

**BUDGET WORKSHOP MINUTES
ORLANDO UTILITIES COMMISSION
July 22, 2014
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

The Budget Workshop of the Orlando Utilities Commission was held Tuesday, July 22, 2014, at 2:05 P.M., at the Orlando Utilities Commission's Reliable Plaza Commission Chambers.

Ken Ksionek provided brief opening remarks explaining the purpose of this Workshop.

John Hearn stated that the proposed 2015 Capital Plan and Operating Budget takes into account OUC's increasing commitment to sustainability along with changing regulatory requirements. The Budget also works to meet OUC's Strategic Plan goals and maintain rate competitiveness.

The proposed Budget and Capital Plan will be presented to the Commission on August 26, 2014 for approval and adoption. Mr. Hearn thanked his staff for their work on the Budget and Capital Plan.

Commissioner Dominguez asked for clarification regarding the estimated \$98.4 million for regulatory and environmental improvements to generation facilities. Mr. Hearn stated that the dollar amount of the investment is dependent on the impact of the Environmental Protection Agency (EPA) rules. Jan Aspuru stated that clarification on the Cross-State Air Pollution Rule (CSAPR) should come from the EPA in 2017. Chip Merriam stated that clarification on the carbon-reduction recommendation is dependent on additional rulemaking and challenges.

Commissioner Dominguez expressed her concern about unknowns affecting OUC's ability to act on items in the Budget and Capital Plan. President Kirby also expressed his concern on trying to obtain clarity in the current uncertain regulatory environment.

Commissioner Lee asked for additional clarification on the response date for the EPA rules. Mr. Merriam stated that comments are due within 120 days, which the EPA will then review. Final responses are due June 15, 2015.

Mr. Ksionek assured the Commissioners that OUC has planned for and performed certain work in coordination with changing regulatory actions including engineering for various procurements associated with SEC Unit 1 selective catalytic reduction.

Commissioner Ferrone asked how the June 10, 2014 Sustainability Workshop is reflected in the Budget and Capital Plan. Mr. Hearn stated that funds in the Conservation and Renewables Division have been allocated for sustainability initiatives and strategies that were discussed at the workshop. Other funds will come from the Capital Plan and designated accounts. He clarified that the projects discussed to meet the base case scenario are built into the Operating Budget and Capital Plan.

Commissioner Dominguez expressed her desire to implement slow, incremental rate increases in light of the current regulatory uncertainty, instead of a large increase in the future. Commissioner Ferrone asked about OUC's history of rate increases and what type of rate increase works best for customers.

Mr. Hearn stated that OUC prefers to implement small and incremental rate increases. OUC elected not to increase rates for Fiscal Year 2015 so as not to overwhelm customers after the high amount of changes during Fiscal Year 2014 including closing walk-in centers and implementing new payment technologies. Long-term plans include incremental rate increases in the future.

President Kirby clarified that there is a water adjustment in the 2015 Budget that will modestly affect customers. He agreed with Commissioner Dominguez about implementing small rate increases whenever possible.

Mayor Dyer stressed the importance of communicating to customers regarding future rate increases and the causes, including EPA rules and increased sustainability.

President Kirby commented on factors contributing to future rate increases and current uncertainty. Mr. Hearn added that OUC's sustainability plan will allow for incremental rate increases; however, the EPA rulemaking may require larger rate increases. A discussion ensued about rate increases and customer relationships.

Commissioner Ferrone commented on rising Information Technology (IT) costs and implementing total cost of ownership into the Operating Budget. Mr. Hearn replied that OUC does consider total cost of ownership, and has been proactive but prudent in IT costs.

President Kirby asked for clarification regarding the Downtown transmission line upgrades. Mr. Hearn and Clint Bullock stated that the transmission lines in the Downtown area are not limited by the Community Redevelopment Agency (CRA), and that the upgrades are critical for the Downtown corridor.

The Budget/Rate Workshop adjourned at 2:40 P.M.