

**MINUTES**  
**July 9, 2024**  
**2:00 P.M.**

**Present:**

**COMMISSIONERS:**

Larry Mills, President  
Roger Chapin, First Vice President  
Britta Gross, Immediate Past President  
Buddy Dyer, Mayor

Clint Bullock, General Manager & Chief Executive Officer  
Attila Miszti, Chief Operating Officer  
Mindy Brenay, Chief Financial Officer – Ex Officio  
Christopher McCullion, Chief Financial Officer  
Linda Ferrone, Chief Customer & Marketing Officer  
Latisha Thompson, Chief Employee Experience Officer  
Michael Murtagh, Chief Transformation & Technology Officer  
Luz Aviles, LeMoyné Adams, Wade Gillingham, Jenise Osani, & Ken Zambito, Vice Presidents  
Frances Johnson, Recording Secretary

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The July 9, 2024 Budget Workshop of the Orlando Utilities Commission was held in person at the Orlando Utilities Commission's Reliable Plaza Commission Chambers.

President Mills asked Vince Preston to provide the Safety and Security protocols for the meeting.

The Budget Workshop was called to order at 2:01 P.M. President Mills noted that Commissioner Landman Gonzalez was not in attendance, acknowledging a quorum was present.

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Clint Bullock provided brief opening remarks, stating OUC continues to review public feedback related to the June 13<sup>th</sup> Pricing Roadmap Workshop. These communications continue to be shared with Commissioners and OUC continues provide responses and meet with stakeholders to clarify and address concerns. He stated OUC decided to take additional time to continue communication with stakeholders and to review and address concerns. Thus, the only item related to the Pricing Roadmap Workshop that will be presented at the meeting is Community Solar. He stated the earliest date to present topics related to the Pricing Roadmap is September.

**2025 Proposed Operating Budget & Five-Year Capital Plan**

Mindy Brenay began by highlighting that the 2025 Operating Budget and Five-Year Capital Plan (Budget) are aligned with OUC's Connect 2025 Strategic Plan.

Ms. Brenay stated that as usual, the operating budget is prepared using cost-recovery principles and the capital plan ensures reliability, affordability, sustainability, and resiliency for utility services and solutions, with a focus on two key initiatives, the Path to Clean Energy and the Path to Alternative Water Sources.

She stated recoverable costs are projected to increase 1.4 percent in 2025, detailing the primary drivers: a 4.2 percent decrease in fuel and purchase power; a 3.8 percent increase in non-fuel operating expenses driven by inflation and supply chain constraints; and increased net non-operating expenses of 10.3 percent in anticipation of new bonds to support the Capital Plan.

Ms. Brenay also provided an overview of the proposed Five-Year Capital Plan, which is projected to increase 9.5 percent, driven primarily by the impacts of the strategic roadmap projects representing 45 percent of the proposed plan, and core operations representing 55 percent of the proposed plan. As an overview of the strategic roadmap projects, she noted that funding has been provided for the Path to Clean Energy in the amount of \$77.1 million, and the Path to Alternative Water Sources in the amount of \$102.4 million, which represent 10 percent of the Capital Plan.

Commissioner Gross noted that funding for the Path to Clean Energy in the amount of \$77.1 million includes the Osceola Generating Station, which is having unexpected expenses as seen in the Affirmative Items portion of the meeting. She inquired about how OUC budgets for those types of unexpected expenses. Ms. Brenay provided insight, stating contingency funds are included in the Capital Plan for unexpected expenses.

Ms. Brenay continued by detailing the additional strategic roadmap initiatives representing 35 percent of the proposed Capital Plan, as well as additional initiatives to deliver on OUC's mission representing 55 percent of the proposed Capital Plan.

### **2025 Proposed Pricing Changes**

Ms. Brenay described the cost-recovery principles balancing sustainable, reliable, and innovative solutions used in customer pricing to deliver value while ensuring affordability.

Ms. Brenay summarized rate-neutral electric price changes consisting of \$1 increase in customer charge offset by 2.5 percent decrease in retail electric fuel charge, with the average residential customer monthly bill based on 1,000kWh remaining at \$125 per month. Additionally, designated funding of 1.0 percent from annual retail electric revenues in support of the Path to Clean Energy will remain consistent.

Ms. Brenay also highlighted the proposed rate options for OUC's community solar program, SunChoice, for residential and commercial customers, as well as proposed miscellaneous electric price changes for electric vehicles, commercial totalized metering riders, and cut seal trip charge service fee.

Ms. Brenay provided an overview of the proposed residential retail water price changes, which were designed in alignment with St. John's River Water Management District recommendations to promote conservation and align jurisdictional pricing differences. The proposed increase for retail residential water rate is \$1.39, and OUC's rates continue to be the lowest among peers. Additionally, she communicated a proposed recurring increase in developer assessed system development charges up to 12.5 percent to support the Path to Alternative Water Sources.

Ms. Brenay concluded by presenting the proposed lighting change, stating it's the second of three price adjustments for conventional lighting, an increase of 10 percent in October 2024. She clarified that conventional lighting prices have remained consistent since 2004 until the first 10 percent increase in January 2024, and the increases are driven by rising materials and labor prices.

Commissioner Gross noted that Community Solar is pegged to fuel pricing and requested clarification on how it helps with compliance. Ms. Brenay responded that FERC allows OUC to use a fuel stabilization adjustment that allows OUC to stabilize prices for commodity costs that are out of OUC's

control. She stated adding a small premium helps the Community Solar program be long lasting and prevent it from becoming cost prohibitive long term.

### **2025 Proposed Operating Revenues**

Chris McCullion provided an overview of the proposed 2025 Operating Revenues. He stated total revenues are proposed to increase 1.5 percent comprised of a 3.5 percent increase in electric non-fuel revenue, 4.2 percent decrease in electric fuel revenues, and 5.1 percent increase in water and other revenues.

### **2025 Annual Budget and Pricing Workshop Next Steps**

Mr. McCullion communicated that consideration of the adoption of the 2025 Operating Budget, acceptance of the Five-Year Capital Plan, and approval of proposed price changes will be presented at the August 13, 2024 Commission Meeting. Customers will be notified in September of pricing changes occurring in October.

He provided a financial recap, stating the Budget supports OUC's "AA" bond rating. He expressed gratitude to Ms. Brenay for working with him during their transition period and thanked the Financial Services team and the entire OUC team for their efforts and collaboration in preparing the Budget.

Refer to the appendix for more information.

No additional comments were provided by the Commissioners or members of the public.

**MOTION:** On a motion by Mayor Buddy Dyer, seconded by Commissioner Chapin and unanimously carried, the Budget Workshop was adjourned at 2:39 P.M.

# **APPENDIX**

## Budget Workshop

### 2025 Annual Budget & Pricing Workshop

# 2025 Annual Budget & Pricing Workshop



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Christopher McCullion –Chief Financial Officer

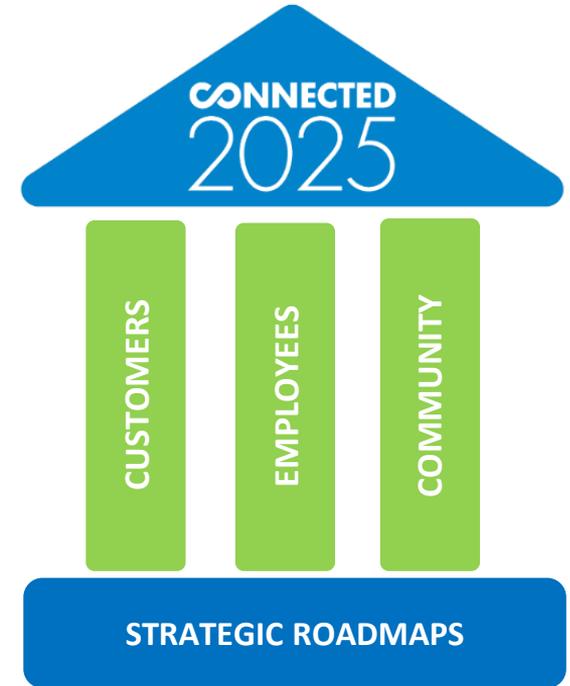
Mindy Brenay –Chief Financial Officer – Ex Officio

07/09/24

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# Connected 2025: Strategic Plan

- Vision
  - OUC is an innovative solutions leader and the partner of choice.
- Mission
  - To provide exceptional value to our customers and community through the delivery of sustainable and reliable services and solutions.
- Strategic Pillars
  - Customers, Employees, and Community
    - Strategic roadmaps aligned with our mission and vision
    - Prioritized to deliver stakeholder value



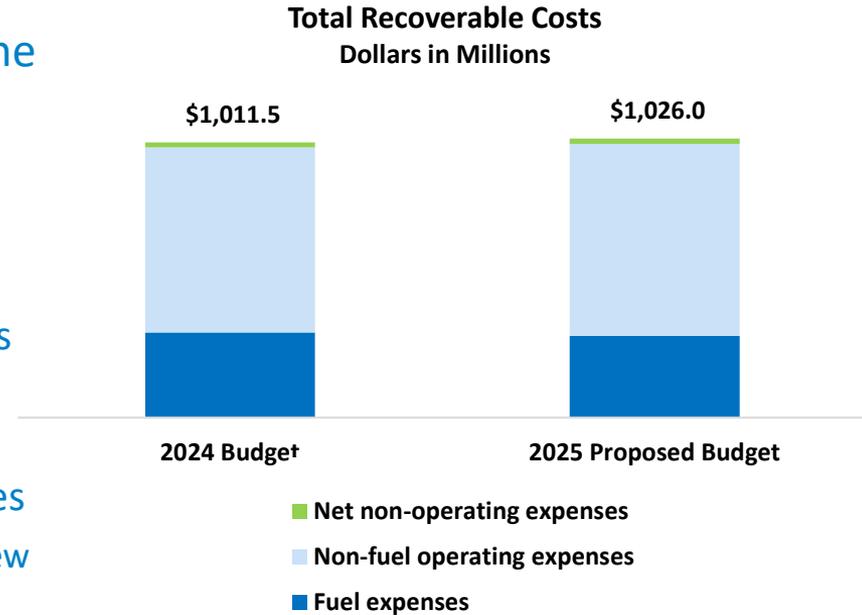
# 2025 Operating Budget & Five-Year Capital Plan

- Operating budget is prepared using cost-recovery principles
  - Customer pricing is designed to recover operating budget costs including a return, which is shared with the City of Orlando
  - Pricing is designed to be fair and equitable while providing customers with bill stability and price signals to promote conservation
- Five-year capital plan is prepared to ensure reliability, affordability, sustainability, and resiliency for utility services and solutions provided to our customers and community
  - Focus initiatives include the *Path to Clean Energy* and *Path to Alternative Water Sources*



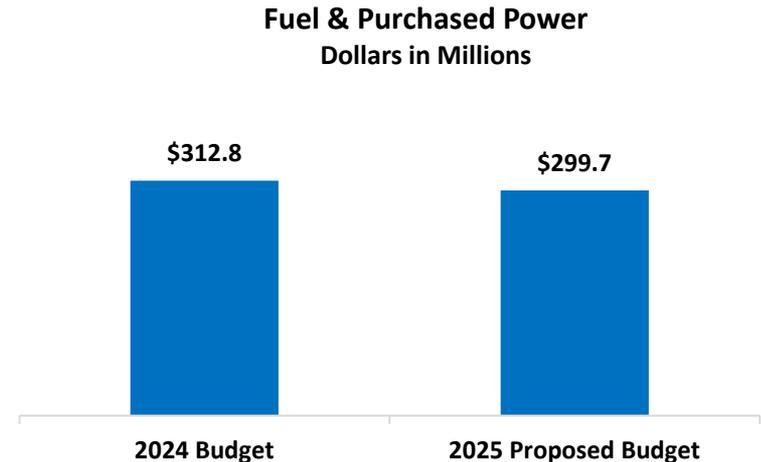
# 2025 Cost Recovery Overview

- Recoverable costs are projected to be 1.4% higher than the 2024 budget comprised of the following changes:
  - 4.2% decrease in fuel and purchased power expenses
    - Declining commodity expenses
  - 3.8% increase in non-fuel operating expenses
    - Driven primarily by impacts of inflation and supply chain constraints
  - 10.3% increase in net non-operating expenses
    - Increasing financing costs associated with new capital requirements



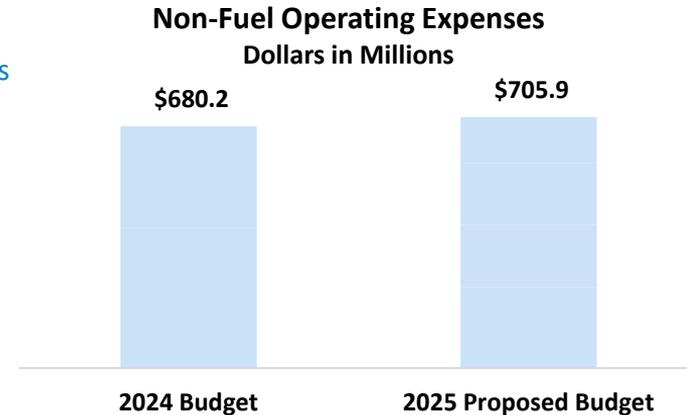
# Fuel and Purchased Power Expenses

- Rebalancing of fuel and purchased power expenses with a projected annual decrease of 4.2%
  - Lower projected commodity fuel costs
  - Offsetting clean energy costs with addition of two new 74.5 MW utility-scale solar farms
    - Renewable energy resources are projected to increase to 16% of total pass-through fuel costs
- Average cost per MWh is \$34.64
  - 11.0% decrease from 2024 budget inclusive of fossil fuel transportation costs



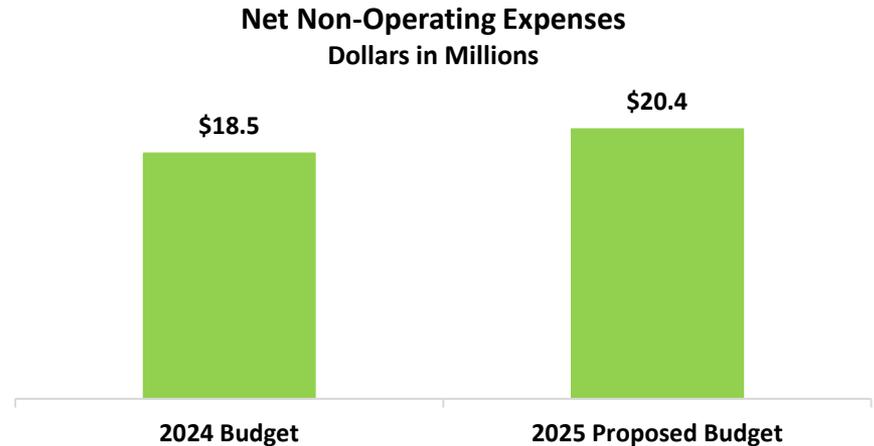
# Non-Fuel Operating Expense

- Projected annual increase of 3.8% in non-fuel operating expenses comprised of the following changes:
  - 8.0% increase in core operating costs
    - Third-party outside services including non-recurring *Path to Clean Energy* costs
    - First year costs for customer walk-in payment fees and St. Cloud Operations and Maintenance Center
  - 5.6% increase in labor and benefits
    - Increased headcount coupled with wage inflation offset by market valuation changes for benefit plan investments
  - 3.4% increase in capacity & other payments
    - Increased minority plant and market-driven utility expenses
    - First year costs for expanded SEC Unit A generation capacity
    - Formula-driven increase in annual dividend payment
  - 0.8% decrease in depreciation expenses
    - Project delays and deferred completion dates mitigate expense reductions



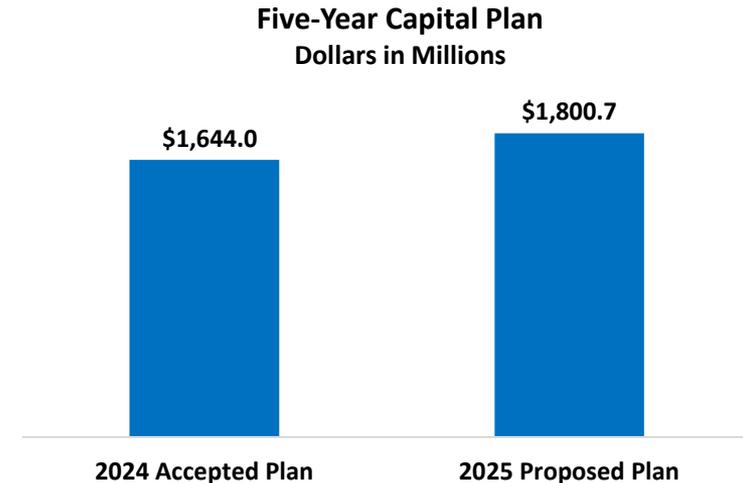
# Net Non-Operating Expenses

- 10.3% increase in net non-operating expenses
  - 41.5% increase in net interest expense in alignment with issuance of new bonds
    - Increase is compounded by projected decrease in market interest rates resulting in lower projected investment income
  - 100% decrease in regulatory decommissioning expenses
    - MacIntosh Unit 3 generation facility net book value and supporting landfill closure costs were fully recognized
  - 6.8% decrease in chilled water and back-up generation long-term agreement revenues accounted for as an offset to total net non-operating expenses



# Five-Year Capital Plan Focused on the Future

- Capital plan is projected to increase 9.5% compared to 2024 accepted plan
  - Large-scale water infrastructure projects including advancing the *Path to Alternative Water Sources* are primary drivers
  - Impacts from inflation, post-pandemic economic conditions, and transformational industry changes are also drivers
- Strategic roadmap projects represent 45.0% of total proposed plan or \$810.7 million
  - Roadmaps include *Path to Clean Energy, Path to Alternative Water Sources, Growth Optimization, Grid Hardening and Expansion, Water Quality, and Back-Office Optimization Strategy*
- Core operations represents 55.0% of proposed plan or \$990.0 million



# Five-Year Capital Plan Focused on the Future

- “North-star” projects in the *Path to Clean Energy* and *Alternative Water Sources* represent 10.0% of the proposed plan:
  - *Path to Clean Energy* – proposed \$77.1 million or 9.5% of the Strategic Roadmap Capital Plan
    - Transitioning from coal-fired generation to cleaner fuel sources, energizing OGS Units 1-3, expanding grid infrastructure to support new utility-scale solar generation, piloting energy storage, and evaluating emerging technologies
  - *Path to Alternative Water Sources* – proposed \$102.4 million or 12.6% of the Strategic Roadmap Capital Plan
    - Advancing diversified resources includes construction of Southeast Reverse Osmosis Water Treatment Plant, in partnership with environmental and regulatory oversight, and working with other municipalities to advance initiatives through the Central Florida Water Initiative consortium



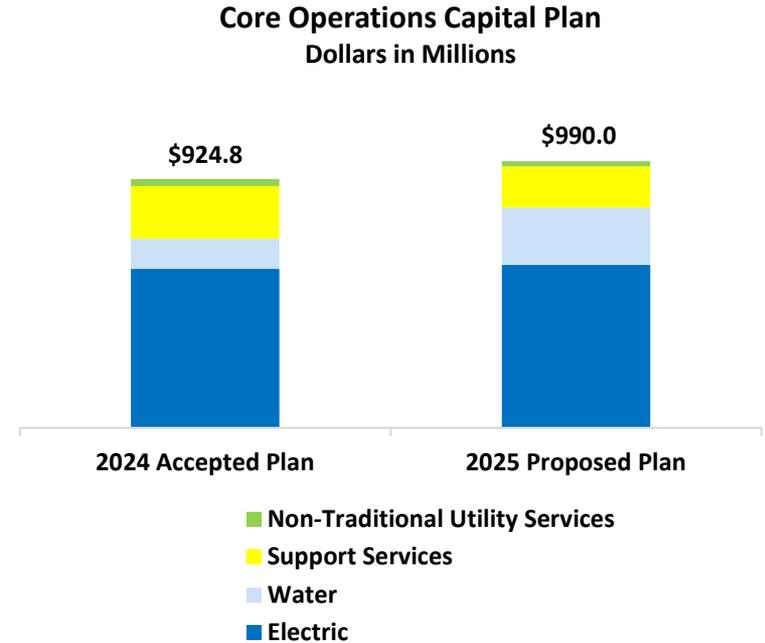
# Five-Year Capital Plan Focused on the Future

- Additional strategic roadmap capital plan initiatives represent 35.0% of the proposed plan:
  - *Growth Optimization – \$285.1 million or 35.2% of strategic roadmap capital plan*
    - Projects to support growing demand for new energy services, expanding chilled water facilities, vehicle electrification, and other services/solutions
  - *Grid Hardening and Expansion – \$209.4 million or 25.8% of strategic roadmap capital plan*
    - Projects designed to increase energy transfer capabilities including installation of new downtown Orlando 230kV transmission source and new smart utility advanced distribution technologies
  - *Water Quality – \$103.2 million or 12.7% of strategic roadmap capital plan*
    - Continued development of innovative, efficient, and reliable solutions to deliver high quality water
  - *Back-Office Optimization Strategy and Other Strategic Roadmaps – \$33.5 million or 4.2% of strategic roadmap capital plan*
    - Customer and employee-facing technology transformation advancements including system-wide replacement of digital water meters



# Five-Year Capital Plan Focused on the Future

- The capital plan also includes initiatives to deliver on our mission represent 55.0% of the proposed plan
  - *Electric Core Operating Capital Plan:* Transmission reliability initiatives, generation capital improvements, and energy delivery reliability projects of \$603.0 million or 60.9% of the Core Operating Capital Plan
  - *Water Core Capital Plan:* Renewal and replacement initiatives, water production plant upgrades, new service, and backflow device installations of \$211.5 million or 21.4% of the Core Operating Capital Plan
  - *Support Services Core Capital Plan:* Technology, fleet, and facility initiatives and funding for build-out of St. Cloud Operations & Maintenance Center of \$152.9 million or 15.4% of the Core Operating Capital Plan
  - *Non-Traditional Core Capital Plan:* Conventional, indoor lighting initiatives, and existing chilled water infrastructure upgrades of \$22.6 million or 2.3% of the Core Operating Capital Plan



# 2025 Proposed Pricing Changes

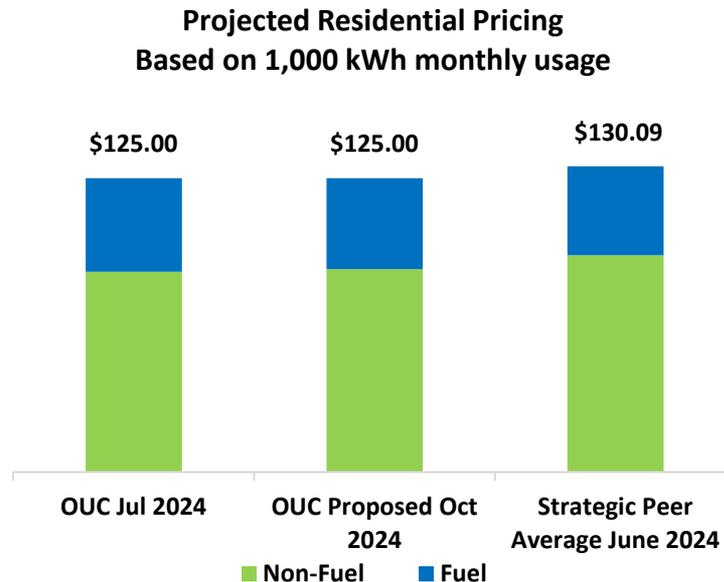
# Delivering Customer Value

- Customer pricing uses long-honored cost-recovery principles balancing sustainable, reliable, and innovative solutions
  - Price stability and predictability
    - Protecting customers from cost volatility
    - Allowing customers to budget for services
  - Fairness and equity
    - Ensuring cost allocation best reflects how diverse customers use utility services
  - Conservation
    - Providing customers with price signals that encourage prudent energy and water usage
- Consistently measured to strategic targets



# 2025 Proposed Electric Price Changes

- Proposed October 2024 electric retail price changes
  - 2.5% decrease in retail electric fuel prices across all customer segments
    - Easing natural gas prices and abating coal commodity access challenges
  - Offsetting retail non-fuel electric charges and customer charge price changes
    - Residential customer charge increase
    - Commercial price change incorporates non-fuel electric price changes and customer charge increase
- Path to Clean Energy 1.0% retail price increase approved in 2024 is not required this year



*Residential 1,000 kWh bill  
remains at \$125*

# SunChoice Community Solar Options

- Residential program
  - Reopen current community solar offering for new subscribers with modified premium-based pricing design
    - \$0.007 per kWh above retail fuel price
- Commercial program
  - Three-tiered subscription community solar offering includes transfer of renewable energy certificate:
    - \$0.010 per kWh for first 30% of average monthly consumption
    - \$0.025 per kWh for next 40% of average monthly consumption
    - \$0.045 per kWh for last 30% of average monthly consumption



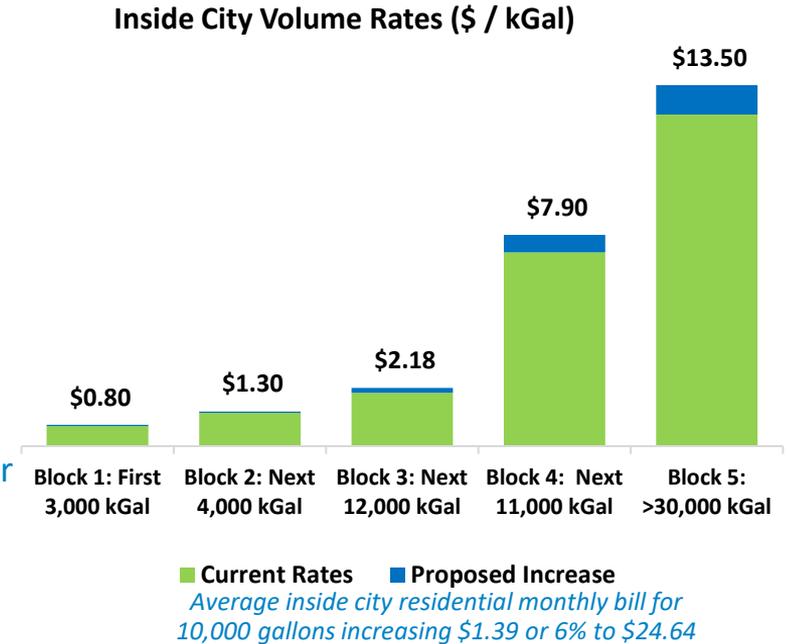
# Proposed Miscellaneous Electric Changes

- OUC-provided public charging for electric vehicles
  - Expanding tariff rider to include Level 2 chargers
  - Increase Level 2 and Level 3 energy charges to reflect market conditions
    - Level 2 – 20¢ / kWh
    - Level 3 – 40¢ / kWh
- Other service fee changes
  - Commercial totalized metering rider
    - Closing rider to new customers, metering configuration changes for current customers, and adjusting channel charges to collect associated metering and administrative costs
  - Cut seal trip charge service fee
    - New one-time charge to collect non-fraudulent (theft, tampering, or unauthorized use) costs associated with customer-severed meter box seals



# Proposed Water Price Changes

- October 2024 proposed retail price increase promotes conservation
  - Aligned with water management district
  - Second of two-year jurisdictional alignment
- Cost to serve new construction increasing
  - In tandem with *Path to Alternative Water Sources*, system development charges are proposed to increase 12.5%
    - Pricing change continues to achieve strategic peer average target
    - Changes driven by rising costs



# Proposed Lighting Changes

- Second of three price adjustments increasing conventional lighting pricing by 10% in October 2024 and 2025
  - First 10% increase was January 2024
  - Underlying cost of materials and labor increases are contributing factors
- OUConvenient Lighting service agreement for new projects updated to clarify contractual language

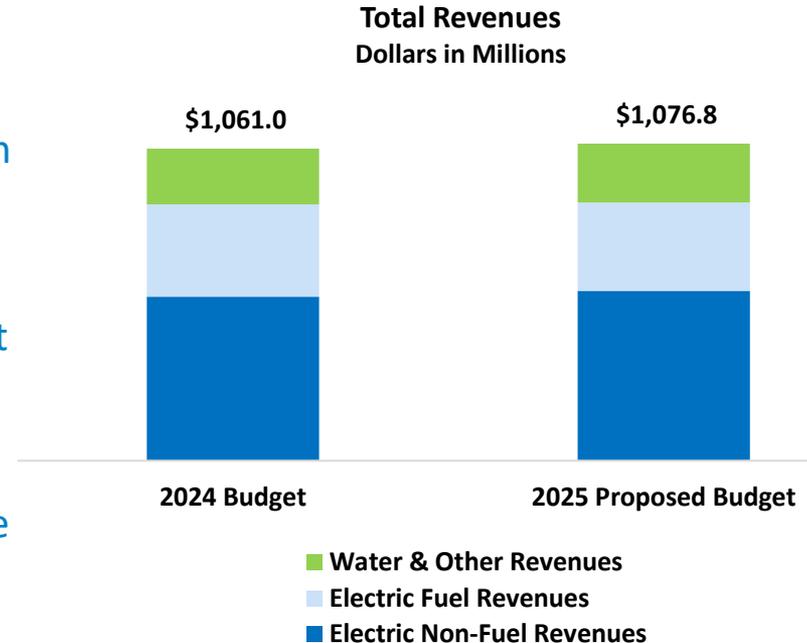


# 2025 Proposed Operating Revenues

*Cost-Recovery Based*

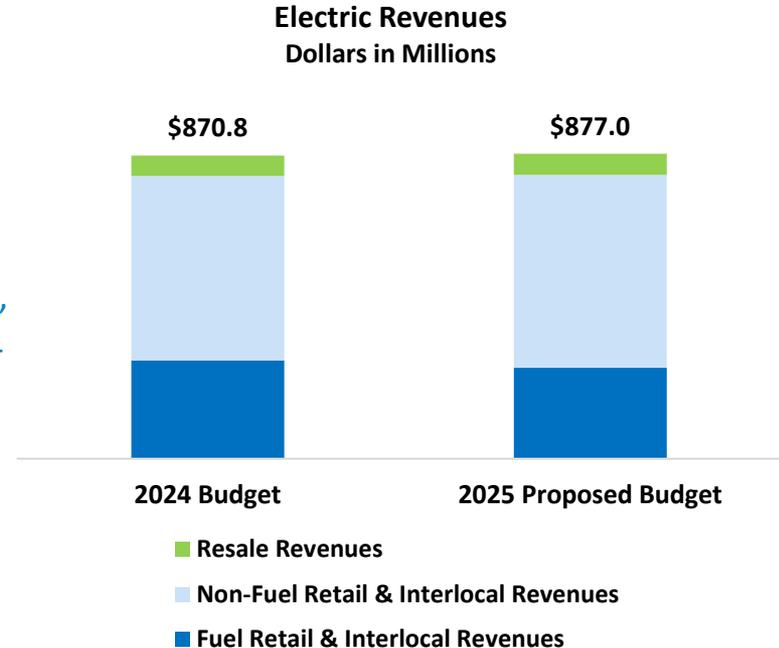
# Revenue Overview

- 1.5% proposed increase in total revenues comprised of the following changes:
  - 3.5% increase in electric non-fuel revenues driven by customer growth and rebalancing of price components
  - 4.2% decrease in electric fuel revenues as a result of lower fuel expenses
  - 5.1% increase in water and other revenues primarily driven by proposed water price increase to promote conservation



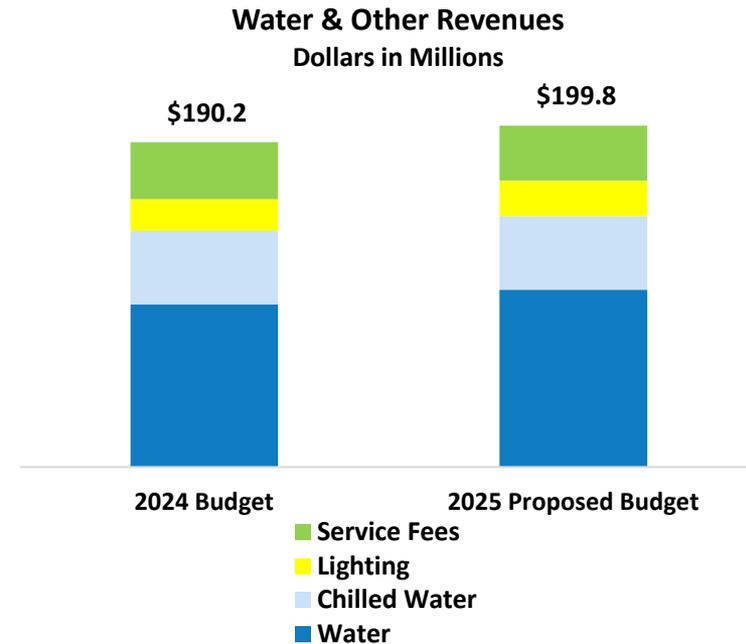
# Electric Revenues

- Less than a 1.0% increase in total electric revenues
  - 7.4% decrease in electric fuel revenues from lower commodity costs and reserves reaching target levels
  - 4.5% increase in non-fuel electric retail and interlocal revenues derived from a combination of customer growth, revenue neutral price change, and the recognition of 2024 deferred costs
    - Price change allows for average residential customer using 1,000 kWh per month to allow pricing to remain at \$125/month
  - 6.2% increase in resale revenues from projected higher volume of spot market sales offset by expiring firm wholesale contract



# Water & Other Revenues

- 5.1% increase in water and other revenues
  - 9.2% increase in water revenues from the alignment of jurisdictional price changes, conservation-focused price increases, and customer growth
  - No change in chilled water revenues as contracted rate increases are proposed to offset market-driven fuel price decreases
  - 1.7% increase in service fees & lighting primarily due to proposed conventional lighting price changes



# Next Steps

- Board action for consideration at the August 13, 2024, Commission Meeting
  - Adopt 2025 Operating Budget
  - Accept Five-Year Capital Plan
  - Approval of 2025 pricing changes
- Customers will be notified in September for changes effective October 1, 2024

# Financial Recap

- 2025 Operating Budget, Five-Year Capital Plan and 2025 pricing changes support OUC's "AA" bond rating
  - Supported with strong financial metrics
  - Reviewed annually by Moody's, Standard & Poor's, and Fitch Rating
- OUC's ratings were reaffirmed in 2024
  - Financial leadership transition shared with rating agencies to committed financial stewardship

Operating Budget and Capital Plan support "AA" bond ratings

