

**MINUTES**  
**July 8, 2025**  
**2:00 P.M.**

**Present:**

**COMMISSIONERS:**

Larry Mills, President

Roger Chapin, First Vice President

Linda Landman Gonzalez, Second Vice President

Britta Gross, Commissioner

Buddy Dyer, Mayor

Clint Bullock, General Manager & Chief Executive Officer

Attila Miszt, Chief Operating Officer

Carlos Woody, Chief Deputy General Counsel

Linda Ferrone, Chief Customer & Marketing Officer

Christopher McCullion, Chief Financial Officer

Michael Murtagh, Chief Transformation & Technology Officer

Latisha Thompson, Chief Employee Experience Officer

LeMoyne Adams, Orlando Alancastro, Luz Aviles, Jaison Busby, Jenise Osani, Vice Presidents

Frances Johnson, Recording Secretary

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The July 8, 2025 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 acknowledged a full quorum was present.

\* \* \*

Clint Bullock provided brief opening remarks

**2026 Proposed Operating Budget & Five-Year Capital Plan**

Chris McCullion commenced by noting that the 2026 Operating Budget and Five-Year Capital Plan have been strategically aligned with OUC's strategic plan. He provided details on the 2026 Cost Recovery, indicating that total recoverable costs are expected to be 11% higher than the Fiscal Year (FY) 2025 budget. This includes a 26.5% rise in fuel and purchased power expenses, a 3.5% increase in non-fuel operating expenses, and a 41.2% increase in net non-operating expenses for FY 2025–2026.

He elaborated on the Fuel and Purchased Power Expenses, which were rebalanced with a projected increase of 26.5%. He also noted the anticipated 3.5% rise in non-fuel operating expenses and the substantial 41.2% growth in net non-operating expenses.

Mr. McCullion continued with a detailed overview of the Five-Year Capital Plan, highlighting a 7.8% increase compared to the FY 2025 accepted plan. He noted that strategic roadmap projects represent 44.3% of the total proposed plan, while core operations account for 55.7%.

## **2026 Proposed Pricing Changes**

Mr. McCullion briefly highlighted the methods by which OUC delivers customer value. He then summarized the proposed electric fuel rate changes for 2026, explaining that there will be no change to the retail non-fuel electric rates. However, the escalation in natural gas commodity prices has prompted a 0.9¢/kWh increase in retail electric fuel rates across all customer segments. As a result, the residential 1,000 kWh bill is expected to increase by 7.2%, from \$125 to \$134 with an effective date of October 1, 2025. He emphasized that fuel expenses are passed through to customers.

Mr. McCullion also addressed the proposed increase to OUC's electric Contributions In Aid of Construction (CIAC) for commercial and multi-family developments. These changes are scheduled to take effect on January 1, 2026. Furthermore, he mentioned that OUC would be updating the new construction residential subdivision per lot refundable fee and engineering fee.

He provided an overview of the proposed water rate changes which will be effective on October 1, 2025 and indicated that the cost to serve new construction is expected to rise in January 2026. Additionally, he outlined proposed miscellaneous changes, which include updates to OUConvenient Lighting service agreements, the non-standard electric meter rider, and the service fee for multiple meter sets (electric and water).

## **2026 Proposed Operating Revenues**

Chris McCullion summarized the projected 2026 operating revenues, noting a total increase of 10.6%. This is primarily due to higher fuel expenses boosting electric revenue, increased water revenue from conservation efforts, and increases in other revenues such as lighting services and chilled water.

## **2026 Annual Budget and Pricing Workshop Next Steps**

Mr. McCullion outlined the next steps, summarizing the board actions for consideration at the August 12, 2025, Commission Meeting. These actions include adopting the FY 2026 operating budget, accepting the five-year capital plan, and approving the FY 2026 pricing changes. He noted that customers will be notified in September about changes effective October 1, 2025, while builders and developers will be informed by October 2025 regarding electric CIAC and water system development charge changes effective January 1, 2026.

He concluded by emphasizing OUC's financial strength, stating that the budget supports its "AA" bond rating. He expressed appreciation to the Financial Services team and the entire OUC organization for their dedication 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 Commissioner Chapin, seconded by Mayor Buddy Dyer and unanimously carried, the Budget Workshop was adjourned at 2:27 P.M.

# FY 2026 Annual Budget & Pricing Workshop

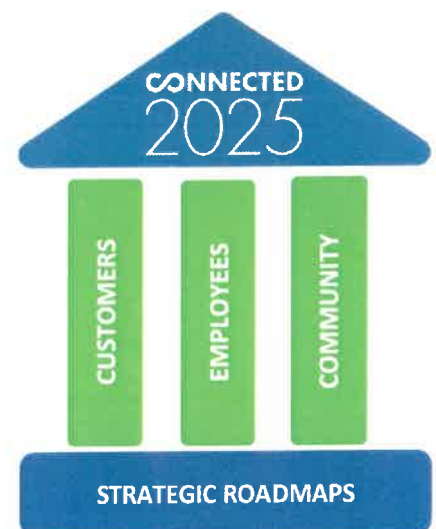


Christopher McCullion – Chief Financial Officer

07/08/25

## Connected 2025: Strategic Plan

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



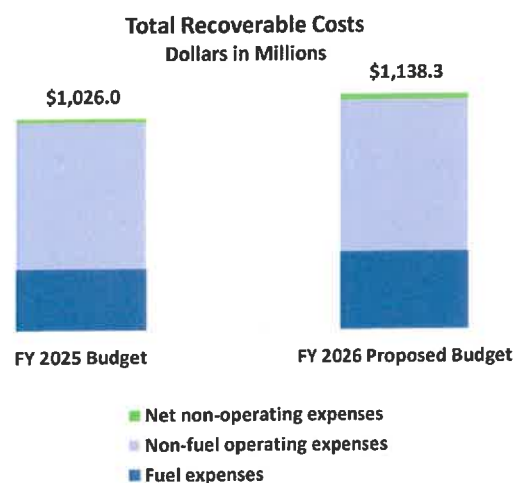
# FY 2026 Operating Budget & Five-Year Capital Plan

- Operating budget is prepared using cost-recovery principles
  - Customer pricing is designed to recover operating 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



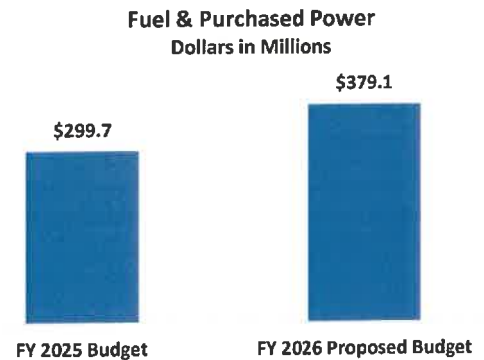
## FY 2026 Cost Recovery Overview

- Total recoverable costs are projected to be 11% higher than the FY 2025 budget
  - 26.5% increase in fuel and purchased power expenses FY 25 to FY 26
    - Increasing commodity expenses
  - 3.5% increase in non-fuel operating expenses FY 25 to FY 26
    - Driven primarily by impacts of inflation
  - 41.2% increase in net non-operating expenses FY 25 to 26
    - Increasing financing costs associated with capital plan requirements



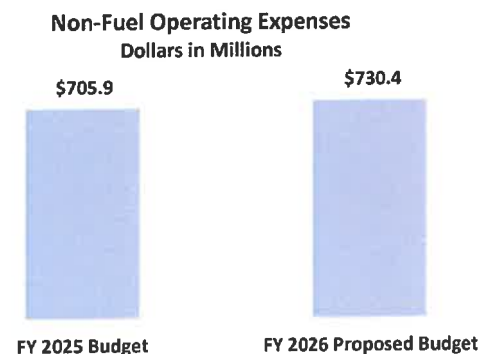
# Fuel and Purchased Power Expenses

- Rebalancing of fuel and purchased power expenses with a projected increase of 26.5%
  - Higher projected commodity fuel costs
    - Natural gas prices are projected to increase 26.1%
  - Renewable energy resources are projected to be 11.1% of total pass-through fuel costs
  - Average cost per MWh is projected to be \$43.21
    - 24.8% increase from FY 2025 budget inclusive of fossil fuel transportation costs



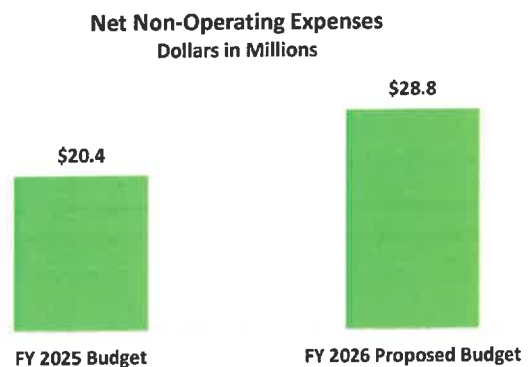
# Non-Fuel Operating Expense

- Projected increase of 3.5% in non-fuel operating
  - 7.6% increase in labor and benefits
    - Increased headcount, in some cases offset by reductions in outside services and contract labor, coupled with wage inflation and increased medical expenses
  - 6.2% increase in capacity & other payments
    - Formula-driven increase in annual dividend and supplemental payments
  - 3.8% decrease in depreciation expenses
    - Due to Stanton Unit 1 becoming fully depreciated
  - 2.2% increase in other operating costs
    - Driven primarily by impacts of inflation



# Net Non-Operating Expenses

- 41.2% increase in net non-operating expenses
  - 11.2% increase interest expense in alignment with issuance of new bond
    - \$200 million borrowing included in FY26
  - 5.6% decrease in interest income
    - Spend in alignment with the capital plan coupled with a projected decline in short term interest rates



# Five-Year Capital Plan Focused on the Future

- Capital plan is projected to increase 7.8% compared to FY 2025 accepted plan
  - Primary drivers are electric distribution projects to support growing demand for new energy services, grid hardening infrastructure upgrades and transmission projects designed to increase energy transfer capabilities
- Strategic roadmap projects represent 44.3% of total proposed plan or \$858.9 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 55.7% of total proposed plan or \$1,083.1 million



## Five-Year Capital Plan Focused on the Future

- Strategic roadmap capital plan initiatives represent 35.6% of the proposed plan:
  - Growth Optimization* – \$309.7 million or 36.0% 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* – \$238.4 million or 27.7% of strategic roadmap capital plan
    - Projects designed to increase energy transfer capabilities including installation of new Downtown Orlando 230kV transmission source, grid hardening to improve reliability and resiliency and water main upgrade on Summerlin Ave. coupled with new smart utility advanced distribution technologies
  - Water Quality* – \$95.8 million or 11.2% 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* – \$46.0 million or 5.4% of strategic roadmap capital plan
    - Customer and employee-facing technology transformation advancements including PeakSHIFT and interactive voice response upgrades

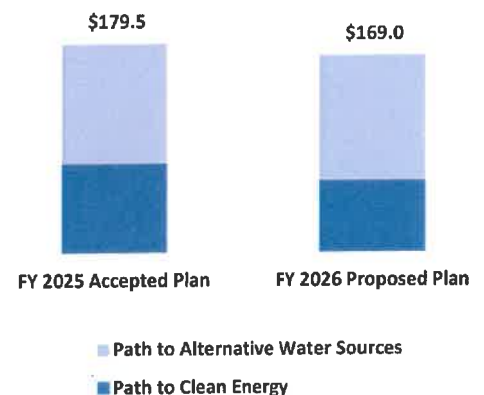
Strategic Roadmap Capital Plan  
Dollars in Millions



## Five-Year Capital Plan Focused on the Future

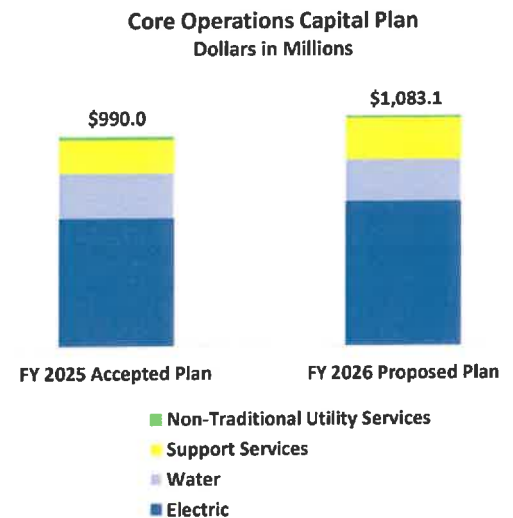
- Additional strategic roadmap initiatives include “North-star” projects in the *Path to Clean Energy* and *Alternative Water Sources* represent 8.7% of the proposed plan:
  - Path to Clean Energy* – proposed \$62.0 million or 7.2% of the Strategic Roadmap Capital Plan
    - Transitioning from SEC Unit 1 coal-fired generation to a cleaner fuel source with the completion of return to service for all three units at the Osceola Generation Station, expanding grid infrastructure to support new utility-scale solar generation, piloting energy storage, and evaluating emerging technologies
  - Path to Alternative Water Sources* – proposed \$107.0 million or 12.5% 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

Strategic Roadmap Capital Plan  
Dollars in Millions



# Five-Year Capital Plan Focused on the Future

- The capital plan also includes initiatives to deliver on our mission, representing 55.7% of the proposed plan
  - *Electric Core Operating Capital Plan:* Transmission reliability initiatives, generation capital improvements, and energy delivery reliability projects of \$679.2 million or 62.7% of the Core Operating Capital Plan
  - *Water Core Capital Plan:* Distribution renewal and replacement initiatives, water production plant upgrades, new service and backflow device installations of \$195.8 million or 18.1% 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 \$190.1 million or 17.6% of the Core Operating Capital Plan
  - *Non-Traditional Core Capital Plan:* Conventional and indoor lighting initiatives and existing chilled water infrastructure upgrades of \$18.0 million or 1.6% of the Core Operating Capital Plan



## FY 2026 Proposed Pricing Changes

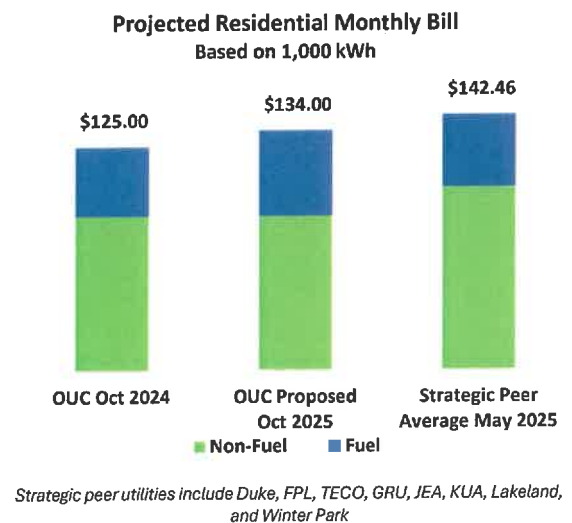
# Delivering Customer Value

- 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



## FY 2026 Proposed Electric Fuel Rate Change

- Proposed October 2025 electric retail rate change
  - No change to retail non-fuel electric rates
  - Escalating natural gas commodity prices driving need for 0.9¢/kWh increase in retail electric fuel rates across all customer segments
    - Fuel expenses are passed through to customers
      - Residential fuel rates have ranged from 2.95¢/kWh to 7.05¢/kWh over the past 5-years
    - Residential fuel rate increasing from 3.86¢/kWh to 4.76¢/kWh
  - Residential 1,000 kWh bill increasing 7.2% from \$125 to \$134



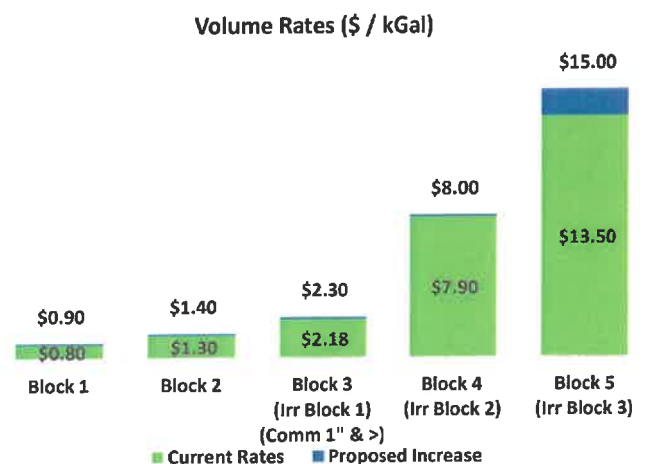
# Electric Contributions in Aid of Construction (CIAC)

- Increasing electric infrastructure costs have escalated the incremental costs between overhead and underground service
- CIAC for commercial and multi-family are proposed to increase January 1, 2026
  - On-site CIAC (transformers, primary cable, etc.)
    - Increasing from 23% to 39% of total on-site costs
  - Off-site CIAC (duct bank system)
    - Developer installed duct bank increasing from \$28/kVA to \$30/kVA
    - OUC installed duct bank increasing from \$96/kVA to \$113/kVA
- Update new construction residential subdivision per lot refundable fee and engineering fee



# Proposed Water Rate Changes

- October 2025 proposed retail rate increase promotes conservation
  - Average monthly residential bill increasing by \$1.06 to \$25.70 and continues to be well under the \$41.94 strategic peer average
- Cost to serve new construction increasing Jan 2026
  - System Development Charge (SDC) proposed to increase 12.5%
    - Remove SDC for temporary water service where reclaim will be available in the future – not charged in 10+ years
  - One time connection / installation charges proposed to increase for new meter sets:
    - Most common configuration increasing from \$830 to \$920



Residential monthly bill for 10,000 gallons increasing \$1.06 or 4.3% to \$25.70

## Proposed Miscellaneous Changes

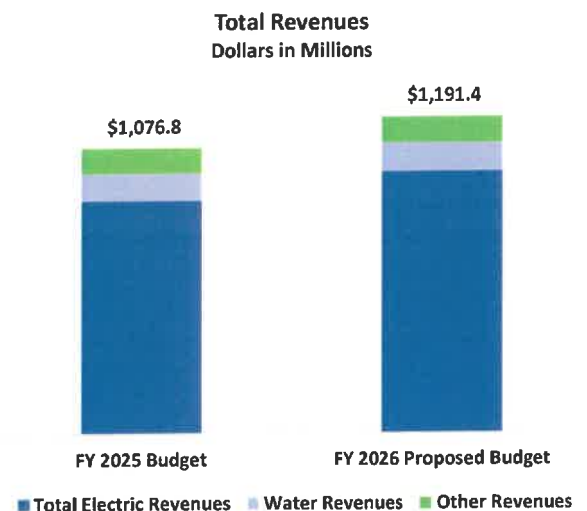
- OUConvenient Lighting service agreements:
  - Clarified language in current 20-year agreement
  - New 10-year agreement for existing customers wishing to continue with lighting service beyond initial term
- Non-standard electric meter rider
  - Sunsetting optional tariff for customers electing to have a non-standard meter requiring a manual meter read
- Multiple meter sets service fee (electric & water)
  - Language clarification



## FY 2026 Proposed Operating Revenues

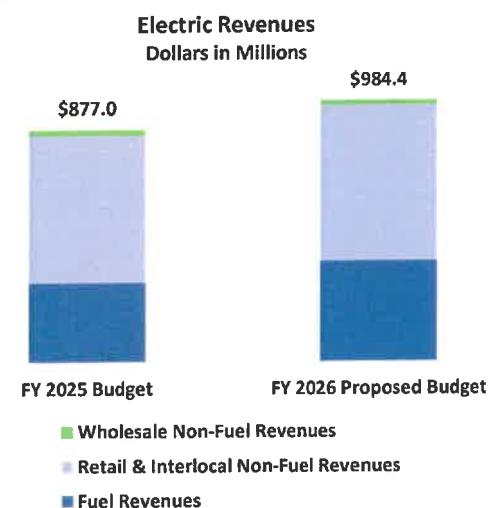
# FY 2026 Revenue Overview

- Total revenues are projected to be 10.6% higher than the FY 2025 budget
  - 12.2% increase in electric revenues driven by higher fuel expenses and customer growth
  - 4.1% increase in water revenues driven by proposed water rate increase to promote conservation
  - 3.1% increase in other revenues driven by lighting services and chilled water



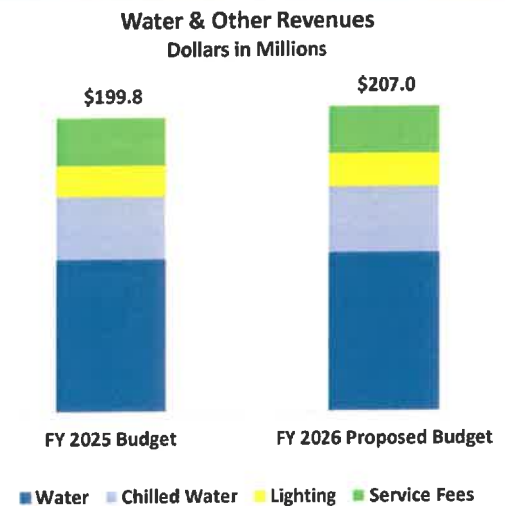
# Electric Revenues

- 12.2% increase in total electric revenues
  - 26.5% increase in fuel revenues from higher commodity costs and customer growth
  - 6.0% increase in non-fuel retail and interlocal revenues due to customer growth and expansions by large customers
  - 23.4% decrease in wholesale non-fuel revenues from expiring firm wholesale contracts



# Water & Other Revenues

- 4.1% increase in water revenues from conservation-focused price increases and customer growth
- 3.1% increase in other revenues
  - 4.2% increase in chilled water revenues due to GOAA and Epic Universe
  - 7.2% increase in lighting primarily due to sales growth and contractual rate increases
  - 0.9% decrease in service fees revenue due to lower utility participant member from SEC Unit 1



# Next Steps

- Board action for consideration at the August 12, 2025, Commission Meeting
  - Adopt FY 2026 Operating Budget
  - Accept Five-Year Capital Plan
  - Approval of FY 2026 pricing changes
- Customers will be notified in September for changes effective October 1, 2025
- Builders and developers will be notified by October 2025 for electric CIAC and water SDC changes effective January 1, 2026

# OUC's Financial Health is Strong

- FY 2026 Operating Budget, Five-Year Capital Plan and FY 2026 pricing changes support OUC's "AA" bond ratings by maintaining strong financial metrics that align with rating agency criteria
- OUC's ratings are reviewed annually by Moody's, Fitch and S&P, and were reaffirmed in 2025



# OUC's Financial Health is Strong

- Rating Agency Perspectives:
  - **S&P** – “The commission's financial performance has consistently supported the rating on the utility's debt...”
  - **Fitch** – “The ‘AA’ Issuer Default Rating... reflects the utility’s very low leverage in the context of its very strong revenue defensibility and operating risk profiles...”
- **Moody’s**
  - “... credit profile reflects OUC's robust financial performance”
  - “OUC also has ample liquidity, a diverse generation supply portfolio and charges reasonably competitive electric rates compared to its peers in Florida, all positive rating considerations.”
  - “OUC's diverse power supply mix helps it maintain adequate reserves and flexibility to respond to energy market changes”

**S&P Global**  
Ratings

**Fitch**Ratings

**MOODY'S**  
RATINGS