

Proposed Annual Operating Budget FY2010 July 20, 2009



Today's Presentation

- Overview and background
- Sales and forecasts
- Financial overview
- Fuels management and major energy supply projects
- Proposed rates
- Summary

Residential Bill with Proposed Changes

Average Customer		Average Residential Bill	Projected Average Residential Bill	
	Summary	Total Bill 2009	Total Bill 2010	Difference
1000 kwh	Electric	\$132.60	\$130.45	(\$2.15)
25 therms	Gas	\$37.02	\$35.77	(\$1.25)
7000 gallons	Water	\$18.13	\$18.85	\$0.72
7000 gallons	WW	\$40.58	\$41.49	\$0.91
	Total	\$228.33	\$226.56	(\$1.77)

FY2010 Budget

- No/ minimal increase to customers
- Analyze sales/ budget each month for all systems
- Determined sales and revenue shortfalls
- Reduced FY2009 department budgets by 10 percent
- Reduced FY2010 department budgets to 10 percent below FY2009 original budget

Budget Reductions

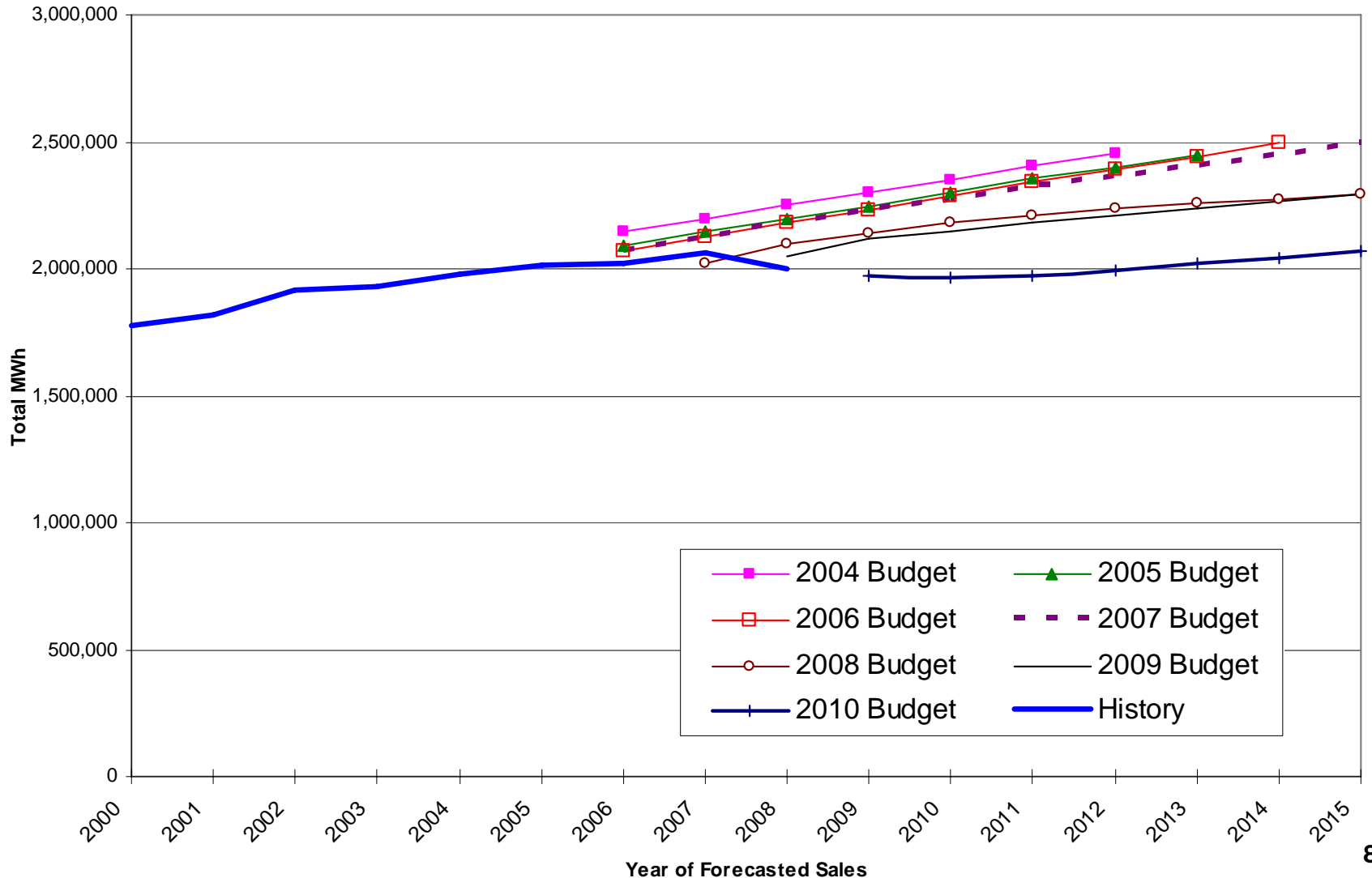
- FY2009 \$22.4 million
- FY2010 \$9.3 million

Personnel

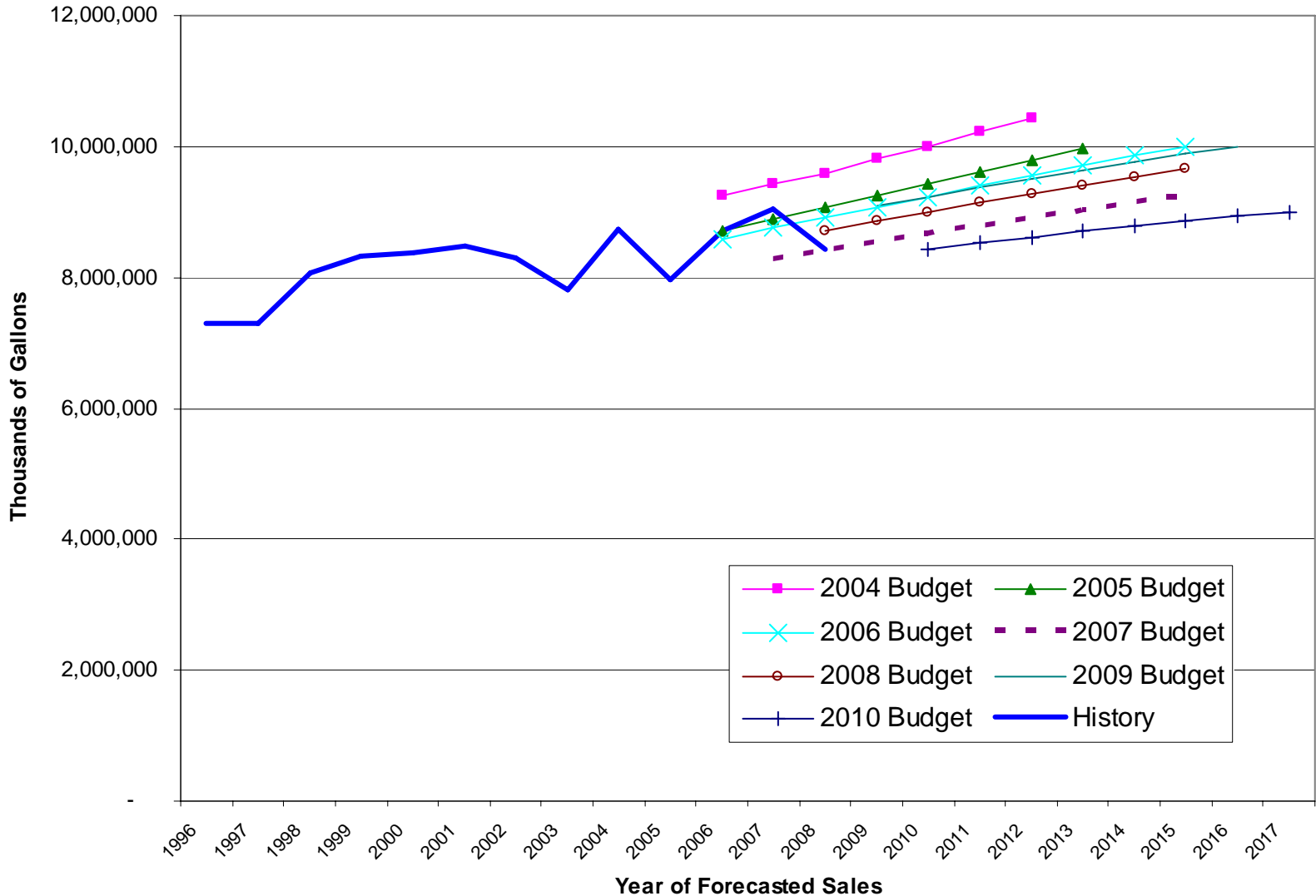
- Full Time Equivalent (FTE) positions
 - 893.25 authorized
 - 41 vacant as of July 1
- Ongoing review of positions including temporaries

Sales Forecasts

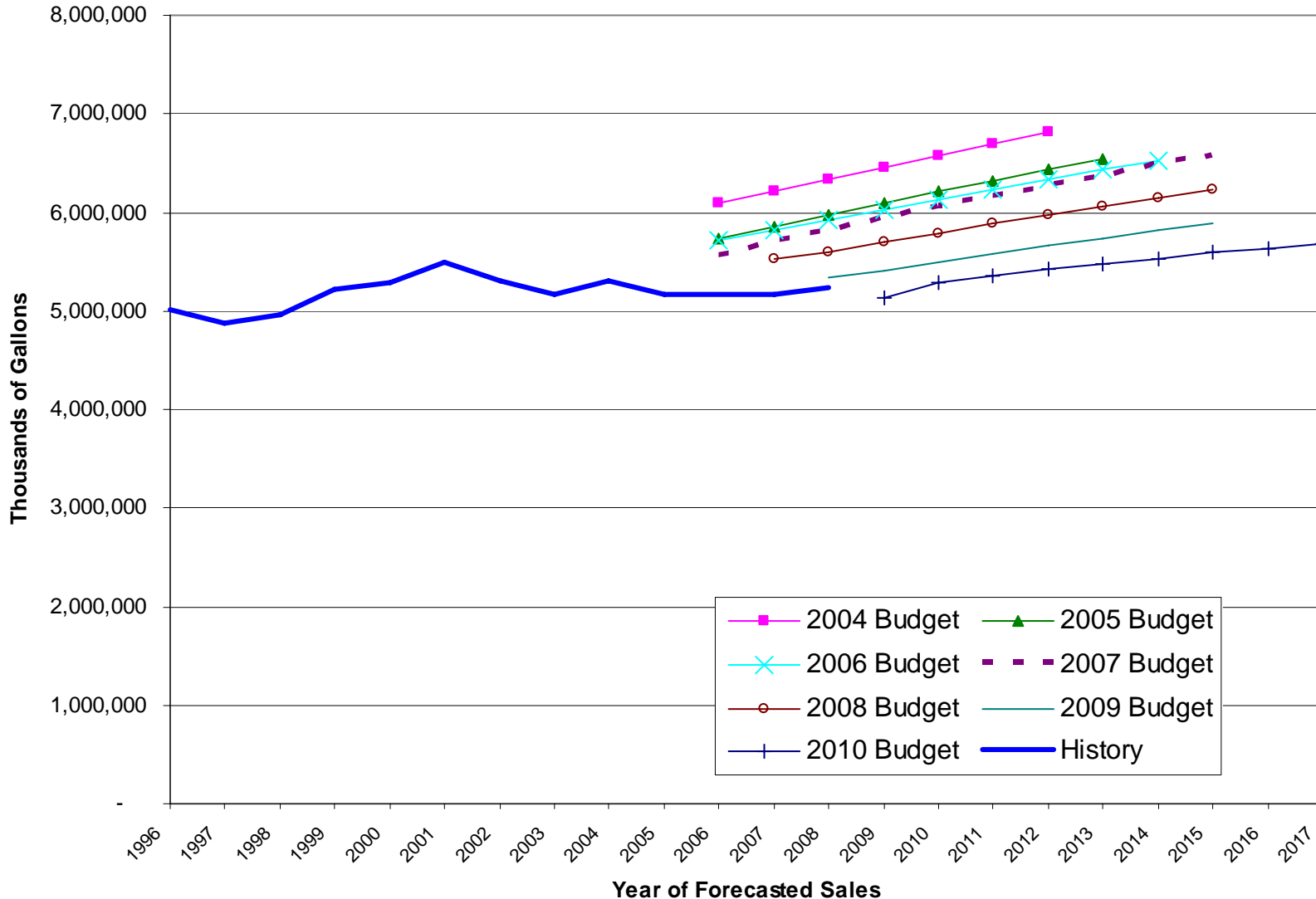
Electric Sales (MWh) Forecasts 2000 - 2015



Water Sales kGals (1,000 Gallons) Forecasts 1996 - 2017

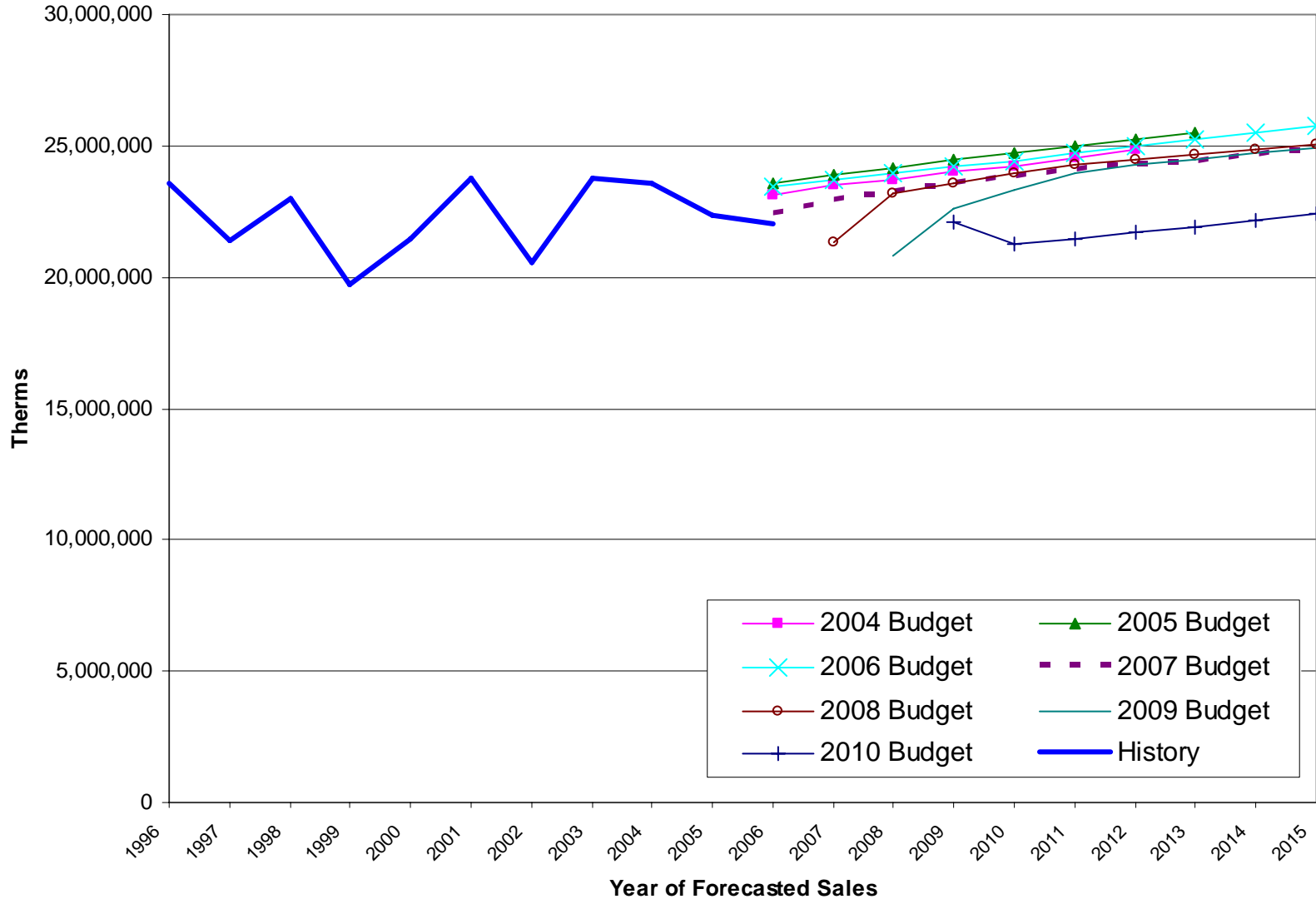


Wastewater Billings kGals (1,000 Gallons) Forecasts 1996 - 2017

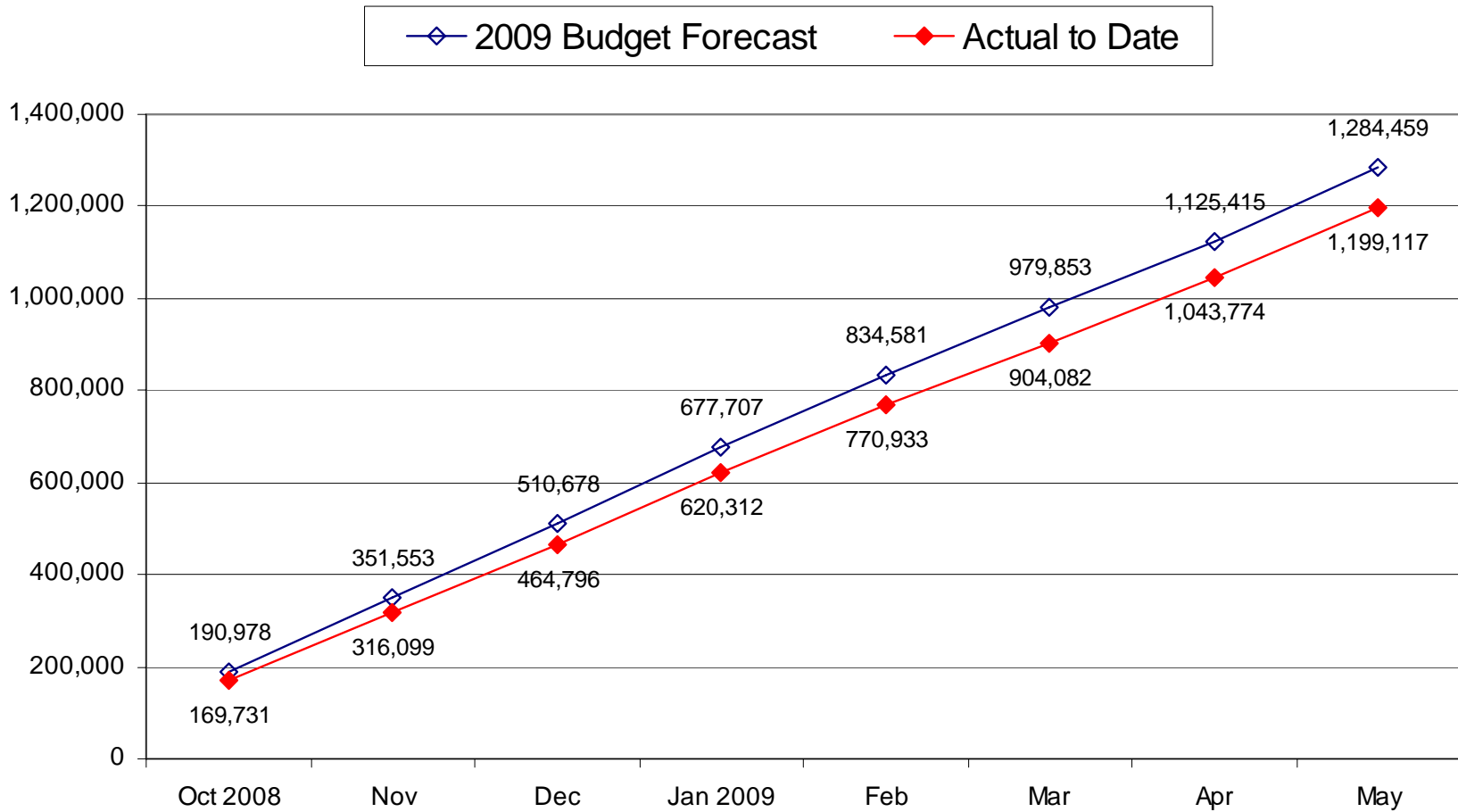


Natural Gas Sales (Therms)

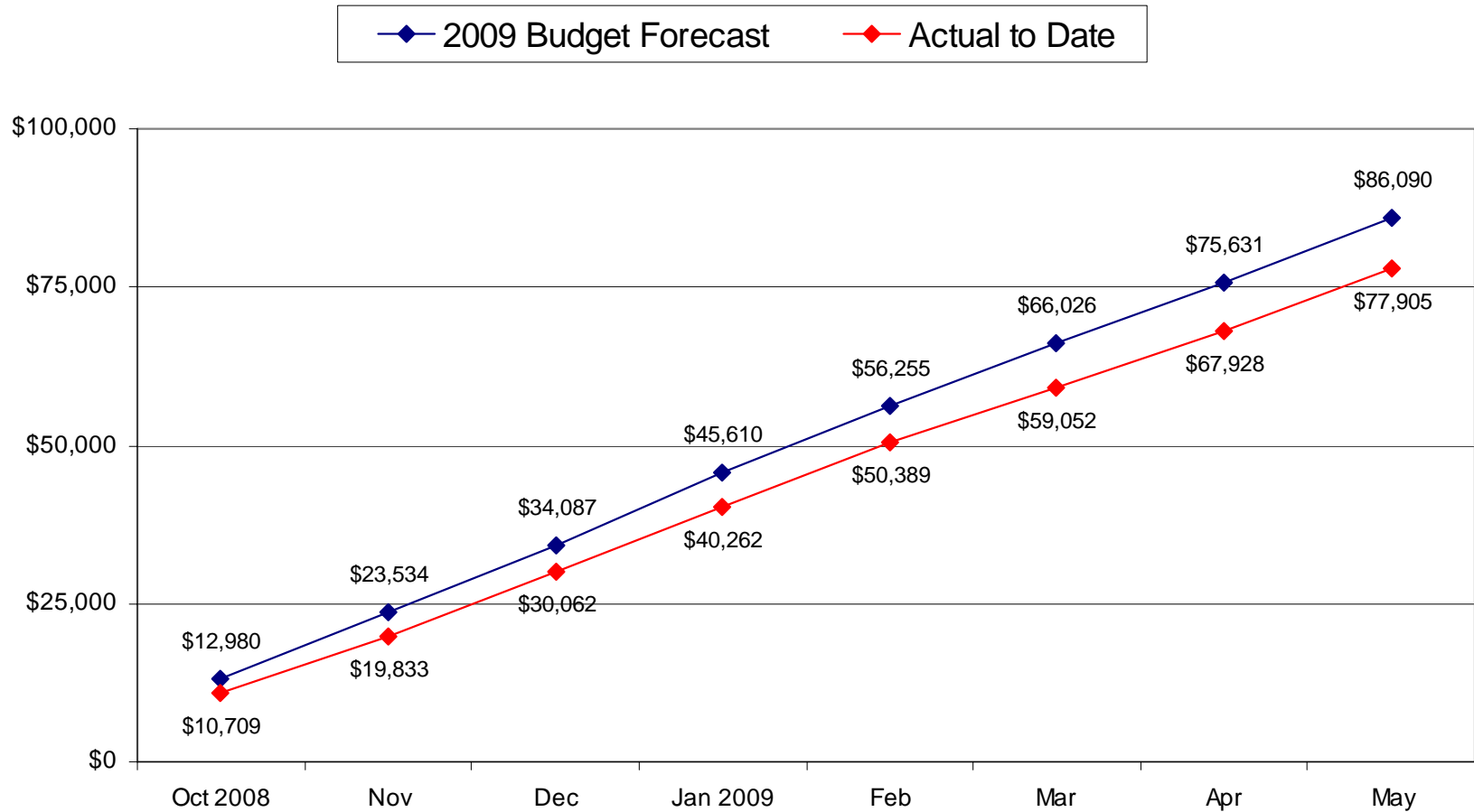
Forecasts 1996 - 2015



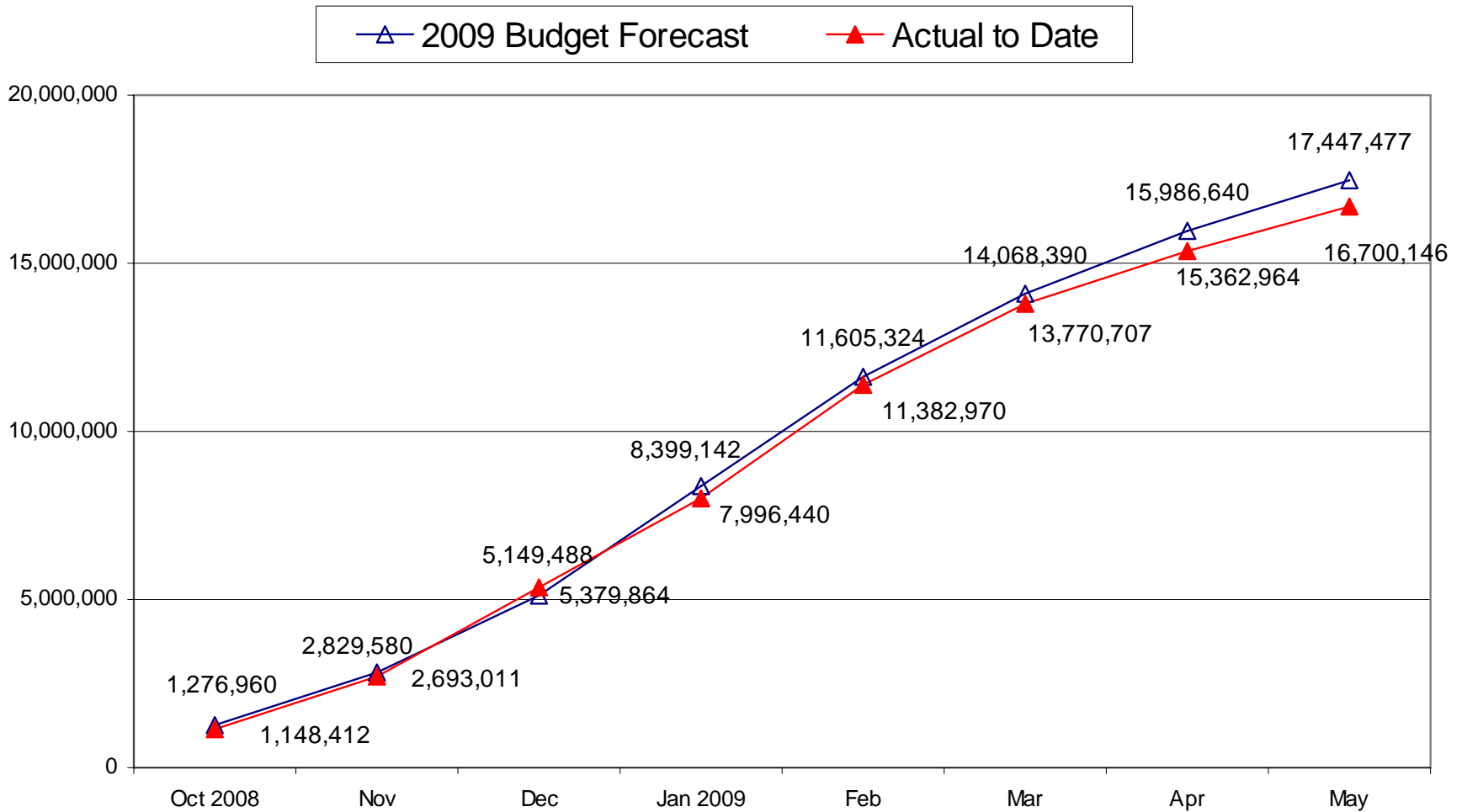
Cumulative Electric Sales FY09 (MWh)



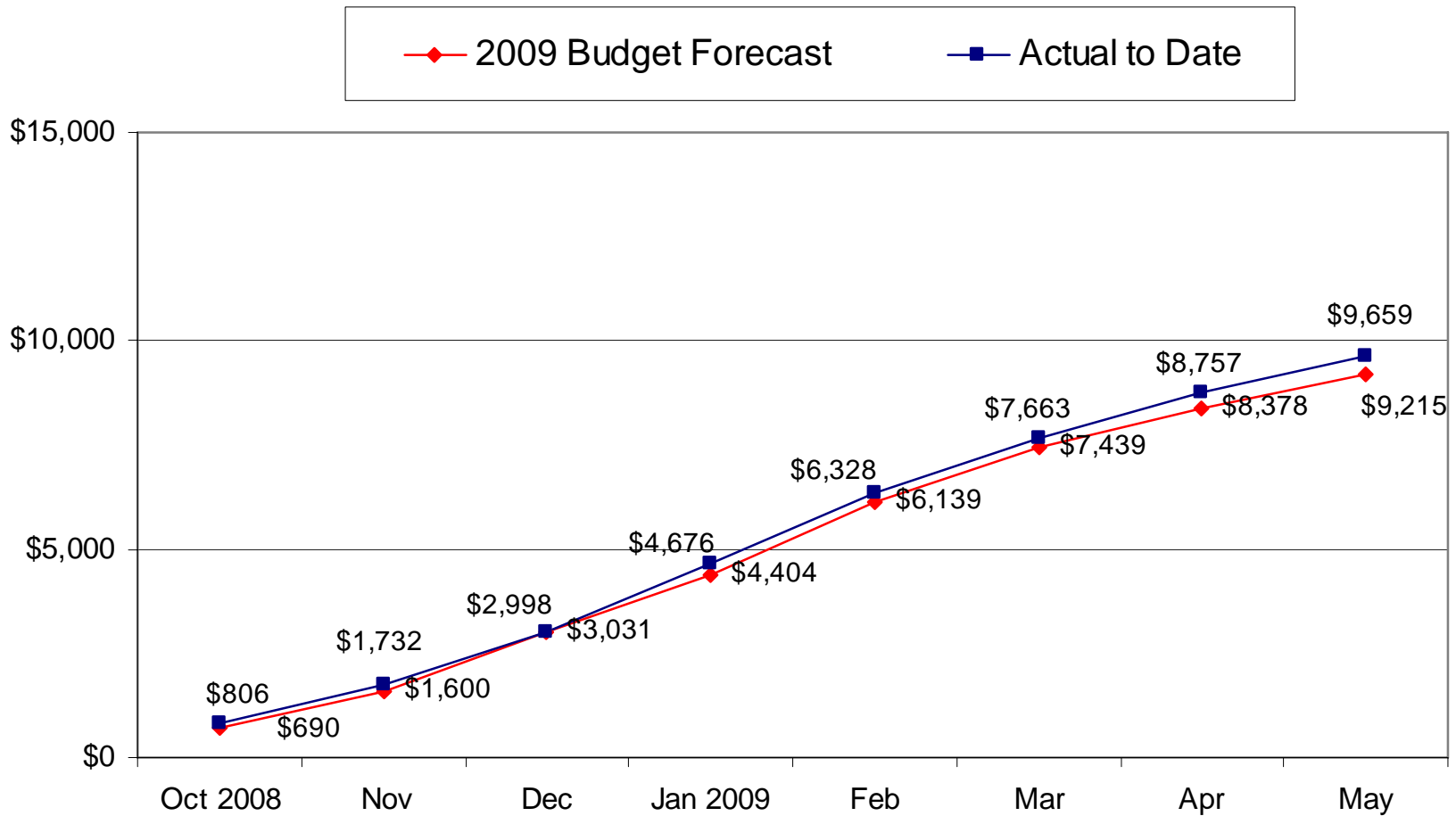
Cumulative Electric Non-Fuel Revenues FY09 (Thousands of Dollars)



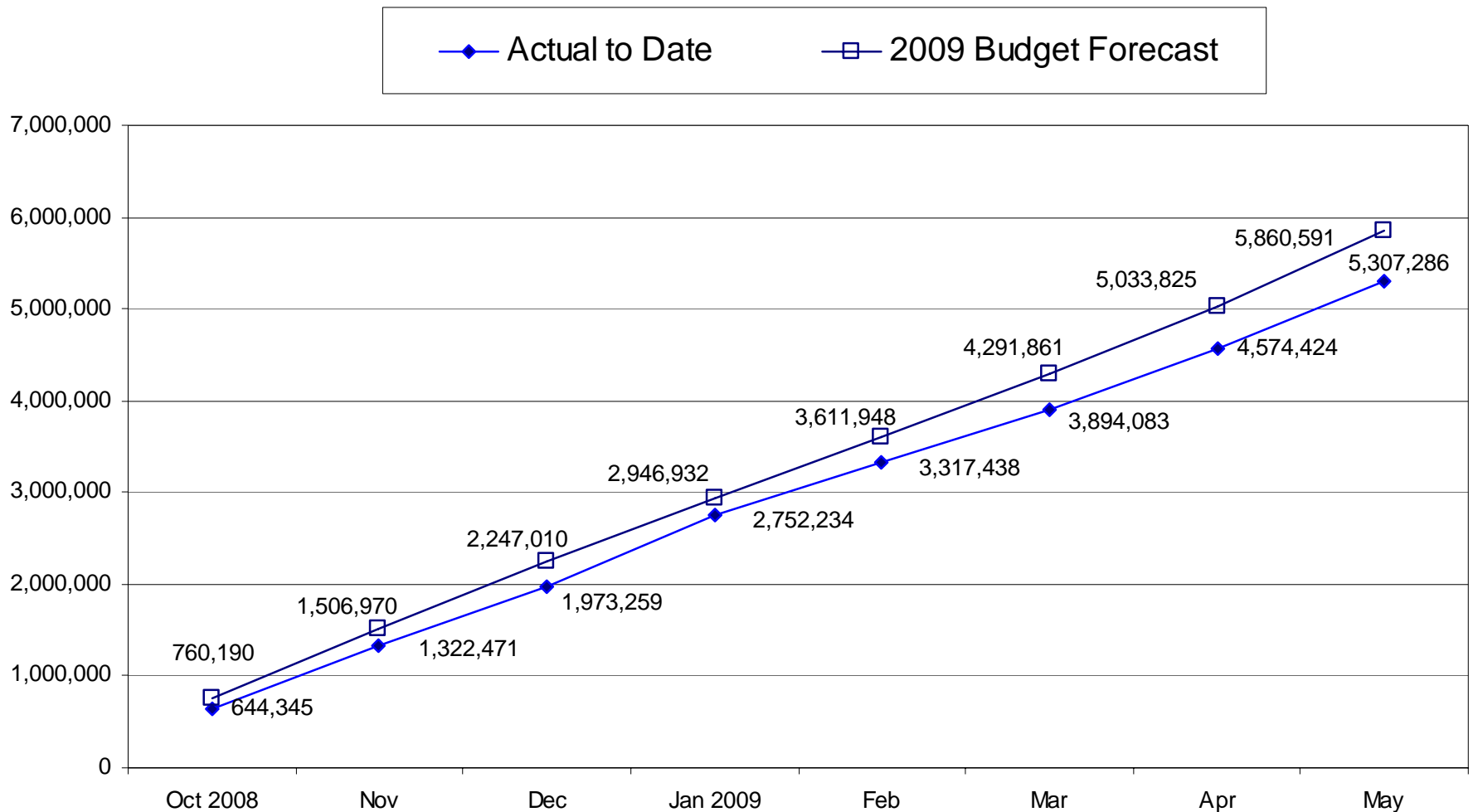
Cumulative Natural Gas Sales FY09 (Therms)



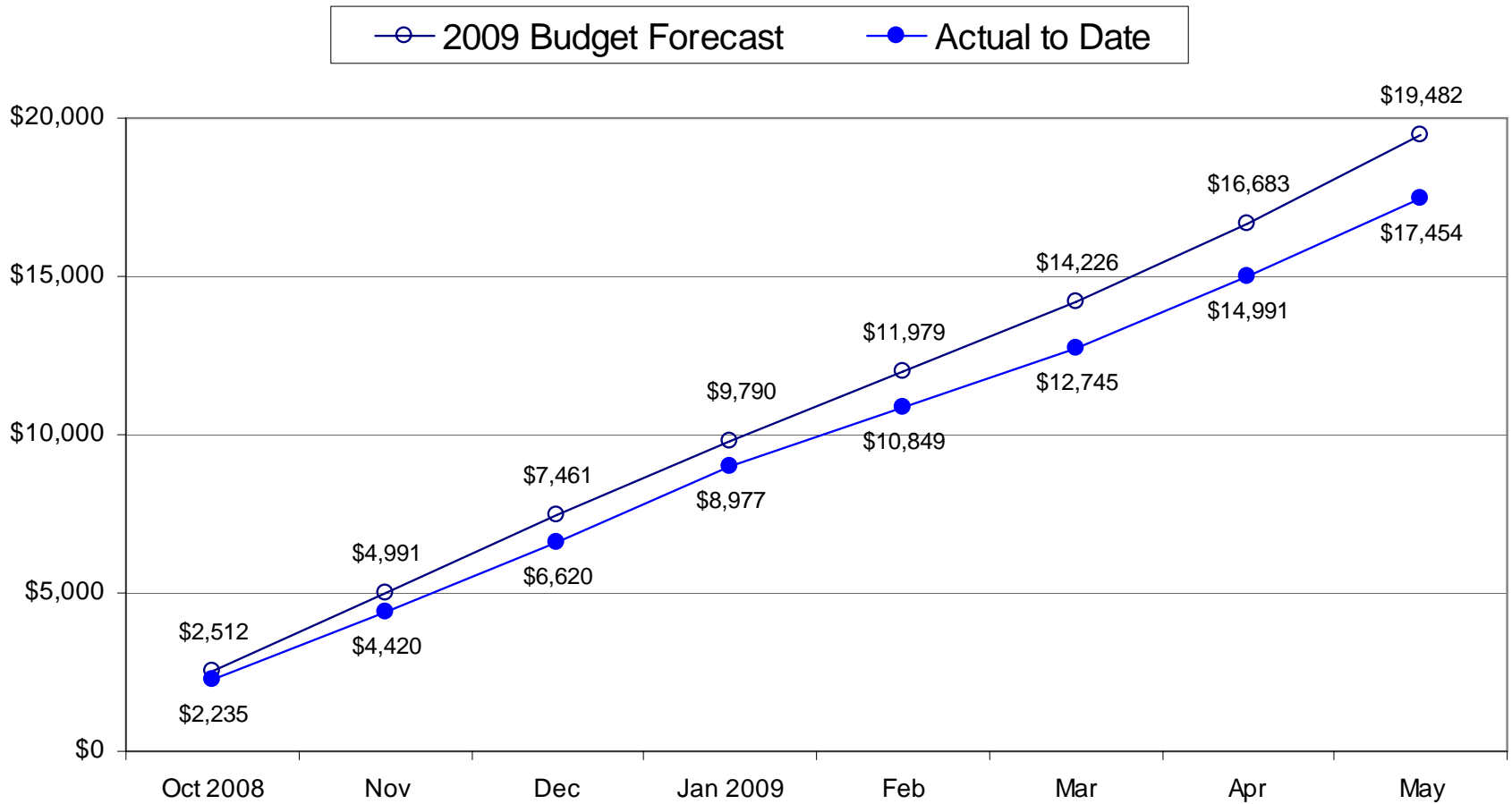
Cumulative Natural Gas Revenues FY09 (Thousands of Dollars)



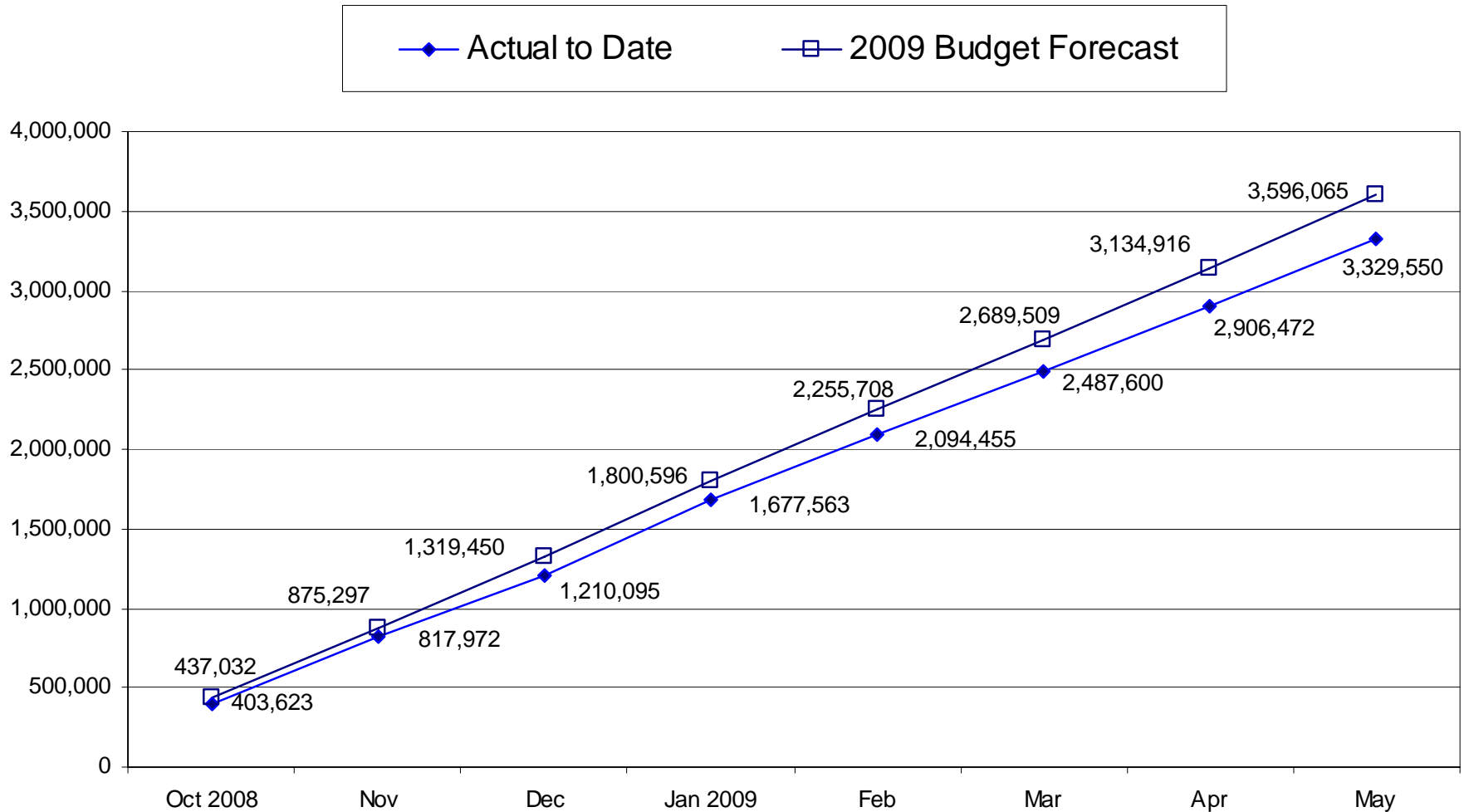
Cumulative Water Sales FY09 (kGals)



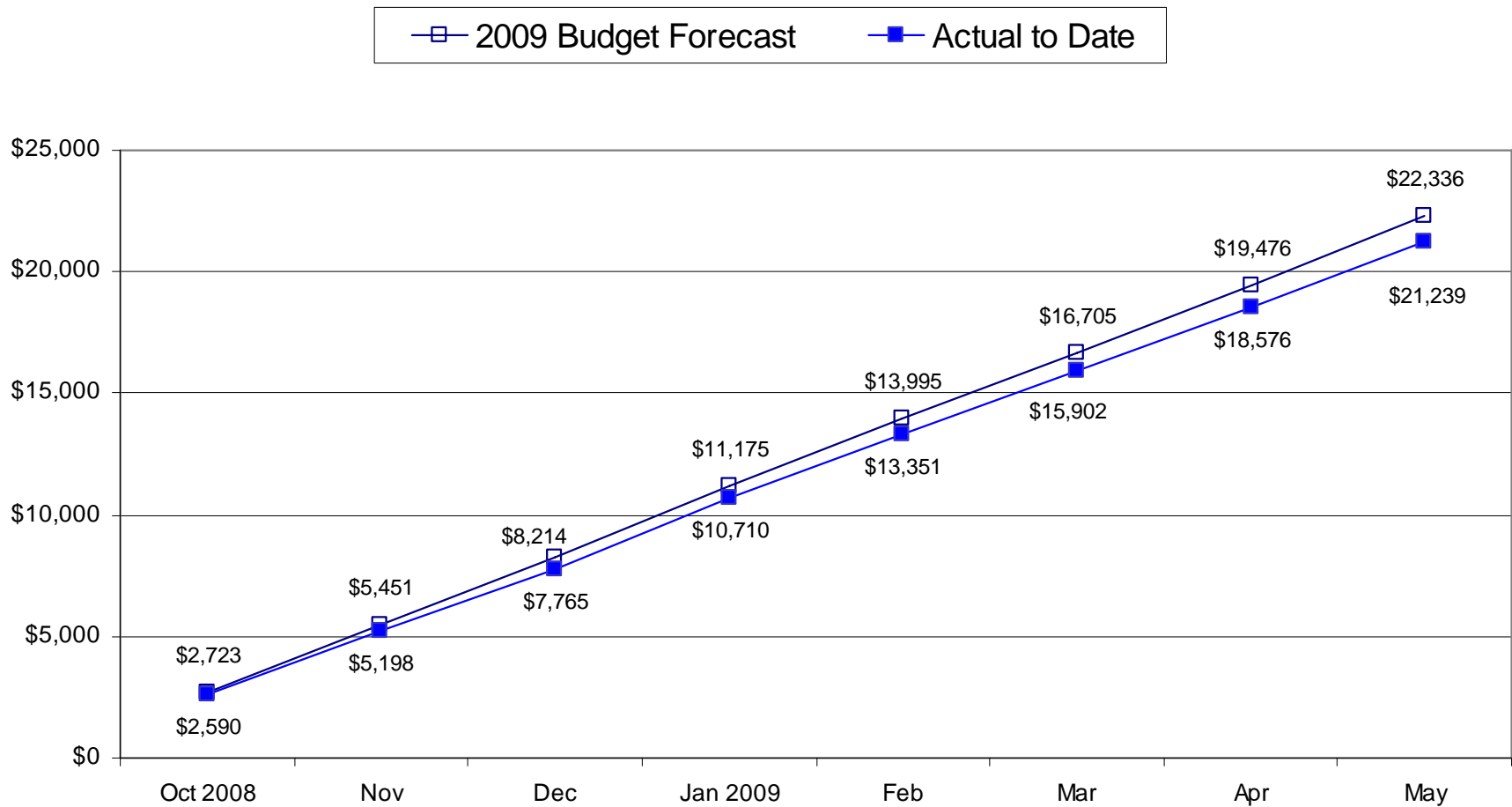
Cumulative Water Revenues FY09 (Thousands of Dollars)



Cumulative Wastewater Billings FY09 (kGals)



Cumulative Wastewater Revenues FY09 (Thousands of Dollars)



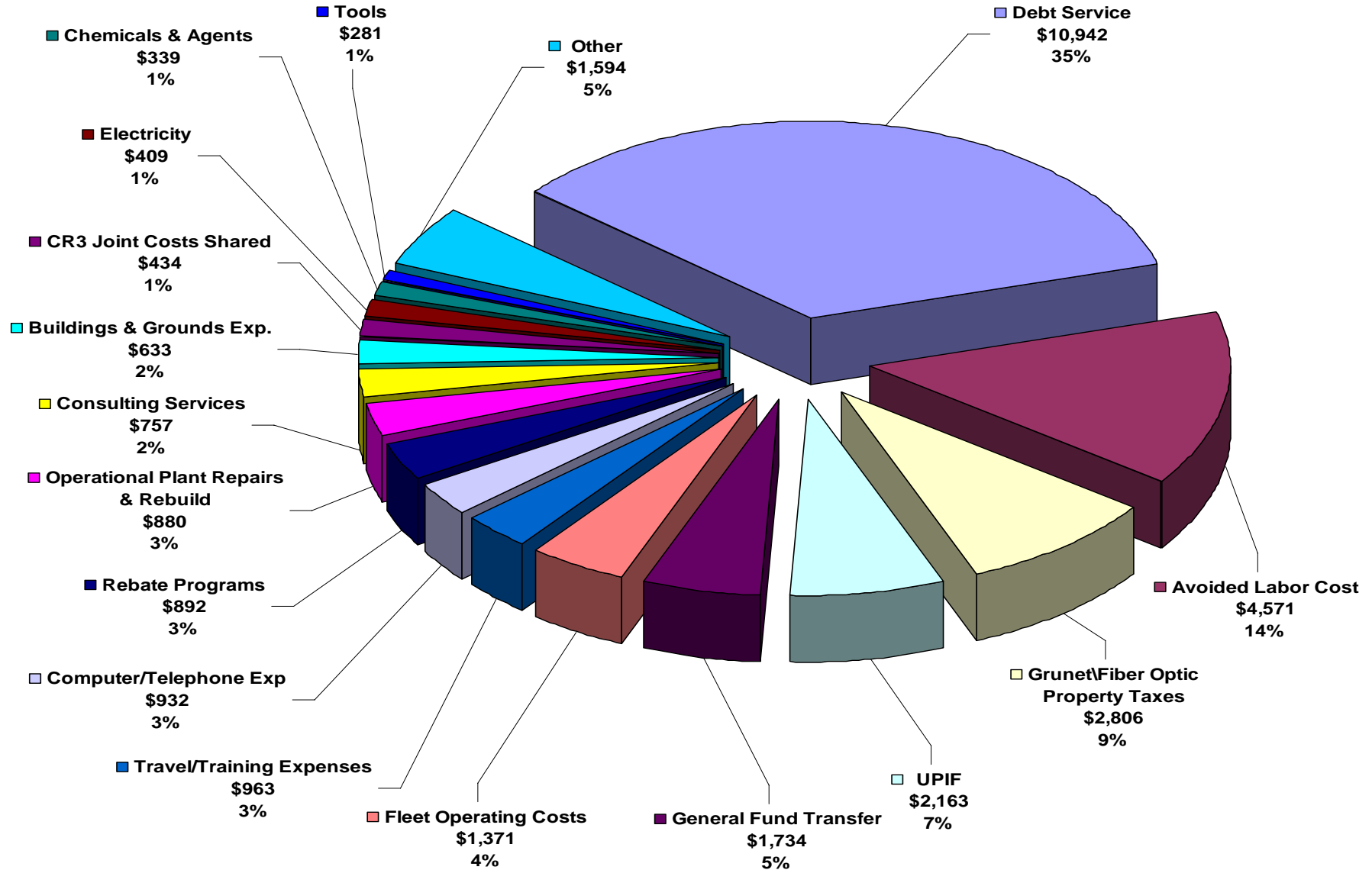
Financial Overview

Non-Fuel Revenue Requirements

SYSTEM		2010
Electric	(Original Budget)	3.00%
	(Revised Budget)	6.90%
Water	(Original Budget)	5.00%
	(Revised Budget)	4.50%
Wastewater	(Original Budget)	6.00%
	(Revised Budget)	2.25%
Gas	(Original Budget)	6.75%
	(Revised Budget)	0.00%

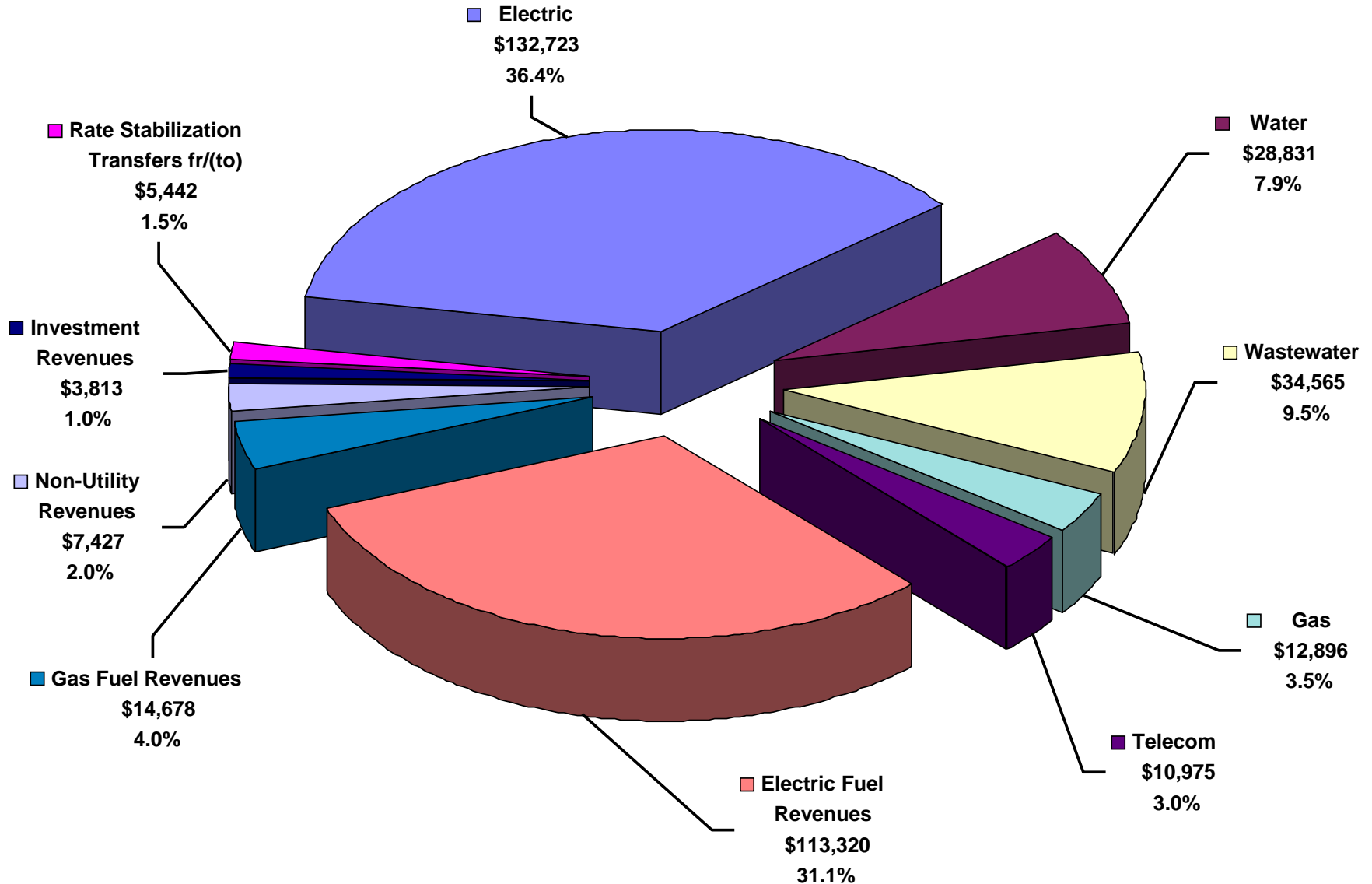
FY09 & FY10 Budget Reductions (\$31.7m)

Dollars in Thousands



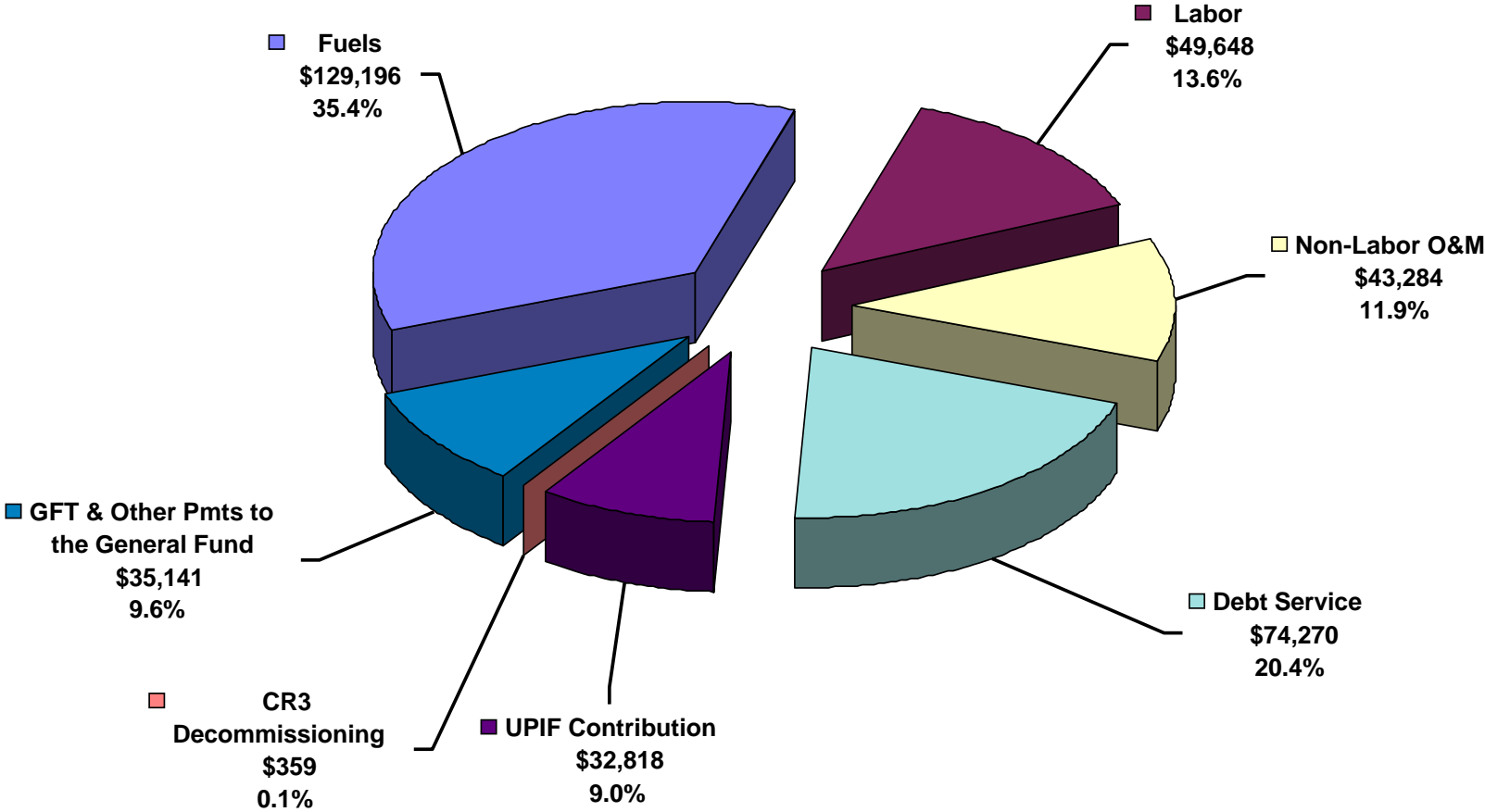
FY10 Revenue Classification

Dollars in Thousands



FY10 Expense Classification

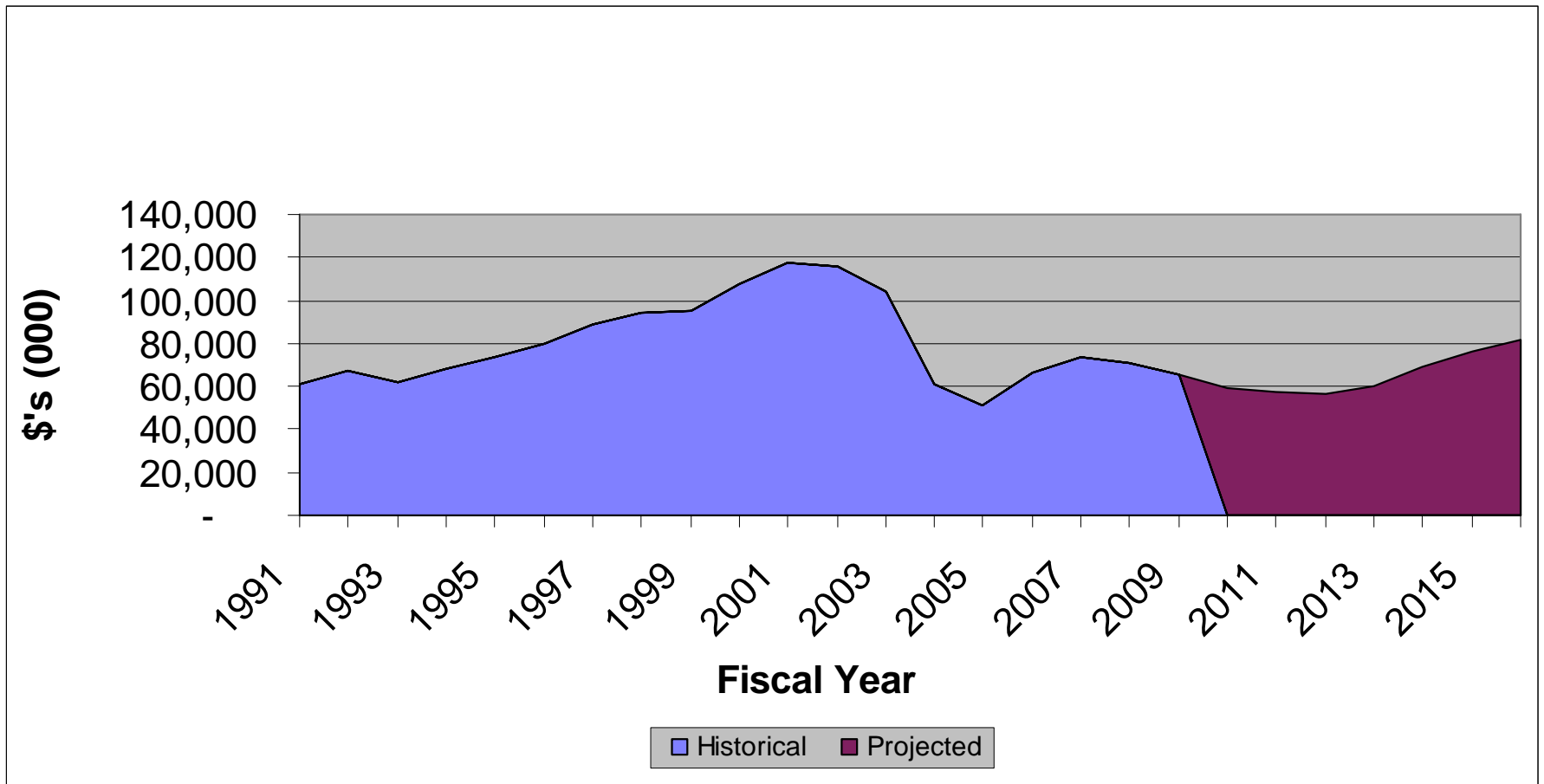
Dollars in Thousands



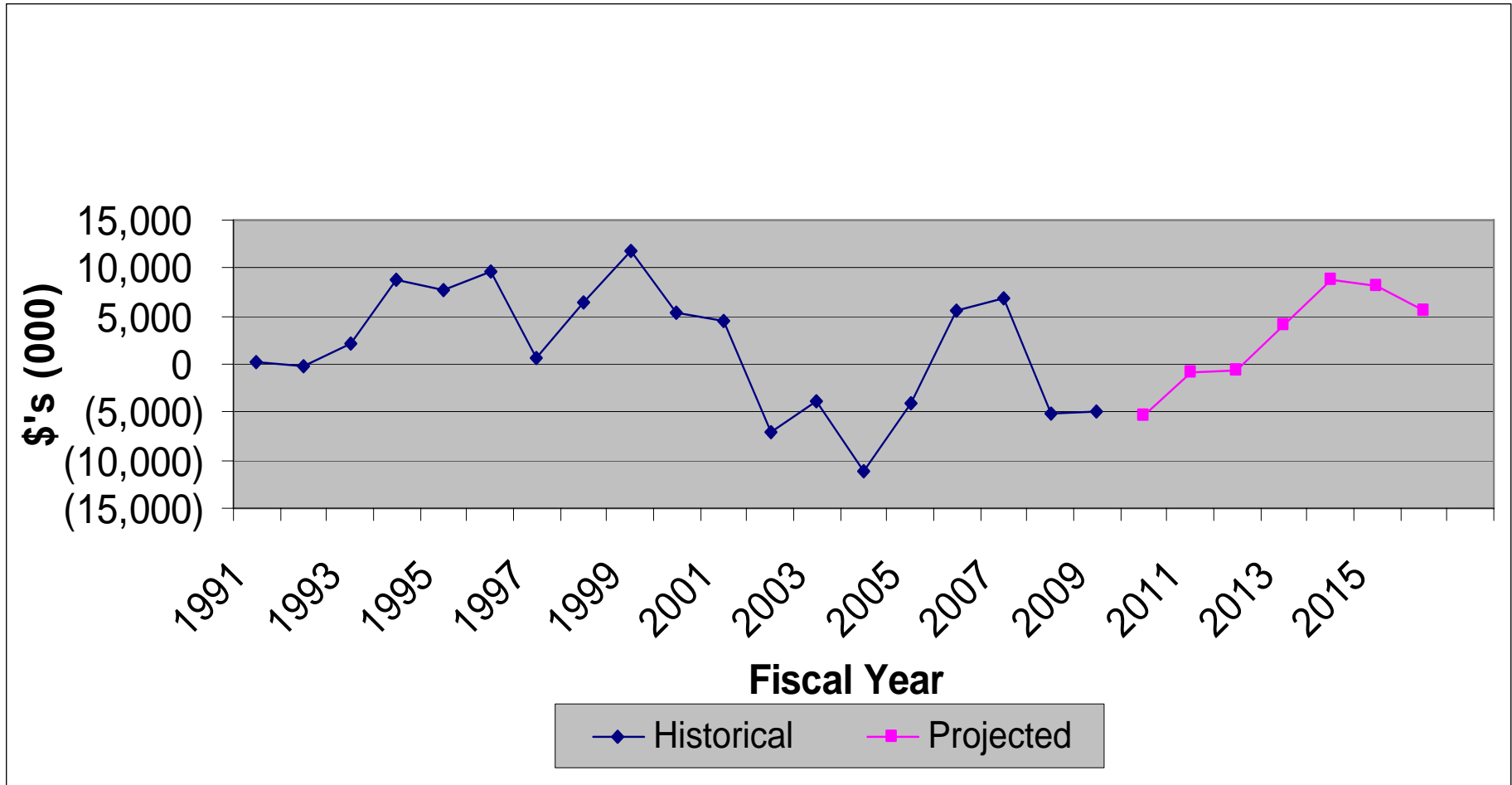
Personal Services Requests

- 41 vacancies
- No new positions requested
- Current positions deleted
 - Utility Project Team Leader
 - Lead Analyst
 - Current Diversion Tech
- Existing temporary to regular
 - Staff Assistant (\$9k additional cost)
- Overfill positions
 - Retain 5.5 positions
 - Eliminate 11 positions

Historical and Projected Reserves: Combined System



Rate Stabilization Fund Transfers – Combined Systems

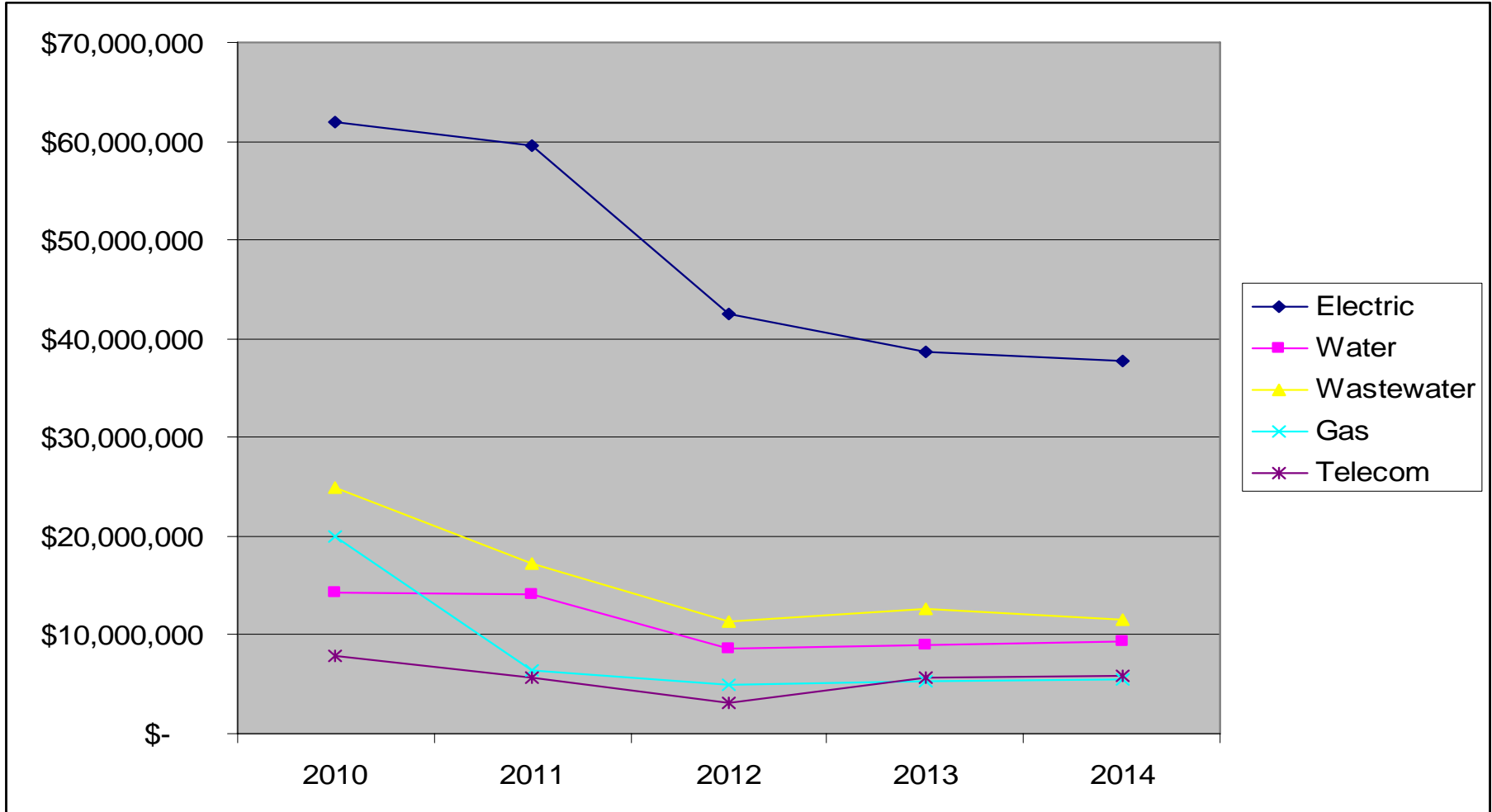


Major Capital Projects

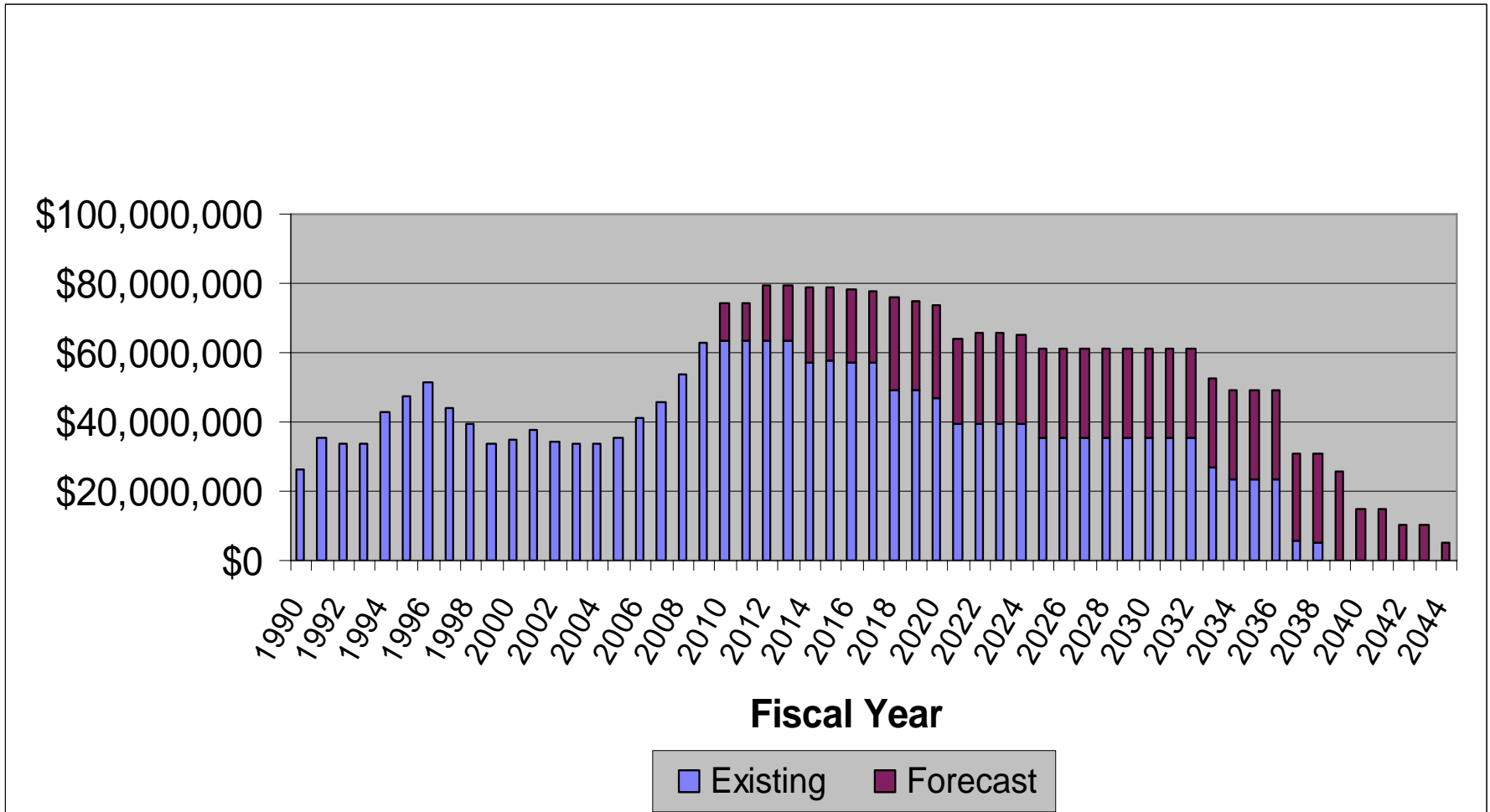
Electric	\$ 61,994,792
Water	\$ 14,292,290
Wastewater	\$ 24,902,737
Gas	\$ 19,990,556
GRUCom	\$ 7,858,499
TOTAL	\$129,038,874

- Manufactured Gas Plant
- Eastside Operations Center
- DH2 Turbine Improvements
- Sheetflow Restoration
- Kanapaha Water Reclamation Facility Disinfection Compliance

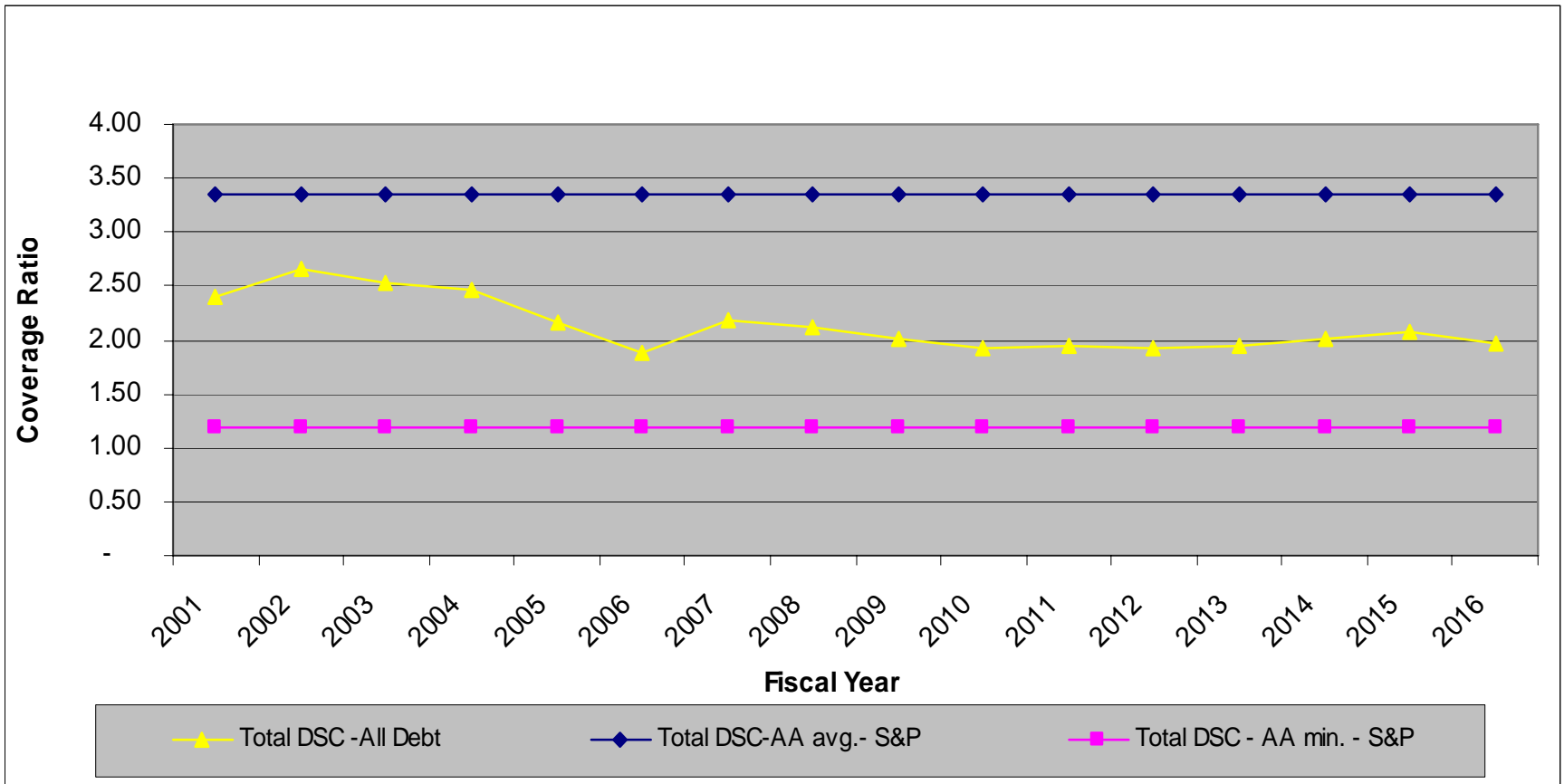
Capital Improvement Plan Projections



Debt Service – Combined System

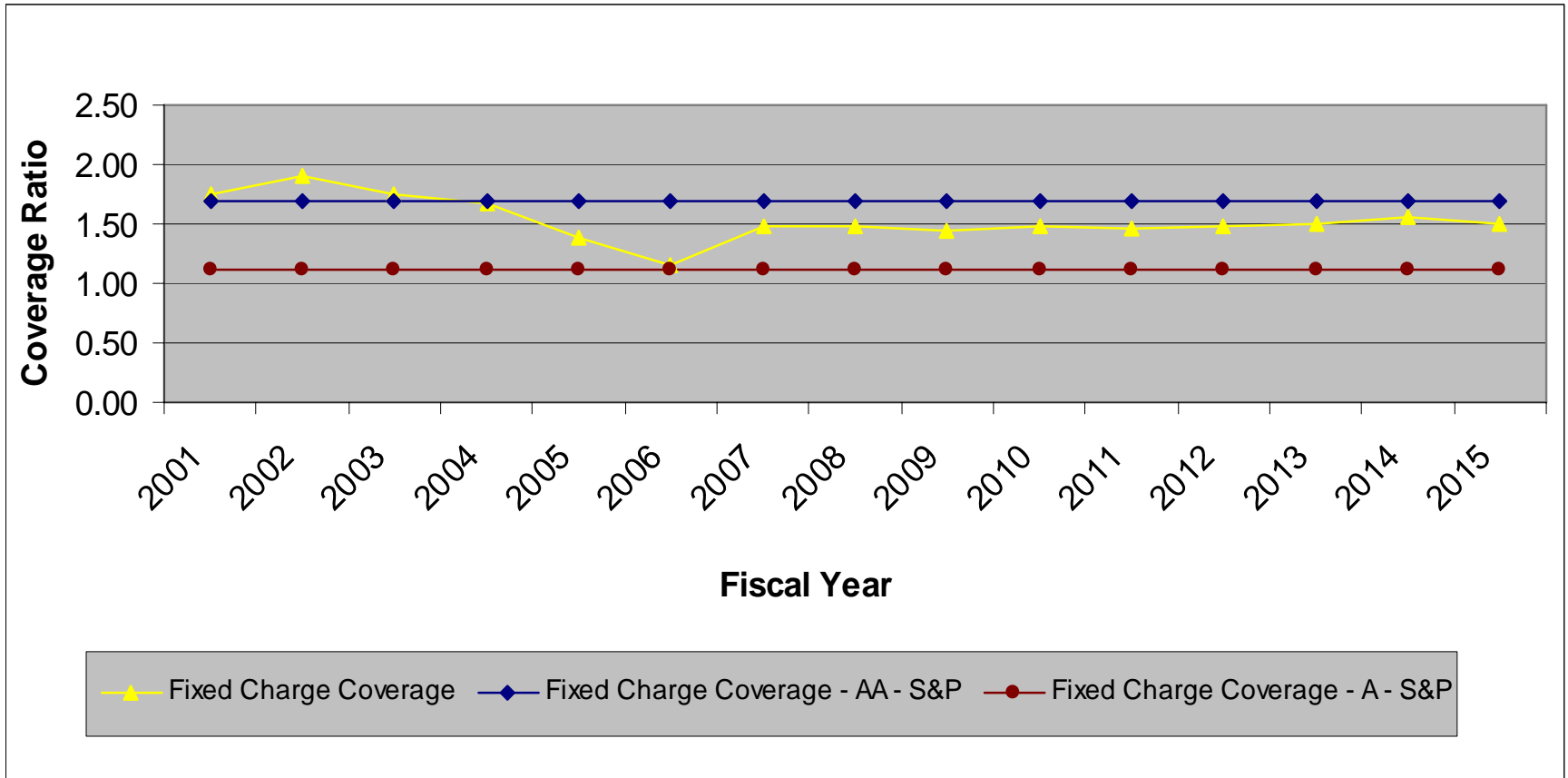


Total Debt Service Coverage



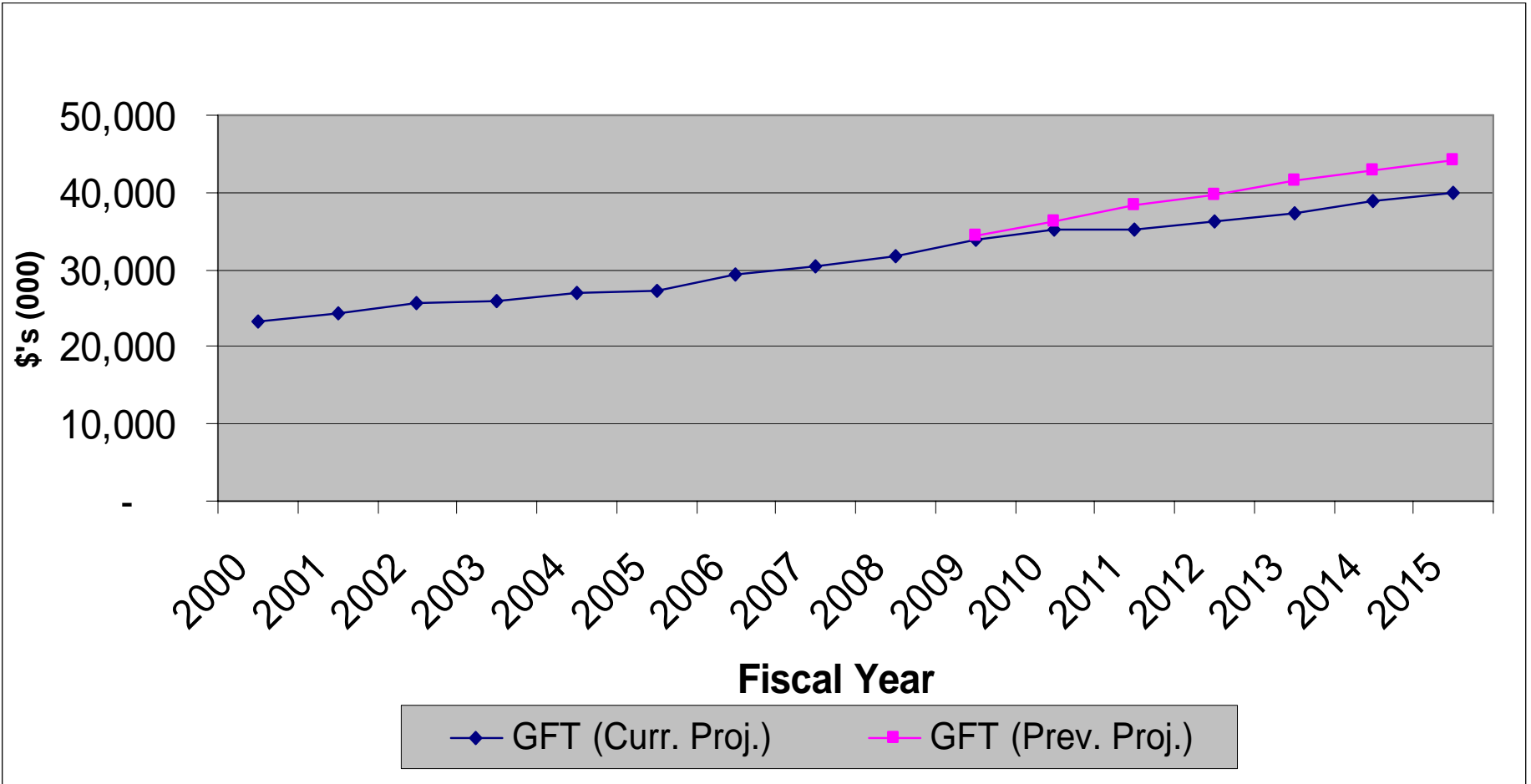
Total Debt Service Coverage – Number of times total debt service payments are covered by net revenues

Fixed Charge Coverage



Fixed Charge Coverage – Number of times total fixed charges are covered by net revenues

General Fund Transfer



Effect of O&M and Capital Adjustments on Rates

1 percent increase	Electric	Gas	Water	WW
O&M	\$1,067,442	\$114,075	\$252,769	\$307,357
Capital	\$17,950,000	\$1,900,000	\$4,300,000	\$5,200,000

Energy Supply Fuels and Project Summary

ENERGY SUPPLY 2010



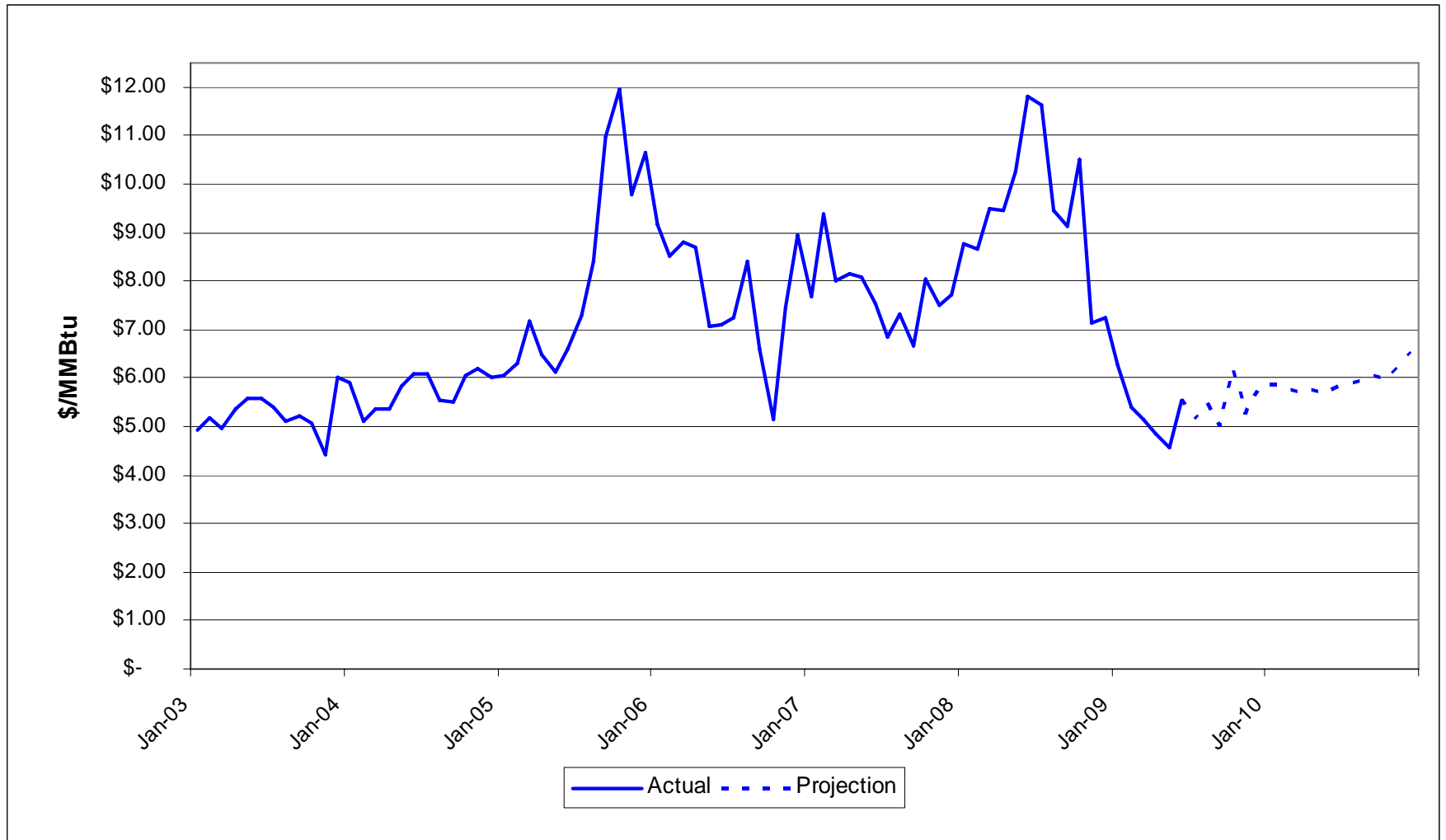
- Production
 - Production Assurance
 - Reliability
 - Plant Performance
 - Power Engineering
 - Fuels
 - Procurement
 - Management
- 

Points of Discussion

- Fuels
 - Fuel markets
 - Natural gas management
 - Coal management
 - Forecast
- Major Projects
 - Deerhaven Air Quality Control System
 - South Energy Center

Natural Gas Commodity Prices

(January 2003 – December 2010)



Natural Gas Management

■ Energy Risk Management

- Insurance policy
- Risk management policy
- Risk Oversight Committee (ROC)
- Technical support from The Energy Authority (TEA)

■ Long-term Contracts

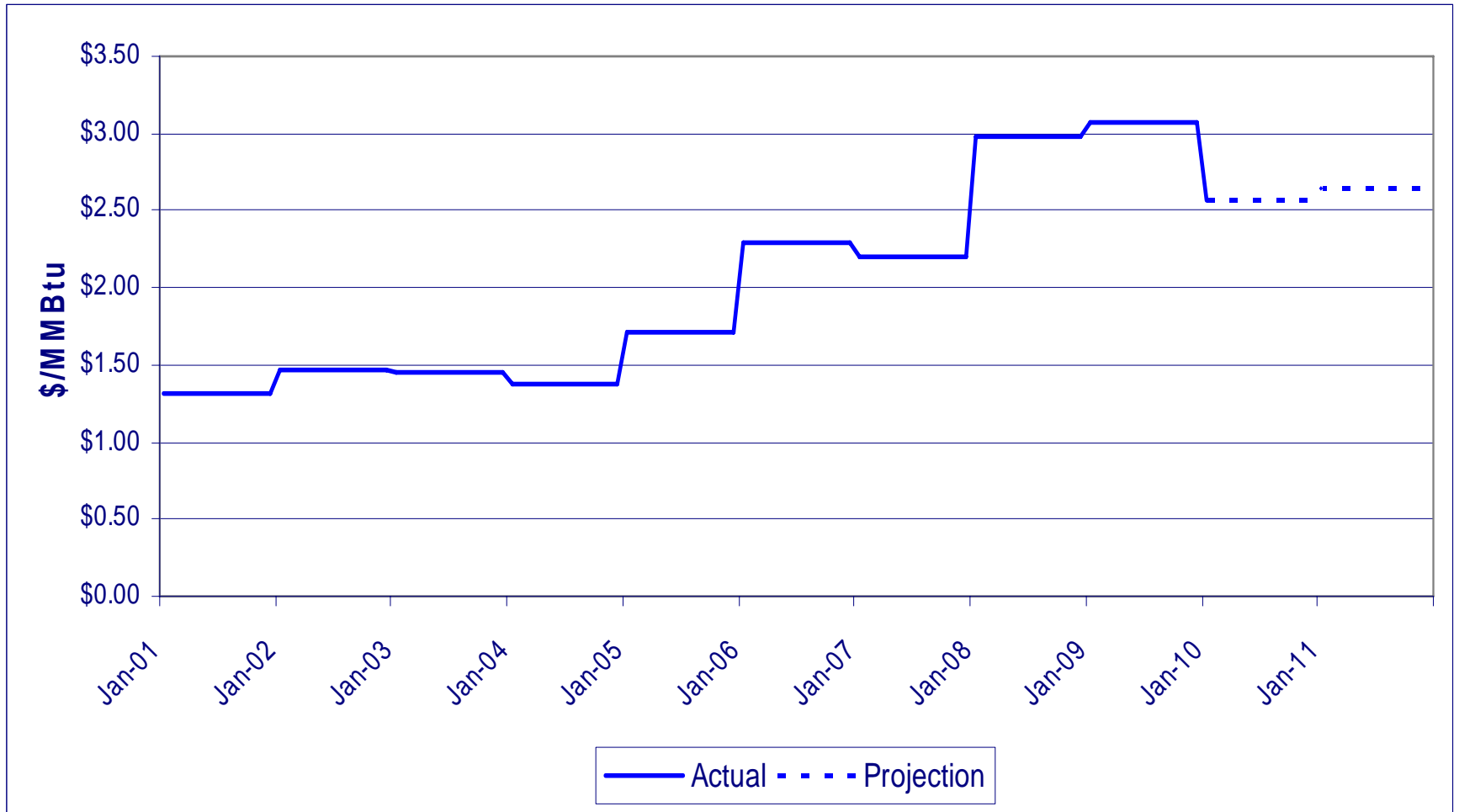
- Baseload gas supply
- Transportation

■ Current Position

- 79 percent of natural gas requirement protected against upward price movement

Coal Commodity Prices

(January 2001 - December 2011)



Coal Management

■ Acquisition Strategy & Policy

- Long-term contracts for at least 75 percent of coal volumes
- No brokers
- RFPs to generate competition
- Extensive technical evaluation to assure reliability and operations are not compromised

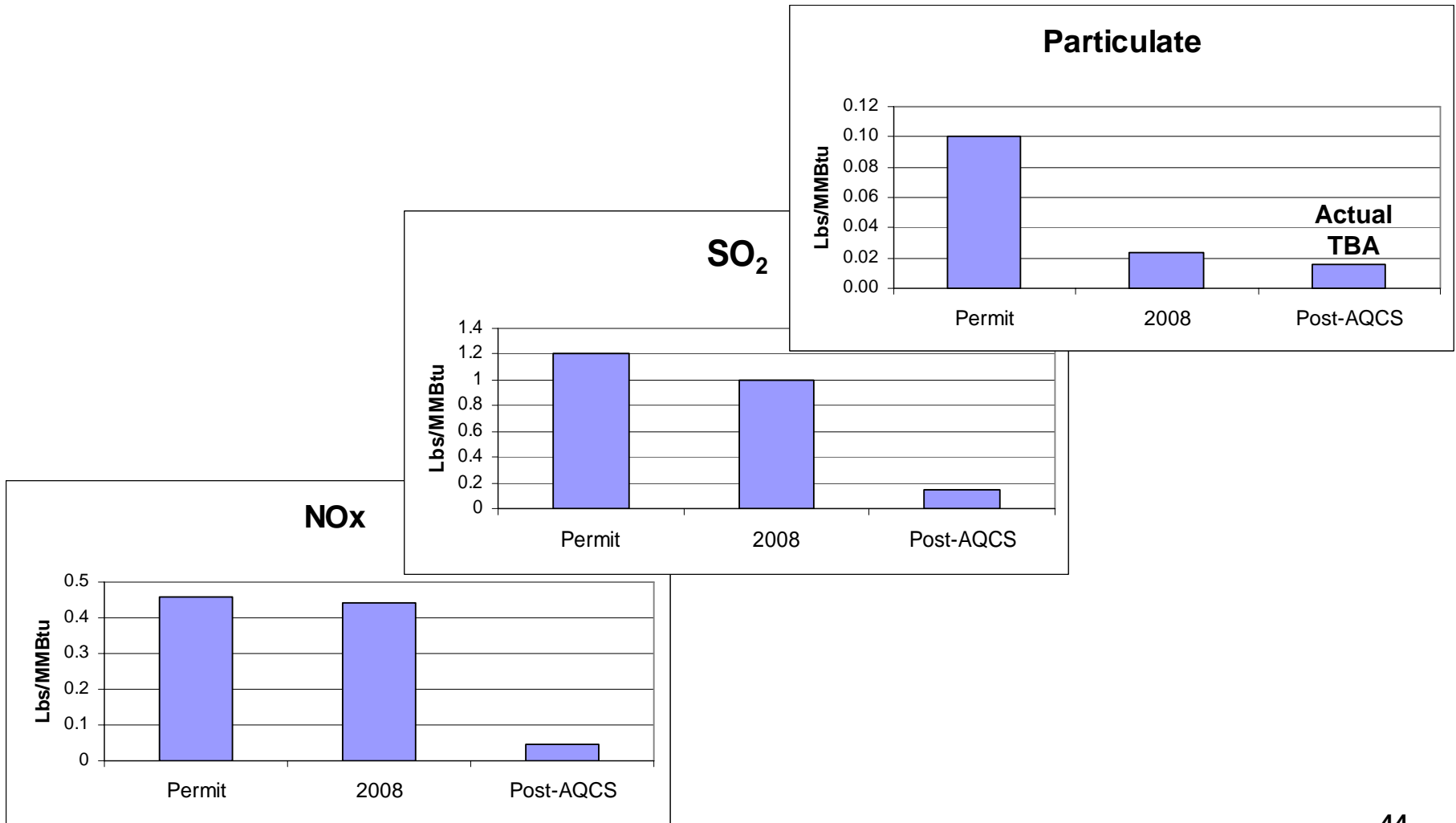
■ Effect of Acquisition Policy

- Decrease in coal price in 2010
- 90 percent of coal supply acquired under contracts for calendar years 2010 & 2011
- Reduced reliance on surface mining





DH2 Emissions Reduction





- Merchant business
- Provide chilled water and steam to Shands at UF Cancer Hospital
- Began business in February 2009
- Capital recovery to begin in October 2009
- Planned opening of Shands at UF Cancer Hospital – November 2009

Price and Rates

FY10 Proposed Residential Rate Changes

System	Unit	Current July 2009*	Base Change	Fuel Change	Proposed 2010 Bill**
Electricity	1,000 kWh	\$132.60	\$2.85	(\$5.00)	\$130.45
Natural Gas	25 therms	\$37.02	\$0.00	(\$1.25)	\$35.77
Water	7 kGals	\$18.13	\$0.72		\$18.85
Wastewater	7 kGals	\$40.58	\$0.91		\$41.49
Total		\$228.33	\$4.48	(\$6.25)	\$226.56

*Electricity based on the \$0.061/kWh fuel adjustment effective July 1, 2009

Natural Gas based on the \$0.58/therm purchased gas adjustment effective July 1, 2009

**Electricity based on the \$0.56/kwh fuel adjustment to become effective October 1, 2009

Natural Gas based on the \$0.53/therm purchased gas adjustment to become effective October 1, 2009.

Electric and Natural Gas

Proposed FY10 Residential Electric Rates

- Monthly customer charge \$7.60 to \$8.45
- Energy charge (¢/kWh)
 - Tier 1 (0 to 250 kWh) 2.6¢ to 2.8¢
 - Tier 2 (251 to 750 kWh) 6.6¢ to 6.7¢
 - Tier 3 (Over 750 kWh) 9.8¢ to 10.2¢

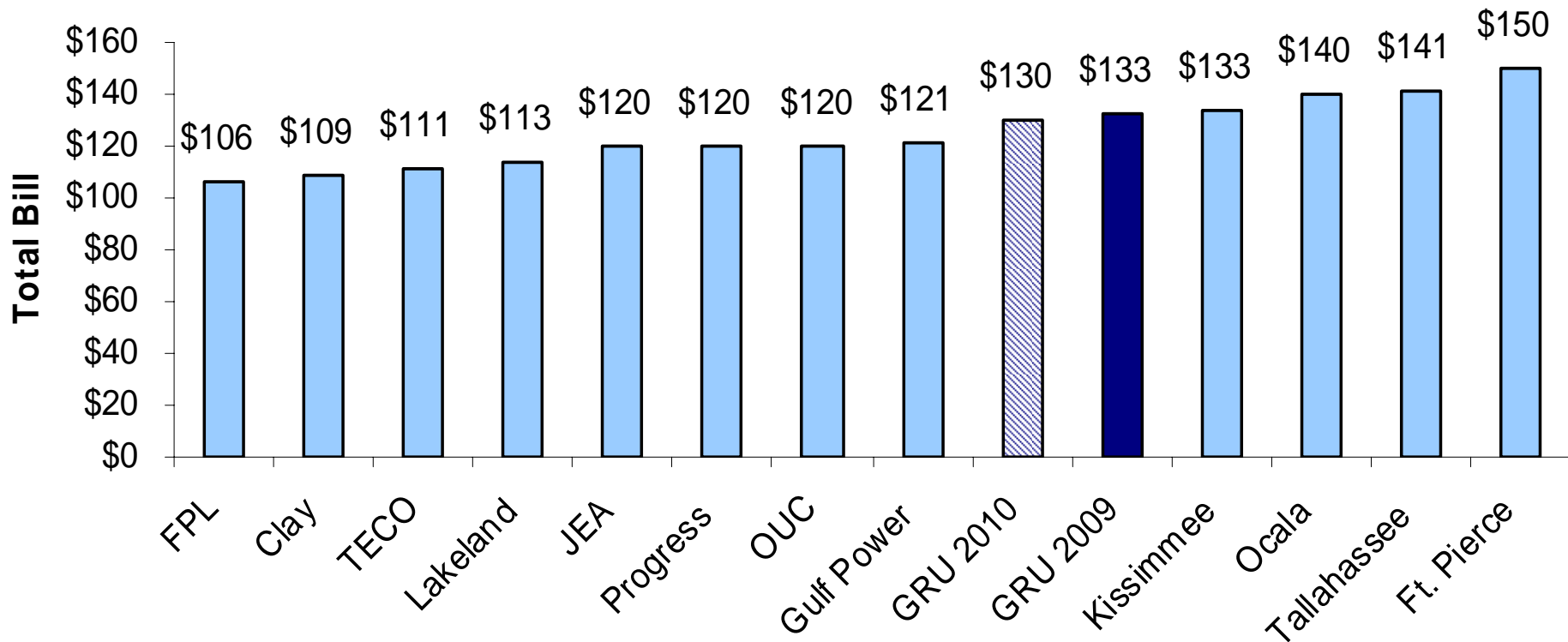
Residential Bill	Current July 2009*	Base Change	Fuel Change	Proposed 2010**
1000 kWh	\$132.60	\$2.85	(\$5.00)	\$130.45

*Based on the \$0.061/kWh fuel adjustment effective July 1, 2009

**Based on the \$0.056/kWh fuel adjustment to become effective October 1, 2009

Residential Electric

1,000 kWh as of June 1, 2009 with proposed rate changes*



*Increases proposed by other utilities such as FPL and OUC are not reflected in this chart.

Proposed FY10 General Service Non-Demand Electric Rates

- Monthly Customer Charge \$16.00 to \$25.50
- Energy Charge (¢/kWh)
 - 0 to 1,500 kWh 6.8¢ to 7.0¢
 - Over 1,500 kWh 9.5¢ to 10.3¢

GSN Bill	Current July 2009*	Base Change	Fuel Change	Proposed 2010 Bill**
1500 kWh	\$201.24	\$11.63	(\$7.50)	\$205.37

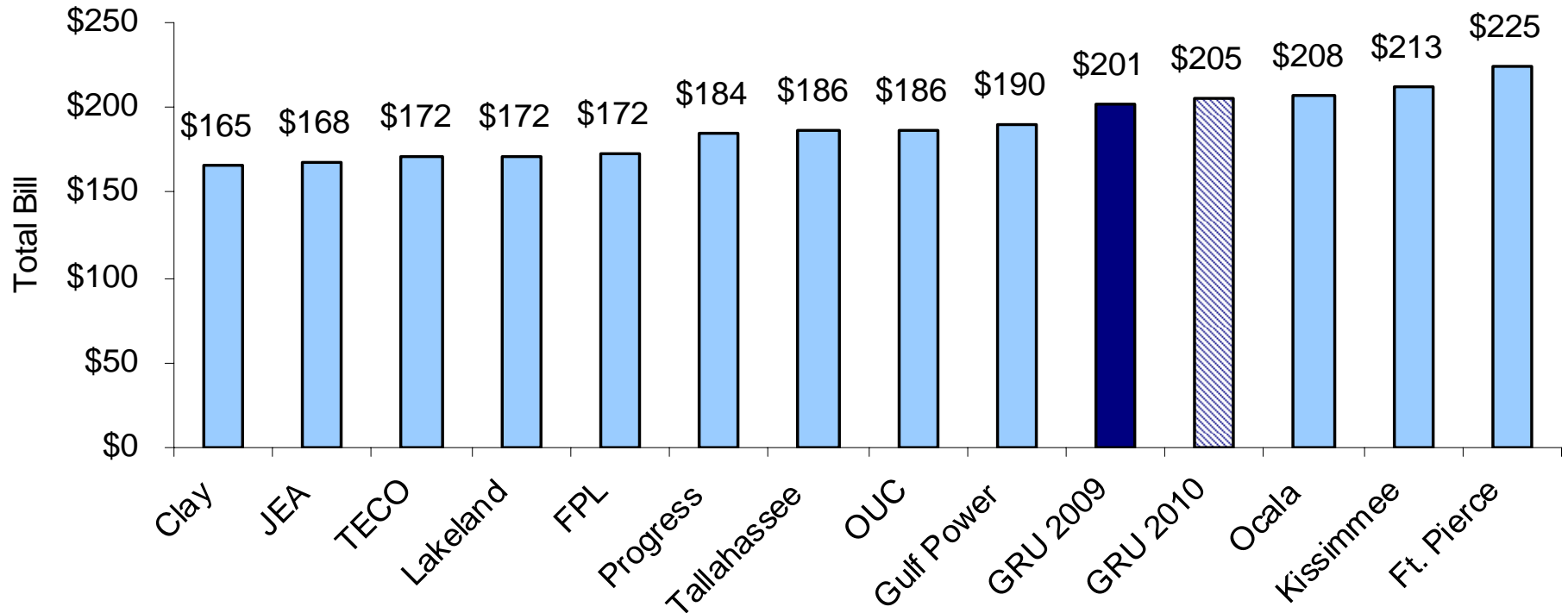
*Based on the \$0.061/kWh fuel adjustment effective July 1, 2009

**Based on the \$0.056/kWh fuel adjustment to become effective October 1, 2009

Includes Business Partner Discount of 7 percent

General Service Non-Demand

1,500 kWh as of June 2009*



*GRU bill includes 7 percent business partner discount.

Increases proposed by other utilities such as FPL and OUC are not reflected in this chart

Proposed FY10 General Service Demand Electric Rates

- Monthly customer charge - no change \$45.00
- Energy charge (¢/kWh) 3.2¢ to 4.2¢
- Demand charge (\$/kW) \$9.20 to \$9.25

GSD Bill	Current July 2009*	Base Change	Fuel Change	Proposed 2010 Bill**
30,000 kWh & 75 kW	\$3,355.50	\$273.38	(\$150.00)	\$3,478.88

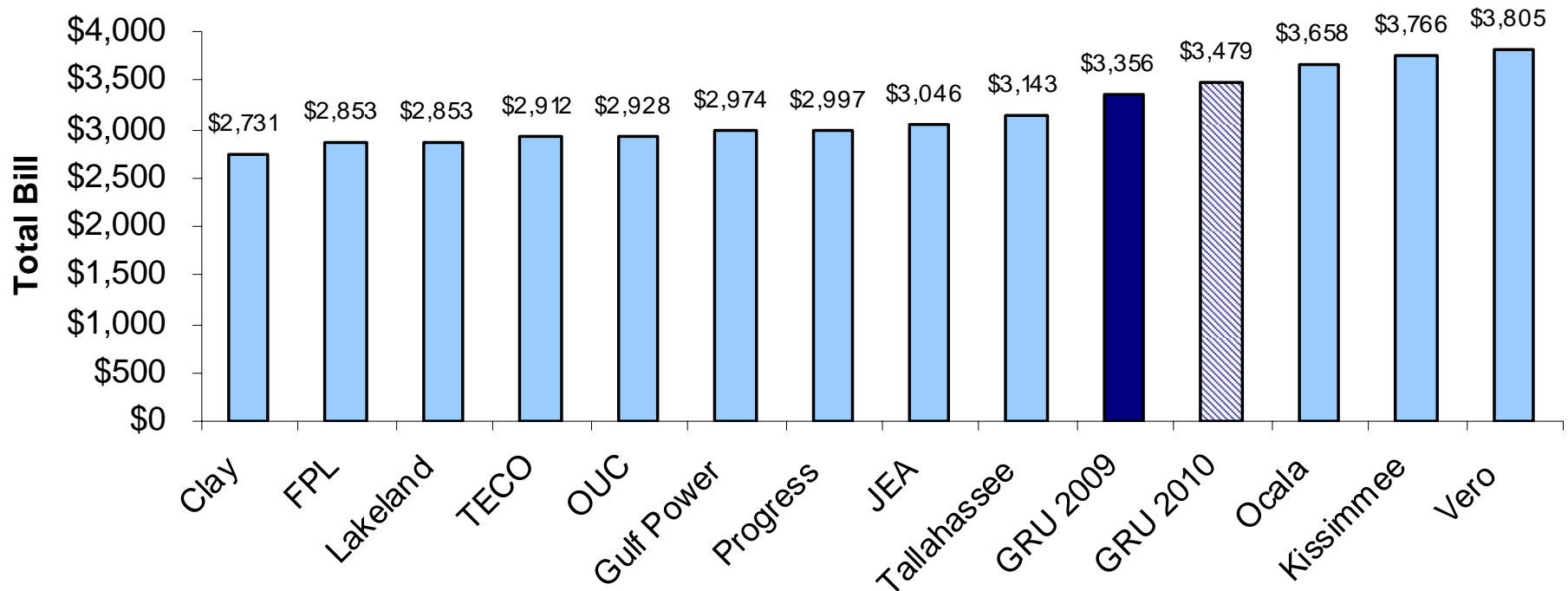
*Based on the \$0.061/kWh fuel adjustment effective July 1, 2009

**Based on the \$0.056/kWh fuel adjustment to become effective October 1, 2009

Assumes a Business Partner Discount of 10 percent

General Service Demand

30,000 kWh as of June 2009*



*GRU bills include business partner discount.

Increases proposed by other utilities such as FPL and OUC are not reflected in this chart.

Proposed FY10 Large Power Electric Rates

- Monthly Customer charge – no change \$300
- Energy charge (¢/kWh) 3.1¢ to 3.9¢
- Demand charge (kW) \$9.20 to \$9.25

Large Power Bill	Current July 2009*	Base Change	Fuel Change	Proposed 2010 Bill**
430,000 kWh & 1,000 kW	\$46,092.10	\$3,036.30	(\$2,150.00)	\$46,978.40

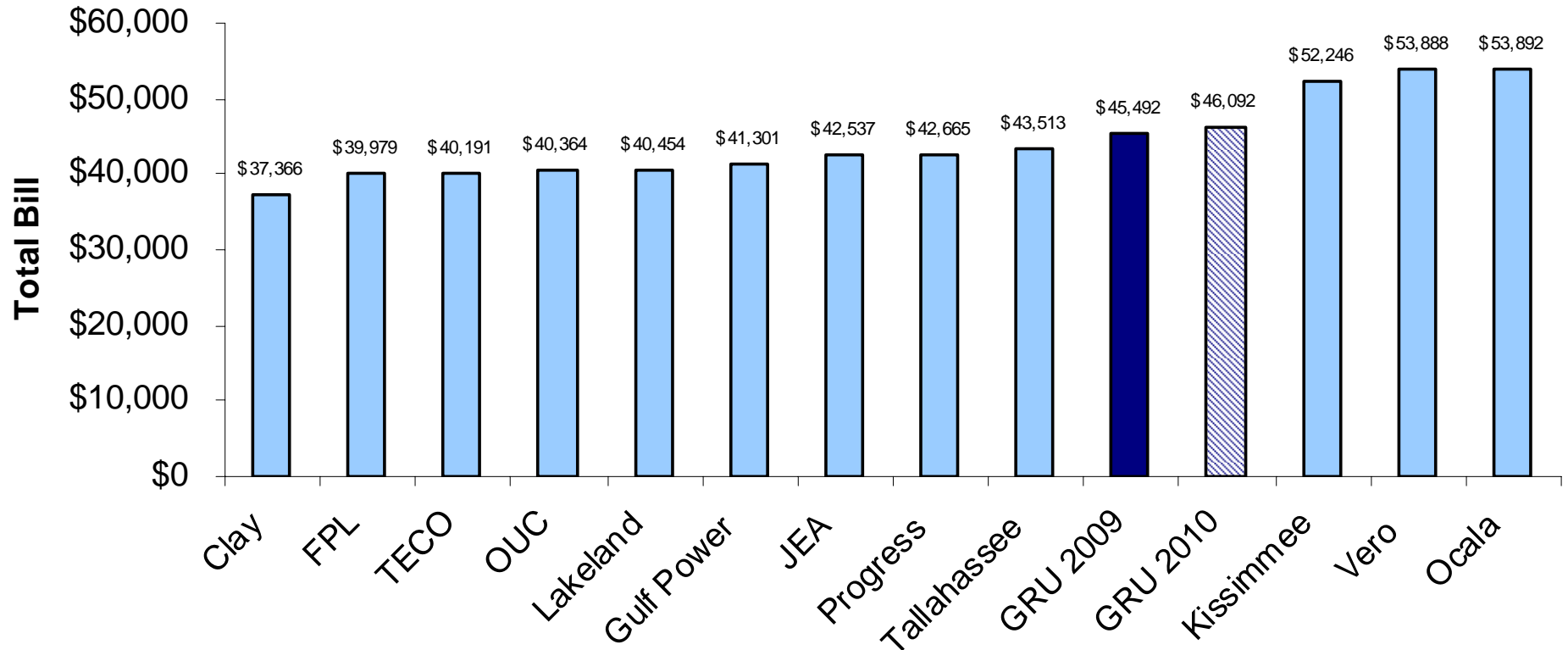
*Based on the \$0.061/kWh fuel adjustment effective July 1, 2009

**Based on the \$0.056/kWh fuel adjustment to become effective October 1, 2009

Assumes a Business Partner Discount of 13 percent

Large Power

430,000 kWh as of June 2009*



*GRU bills include business partner discount. Increases proposed by other utilities are not reflected in this chart.

Proposed FY10 Lighting Rates

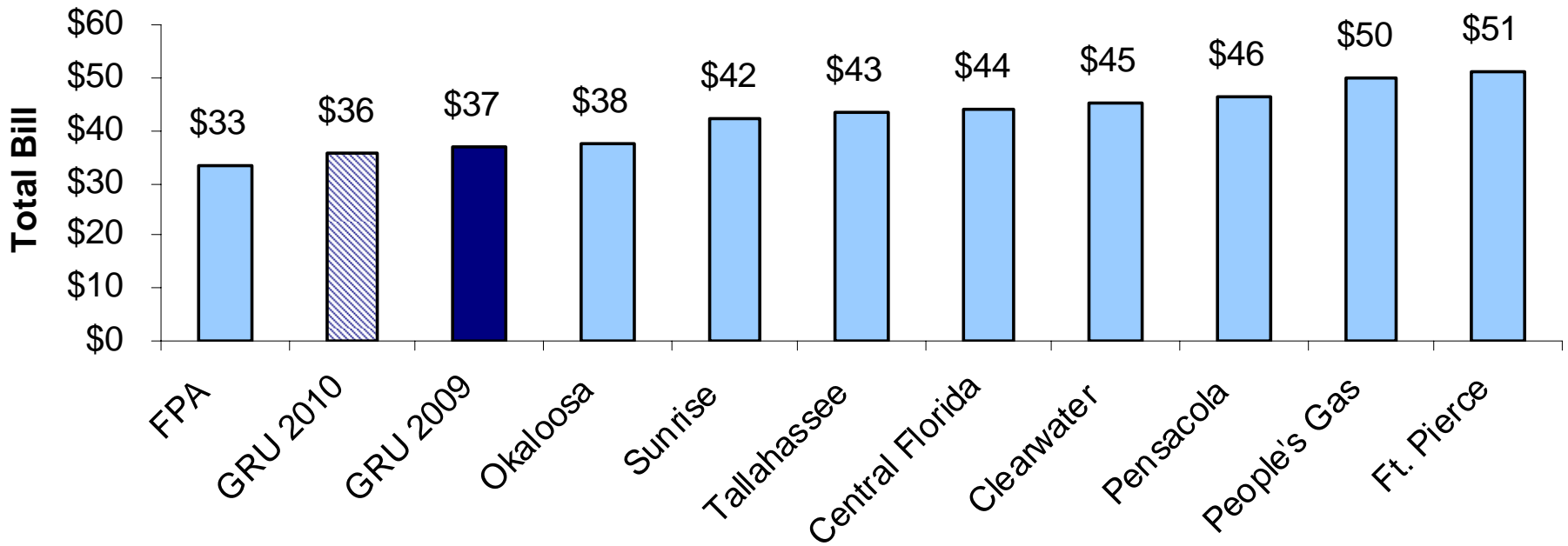
- Add LED streetlight rate
- No additional lighting rate changes

Natural Gas Rate Recommendations

- No base rate increases

Residential Natural Gas

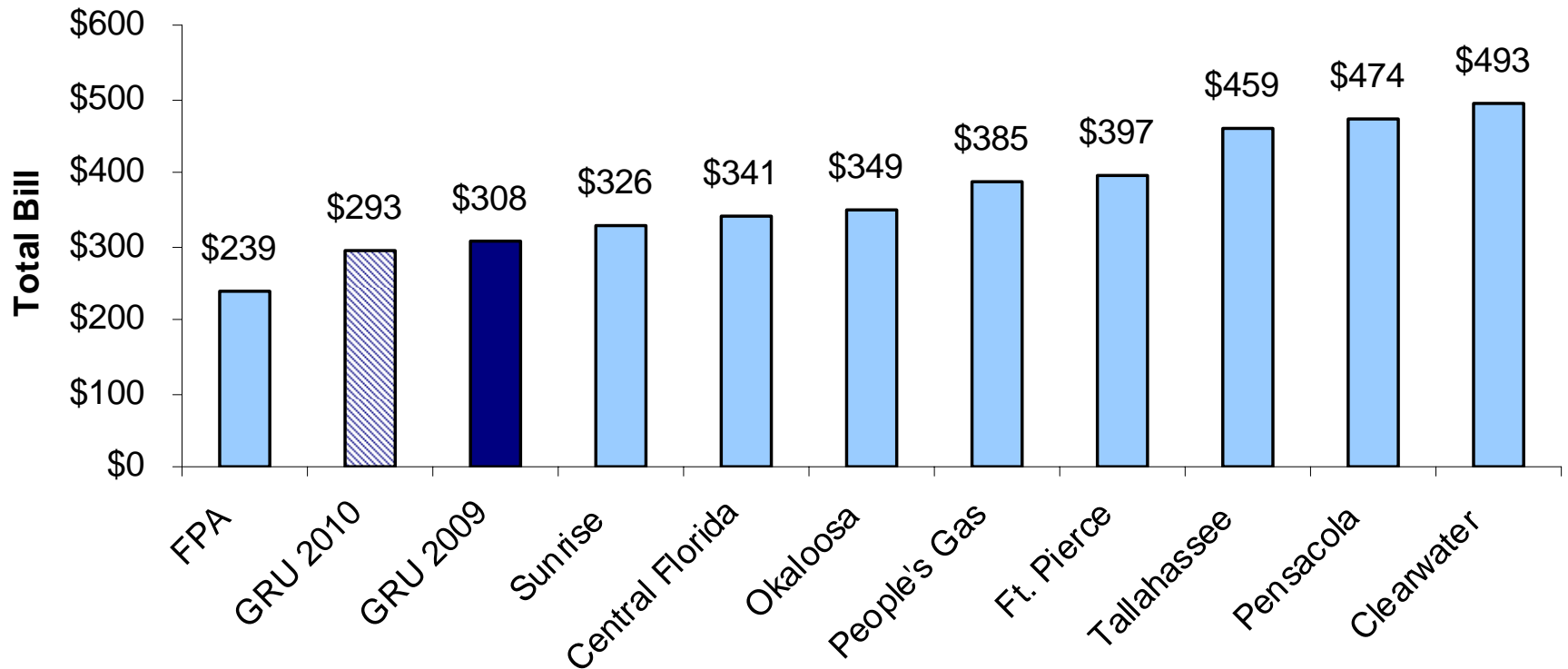
25 Therms as of June 2009*



*Increases proposed by other utilities are not reflected in this chart.

Commercial Natural Gas

300 Therms as of June 2009*



*Increases proposed by other utilities are not reflected in this chart.

Water and Wastewater

Water/Wastewater Rate Design

- Encourage water conservation
- Set monthly customer charge at cost
- Set commercial and second tier residential water rate equally
- Add commercial irrigation rate
- Revise connection fees

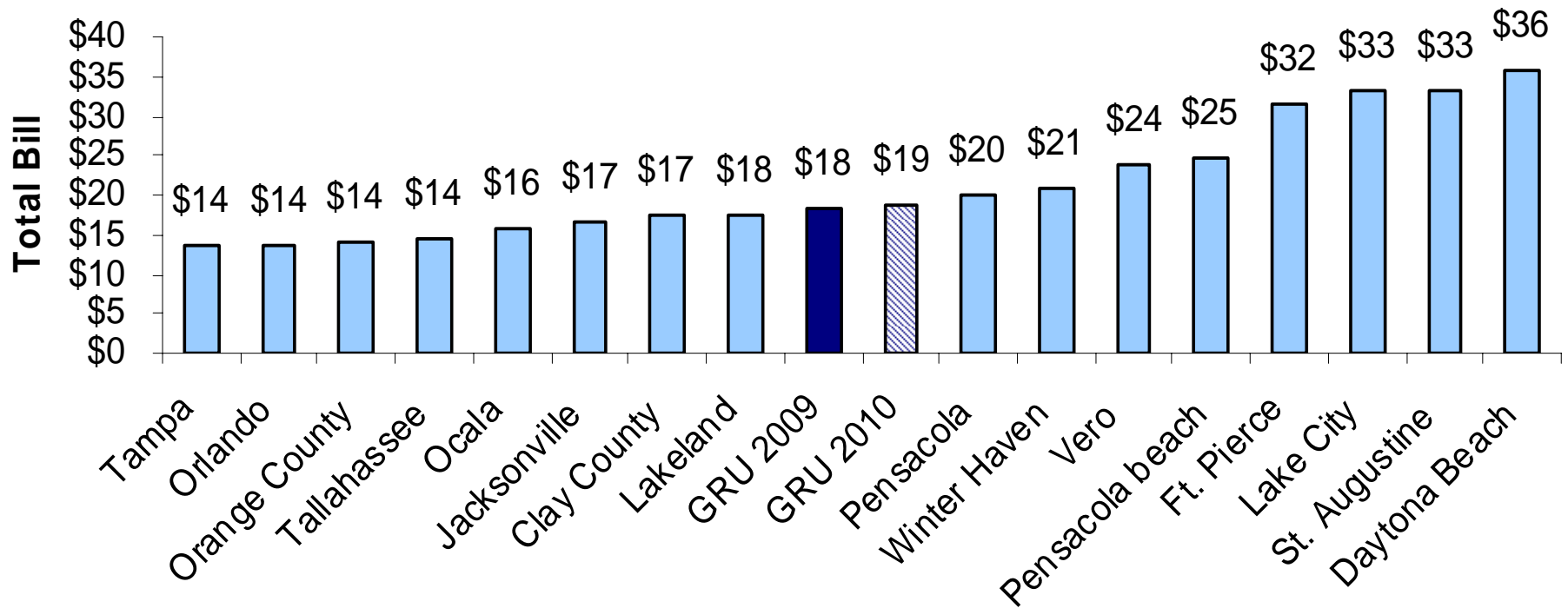
Proposed FY10 Water Rates

- Monthly Customer Charge \$7.00 to \$7.30
- Residential Usage (\$/1,000 gallons)
 - Tier 1 (0 - 9,000 gallons) \$1.59 to \$1.65
 - Tier 2 (10,000 - 24,000) \$3.11 to \$3.30
 - Tier 3 (> 25,000 gallons) \$5.50 to \$6.00
- Commercial Usage (\$/1,000 gallons) \$3.11 to \$3.30
- Commercial Irrigation (\$/1,000 gallons) \$4.35

	Current 2009	Change	Proposed 2010
Residential 7 kGal Bill	\$18.13	\$0.72	\$18.85
Commercial 30 kGal Bill	\$100.30	\$6.00	\$106.30

Residential Water

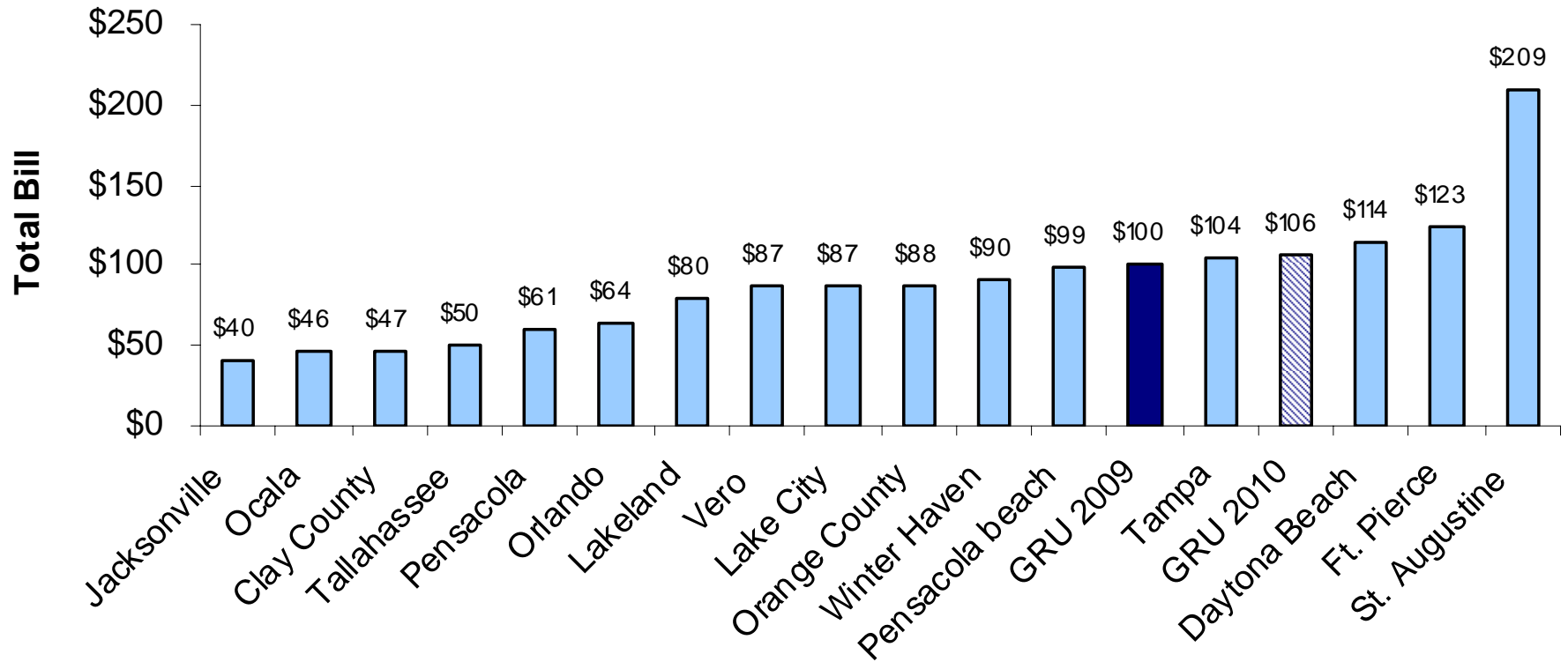
7 KGals as of June 2009*



*Increases proposed by other utilities are not reflected in this chart.

Commercial Water

30 KGals as of June 2009*



*Increases proposed by other utilities are not reflected in this chart.

Water/Wastewater Connection, Inspection & Tapping Fees

- Wastewater connection fees
 - Proposed increases consistent with reclaimed water policy
 - Fees will cover reclaimed water infrastructure
 - First year of three year phase-in

Total WW Connection Fee for 5/8" Meter: \$1,720 to \$2,320

- Water connection, inspection, tapping and standby sprinkler line fees
 - Propose to increase 2009 fees by 4.81 percent based on the ENR CCI (Engineering News Record - Construction Cost Index)

Total Water Connection Fee for 5/8" Meter: \$1,330 to \$1,400

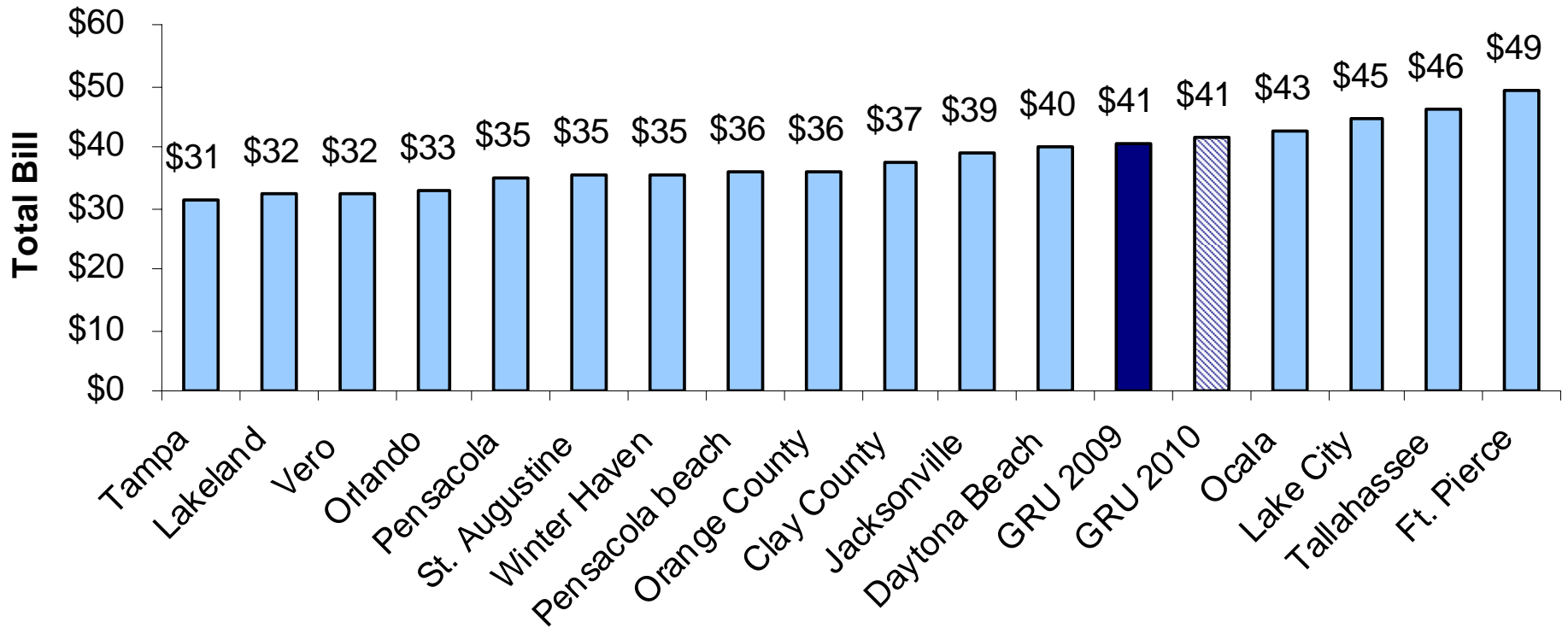
Proposed FY10 Wastewater Rates

- All customers pay same rate
- Monthly customer charge – no change \$6.00
- Charge per 1,000 Gallons (kGal) \$4.94 to \$5.07

	Current July 2009	Change	Proposed 2010
Residential 7 kGal Bill	\$40.58	\$0.91	\$41.49
Commercial 30 kGal Bill	\$154.20	\$3.90	\$158.10

Residential Wastewater

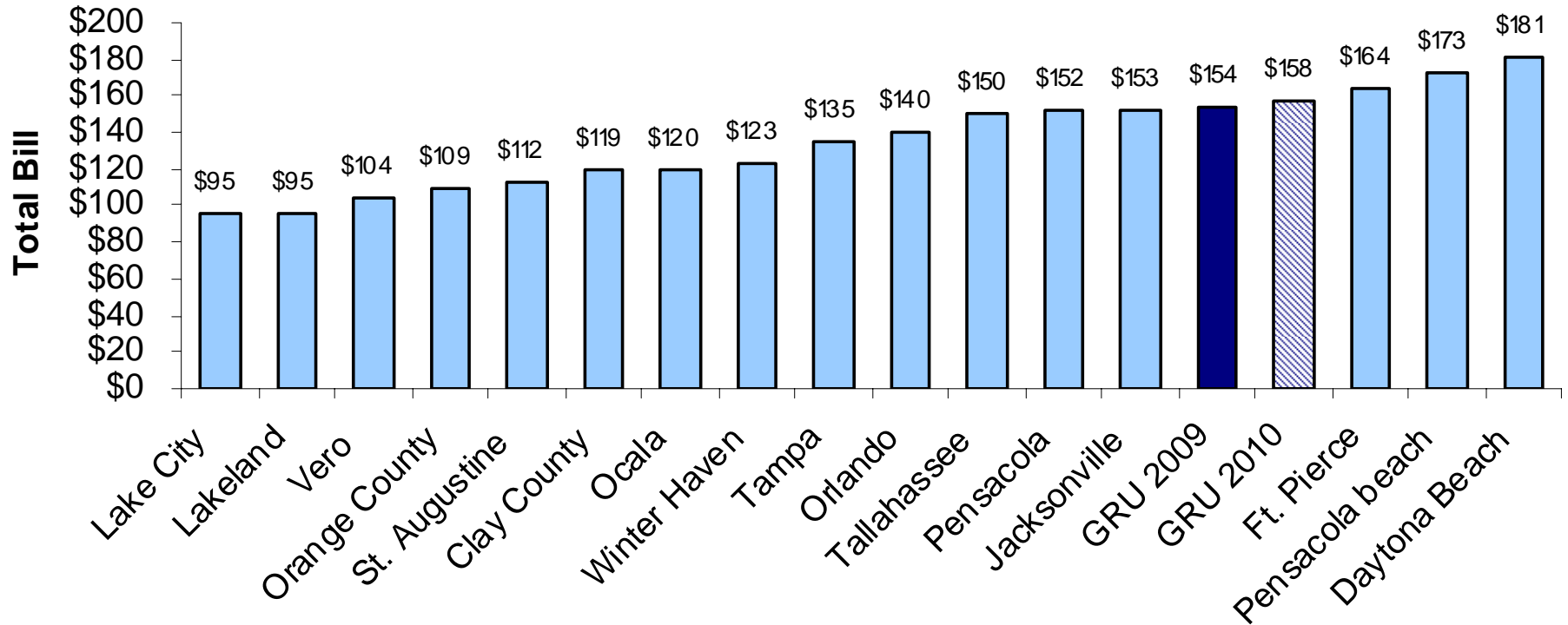
7 KGals as of June 2009*



*Increases proposed by other utilities are not reflected in this chart.

Commercial Wastewater

30 KGals as of June 2009*



*Increases proposed by other utilities are not reflected in this chart.

Proposed Service Charge Revisions

- Trip charge to light gas pilot light
 - Update fee to equal the gas turn-on charge
 - Recommend increase from \$25 to \$50 for FY10
- Electric service disconnection at pole or transformer
 - Requires bucket truck with crew
 - Current charge is \$30 and cost for service of \$200.16
 - Propose to phase in over two years, 2010 rate \$100

Proposed Ordinance Revisions

- Deposit interest
 - Revision to provide credit monthly rather than annually
- Remove business hours from ordinance
- Revise Sec. 27-6 to clarify that misrepresentation of facts is a basis for withholding or discontinuing service
- Repeal Sec. 27-17 - privilege fee which was deemed unconstitutional

Ordinance Change Request Summary

■ Electric

- Increase residential, GSN, GSD and large power base rates (customer, energy and demand charges, where applicable)
- Add LED streetlight rate

■ Gas

- No change

Ordinance Change Request Summary

- Water System
 - Residential, commercial and irrigation base rates (customer and usage charges)
 - Add commercial irrigation rate
 - Connection, inspection, tapping and standby sprinkler line fees
- Wastewater System
 - Customer and kgal billing charges (one rate for all customer classes)
 - Connection, inspection and tapping fees
- Service Charges
 - Pilot Lighting
 - Disconnect at Pole
- Chapter 27
 - Repeal Sec. 27-17
 - Amend Sec. 27-6(e)

Summary FY10 Proposed Budget

Standard and Poor's Review - June 9, 2009

Management Response is Key

- ❑ Financial flexibility
- ❑ Preserve debt service coverage levels
- ❑ Develop strategies to deal with potential carbon costs
 - Invest in renewable generation
- ❑ Utilize coal with environmental controls
- ❑ Conservation and demand-side management

Potential Long-term Negative Impacts to Rates

- Carbon tax/ cap and trade
- Other state or national regulatory mandates
- National (or state) Renewable Portfolio Standard (RPS)
- Inflationary concerns related to the economy
- Solar FIT is a higher-cost resource

Potential Long-term Positive Impacts to Rates

- Economic recovery faster than expected
- Increasing sales – better than forecast
- New revenue sources from non-traditional businesses (GRUCom, South Energy Center)
- Gains in operational efficiency
- Revisions to General Fund Transfer to improve stability
- Detailed capital project reviews

Residential Bill with Proposed Changes

Average Customer		Average Residential Bill	Projected Average Residential Bill	
	Summary	Total Bill 2009	Total Bill 2010	Difference
1000 kwh	Electric	\$132.60	\$130.45	(\$2.15)
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7000 gallons	Water	\$18.13	\$18.85	\$0.72
7000 gallons	WW	\$40.58	\$41.49	\$0.91
	Total	\$228.33	\$226.56	(\$1.77)

Recommendation

- The City Commission direct the City Attorney to draft, and the City Clerk to advertise, ordinances to adopt the recommended rates and charges for water, wastewater and electricity, and revisions to Chapter 27 text.