

# **Gainesville Regional Utilities**

## **Quarterly Financial Statements**

**2nd Quarter Ending March 31, 2007**



**Gainesville Regional Utilities**  
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**Quarter Ending March 31, 2007**

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# **Management Overview and Analysis**

## **Overview**

The City of Gainesville, Florida owns and operates a combined utility system doing business as Gainesville Regional Utilities (GRU) which provides five separate utility functions. The utility functions consist of an electric generation, transmission and distribution system (Electric System), water production and distribution system (Water System), wastewater collection and treatment systems (Wastewater System), natural gas distribution system (Gas System) and a telecommunication system (GRUCom). Each of these systems is accounted for internally as a separate enterprise fund but reported as a combined utility system for external financial reporting purposes.

We offer readers of this management discussion and analysis of the utility system's financial statements for the quarter ending March 31, 2007. It should be read in conjunction with the financial statements that follow this section.

## **Basis of Accounting**

The financial statements are presented on the accrual basis of accounting, under Generally Accepted Accounting Principles (GAAP). Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred. Additionally, separate financial statements are presented in accordance with the amended and restated Utilities System Revenue Bond Resolution (Bond Resolution). In the Bond Resolution statements, rates are designed to cover operating and maintenance expense, debt service and other uses, which exclude depreciation expense and other non-cash expense items.

The Bond Resolution financial statement method of reporting results in costs being included in the determination of rates in different periods than when these costs are recognized for GAAP financial statement purposes.

Gainesville Regional Utilities has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC).

# **Financial Statements**

**GAINESVILLE REGIONAL UTILITIES  
COMBINED UTILITIES FUNDS  
STATEMENT OF OPERATING INCOME  
FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2007**

(\$1,000)	YEAR TO DATE	ANNUAL BUDGET	TWELVE MONTH PROJECTION	DIFFERENCE PROJECTION VS. BUDGET	%
<b>REVENUES:</b>					
Total Native Load Sales of Electricity	51,134	118,881	113,848	(5,033)	(4.2)
Interchange Sales	2,230	1,940	2,941	1,001	51.6
Fuel Adjustment	36,629	85,276	81,173	(4,103)	(4.8)
Other Revenues	2,056	2,482	2,700	218	8.8
Rate Stabilization Fund Transfer	-	6,288	739	(5,549)	(88.2)
Interest Income	1,383	1,827	2,766	939	51.4
<b>Total Electric Revenues</b>	<b>93,432</b>	<b>216,694</b>	<b>204,167</b>	<b>(12,527)</b>	<b>(5.8)</b>
Sales of Water	10,792	21,415	22,225	810	3.8
Other Water Revenues	667	2,523	1,716	(807)	(32.0)
Rate Stabilization Fund Transfer	-	(86)	(1,492)	(1,406)	1,634.9
Interest Income	34	131	76	(55)	(42.0)
<b>Total Water Revenues</b>	<b>11,493</b>	<b>23,983</b>	<b>22,525</b>	<b>(1,458)</b>	<b>(6.1)</b>
Wastewater Billings	12,846	26,421	25,720	(701)	(2.7)
Other Wastewater Revenues	1,035	2,652	2,102	(550)	(20.7)
Rate Stabilization Fund Transfer	-	935	(349)	(1,284)	(137.3)
Interest Income	89	296	207	(89)	(30.1)
<b>Total Wastewater Revenues</b>	<b>13,970</b>	<b>30,304</b>	<b>27,680</b>	<b>(2,624)</b>	<b>(8.7)</b>
Sales of Gas and Service	6,243	11,555	10,780	(775)	(6.7)
Purchased Gas Adjustment	9,085	20,872	14,160	(6,712)	(32.2)
Rate Stabilization Fund Transfer	-	779	1,216	437	56.0
Interest Income	199	365	398	33	9.0
<b>Total Gas Revenues</b>	<b>15,527</b>	<b>33,571</b>	<b>26,554</b>	<b>(7,017)</b>	<b>(20.9)</b>
Sales of GRUCom Services	5,328	9,554	9,557	3	0.0
Rate Stabilization Fund Transfer	-	268	(719)	(987)	(368.3)
Interest Income	68	109	137	28	25.7
<b>Total GRUCom Revenues</b>	<b>5,396</b>	<b>9,931</b>	<b>8,975</b>	<b>(956)</b>	<b>(9.6)</b>
<b>TOTAL REVENUES</b>	<b>139,818</b>	<b>314,483</b>	<b>289,901</b>	<b>(24,582)</b>	<b>(7.8)</b>
<b>OPERATION &amp; MAINTENANCE EXPENSES:</b>					
Electric Fund:					
Fuel Expense:					
Retail & Purchased Power	38,035	100,518	95,860	(4,658)	(4.6)
Interchange	1,393	1,423	1,884	461	32.4
<b>Total Fuel Expense</b>	<b>39,428</b>	<b>101,941</b>	<b>97,744</b>	<b>(4,197)</b>	<b>(4.1)</b>
Operation & Maintenance Expense	17,351	34,314	35,059	745	2.2
Administrative & General Expense	6,862	16,125	15,676	(449)	(2.8)
<b>Total Electric Fund Expenses</b>	<b>63,641</b>	<b>152,380</b>	<b>148,479</b>	<b>(3,901)</b>	<b>(2.6)</b>

**GAINESVILLE REGIONAL UTILITIES  
COMBINED UTILITIES FUNDS  
STATEMENT OF OPERATING INCOME  
FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2007**

(\$1,000)	YEAR TO DATE	ANNUAL BUDGET	TWELVE MONTH PROJECTION	DIFFERENCE PROJECTION VS. BUDGET	%
<b>Water Fund:</b>					
Operation & Maintenance Expense	3,259	6,213	6,553	340	5.5
Administrative & General Expense	1,788	4,282	4,183	(99)	(2.3)
<b>Total Water Fund Expenses</b>	<b>5,047</b>	<b>10,495</b>	<b>10,736</b>	<b>241</b>	<b>2.3</b>
<b>Wastewater Fund:</b>					
Operation & Maintenance Expense	3,285	7,084	7,113	29	0.4
Administrative & General Expense	2,198	5,545	5,332	(213)	(3.8)
<b>Total Wastewater Fund Expenses</b>	<b>5,483</b>	<b>12,629</b>	<b>12,445</b>	<b>(184)</b>	<b>(1.5)</b>
<b>Gas Fund:</b>					
Fuel Expense - Purchased Gas	9,970	22,347	16,815	(5,532)	(24.8)
Operation & Maintenance Expense	790	1,558	1,553	(5)	(0.3)
Administrative & General Expense	1,485	3,858	3,587	(271)	(7.0)
<b>Total Gas Fund Expenses</b>	<b>12,245</b>	<b>27,763</b>	<b>21,955</b>	<b>(5,808)</b>	<b>(20.9)</b>
<b>GRUCom Fund:</b>					
Operation & Maintenance Expense	1,129	4,005	3,853	(152)	(3.8)
Administrative & General Expense	1,066	2,286	2,206	(80)	(3.5)
<b>Total GRUCom Fund Expenses</b>	<b>2,195</b>	<b>6,291</b>	<b>6,059</b>	<b>(232)</b>	<b>(3.7)</b>
<b>Total Operation &amp; Maintenance Expenses</b>	<b>88,611</b>	<b>209,558</b>	<b>199,674</b>	<b>(9,884)</b>	<b>(4.7)</b>
<b>NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION:</b>					
Electric - Retail & Wholesale	28,954	63,797	54,631	(9,166)	(14.4)
Electric - Interchange	837	517	1,057	540	104.4
<b>Total Electric Fund</b>	<b>29,791</b>	<b>64,314</b>	<b>55,688</b>	<b>(8,626)</b>	<b>(13.4)</b>
Water Fund	6,446	13,489	11,789	(1,699)	(12.6)
Wastewater Fund	8,487	17,675	15,235	(2,440)	(13.8)
Gas Fund	3,282	5,808	4,599	(1,209)	(20.8)
GRUCom Fund	3,201	3,640	2,916	(724)	(19.9)
<b>TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION</b>	<b>51,207</b>	<b>104,925</b>	<b>90,227</b>	<b>(14,698)</b>	<b>(14.0)</b>
DEBT SERVICE	21,003	53,151	38,636	(14,515)	(27.3)
UPIF CONTRIBUTIONS	10,440	20,878	20,878	-	0.0
TRANSFER TO GENERAL FUND	15,006	30,572	30,389	(183)	(0.6)
NUCLEAR DECOMMISSIONING/FUEL DISPOSAL	185	324	324	-	0.0
<b>NET INCOME/(DEFICIT)</b>	<b>4,573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>
(1) Projected Aggregate Debt Service Coverage Ratio		<u>90,227</u>	=	2,553	
		35,344			
(2) Projected Total Debt Service Coverage Ratio		<u>90,227</u>	=	2,191	
		41,185			

## **Electric Revenue Fund**

### **Financial Performance Discussion**

Revenues from sales of native energy are 5.6% lower than the original budget. This is due to a mild winter resulting in lower sales, behavior change precipitated by an increase in prices, and the effects of conservation.

Fuel Adjustment Revenue and Fuel Expense are projected to be lower than budgeted by 4.8% and 4.6%, respectively. This is due primarily to low usage which in turn decreases the fuel adjustment.

Interchange Sales and Interchange Fuel Expense are projected to be 51.6% and 32.4% higher than budgeted. This increase is due to the availability of more marketable power as a result of lower native energy sales.

Projected interest income exceeds budget due to a combination of higher than anticipated interest rates on investments, and additional cash available in reserves to invest.

Electric System operating expenses are projected to be approximately 745,000 unfavorable to budget. This is due to an increase of approximately \$1,100,000 in overhaul costs related to generating units, offset by lower projections in other operating expense areas.

Debt Service expenses are projected to be lower than budgeted across all systems, because of a delay in the projected bond issuance during FY2007. This is primarily due to delays in construction and purchase schedules for capital projects.



**GAINESVILLE REGIONAL UTILITIES  
ELECTRIC REVENUE FUND  
STATEMENT OF OPERATING INCOME  
FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2007**

(\$1,000)	YEAR TO DATE	ANNUAL BUDGET	TWELVE MONTH PROJECTION	DIFFERENCE PROJECTION VS. BUDGET	%
<b>REVENUES:</b>					
Residential Sales	23,247	58,724	53,974	(4,750)	(8.1)
General Service Sales	17,702	38,839	38,313	(526)	(1.4)
Large Power Sales	3,304	6,377	6,632	255	4.0
Interchange Sales	2,230	1,940	2,941	1,001	51.6
Utility Surcharge	1,492	3,098	3,350	252	8.1
Other Electric Sales <sup>(1)</sup>	5,389	11,843	11,579	(264)	(2.2)
<b>Total Sales of Elec. Before Fuel Adj</b>	<b>53,364</b>	<b>120,821</b>	<b>116,789</b>	<b>(4,032)</b>	<b>(3.3)</b>
Fuel Adjustment	36,629	85,276	81,173	(4,103)	(4.8)
<b>Total Sales of Electricity</b>	<b>89,993</b>	<b>206,097</b>	<b>197,962</b>	<b>(8,135)</b>	<b>(3.9)</b>
Other Revenues <sup>(2)</sup>	2,056	2,482	2,700	218	8.8
Rate Stabilization Fund Transfer	-	6,288	739	(5,549)	(88.2)
Interest Income	1,383	1,827	2,766	939	51.4
<b>Total Revenues</b>	<b>93,432</b>	<b>216,694</b>	<b>204,167</b>	<b>(12,527)</b>	<b>(5.8)</b>
<b>OPERATION &amp; MAINTENANCE EXPENSES:</b>					
Power Production Expenses:					
Fuel Expense:					
Retail & Purchased Power	38,035	100,518	95,860	(4,658)	(4.6)
Interchange	1,393	1,423	1,884	461	32.4
<b>Total Fuel Expense</b>	<b>39,428</b>	<b>101,941</b>	<b>97,744</b>	<b>(4,197)</b>	<b>(4.1)</b>
Steam Power Generation Expense	10,236	19,229	20,297	1,068	5.6
Nuclear Power Generation Expense	613	1,546	1,276	(270)	(17.5)
Other Power Generation Expense	537	586	832	246	42.0
System Control & Load Dispatching	529	962	1,040	78	8.1
<b>Total Power Production Expenses</b>	<b>51,343</b>	<b>124,264</b>	<b>121,189</b>	<b>(3,075)</b>	<b>(2.5)</b>
Transmission & Distribution Expenses:					
Transmission Expense	528	876	841	(35)	(4.0)
Distribution Expense	4,908	11,115	10,773	(342)	(3.1)
<b>Total Transmission &amp; Distribution</b>	<b>5,436</b>	<b>11,991</b>	<b>11,614</b>	<b>(377)</b>	<b>(3.1)</b>
Administrative & General Expenses:					
Customer Accounts & Sales Expense	2,241	5,791	5,698	(93)	(1.6)
Administrative & General Expense	4,621	10,334	9,978	(356)	(3.4)
<b>Total Administrative &amp; General</b>	<b>6,862</b>	<b>16,125</b>	<b>15,676</b>	<b>(449)</b>	<b>(2.8)</b>
<b>Total Operation &amp; Maintenance Expenses</b>	<b>63,641</b>	<b>152,380</b>	<b>148,479</b>	<b>(3,901)</b>	<b>(2.6)</b>
<b>NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION:</b>					
Retail & Wholesale	28,954	63,797	54,631	(9,166)	(14.4)
Interchange	837	517	1,057	540	104.4
<b>TOTAL NET REVENUE IN ACCORDANCE WITH BOND RESOLUTION</b>	<b>29,791</b>	<b>64,314</b>	<b>55,688</b>	<b>(8,626)</b>	<b>(13.4)</b>
<b>DEBT SERVICE</b>					
UPIF CONTRIBUTIONS	11,792	31,230	22,563	(8,667)	(27.8)
TRANSFER TO GENERAL FUND (Includes incentive)	6,888	13,777	13,777	-	0.0
NUCLEAR DECOMMISSIONING/FUEL DISPOSAL	9,378	18,983	19,024	41	0.2
	185	324	324	-	0.0
<b>NET INCOME/(DEFICIT)</b>	<b>1,548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>

<sup>(1)</sup> Other Electric Sales - Wholesale sales, traffic signals, streetlights and rental lights.

<sup>(2)</sup> Other Revenues - Commercial lighting, service charges, miscellaneous.

## **Water Revenue Fund Financial Performance Discussion**

Revenues from sales of water to general customers are tracking close to budget. Projected revenues from sales of water to the University of Florida are currently 13.6% above budget. This is primarily the result of increases to UF water rates. Utility Surcharge revenues include surcharges on connection fees, and Other Revenues include revenues from connection fees. The large increase of 33% in connection fee charges caused pre-payment in September 2006. Connection fees and surcharges as a result are lower than anticipated. Individually, these categories vary significantly, but when combined, revenue from the water system is only 3.8% above budget.

Projected interest income is lower than budgeted due to decreased cash available to invest, resulting from declining reserve balances.

Water System total O&M expenses are projected to be approximately \$241,000 over budget. The major unfavorable variances within Water operations is being driven by two primary factors: First, in the water distribution area, approximately \$220,000 of labor costs are projected to be charged to O&M rather than capital projects. The second factor is in the Water Treatment area. The unfavorable expenditures are the result of Lakeland not being able to accept sludge as originally anticipated, resulting in additional disposal costs of \$67,000. The majority of the favorable variance falls within Customer Accounts & Sales expense. The original budget included an allocation of Commercial Program rebates, which have been determined to be Electric only. The projected budget has been corrected to reflect this reduction

Debt Service expenses are projected to be lower than budgeted across all systems, because of a delay in the projected bond issuance during FY2007. This is primarily due to delays in construction and purchase schedules for capital projects.

**GAINESVILLE REGIONAL UTILITIES  
WATER REVENUE FUND  
STATEMENT OF OPERATING INCOME  
FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2007**

(\$1,000)	YEAR TO DATE	ANNUAL BUDGET	TWELVE MONTH PROJECTION	DIFFERENCE PROJECTION VS. BUDGET	%
<b>REVENUES:</b>					
General Customers	9,371	18,552	19,250	698	3.8
University of Florida	447	824	936	112	13.6
Utility Surcharge	971	2,039	2,039	-	0.0
Fire Hydrant Rentals	3	-	-	-	0.0
<b>Total Sales of Water</b>	<b>10,792</b>	<b>21,415</b>	<b>22,225</b>	<b>810</b>	<b>3.8</b>
Other Revenues <sup>(1)</sup>	667	2,523	1,716	(807)	(32.0)
Rate Stabilization Fund Transfer	-	(86)	(1,492)	(1,406)	1,634.9
Interest Income	34	131	76	(55)	(42.0)
<b>Total Revenues</b>	<b>11,493</b>	<b>23,983</b>	<b>22,525</b>	<b>(1,458)</b>	<b>(6.1)</b>
<b>OPERATION &amp; MAINTENANCE EXPENSES:</b>					
Water Treatment Expense	2,301	4,430	4,556	126	2.8
Water Trans. & Dist. Expense	958	1,783	1,997	214	12.0
Customer Accounts & Sales Expense	528	1,356	1,229	(127)	(9.4)
Administrative & General Expense	1,260	2,926	2,954	28	1.0
<b>Total Operation &amp; Maintenance Expenses</b>	<b>5,047</b>	<b>10,495</b>	<b>10,736</b>	<b>241</b>	<b>2.3</b>
<b>TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION</b>					
	6,446	13,488	11,789	(1,699)	(12.6)
DEBT SERVICE	3,156	6,988	5,285	(1,703)	(24.4)
UPIF CONTRIBUTIONS	1,116	2,230	2,230	-	0.0
TRANSFER TO GENERAL FUND	2,088	4,270	4,274	4	0.1
<b>NET INCOME/(DEFICIT)</b>	<b>86</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>

<sup>(1)</sup> Other Revenue - Connection fees and miscellaneous.

## **Wastewater Revenue Fund Financial Performance Discussion**

Revenues from wastewater billings are 2.2% below budget through the second quarter. Revenues from surcharges, which include surcharges on connection fees, are 7.7% lower than the original budget. Other revenues, which are primarily revenues from connection charges, are running 20.7% below budget. Connection fee revenues are a function of both the number of new connections, and the fee charged to each new connection, which varies significantly depending upon the size of the water meter installed. The large increase of 77% in connection fee charges caused pre-payment in September 2006. Connection fees and surcharges as a result are lower than anticipated.

Projected interest income is lower than budgeted due to decreased cash available to invest, resulting from declining reserve balances.

Wastewater System total O&M expenses are projected to be approximately \$184,000 favorable to budget. The majority of the favorable variance falls within Customer Accounts & Sales expense. The original budget included an allocation of Commercial Program rebates, which have been determined to be Electric only. The projected budget has been corrected to reflect this reduction

Debt Service expenses are projected to be lower than budgeted across all systems, because of a delay in the projected bond issuance during FY2007. This is primarily due to delays in construction and purchase schedules for capital projects.

**GAINESVILLE REGIONAL UTILITIES  
WASTEWATER REVENUE FUND  
STATEMENT OF OPERATING INCOME  
FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2007**

(\$1,000)	YEAR TO DATE	ANNUAL BUDGET	TWELVE MONTH PROJECTION	DIFFERENCE PROJECTION VS. BUDGET	%
<b>REVENUES:</b>					
Wastewater Billings	11,832	24,223	23,692	(531)	(2.2)
Surcharge	1,014	2,198	2,028	(170)	(7.7)
Other Revenues <sup>(1)</sup>	1,035	2,652	2,102	(550)	(20.7)
Rate Stabilization Fund Transfer	-	935	(349)	(1,284)	(137.3)
Interest Income	89	296	207	(89)	(30.1)
<b>Total Revenues</b>	<b>13,970</b>	<b>30,304</b>	<b>27,680</b>	<b>(2,624)</b>	<b>(8.7)</b>
<b>OPERATION &amp; MAINTENANCE EXPENSES:</b>					
Wastewater Collection Expense	721	1,600	1,670	70	4.4
Wastewater Treatment Expense	2,564	5,484	5,443	(41)	(0.7)
Customer Accounts & Sales Expense	455	1,242	1,058	(184)	(14.8)
Administrative & General Expense	1,743	4,303	4,274	(29)	(0.7)
<b>Total Operation &amp; Maintenance Expenses</b>	<b>5,483</b>	<b>12,629</b>	<b>12,445</b>	<b>(184)</b>	<b>(1.5)</b>
<b>TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION</b>	<b>8,487</b>	<b>17,675</b>	<b>15,235</b>	<b>(2,440)</b>	<b>(13.8)</b>
DEBT SERVICE	3,911	9,308	7,038	(2,270)	(24.4)
UPIF CONTRIBUTIONS	1,572	3,149	3,149	-	0.0
TRANSFER TO GENERAL FUND	2,488	5,218	5,048	(170)	(3.3)
<b>NET INCOME/(DEFICIT)</b>	<b>516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>

<sup>(1)</sup> Other Revenue - Connection fees and miscellaneous.

## **Gas Revenue Fund**

### **Financial Performance Discussion**

Overall, revenues from sales of natural gas are 23% below budget. This includes fuel. Revenues from sales to residential customers are running 7.8% below budget, and it is our belief that the mild winter conditions contributed to the less than anticipated sales. The residential customer revenue is impacted most by weather as gas is primarily used for space heating. This lower sales level is reflected in the Purchased Gas Adjustment as well. In contrast, commercial customer use is generally level.

Purchased Gas Adjustment projections are 32.2% and 24.8%, respectively, lower than budgeted due to the mild winter as mentioned above.

Projected interest income exceeds budget due to a combination of higher than anticipated interest rates on investments, and additional cash available in reserves to invest.

Gas System non-fuel O&M expenses are projected to be approximately \$276,000 unfavorable to budget. The majority of the variance falls within Customer Accounts & Sales expense. The original budget included an allocation of Commercial Program rebates, which have been determined to be Electric only. The projected budget has been corrected to reflect this reduction.

Debt Service expenses are projected to be lower than budgeted across all systems, because of a delay in the projected bond issuance during FY2007. This is primarily due to delays in construction and purchase schedules for capital projects.

**GAINESVILLE REGIONAL UTILITIES  
GAS REVENUE FUND  
STATEMENT OF OPERATING INCOME  
FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2007**

(\$1,000)	YEAR TO DATE	ANNUAL BUDGET	TWELVE MONTH PROJECTION	DIFFERENCE PROJECTION VS. BUDGET	%
<b>REVENUES:</b>					
Sales of Gas and Service:					
Residential	3,613	6,552	6,039	(513)	(7.8)
Commerical & Industrial	1,763	2,859	2,739	(120)	(4.2)
Interruptible & Transportation	184	847	872	25	3.0
Purchased Gas Adjustment	9,085	20,872	14,160	(6,712)	(32.2)
Surcharge	184	368	310	(58)	(15.8)
Cleanup Cost Recovery Factor (MGP)	364	737	685	(52)	(7.1)
Other Revenue <sup>(1)</sup>	135	192	135	(57)	(29.7)
<b>Total Sales</b>	<b>15,328</b>	<b>32,427</b>	<b>24,940</b>	<b>(7,487)</b>	<b>(23.1)</b>
Miscellaneous Revenue:					
Rate Stabilization Fund Transfer	-	779	1,216	437	56.0
Interest Income	199	365	398	33	9.0
<b>Total Revenues</b>	<b>15,527</b>	<b>33,571</b>	<b>26,554</b>	<b>(7,017)</b>	<b>(20.9)</b>
<b>OPERATION &amp; MAINTENANCE EXPENSES:</b>					
Fuel Expense - Purchased Gas	9,970	22,347	16,815	(5,532)	(24.8)
Operation & Maintenance Expenses	790	1,558	1,553	(5)	(0.3)
Customer Accounts & Sales Expense	1,029	2,518	2,409	(109)	(4.3)
Administrative & General Expense	456	1,340	1,178	(162)	(12.1)
<b>Total Operation &amp; Maintenance Expenses</b>	<b>12,245</b>	<b>27,763</b>	<b>21,955</b>	<b>(5,808)</b>	<b>(20.9)</b>
<b>TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION</b>	<b>3,282</b>	<b>5,808</b>	<b>4,599</b>	<b>(1,209)</b>	<b>(20.8)</b>
DEBT SERVICE	961	2,740	1,589	(1,151)	(42.0)
UPIF CONTRIBUTIONS	648	1,292	1,292	-	0.0
TRANSFER TO GENERAL FUND	890	1,776	1,718	(58)	(3.3)
<b>NET INCOME/(DEFICIT)</b>	<b>783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>

<sup>(1)</sup> Other Revenue - Liquid propane sales, service charges and miscellaneous.

## **Telecommunications Revenue Fund Financial Performance Discussion**

Telecommunications revenue is projected to be in line with original budget.

Projected interest income exceeds budget due to a combination of higher than anticipated interest rates on investments, and additional cash available in reserves to invest.

Telecommunication System operating expenses are projected to be approximately \$232,000 favorable to budget, a variance of under 4%. The majority of this favorable variance falls within Customer Accounts & Sales expense. The original budget included an allocation of Commercial Program rebates, which have been determined to be Electric only. The projected budget has been corrected to reflect this reduction.

Debt Service expenses are projected to be lower than budgeted across all systems, because of a delay in the projected bond issuance during FY2007. This is primarily due to delays in construction and purchase schedules for capital projects.



**GAINESVILLE REGIONAL UTILITIES  
GRUCOM REVENUE FUND  
STATEMENT OF OPERATING INCOME  
FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2007**

(\$1,000)	YEAR TO DATE	ANNUAL BUDGET	TWELVE MONTH PROJECTION	DIFFERENCE PROJECTION VS. BUDGET	%
<b>REVENUES:</b>					
Sales :					
Telecommunication	2,992	4,746	4,749	3	0.1
Trunking Radio	1,138	1,920	1,920	-	0.0
Tower Lease Rental	727	1,498	1,498	-	0.0
Internet Access	471	1,390	1,390	-	0.0
<b>Total Sales</b>	<b>5,328</b>	<b>9,554</b>	<b>9,557</b>	<b>3</b>	<b>0.0</b>
Miscellaneous Revenue:					
Rate Stabilization Fund Transfer/Borrowings	-	268	(719)	(987)	(368.3)
Interest Income	68	109	137	28	25.7
<b>Total Revenues</b>	<b>5,396</b>	<b>9,931</b>	<b>8,975</b>	<b>(956)</b>	<b>(9.6)</b>
<b>OPERATION &amp; MAINTENANCE EXPENSES:</b>					
Operation & Maintenance Expenses	1,129	4,005	3,853	(152)	(3.8)
Customer Accounts & Sales Expense	142	577	519	(58)	(10.1)
Administrative & General Expense	924	1,709	1,687	(22)	(1.3)
<b>Total Operation &amp; Maintenance Expenses</b>	<b>2,195</b>	<b>6,291</b>	<b>6,059</b>	<b>(232)</b>	<b>(3.7)</b>
<b>TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION</b>	<b>3,201</b>	<b>3,640</b>	<b>2,916</b>	<b>(724)</b>	<b>(19.9)</b>
DEBT SERVICE	1,183	2,885	2,161	(724)	(25.1)
UPIF CONTRIBUTIONS	216	430	430	-	0.0
TRANSFER TO GENERAL FUND	162	325	325	-	0.0
<b>NET INCOME/(DEFICIT)</b>	<b>1,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>

**Balance Sheet – Combined Funds**  
**As of March 31, 2007**

Cash, Investments and Accounts Receivable increased due to an increase in our cash balance over the first quarter. This is a result of interfund settlements between the construction fund and operating funds, which had not been recorded as of December 31, 2006.

In the Restricted Asset section, debt service cash is higher as of March 2007 by \$6.1 million due to deposits to the debt service fund. This is typical as we begin building towards our fiscal 2007 debt obligation. The Construction Fund is reduced as we transfer funds to pay the cost of capital projects. The Utility Plant Improvement Fund has decreased due to the budgeted payments of debt service.

Other Payables from Restricted Assets increased \$7.7 million, primarily due the accrual of our fiscal 2007 second quarter debt interest obligation. The increase is tied to the timing of when our semi-annual debt interest payments are made, which is every April 1<sup>st</sup> and October 1<sup>st</sup>.

Unamortized Bond Financing Costs has increased as a result of the 2007A Bond Issue. These costs are amortized over the life of the bonds. This refinancing will result in net savings of \$7 million over the life of the bonds.

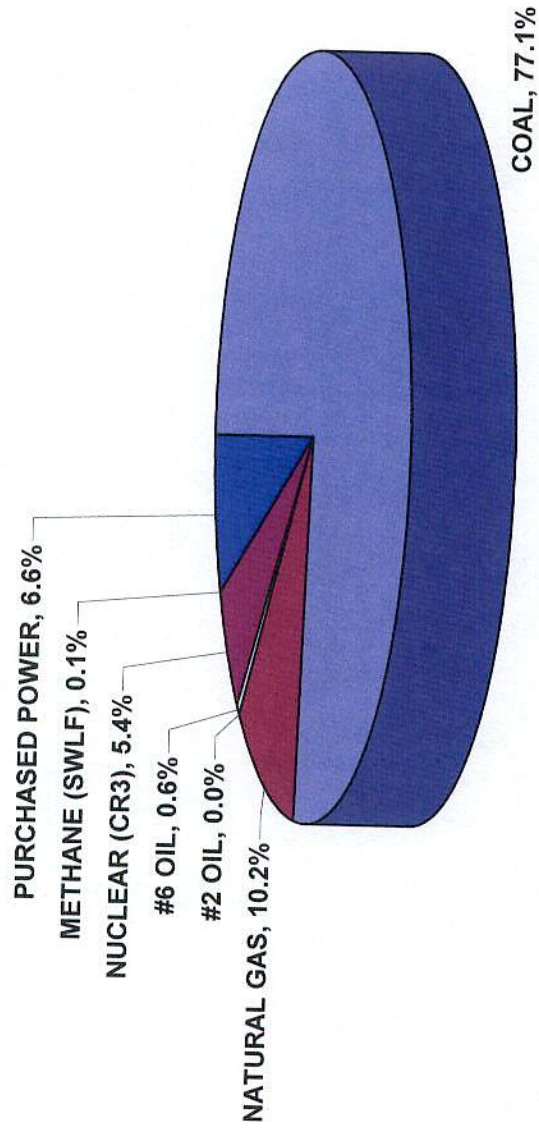
**GAINESVILLE REGIONAL UTILITIES  
COMBINED FUNDS  
BALANCE SHEET  
MARCH 31, 2007**

(000's)	<b>Mar 31, 2007</b>	<b>Dec 31, 2006</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash, Investments & Accounts Receivable	27,443	11,957	15,486	56.4%
Other Current Assets	71,797	72,127	(330)	-0.5%
<b>TOTAL CURRENT ASSETS</b>	<b>99,240</b>	<b>84,084</b>	<b>15,156</b>	<b>15.3%</b>
<b>RESTRICTED ASSETS:</b>				
Debt Service Fund	18,378	12,311	6,067	33.0%
Construction Fund	126,661	142,330	(15,669)	-12.4%
Utility Plant Improvement Fund	18,759	19,499	(740)	-3.9%
Rate Stabilization Fund	66,467	66,019	448	0.7%
Other Restricted Assets	14,532	14,079	453	3.1%
<b>TOTAL RESTRICTED ASSETS</b>	<b>244,797</b>	<b>254,238</b>	<b>(9,441)</b>	<b>-3.9%</b>
<b>OTHER NON-CURRENT ASSETS</b>	<b>128,941</b>	<b>133,236</b>	<b>(4,295)</b>	<b>-3.3%</b>
<b>NET CAPITAL ASSETS</b>	<b>775,467</b>	<b>768,277</b>	<b>7,190</b>	<b>0.9%</b>
<b>TOTAL ASSETS</b>	<b>1,248,445</b>	<b>1,239,835</b>	<b>8,610</b>	<b>0.7%</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>	<b>27,149</b>	<b>26,547</b>	<b>602</b>	<b>2.2%</b>
<b>PAYABLE FROM RESTRICTED ASSETS:</b>				
Rate Stabilization Deferred Credit	66,279	66,279	0	0.0%
Other Payables From Restricted Assets	26,472	18,744	7,728	29.2%
<b>TOTAL PAYABLE FROM RESTRICTED ASSETS</b>	<b>92,751</b>	<b>85,023</b>	<b>7,728</b>	<b>8.3%</b>
<b>LONG TERM-DEBT:</b>				
Utilities System Revenue Bonds Payable-Senior Lien Debt	543,372	538,286	5,086	0.9%
Utilities System Revenue Bonds Payable-Sub. Debt	63,650	64,475	(825)	-1.3%
Commercial Paper Notes Payable	0	0	0	0.0%
Unamortized Bond Financing Costs	(24,012)	(14,385)	(9,627)	40.1%
<b>TOTAL LONG-TERM DEBT</b>	<b>583,010</b>	<b>588,376</b>	<b>(5,366)</b>	<b>-0.9%</b>
<b>OTHER NON-CURRENT LIABILITIES</b>	<b>151,392</b>	<b>154,368</b>	<b>(2,976)</b>	<b>-2.0%</b>
<b>TOTAL LIABILITIES</b>	<b>854,302</b>	<b>854,314</b>	<b>(12)</b>	<b>0.0%</b>
<b>TOTAL NET ASSETS</b>	<b>356,484</b>	<b>351,360</b>	<b>5,124</b>	<b>1.4%</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,210,786</b>	<b>1,205,674</b>	<b>5,112</b>	<b>0.4%</b>

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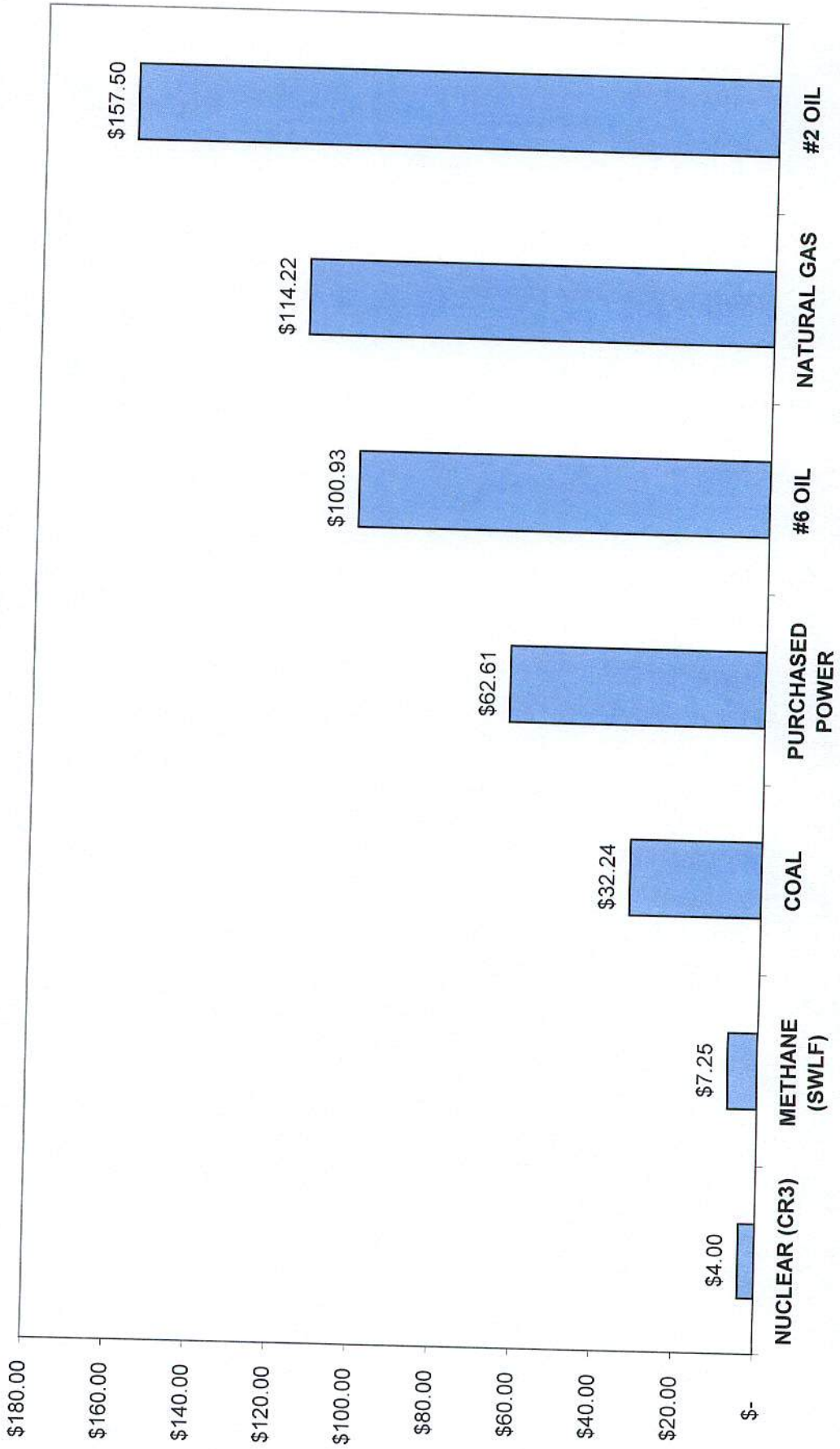
# **Supplemental Data**

**MWH Generation by Fuel Type  
FY 07 Ending March 07**



■ COAL ■ NATURAL GAS □ #2 OIL □ #6 OIL ■ NUCLEAR (CR3) ■ METHANE (SWLF) ■ PURCHASED POWER

**Total Cost per MWH by Fuel Type  
FY 07 Ending March 07**



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# **Definitions and Supplemental Information**

## **Glossary of Terms Flow of Funds Statements**

### **All Systems**

**Debt Service** – Accounts for funds accumulated to provide payment of principal and interest on, or to redeem, outstanding debt.

**Interest Income** – As presented on our Flow of Funds Statement of Operating Income, it represents interest earnings on utility investments.

**Operation & Maintenance Expense – Non-Fuel** – This represents all operating, maintenance and administrative costs needed to support electric power generation, transmission and distribution, water treatment and distribution, wastewater collection and treatment, and telecommunication services provided by the utility.

**Rate Stabilization Fund Transfer** – This fund accounts for monies accumulated as a reserve for unplanned events, revenue changes, forecasting errors or unexpected losses and to stabilize rates over future periods through the transfer of funds to and from operations as necessary.

**Surcharge** – Additional charge to customers in the unincorporated service area, i.e. Electric – 10%, equal to the electric use tax; Gas – 10%; Water – 25% and Wastewater – 25% both per F.S Chapter 180.

**UPIF Contributions** – The Utility Plant Improvement Fund (UPIF) accounts for funds used to pay for certain capital projects or debt service, the purchase or redemption of bonds, or otherwise provide for the repayment of bonds. The contribution level is established under a formula set forth in the Utilities System Revenue Bond Resolution. It represents the equity that the utility puts back into the system.

### **Electric System**

**Fuel Adjustment** – Revenue from fuel cost recovered from customers beyond the amount that is recovered in the base energy charge. GRU's cost of fuel for the electric system is passed directly through to its customers. The base energy charge includes a portion of the fuel cost, 6.5 mils, or \$6.50 per 1,000 kWh. Fuel cost beyond this amount is applied to customer bills as calculated monthly, via a fuel adjustment rate.

**Interchange Sales** – Large blocks of energy sold to other utilities on a firm or non-firm basis. These sales are controlled through GRU's Control Area Services, which monitors excess availability of power generated.

**Nuclear Decommissioning\Fuel Disposal** – As a partial owner of the Crystal River Unit 3 (CR3) nuclear power plant operated by Progress Energy, GRU is responsible for its share of future decommissioning costs. These costs are expensed annually and recovered through rates charged to customers. The fuel disposal cost represents GRU's share of costs associated with safely disposing of CR3's spent nuclear fuel assembly units.

**Fuel Expense** – This represents the cost of the fuel supply needed to generate electric power, i.e. coal, oil and natural gas, as well as the fuel distributed directly to service accounts, i.e. natural gas.

**Other Electric Sales** – This includes wholesales sales (sales for resale) to City of Alachua and Seminole Electric Co-op, traffic signal and streetlight sales to the City and County.

**Other Revenue** – This includes miscellaneous revenue receipts not specified in other categories, such as commercial lighting and service charges.

### **Gas System**

**Cleanup Cost Recovery Factor (MGP)** – Revenue collected, at a rate of \$.0321/therm, for the cleanup and renovation of the former manufactured gas plant site into the Depot Avenue Stormwater Park.

**Commercial & Industrial (General Service)** – Natural gas and liquefied propane service provided on a firm, non-interruptible basis for any purpose except for residential purposes.

**Fuel Expense – Purchased Gas** – The purchase of natural gas, through long-term contractual agreements, for direct distribution to our gas utility services.

**Interruptible & Transportation** – Natural gas service provided on a non-firm basis to nonresidential customers. This service is subject to interruption pursuant to the policies and conditions stipulated to by the customer and the System. Included also is revenue for gas transportation to the University of Florida.

**Other Gas Sales** – Includes other miscellaneous sales not specifically identified in other categories, such as Liquid Propane (LP) sales.

**Other Revenue** - This includes miscellaneous revenue receipts not specified in other categories, such as service charges.

**Residential Gas Sales** – Natural gas and liquified propane service provided on a firm, non-interruptible basis to households and other nonprofit living units.

## **Glossary of Terms Balance Sheet**

**Other Current Assets** – Includes fuel and stores inventories and other miscellaneous current assets.

**Restricted Assets** – Those moneys or other resources that are restricted as to use by legal or contractual requirements.

**Other Restricted Assets** – GRU’s investment in The Energy Authority (TEA) and our funded obligation for the decommissioning of our share of Crystal River #3 nuclear facility.

**Other Non-Current Assets** – Includes long-term portion of Lease In\Lease Out (LILO) of Deerhaven generation plant, plus other miscellaneous non-current assets.

**Net Capital Assets** – System plant assets net of accumulated depreciation.

**Current Liabilities** – Includes fuels, vendor and miscellaneous payables.

**Payable from Restricted Assets** – Obligations that are payable from GRU’s restricted assets.

**Other Payables from Restricted Assets** – Includes the current year’s portion of debt principal due and Construction Fund vendor payables.

**Long-Term Debt** – Bonds and commercial paper debt obligations.

**Other Non-Current Liabilities** – Includes deferred revenue due from LILO transaction.

**Total Liabilities** – The combination of Current Liabilities, Payable from Restricted Assets, Long-Term Debt and Other Non-Current Liabilities.

**Net Assets** – The net value or net worth of the system after deducting total liabilities from system assets.