work on designing the IVR speech recognition applications. Over 170 call flow design pages were developed.

Mr. Sullivan stated that the total authorized budget for the Customer Experience projects was \$8.5 million, with an estimate at completion of \$7.4 million, for a savings of \$1.1 million. For E1, the authorized budget was \$2.2 million with an estimate at completion of \$1.2 million. Meter Data Management had an authorized budget of \$6 million and an estimate at completion of \$5.5 million. Prepaid metering is scheduled to be on budget.

Mr. Sullivan also stated that Oracle would like OUC to submit an application for recognition as the Smart Grid utility of the year, an award given at the customer service convention in May 2014.

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Mr. Ksionek thanked the Commissioners for their attention and enthusiasm during the meeting, and for allowing staff to celebrate recent achievements.

Mr. Ksionek commented on the ongoing nine-week Stanton Energy Center outage, with \$30 million of Capital and Operations & Maintenance improvements. He recognized OUC staff on their efforts during this operation and keeping all the work on schedule.

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President Kirby read aloud a Proclamation declaring October 6-12 to be Public Power Week at OUC.

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Commissioner Lee thanked OUC for his recent tour of the Stanton Energy Center.

Commissioner Ferrone welcomed Commissioner Lee to the Board. She commented on the tremendous amount of activity and information presented during the meeting, and commended the management team for accomplishing this during a year in which OUC lowered operating costs.

Mayor Dyer stated his appreciation for OUC's solar efforts and electric vehicle infrastructure efforts. The Green Works Orlando Program is making Orlando the most sustainable city in the Southeast, and many of these components include partnership efforts with OUC. He appreciates the enthusiasm with which OUC has embraced sustainability efforts.

Commissioner Dominguez also commented on the abundance of information presented during the meeting. She thanked German Romero and Janie Wallace for their efforts involving employee health care and wellness. She congratulated all the teams who presented at the meeting.

President Kirby stated that he recently received dispute correspondence from retirees, and advised the Commissioners to coordinate with the Legal Department if they would prefer to receive a briefing. He commended OUC staff on their outstanding efforts with the Ivanhoe facility. He thanked OUC staff for the focus on Customer Experience. He reminded everyone about the ribbon cutting ceremony at the Community Solar Farm on October 29.

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President Kirby adjourned the meeting at 4:12 P.M.

President

Secretary