

Proposed Annual Operating Budget Fiscal Year 2017

City Commission

July 14, 2016



Agenda

- Budget Overview
- Budget Highlights
- Proposed Budget and Financial Metrics
- Forecasts
- Rates and Charges

Strategic Initiatives

- **ERP (Enterprise Resource Plan) Integration:** Work to develop an IT infrastructure to serve as a reliable, value-added platform to manage GRU's informational requirements.
- **Eliminate Barriers to Efficiencies:** Identify areas affecting GRU's ability to operate efficiently, such as joint support departments with the city, and work to mitigate, reduce or otherwise eliminate those barriers.
- **Increase Competitiveness:** Use elements of entrepreneurship, Continuous Improvement and other private-industry efficiency models to identify alternatives to current operational, administrative and construction activities through which GRU can reduce system revenue requirements and rates, lower debt or otherwise increase available resources to the organization.

Overview

- Striving for competitive electric rates
 - City Commission adopted goal of rates at $\frac{1}{2}$ of one standard deviation above the mean of FMEA surveyed utilities (\$119.51, GRU currently \$130.40)
- Ongoing regulatory pressure in all systems
- Desire to maintain/improve system reliability
- Excellent customer value/customer service
- Maintain financial strength
- Continue to improve employee engagement

Budget Highlights

Personnel

- Deleted 2 of the FTEs unfunded in FY16
- Operating areas deleted unfunded positions and vacancies to allow others to add positions needed to best serve our customers
- Included funding for 2 percent employee pay increase
- Increased vacancy factor from 3% to 6% to reflect current staffing
- Planned overfills to allow knowledge transfer prior to staff retirements

Budget Highlights

- Included costs for SAP reimplementation (both Financial and Billing Systems)
 - Approximately \$5.2M in O&M 2016-2018
 - Approximately \$23M in Capital 2016-2018
- Lowered Combined Reserve Target by \$10M
- Used Commercial Paper for debt in 2017 and issue Bonds in 2018
- Will seek to expand cost effective Commercial Paper capacity to \$100M in 2017
- Optimizing use of equity to minimize borrowing
- Use excess UPIF toward debt service payment in electric system

Electric System

- No increase in revenue requirement
 - During 2016 budget process, projected 2.0% increase in FY17
 - Increased expense allocation beginning in FY16
 - Operations' expense projection consistent with FY16 budget
 - Use remainder of CR3 settlement
 - Use UPIF for debt service in FY17 & FY18
- Maintain Fuel Adjustment (FA) at 70 mills
- No impact to any residential bill

Gas System

- 9.0% percent increase to revenue requirement
 - During 2016 budget process projected 4.75% increase in FY17
 - FY16 sales and revenue projections to approximately 8% and 5.7% below forecast, respectively, due to mild winter
 - Modified classification of expenses as Operation & Maintenance (O&M) instead of Capital where appropriate
 - Increased expense allocation beginning in FY16
- Purchased Gas Adjustment (PGA) to remain at \$0.23 per therm. Fuel costs are rising and we will continue to monitor for appropriate time to revise
- Net impact to 25 therm residential bill of \$2.25

Water System

- 3.0% percent increase to revenue requirement
 - During FY16 budget process projected 3.75% increase
 - FY16 sales and revenue projections approximately 4.1% and 1.5% below forecast, respectively
 - Increased expense allocation beginning in FY16
 - Operations' expense projection consistent with FY16 budget
- Net impact to 7 kgal residential bill of 65¢

Wastewater System

- 3.0% increase to revenue requirement
 - During FY16 budget process projected 4.85% increase for FY17
 - Increased expense allocation beginning in FY16
 - Continued expenses related to regulatory changes
 - Ongoing management expenses for Sweetwater Wetlands Park
 - Biosolids Dewatering and Reuse to comply with City/County agreement
- Net impact to 7 kgal residential bill of 80¢

GRUCom

- SBAC Fiber Optic System Expansion
- Revenue projections adjusted to market
 - Increased expense allocation beginning in FY16
- Right-sizing and Right-Placing GRUCom
 - Asset Reallocation

Projected Future Revenue Requirement Increases

	2017	2018	2019	2020	2021	2022
Electric	0.00%	2.00%	2.00%	2.00%	3.00%	3.00%
Gas	9.00%	3.00%	3.00%	5.00%	5.00%	5.00%
Water	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater	3.00%	3.00%	3.00%	3.00%	4.00%	4.00%

PROPOSED BUDGET AND FINANCIAL METRICS

Budget Overview

Combined System Total Non-Fuel O&M

Budget 2016	Projection 2016	Budget 2017	Budget 2018
\$105,274,411	\$116,829,775	\$120,580,558	\$125,290,926

Combined System Total Capital

Budget 2016	Projection 2016	Budget 2017	Budget 2018
\$93,626,410	\$84,000,000	\$78,588,285	\$72,597,012

Proposed Residential Rate Summary – Standard Usage

System	Usage	July 2016 Bill	Base Rate Change	Fuel Change	Proposed FY17 Bill
Electric	1000 kWh	\$130.40	\$0.00	\$0.00	\$130.40
Gas	25 therms	\$ 30.39	\$2.25	\$0.00	\$ 32.64
Water	7 kgal	\$ 29.85	\$0.65	\$0.00	\$ 30.50
Wastewater	7 kgal	\$ 52.40	\$0.80	\$0.00	\$ 53.20
Total		\$243.04	\$3.70	\$0.00	\$246.74

Proposed Residential Rate Summary – Average Usage

System	Usage	July 2016 Bill	Base Rate Change	Fuel Change	Proposed FY17 Bill
Electric	789 kWh	\$103.41	\$0.00	\$0.00	\$103.41
Gas	18 therms	\$24.60	\$1.63	\$0.00	\$26.23
Water	4,000 gallons	\$18.60	\$0.65	\$0.00	\$19.25
Wastewater	4,000 gallons	\$33.80	\$0.50	\$0.00	\$34.30
Total		\$180.41	\$2.78	\$0.00	\$183.19

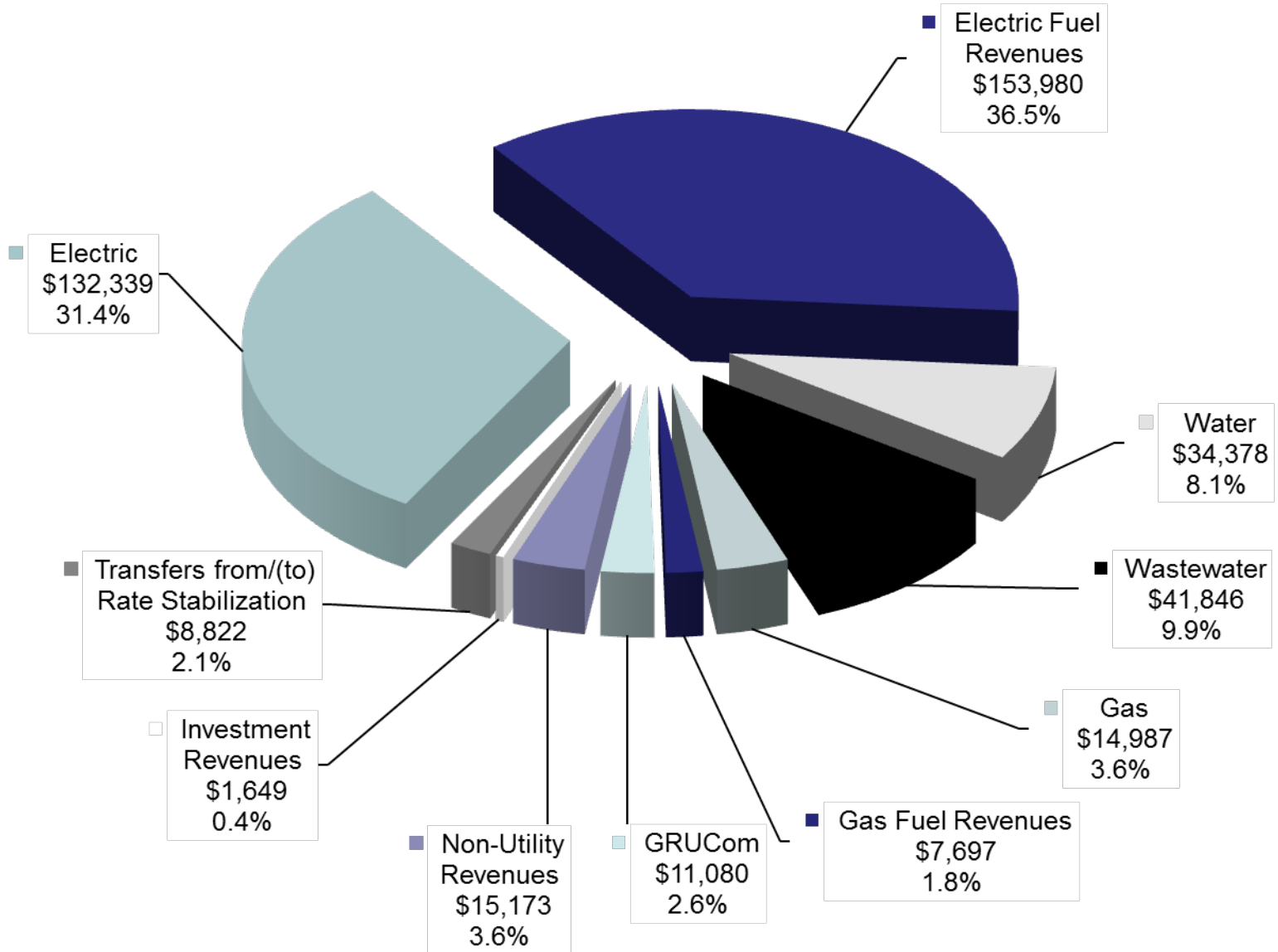
O&M and Capital to Change Revenue Requirement for Rates

To decrease requirement by 1 percent,
O&M or Capital would need to decrease by:

System	Electric	Gas	Water	Wastewater
O&M	1.1M	124K	280K	350K
Capital	20M	2M	5M	6M

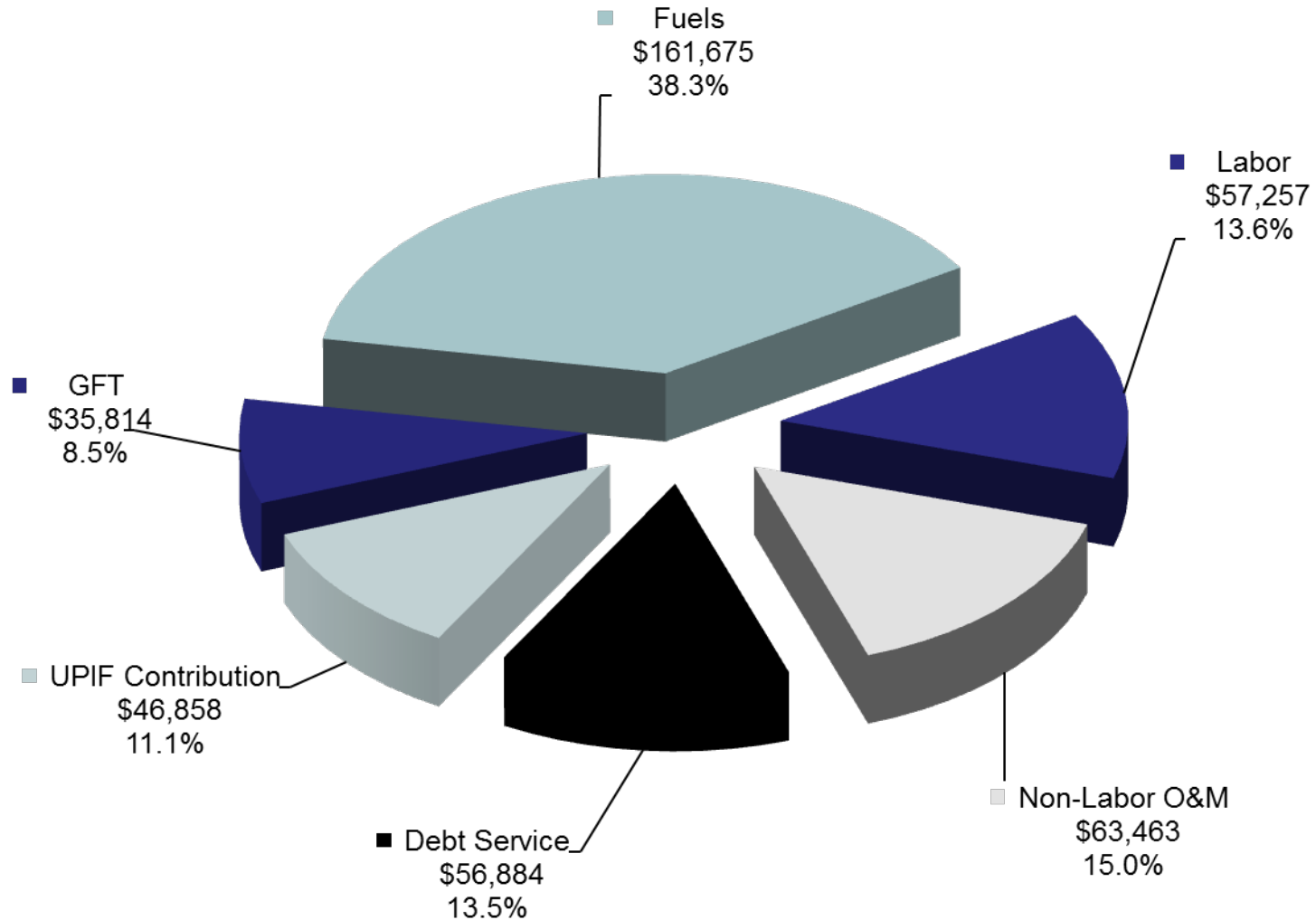
FY17 Revenue Classification

Dollars in Thousands

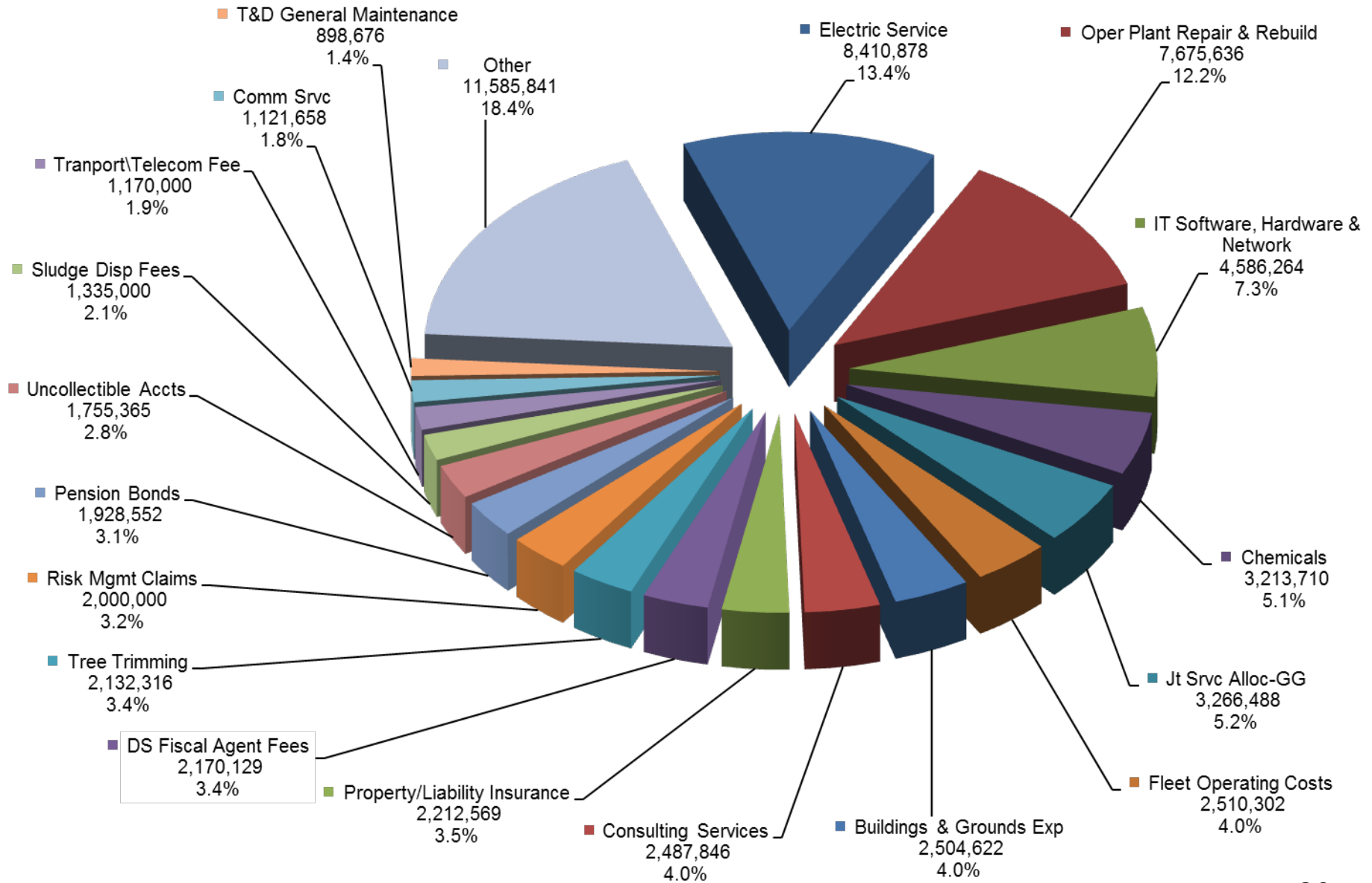


FY17 Expense Classification

Dollars in Thousands



FY17 Non-Labor Expense Detail

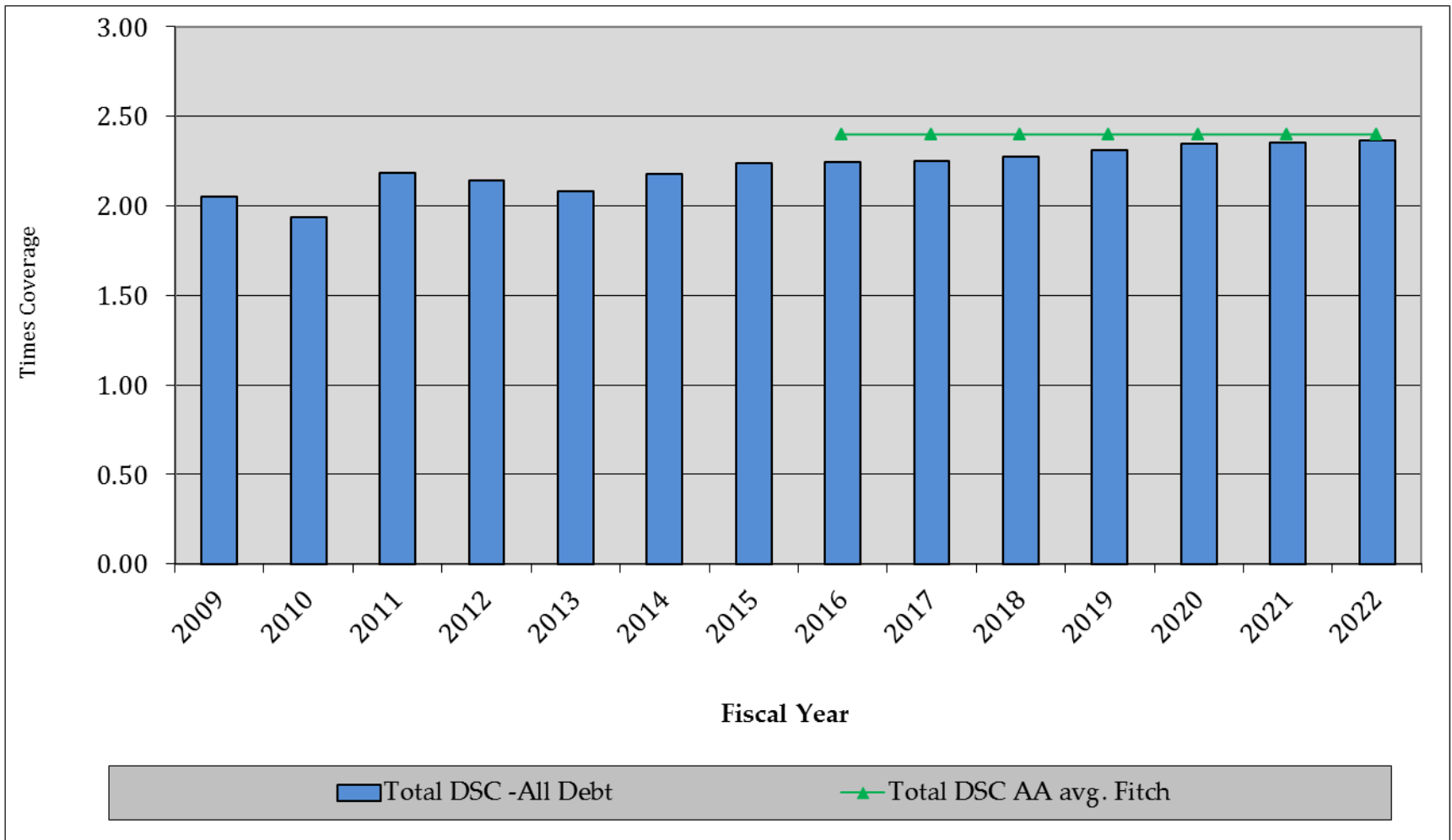


FY16 Sales Results Through May

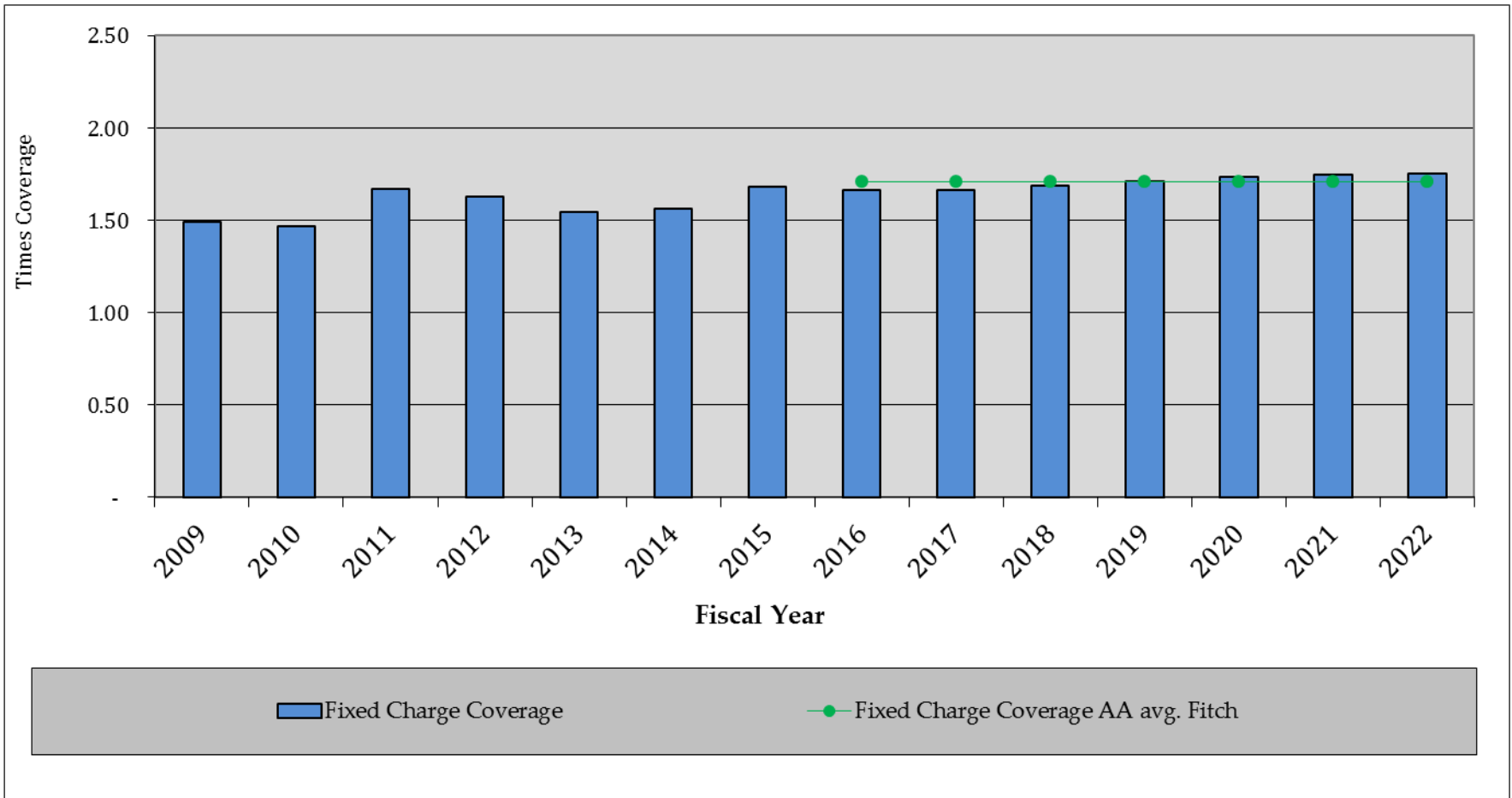
	Actual October – May	FY2016 Budget	Absolute Difference	Percentage Difference
Electric - Retail MWh	1,075,731	1,047,911	27,819	2.7%
Electric - Wholesale MWh	138,031	134,888	3,143	2.3%
Electric - Total (Native) MWh	1,213,762	1,182,799	30,962	2.6%
Electric - Retail Base Rate Revenue (\$000)	\$78,354	\$77,288	\$1,066	1.4%
Electric - Wholesale Base Rate Revenue (\$000)	\$2,443	\$2,570	-\$127	-4.9%
Electric - Total Base Rate Revenue (\$000)	\$80,796	\$79,857	\$939	1.2%
Natural Gas - Retail Therms	15,120,704	16,442,107	-1,321,403	-8.0%
Natural Gas - Base Rate Revenue (\$000)	\$9,451	\$10,024	\$573	-5.7%
Water - Total kGal	4,336,555	4,523,963	-187,408	-4.1%
Water - Total Revenue (\$000)	\$21,030	\$21,358	-\$328	-1.5%
Wastewater - Total kGal	3,038,251	3,131,426	-93,175	-3.0%
Wastewater - Total Revenue (\$000)	\$25,560	\$26,124	-\$564	-2.2%

FINANCIAL METRICS

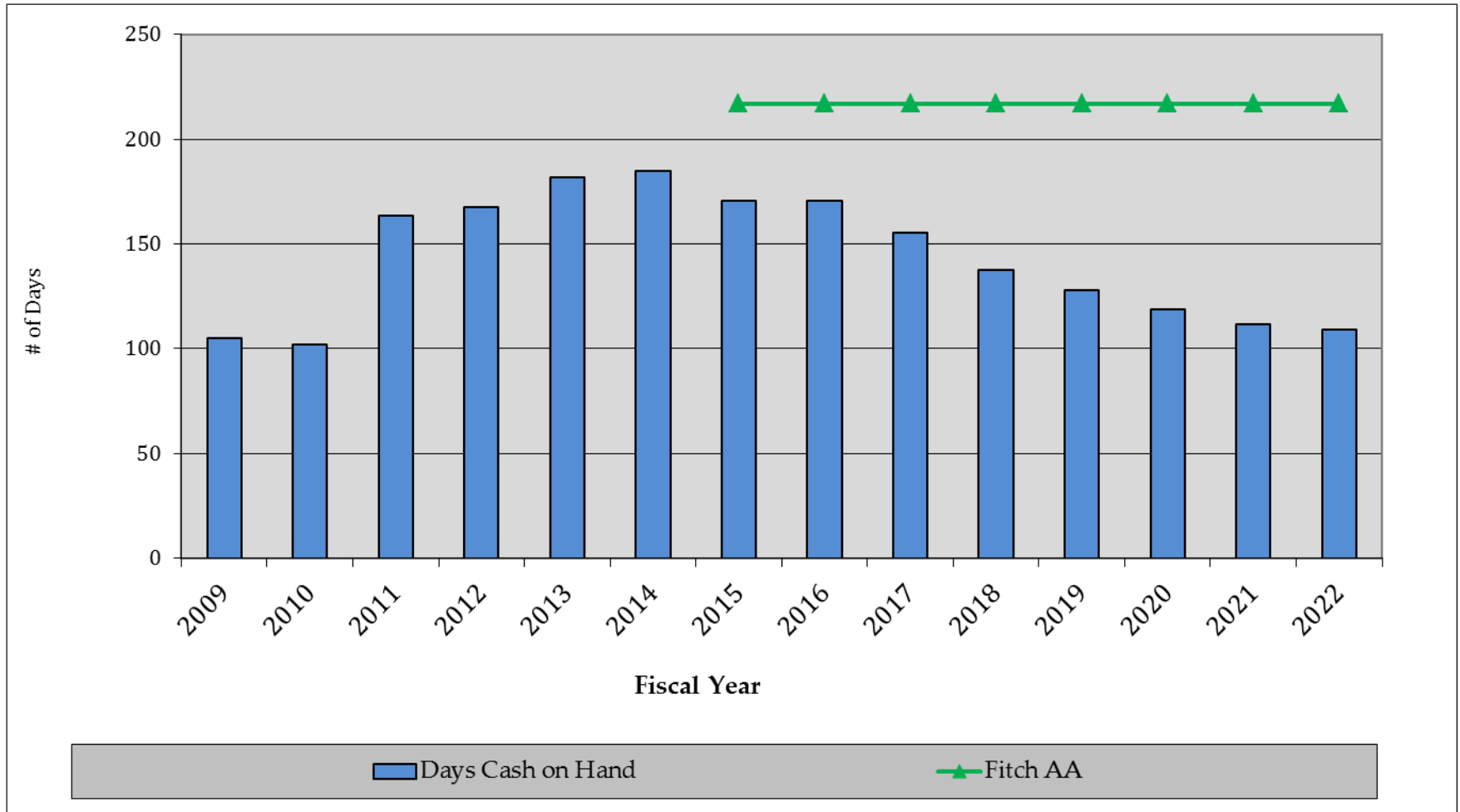
Debt Service Coverage



Fixed Charge Coverage

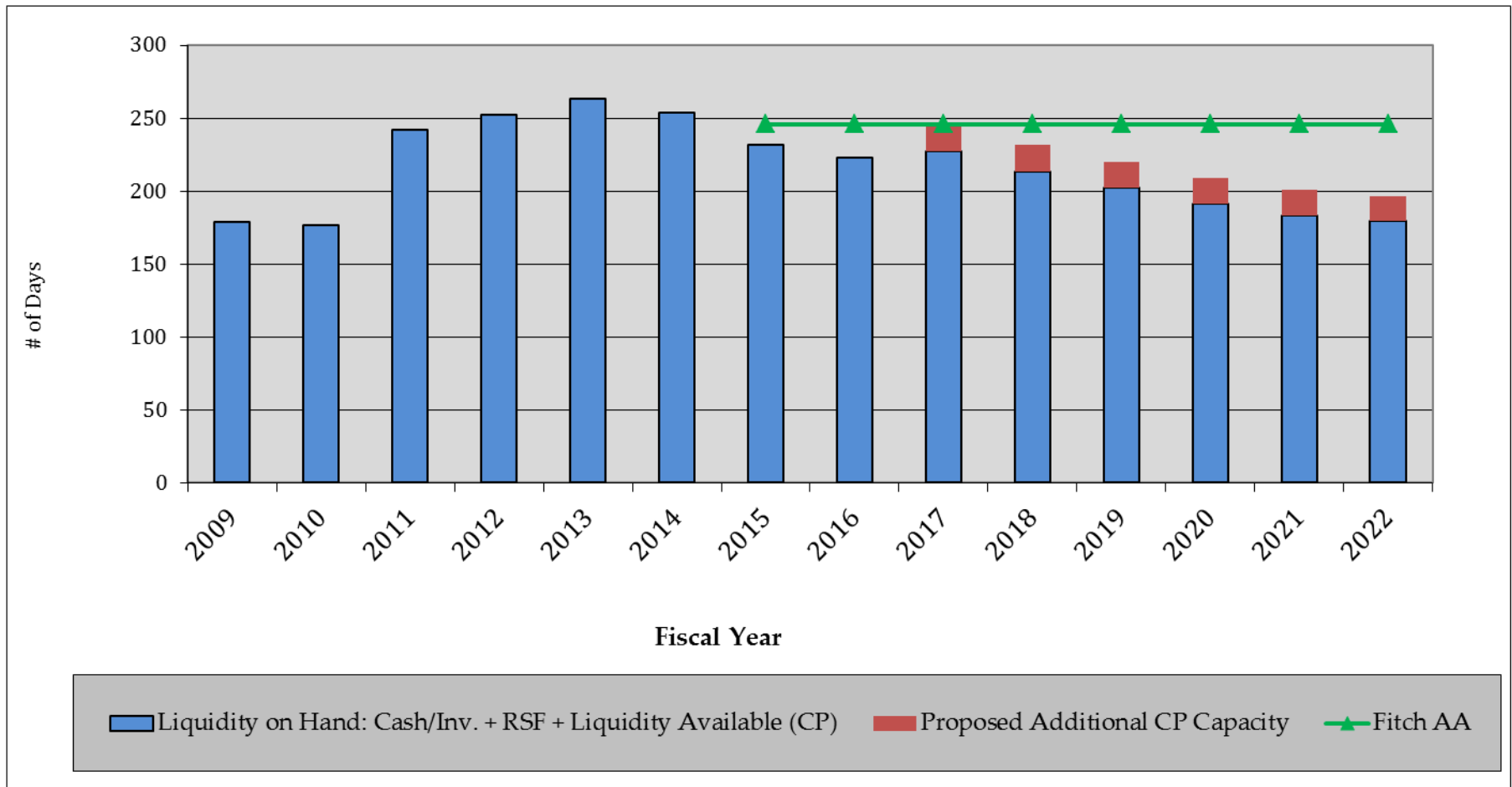


Days Cash on Hand

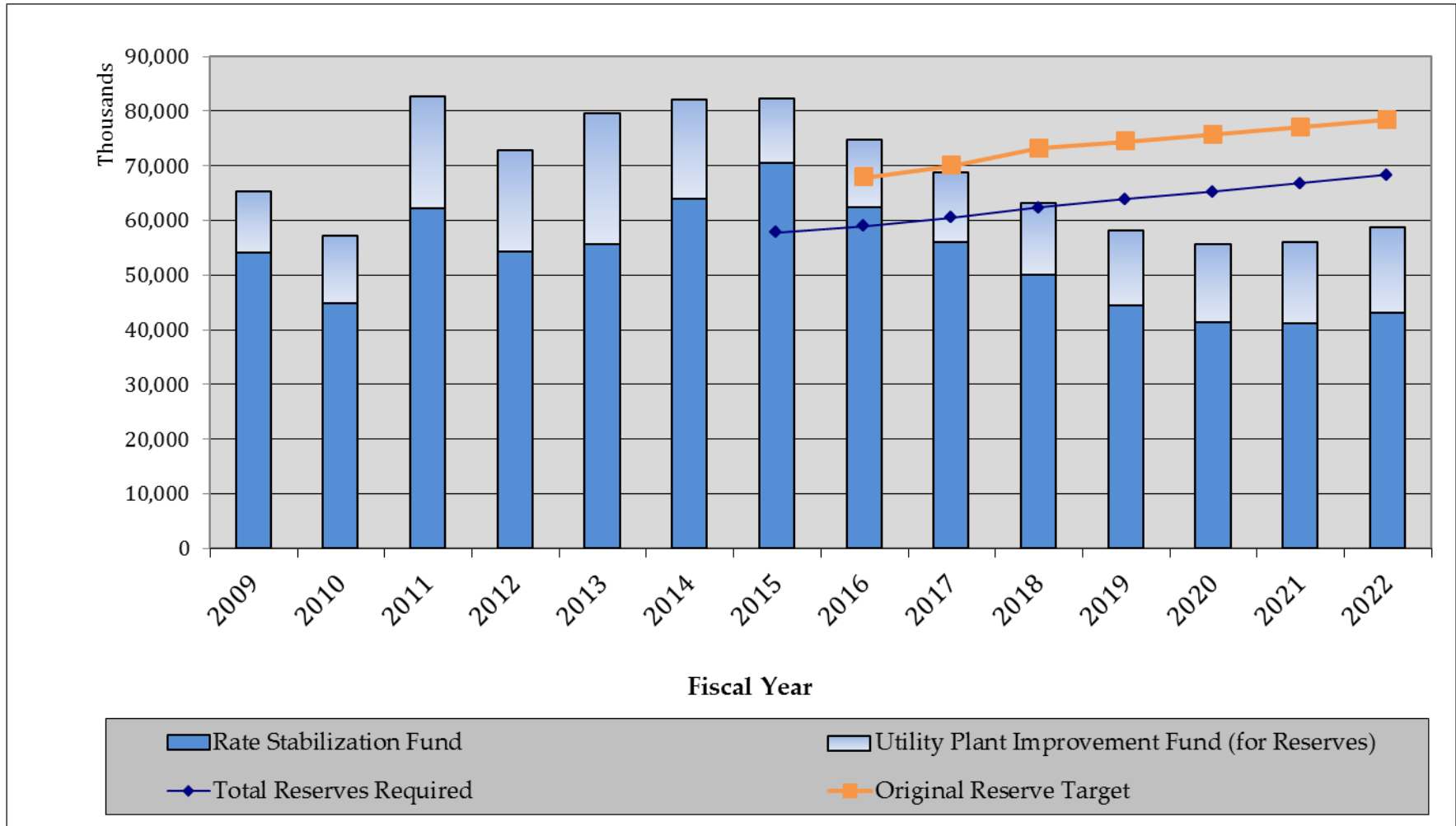


Days Liquidity on Hand

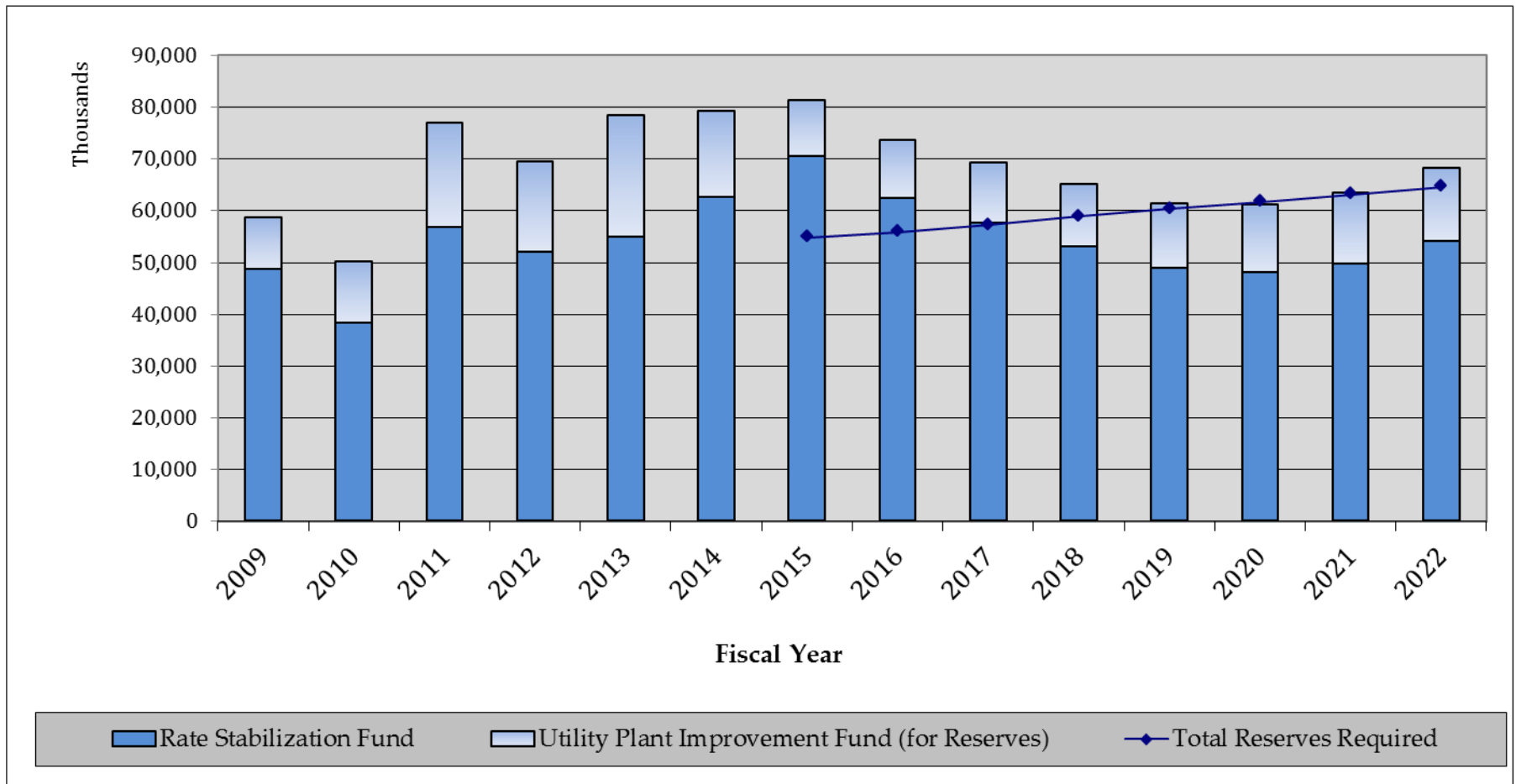
with proposed additional Commercial Paper capacity



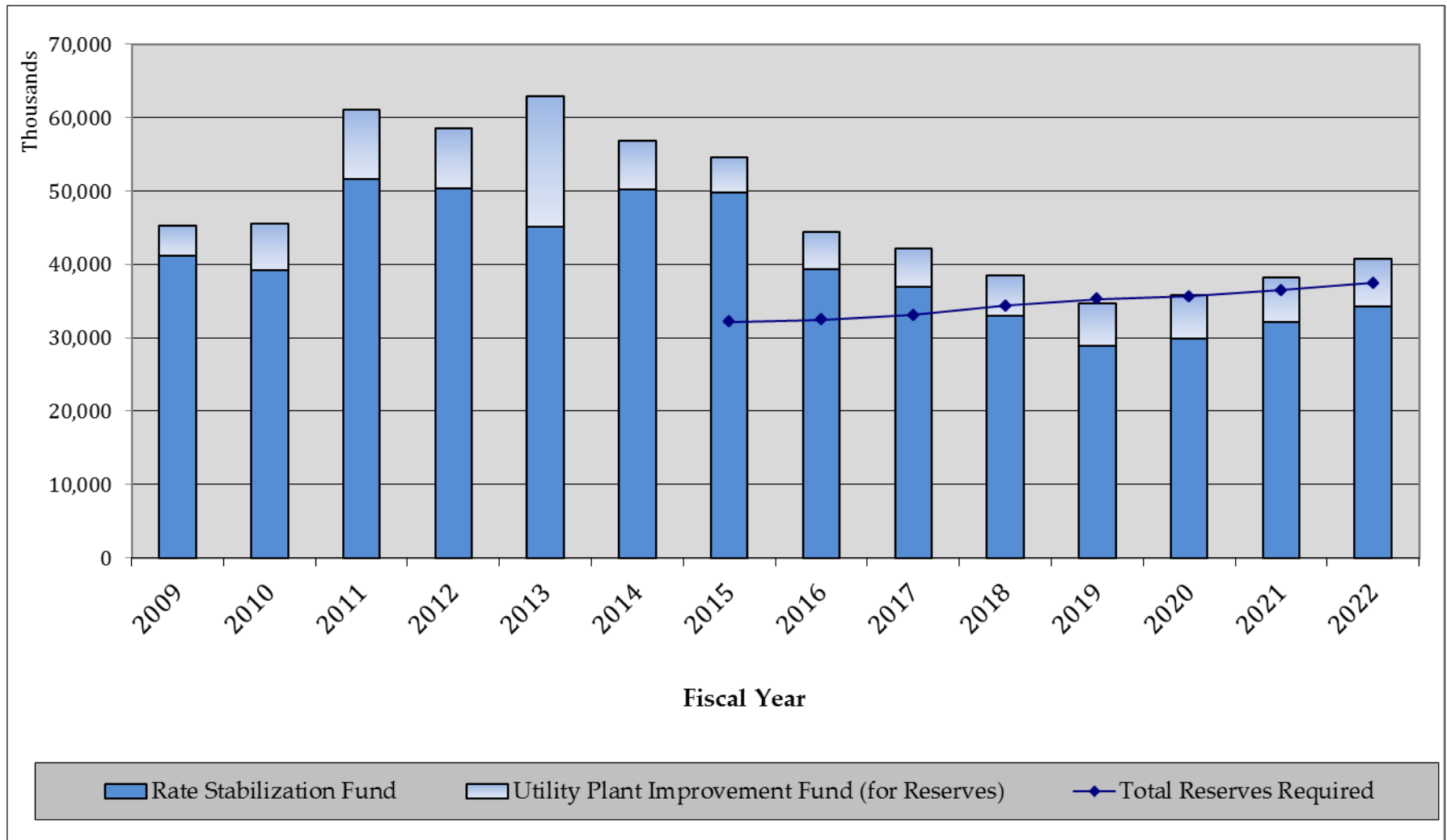
Reserves – Combined



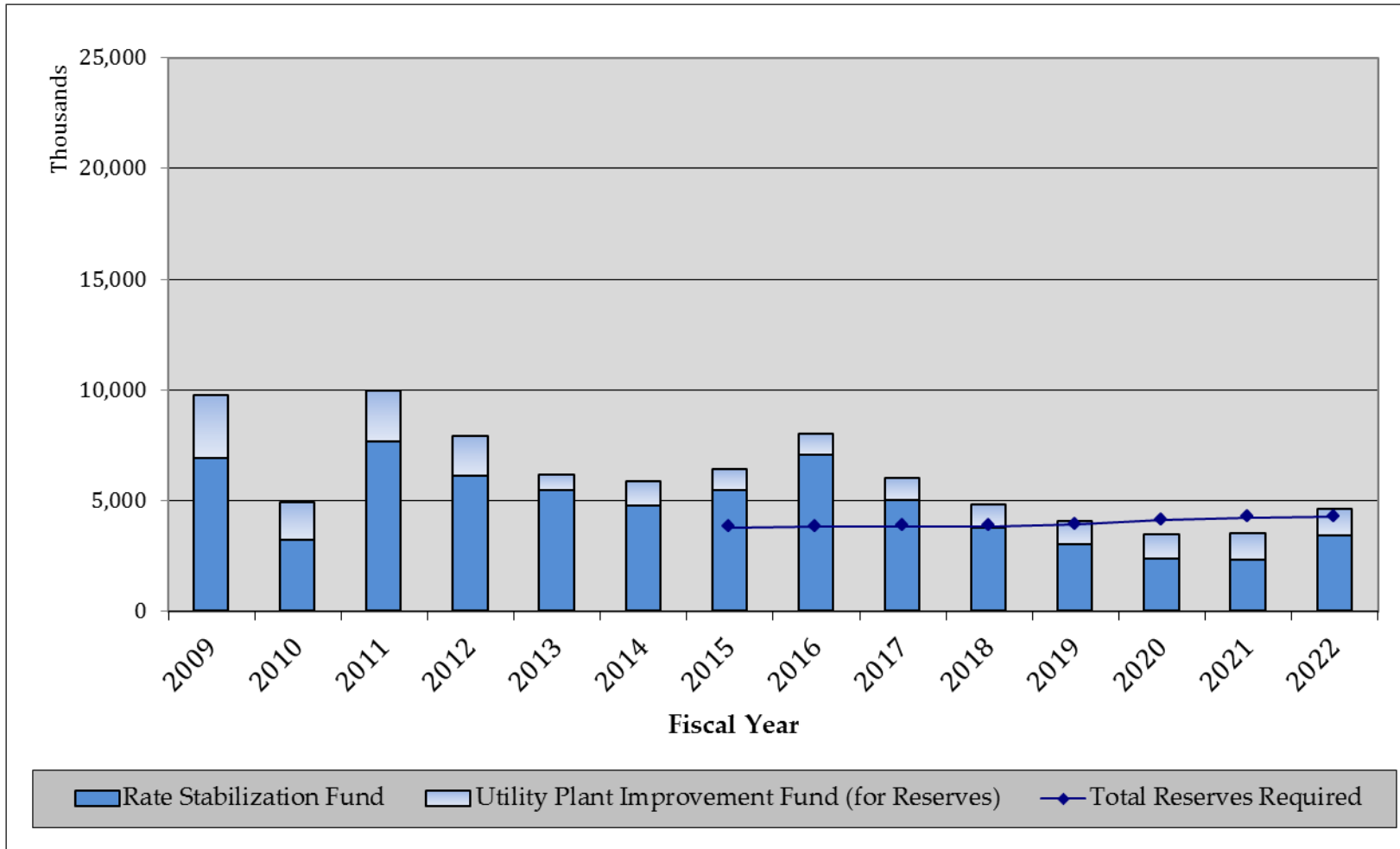
Reserves – Combined Excluding GRUCom



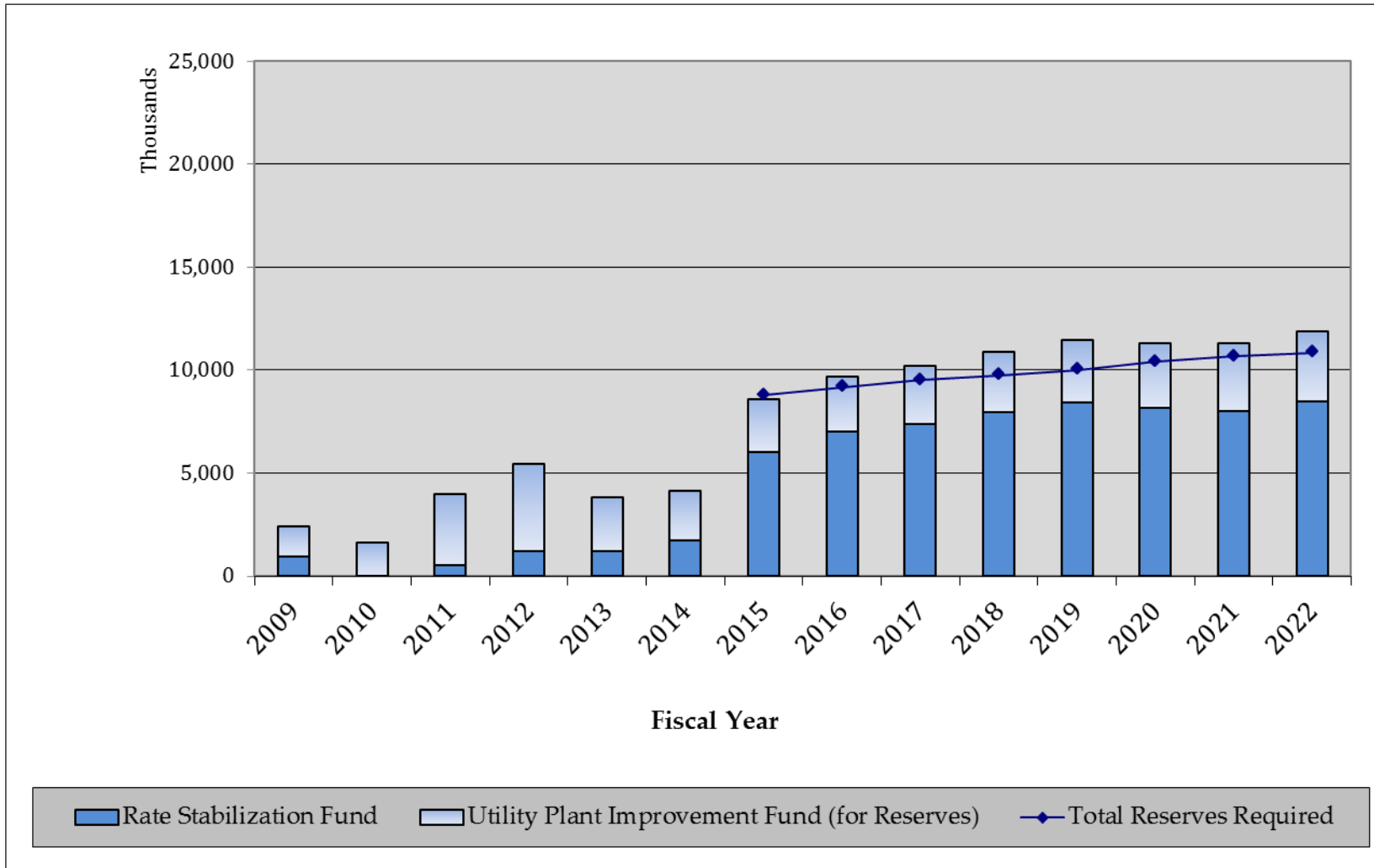
Reserves – Electric



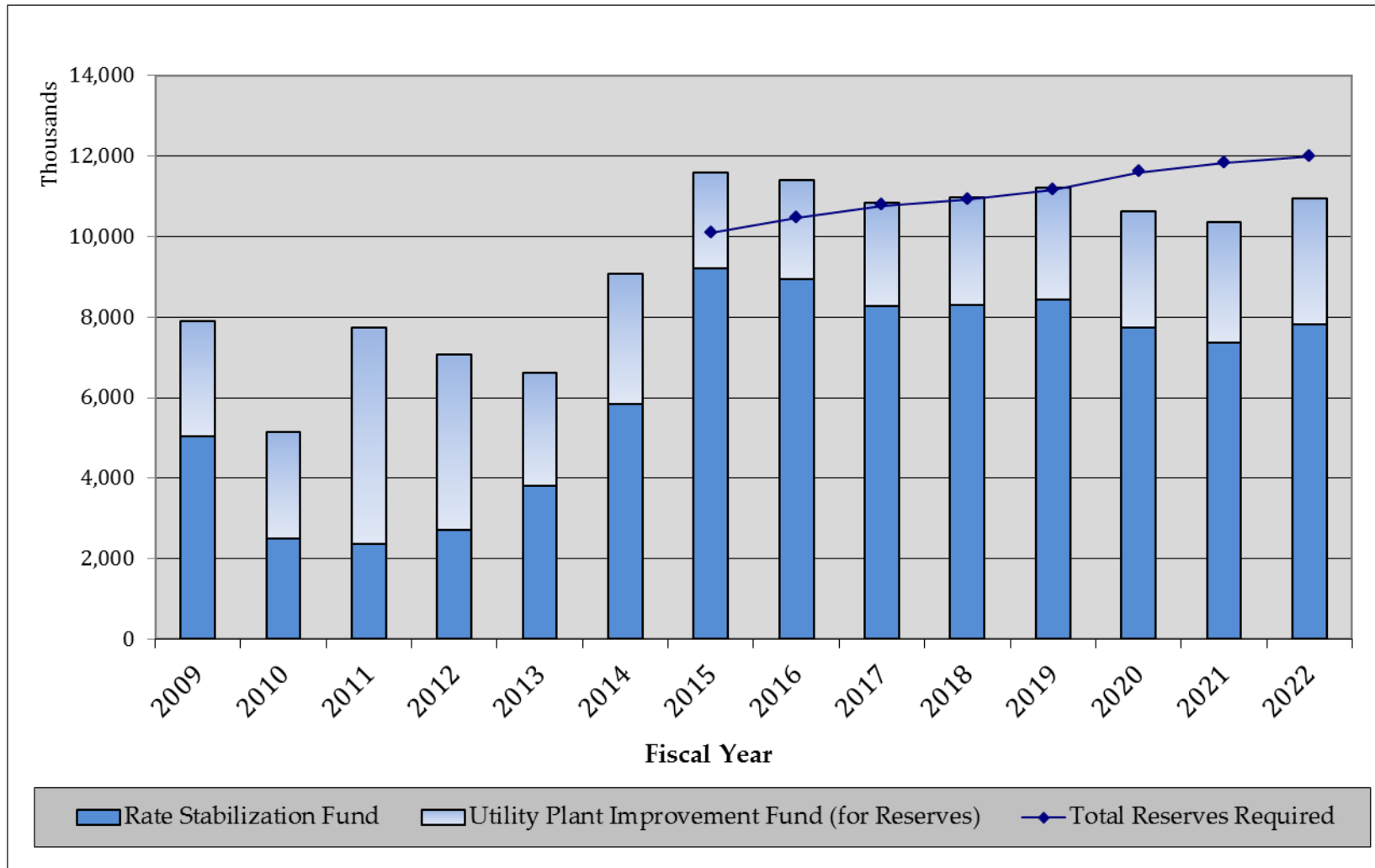
Reserves – Gas



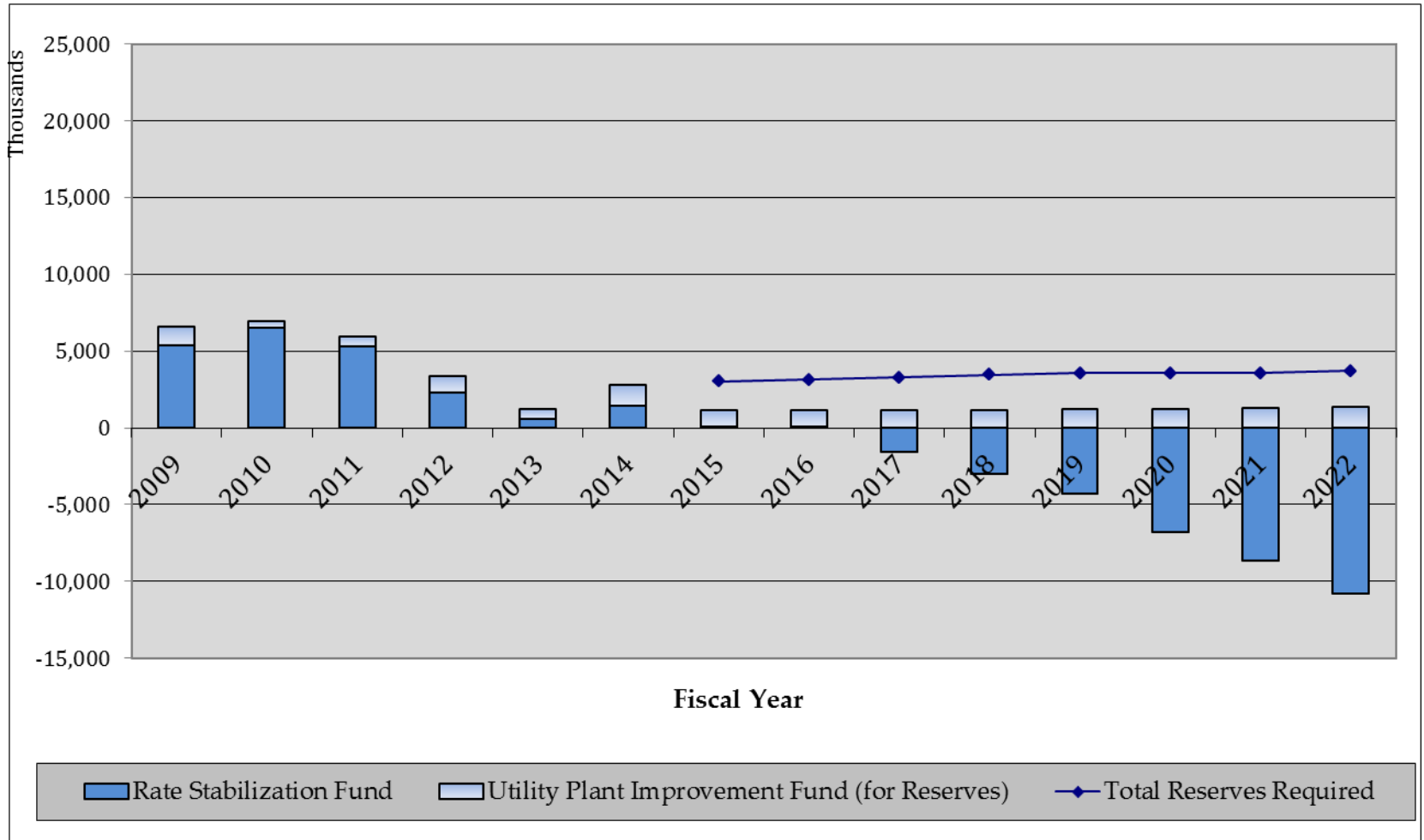
Reserves – Water



Reserves – Wastewater



Reserves – GRUCom



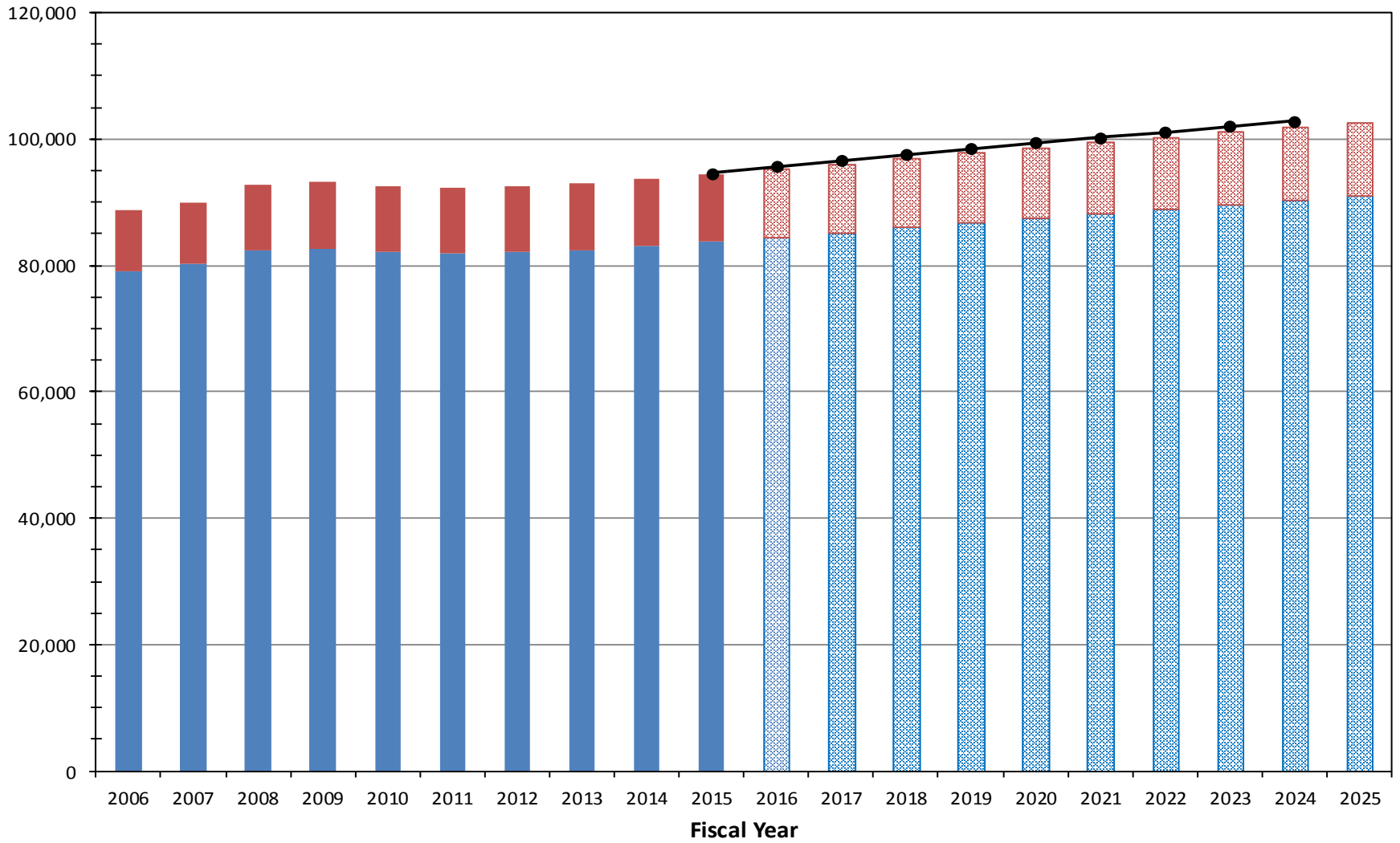
FORECASTS

Forecast Overview

- Econometric approach used to develop projections of number of customers, unit sales, and revenues.
- GRU Billing Records and System Logs
- Demographics: Bureau of Economic and Business Research
- Economics: IHS Global Insight
- Temperatures and Rainfall: National Weather Service – Gainesville Regional Airport
- Uses of the Forecasts: Budgeting, Facilities Planning, and Regulatory Reporting

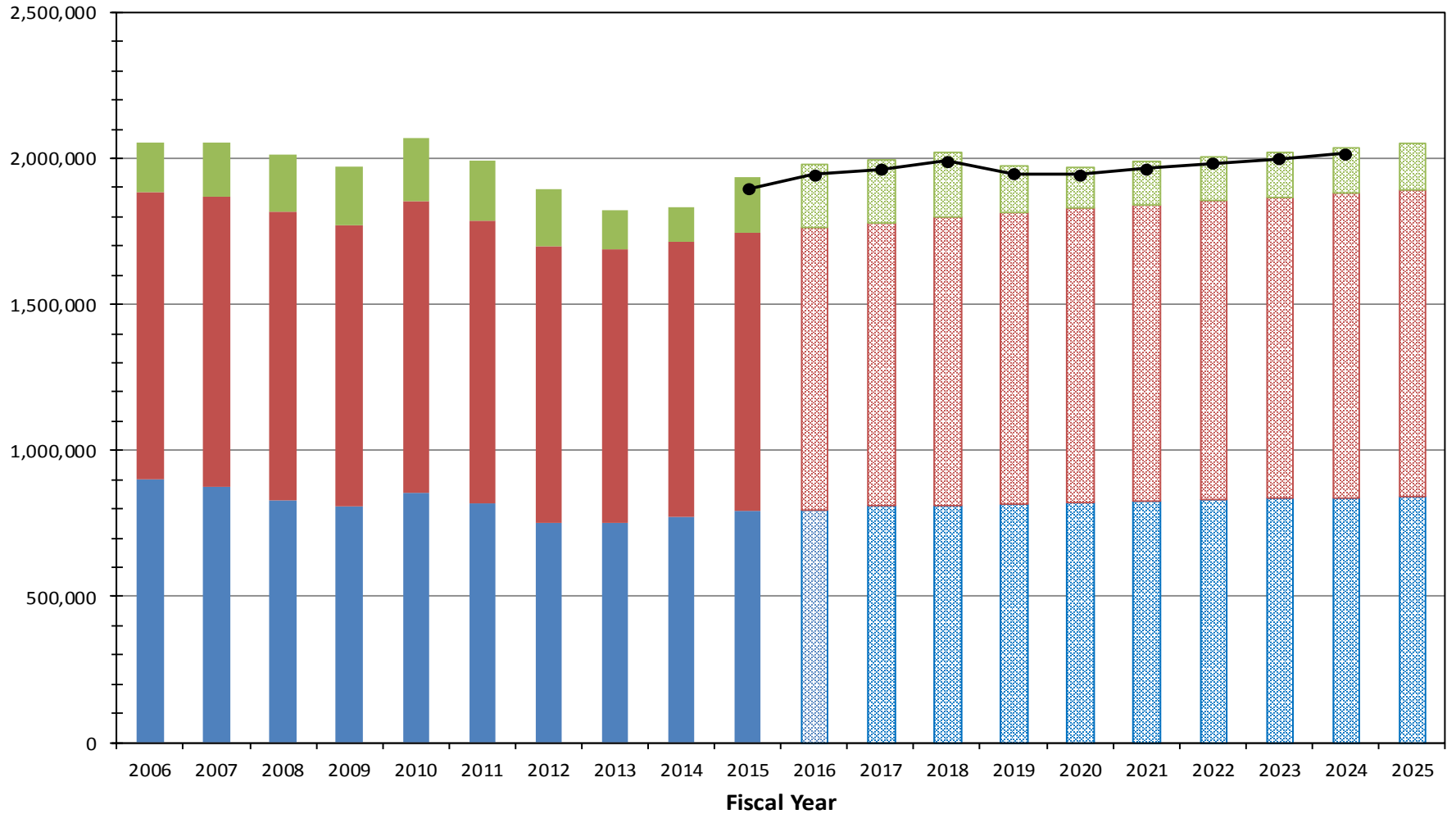
Electric Customers

Residential Non-Residential 2016 Forecast



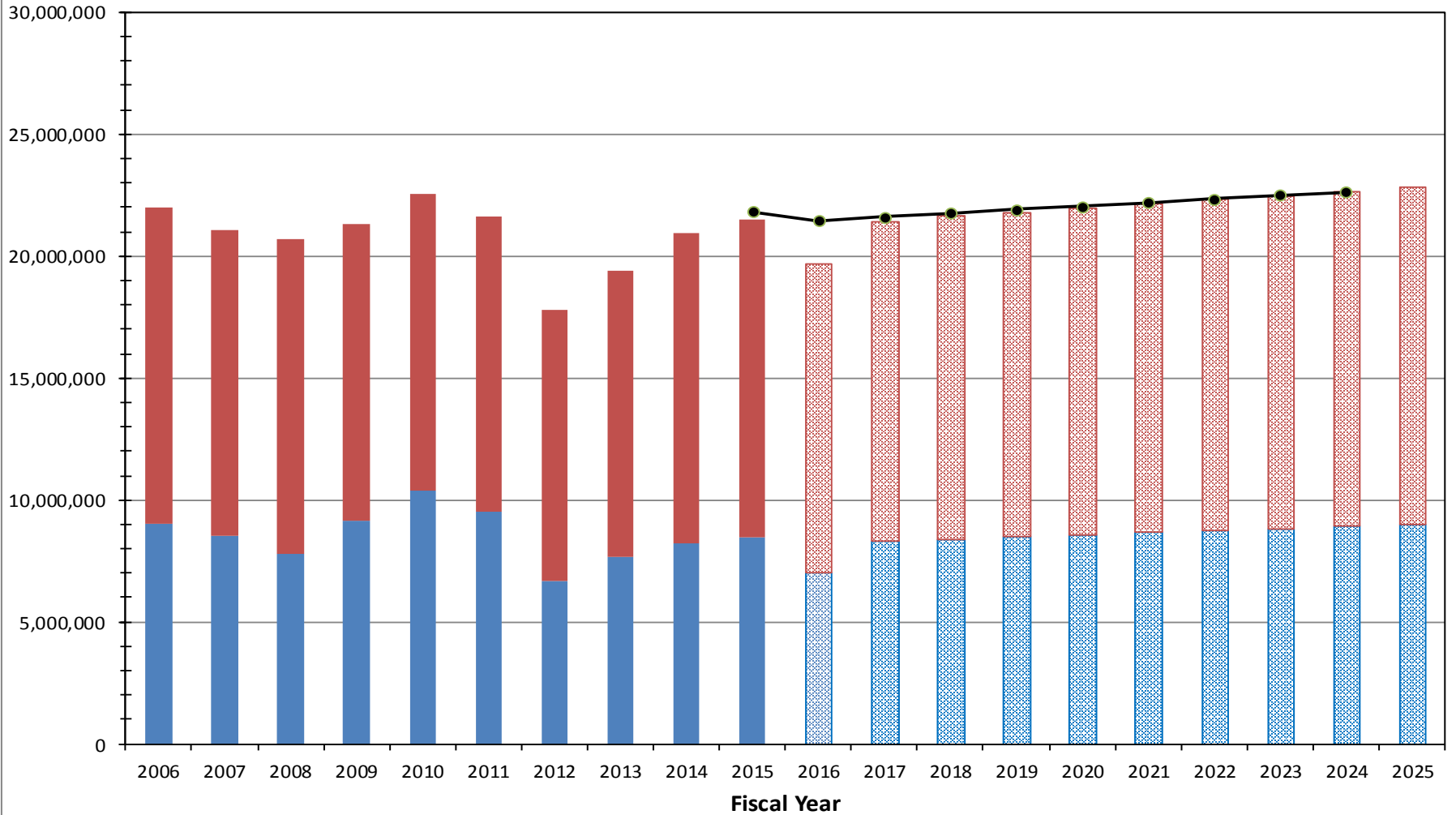
Electric Energy Sales MegaWatt-hours

■ Residential
 ■ Non-Residential
 ■ Sales for Resale
 ●— 2016 Forecast



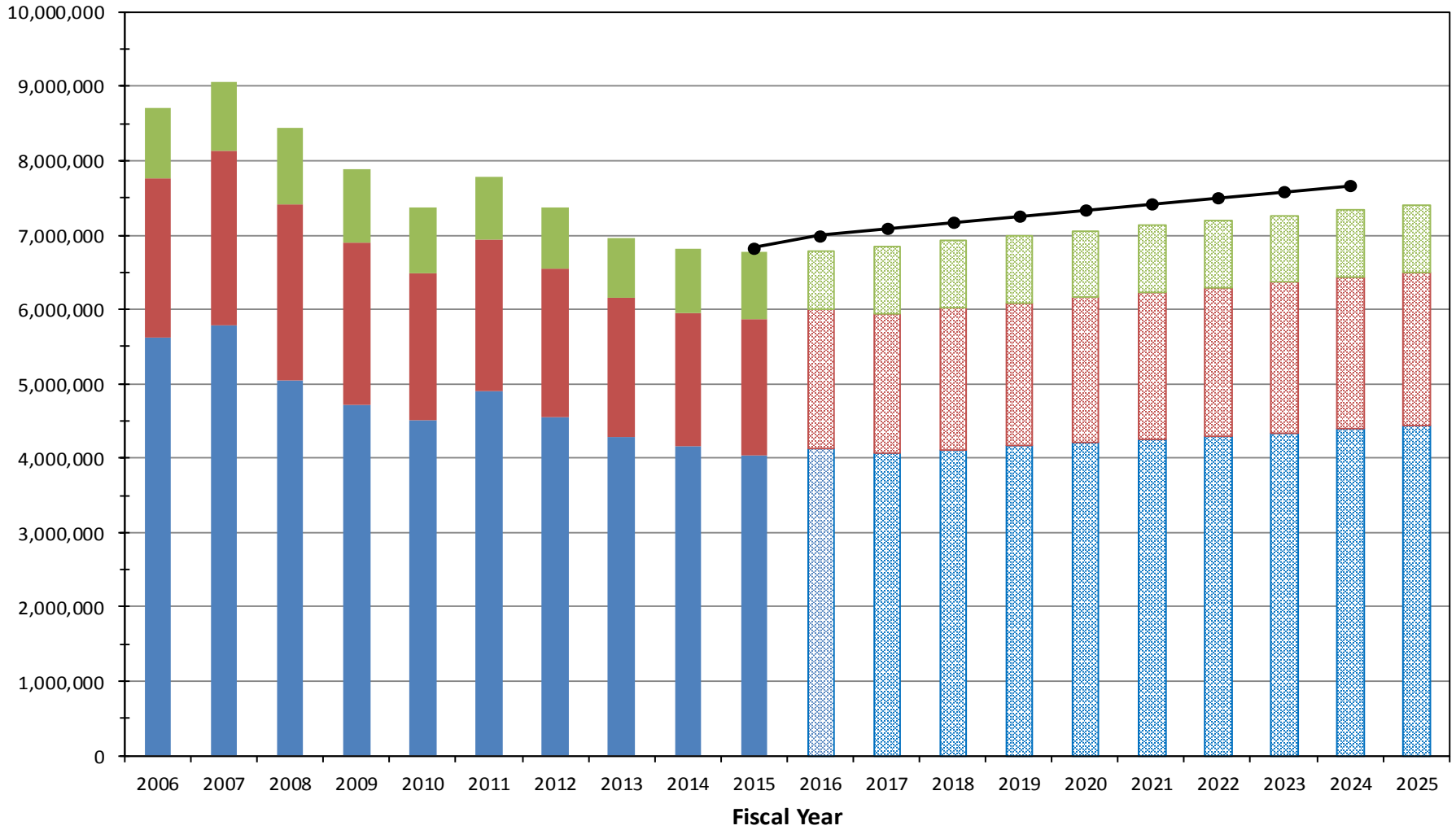
Natural Gas Energy Sales Therms

■ Residential
 ■ Non-Residential
 —●— 2016 Forecast



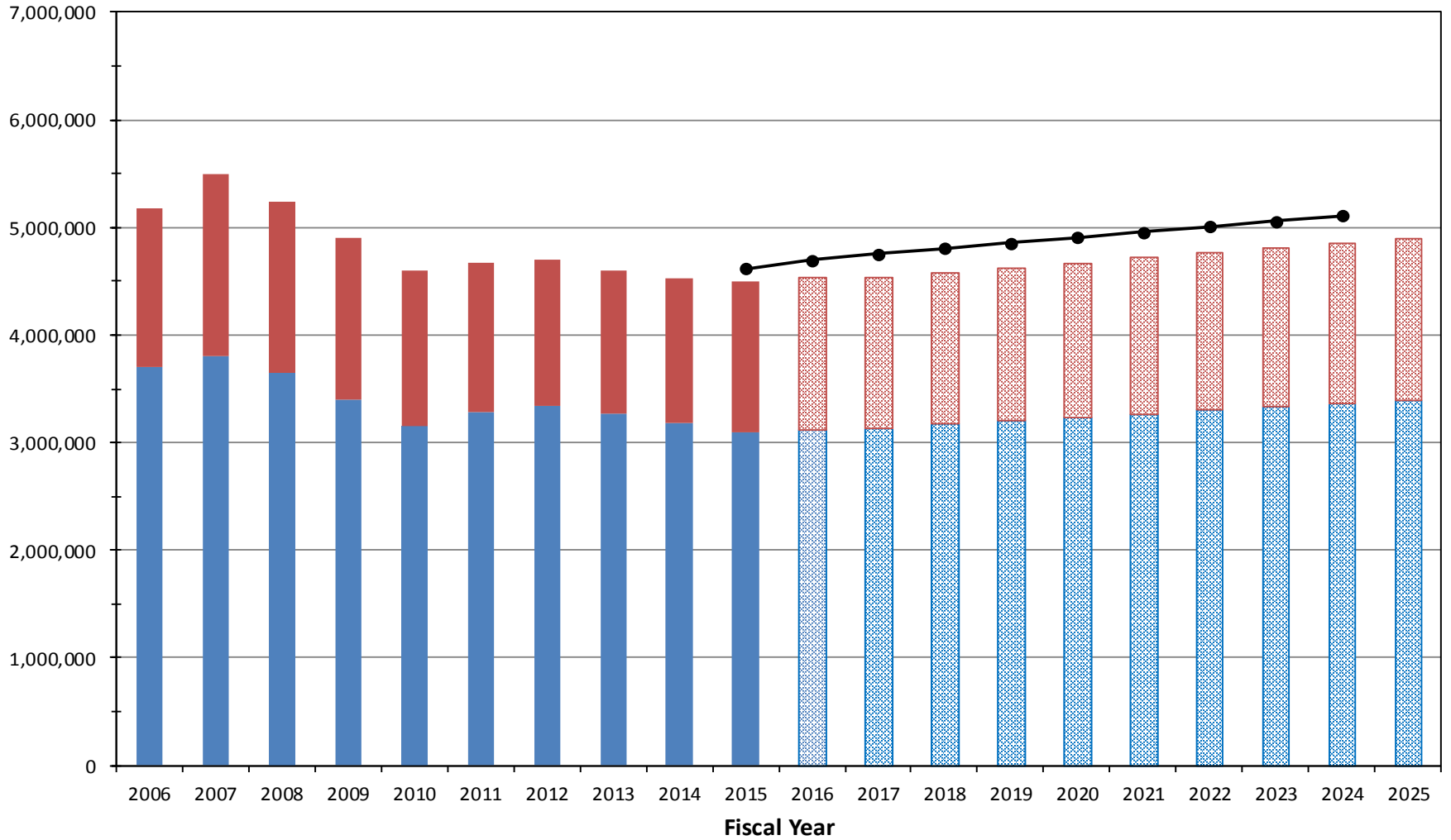
Water Sales Thousand Gallons (kgal)

■ Residential
 ■ Non-Residential
 ■ University of Florida
 ● 2016 Forecast



Wastewater Billings Thousand Gallons (kgal)

■ Residential
 ■ Non-Residential
 ● 2016 Forecast

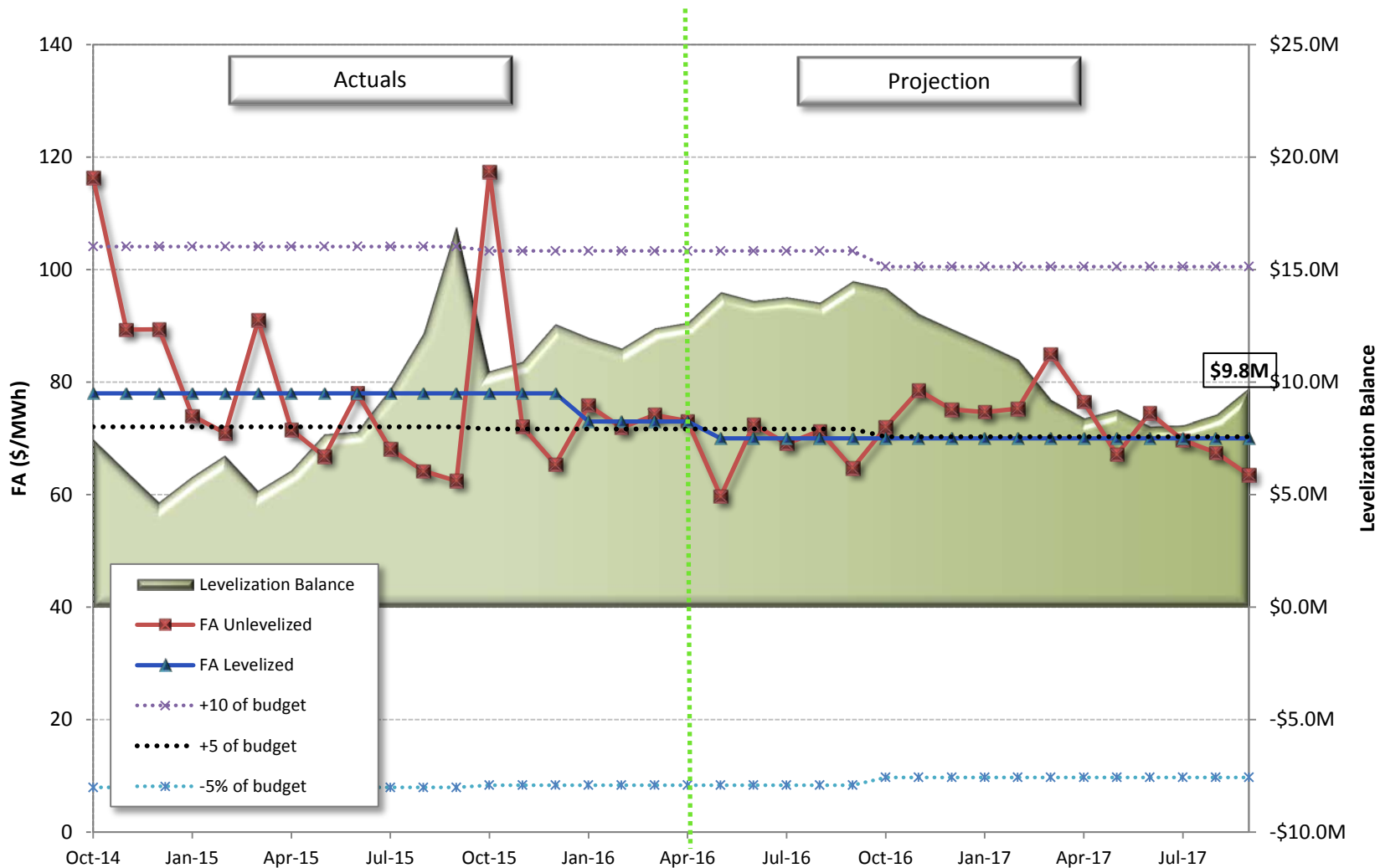


RATES AND CHARGES

Fuel Adjustment

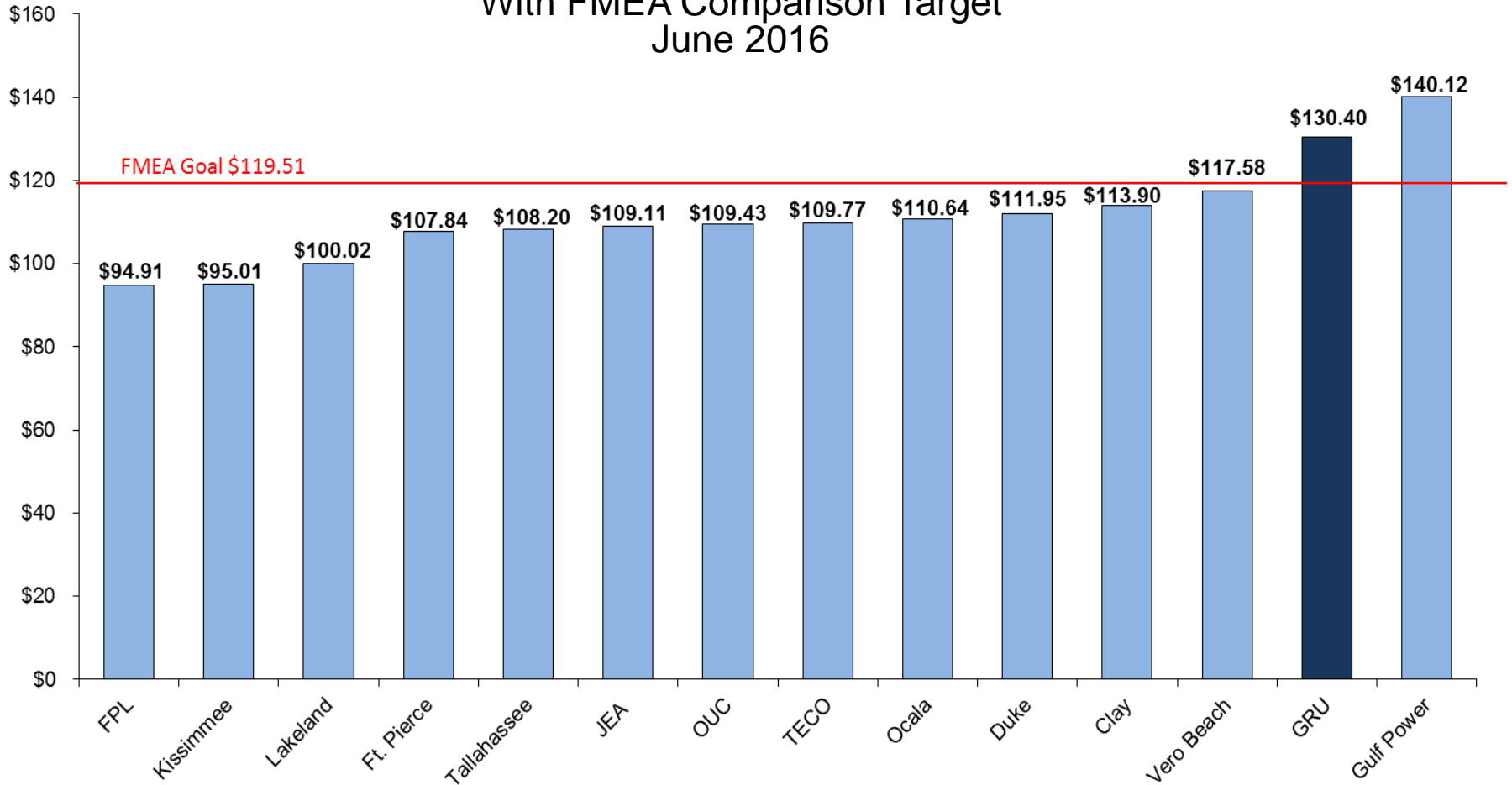
- Proposed FY17 fuel adjustment rate \$0.070/kWh
- Levelization balance as of May 31, 2016 \$ 14.8M
- Projected balance as of September 30, 2016 \$ 14.5M
- Projected balance as of September 30, 2017 \$ 9.75M
- 10% of FY16 Electric fuel budget \$ 15.1M
- -5% of FY16 Electric fuel budget (\$ 7.6M)

Levelization Balance FY15 and FY16 Actual/Projections with +10%/-5% Band And Levelized & Unlevelized Fuel Adjustment Rate



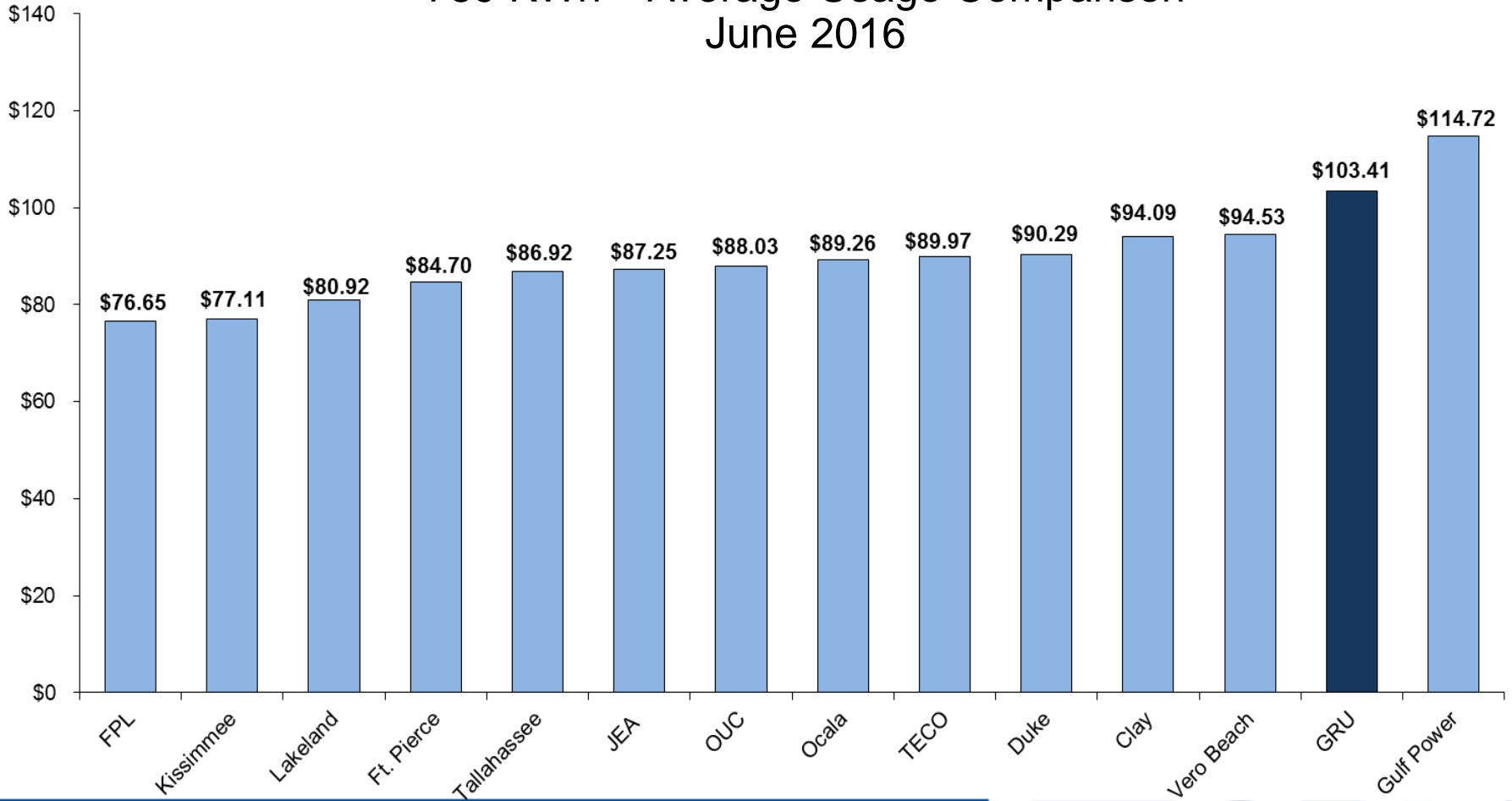
Residential Electric

1,000 KWh – Standard Usage Comparison
With FMEA Comparison Target
June 2016



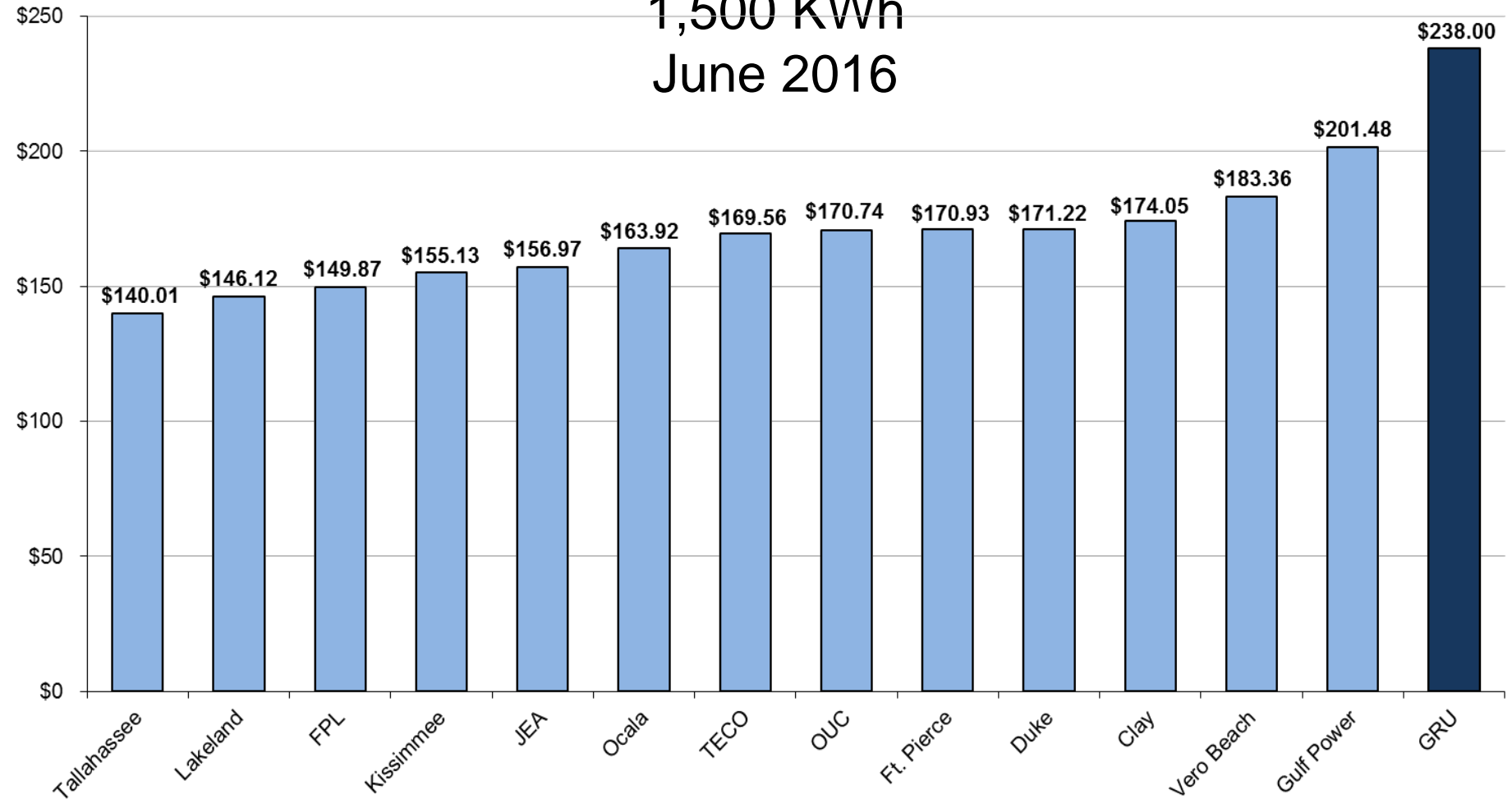
Residential Electric

789 KWh – Average Usage Comparison
June 2016



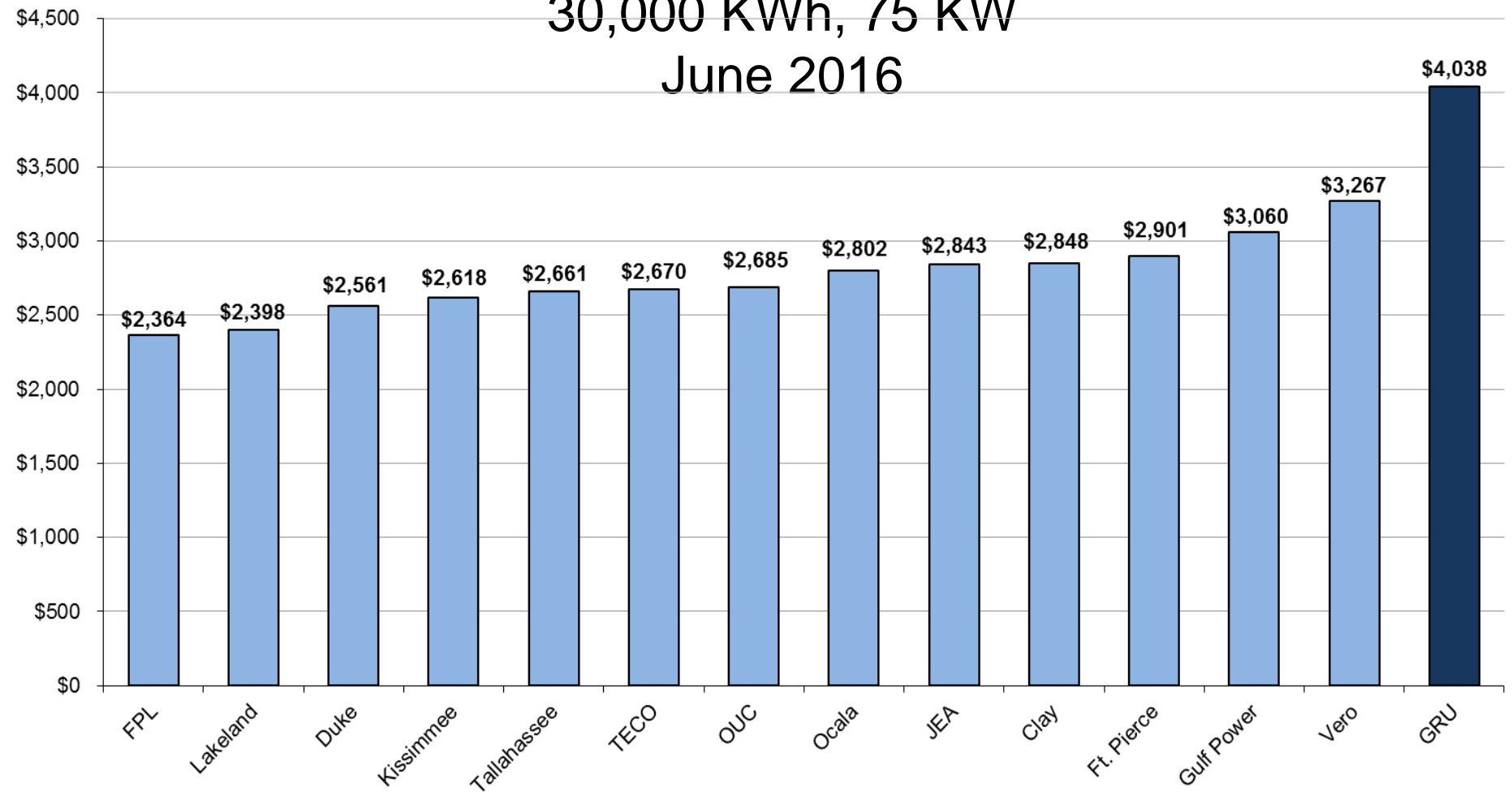
General Service Non-Demand Electric Bill Comparison

1,500 KWh
June 2016



General Service Demand Electric Bill Comparison

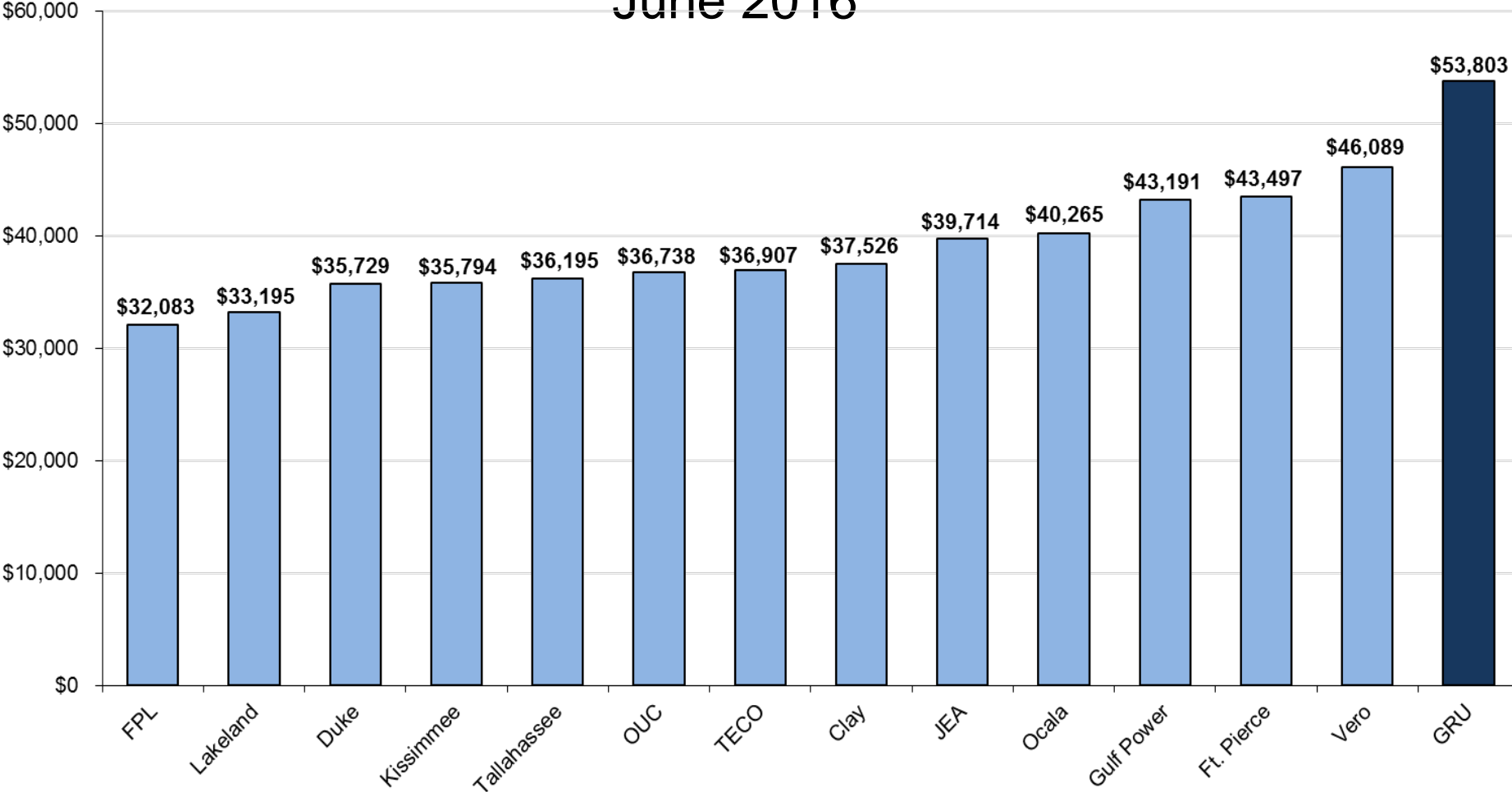
30,000 KWh, 75 KW
June 2016



Large Power Electric Bill Comparison

430,000 KWh, 1,000 KW

June 2016



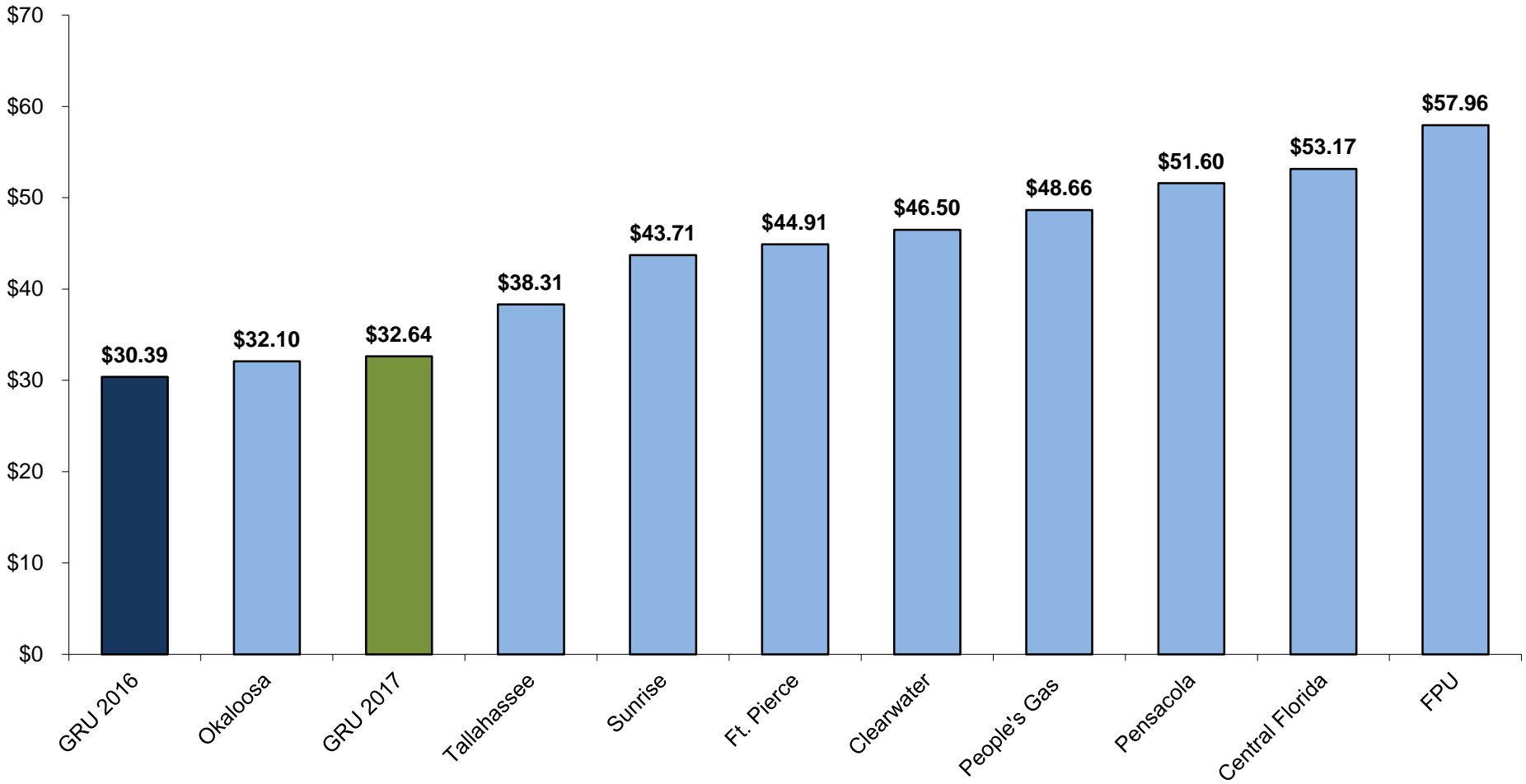
Proposed Residential Natural Gas Rates

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge	\$9.75	No Change
Energy Charge (\$/therm)	\$0.540	\$0.63
MGPCRIF (Depot Park) (\$/therm)	\$0.0556	No Change
PGA (\$/therm)	\$0.23	No Change

Residential Natural Gas Bill Comparison

25 Therms

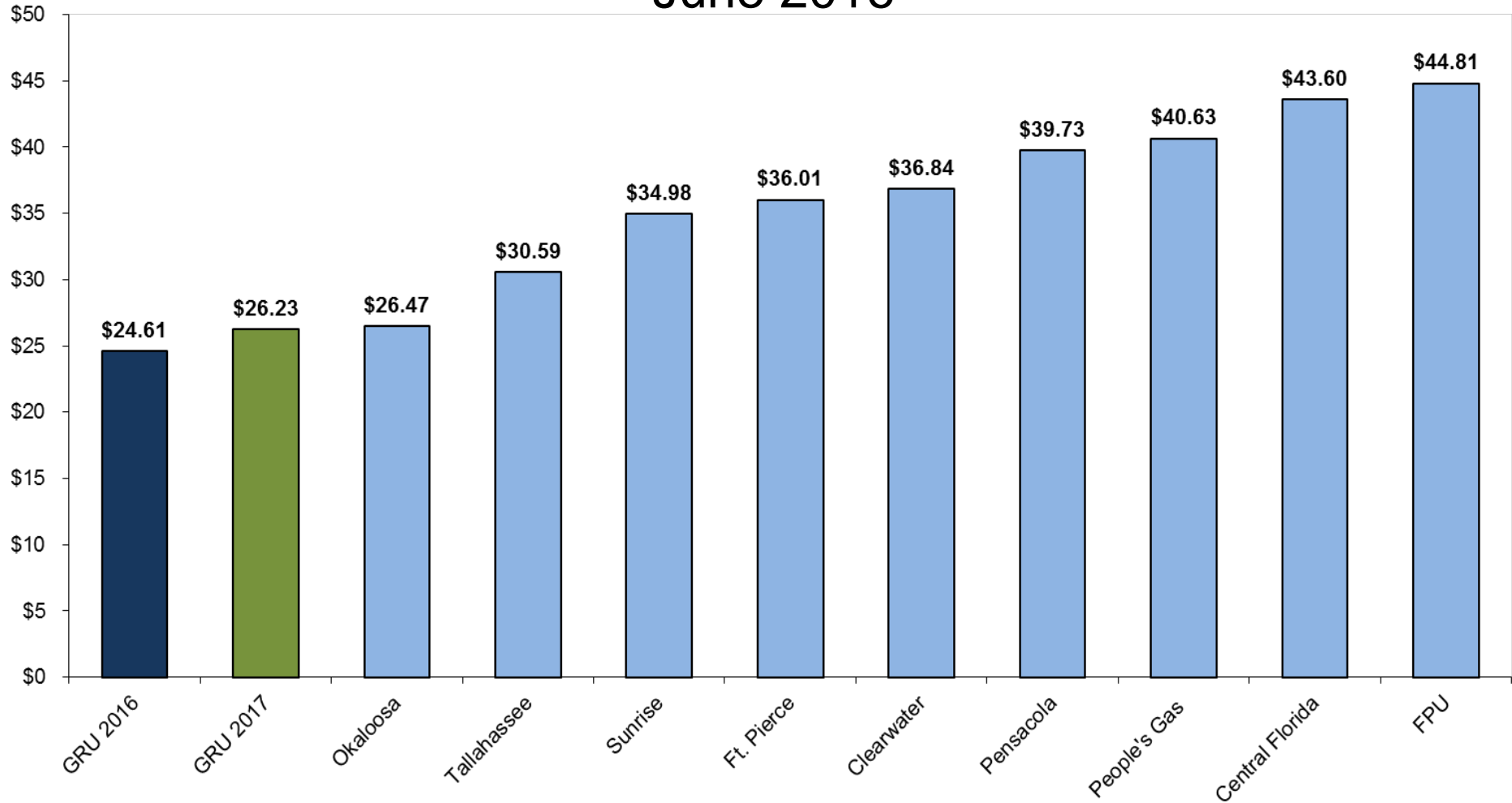
June 2016



Residential Natural Gas Bill Comparison

18 Therms – Average Use

June 2016

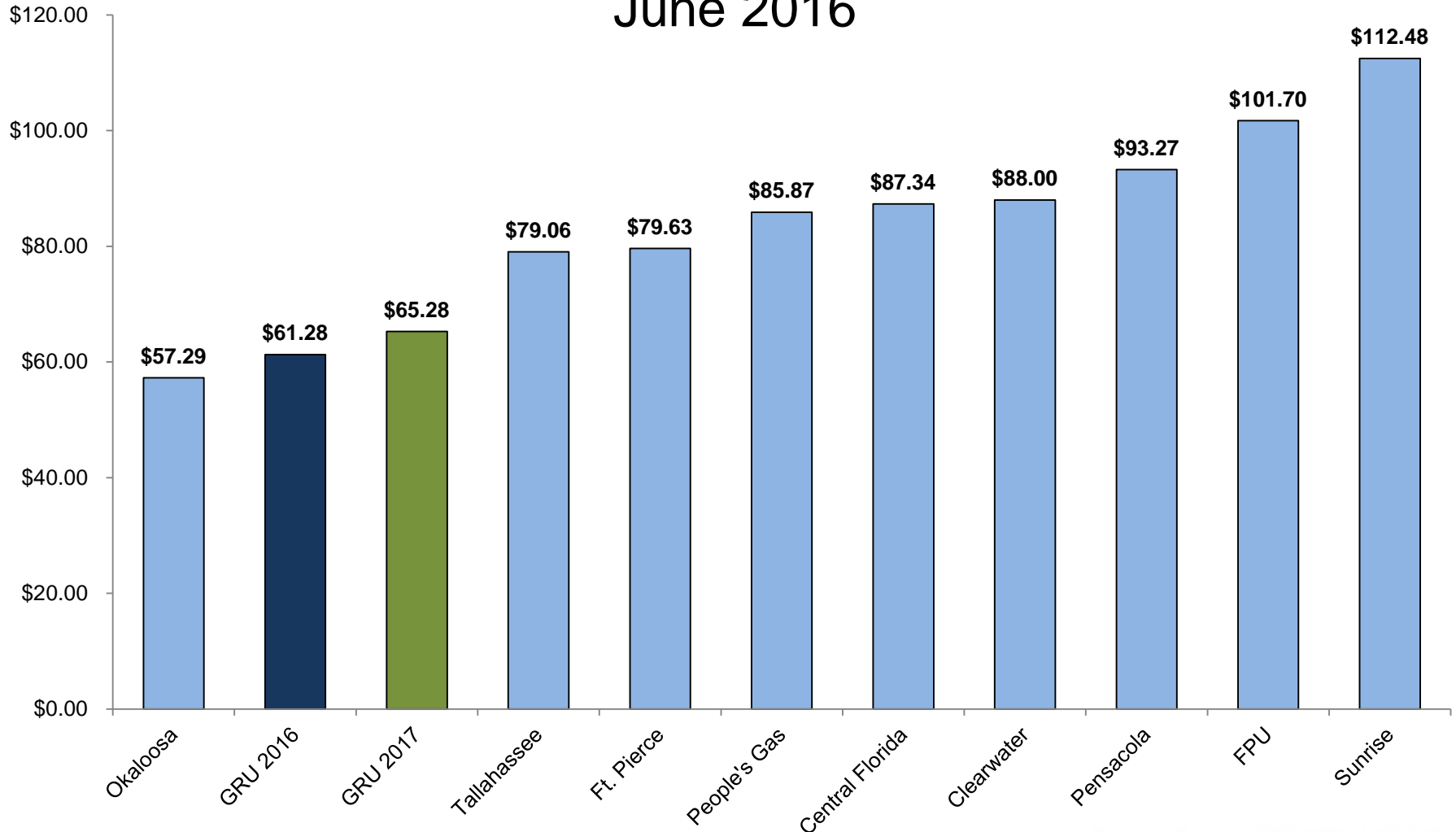


Proposed Small Commercial Natural Gas Rates

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge	\$20.00	No Change
Energy Charge (\$/therm)	\$0.540	\$0.620
MGPCRIF (Depot Park) (\$/therm)	\$0.0556	No Change
PGA (\$/therm)	\$0.23	No Change

Small Commercial Natural Gas Bill Comparison

50 Therms
June 2016



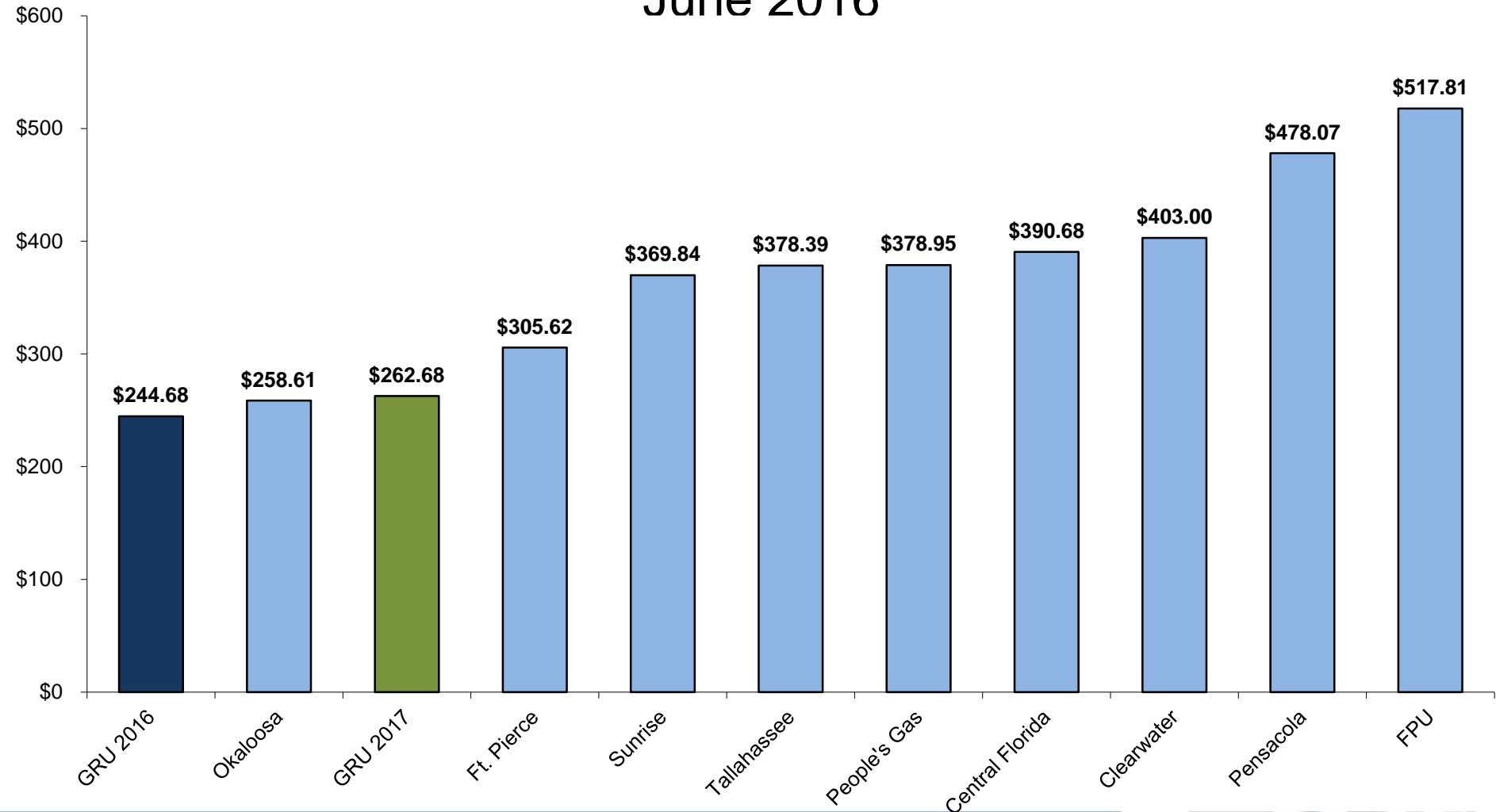
Proposed Commercial Natural Gas Rates

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge	\$45.00	No Change
Energy Charge (\$/therm)	\$0.380	\$0.440
MGPCRIF (Depot Park) (\$/therm)	\$0.0556	No Change
PGA (\$/therm)	\$0.23	No Change

Commercial Natural Gas Bill Comparison

300 Therms

June 2016



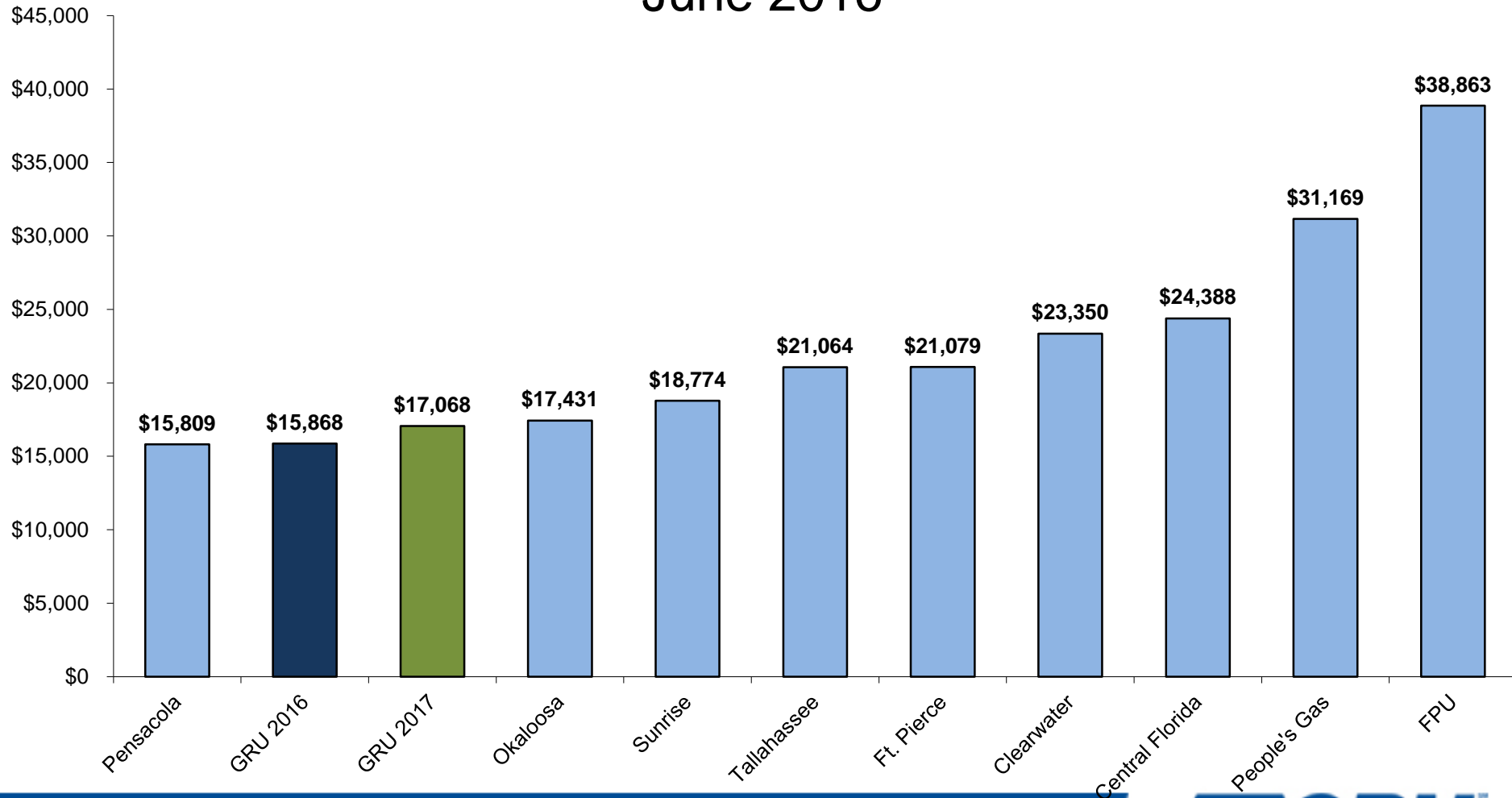
Proposed Commercial Large Volume Natural Gas Rates

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge	\$400.00	No Change
Energy Charge (\$/therm)	\$0.230	\$0.270
MGPCRF (Depot Park) (\$/therm)	\$0.0556	No Change
PGA (\$/therm)	\$0.23	No Change

Large Volume Natural Gas Bill Comparison

30,000 Therms

June 2016



Proposed Water Monthly Customer Charges Based on Meter Size

Meter Size	2016 Rates	Proposed FY17
5/8" and 3/4"	\$9.20	\$9.45
1"	\$9.40	\$9.65
1.5"	\$12.25	\$12.50
2"	\$19.50	\$20.00
3"	\$74.00	No change
4"	\$100.00	No change
6"	\$140.00	No change
8"	\$200.00	No change
10"	\$275.00	No change

Proposed Residential Water Rates

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge (5/8" or 3/4" meter)	\$9.20	\$9.45
Usage Charge (\$/1,000 Gallons)		
Tier 1 (0-4,000 Gallons)	\$2.35	\$2.45
Tier 2 (5,000-16,000 Gallons)	\$3.75	No Change
Tier 3 (over 16,000 Gallons)	\$6.00	No Change

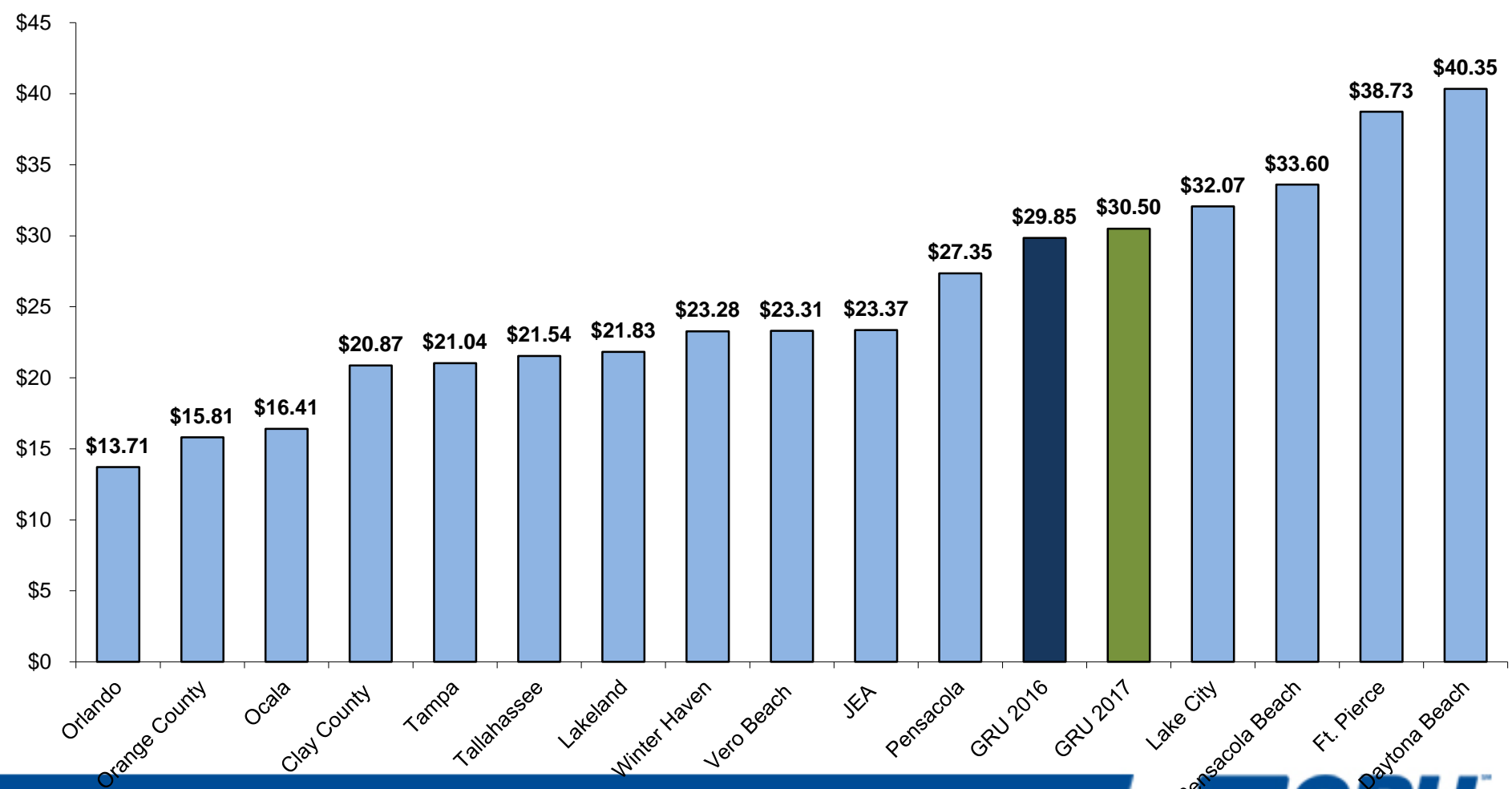
Proposed Residential Irrigation Rates

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge (5/8" or 3/4" meter)	\$9.20	\$9.45
Usage Charge (\$/1,000 Gallons)		
Tier 1 (0-12,000 Gallons)	\$3.75	No change
Tier 2 (over 12,000 Gallons)	\$6.00	No change

Residential Water Bill Comparison

7,000 Gallons

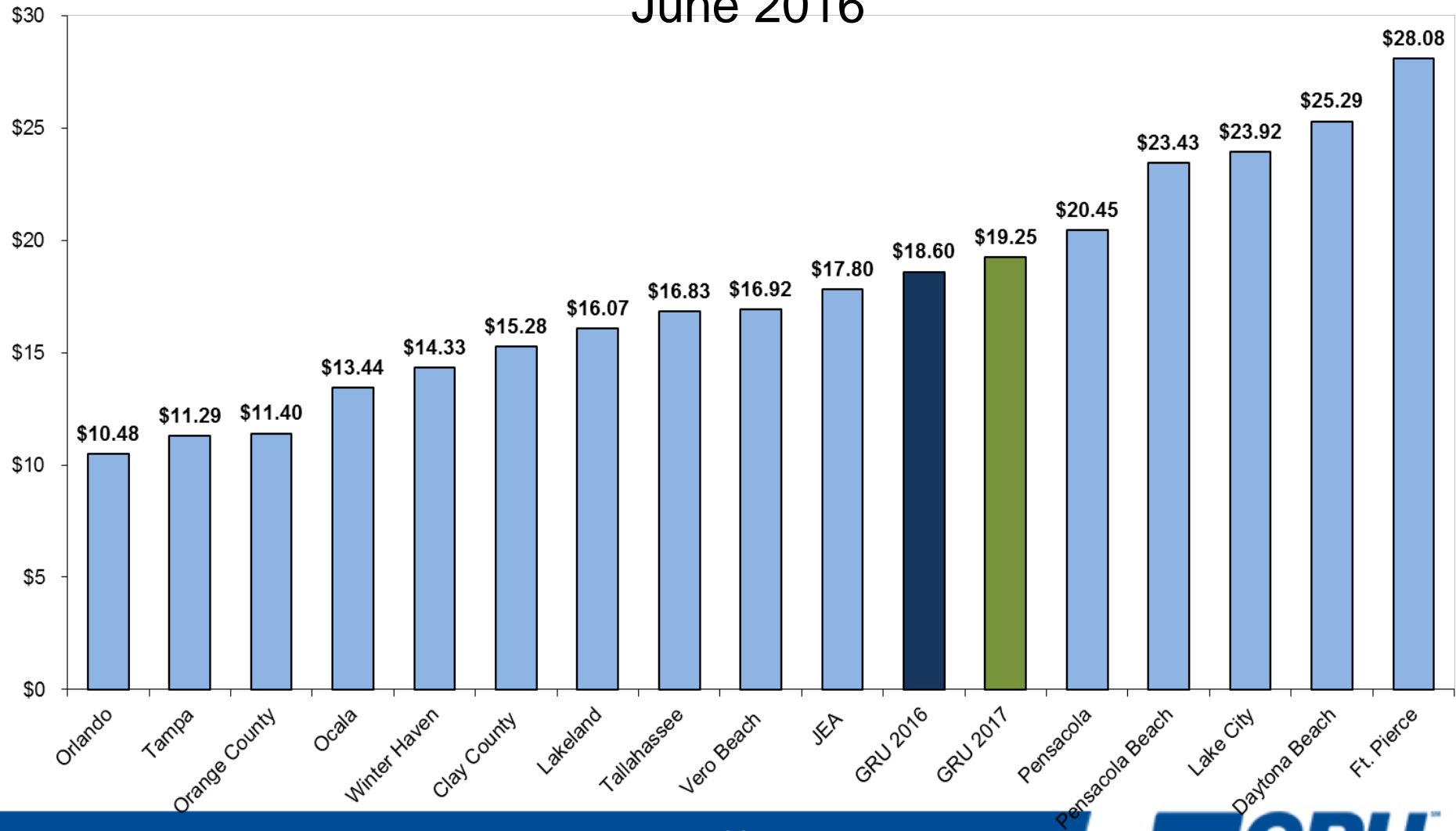
June 2016



Residential Water Bill Comparison

4,000 Gallons – Average Use

June 2016



Proposed Multi-Family Water Rates

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge	Based on Meter Size	Based on Meter Size
Usage Charge (\$/1,000 Gallons)	\$3.45	\$3.75

Proposed Commercial Water Rates

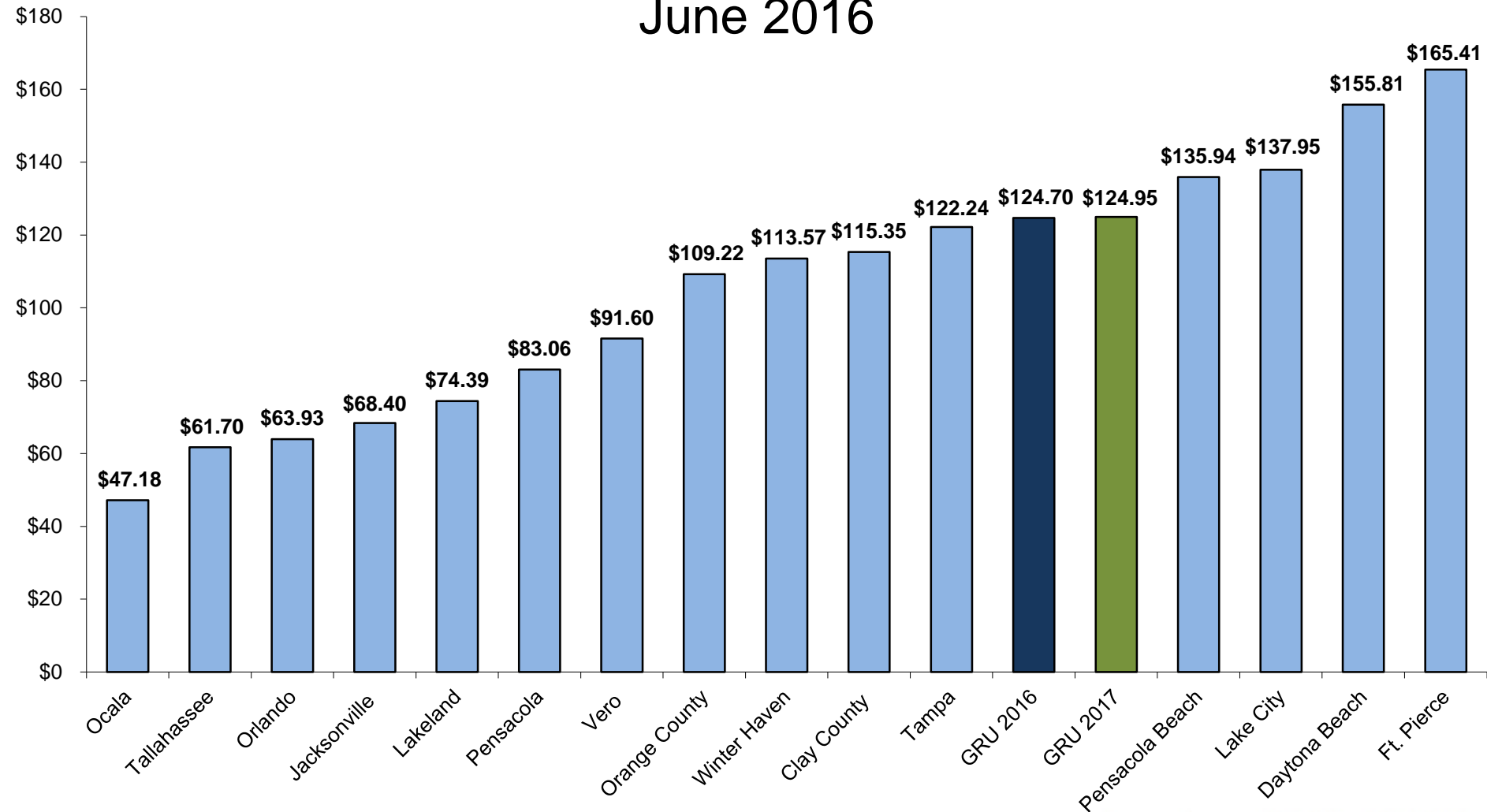
Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge	Based on Meter Size	Based on Meter Size
Usage Charge (\$/1,000 Gallons)	\$3.85	No Change

Commercial Irrigation

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge	Based on Meter Size	Based on Meter Size
Usage Charge (\$/1,000 Gallons)	\$4.60	No Change

Commercial Water Bill Comparison

30,000 Gallons
June 2016



Proposed Residential and Commercial Wastewater Rates

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge	\$9.00	\$9.10
Billing Charge (\$/1,000 Gallons)	\$6.20	\$6.30

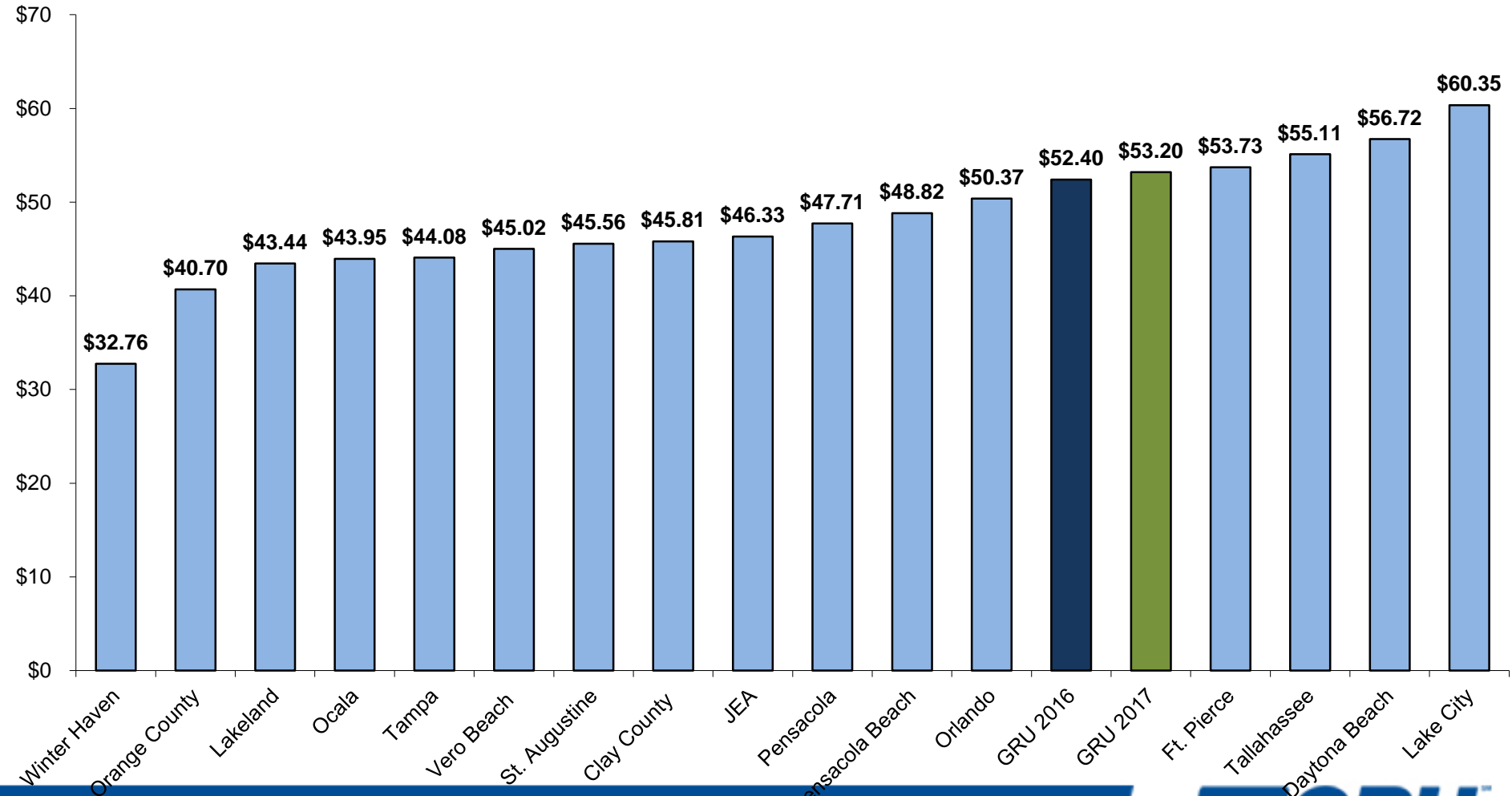
Reclaimed Water

Billing Component	2016 Rate	Proposed 2017
Monthly Customer Charge	\$9.00	\$9.10
Billing Charge (\$/1,000 Gallons)	\$0.85	\$0.95

Residential Wastewater Bill Comparison

7,000 Gallons

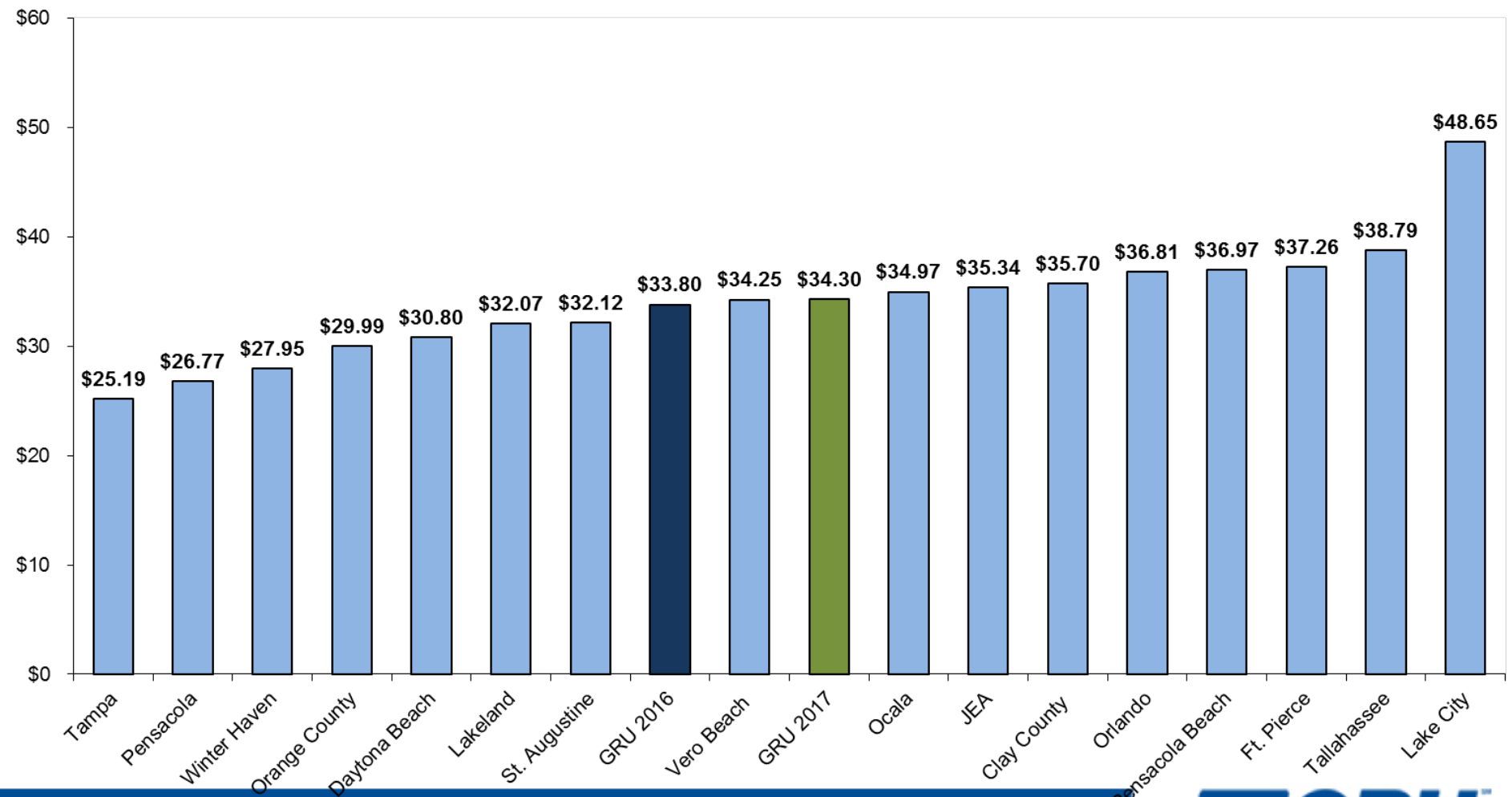
June 2016



Residential Wastewater Bill Comparison

4,000 Gallons – Average Use

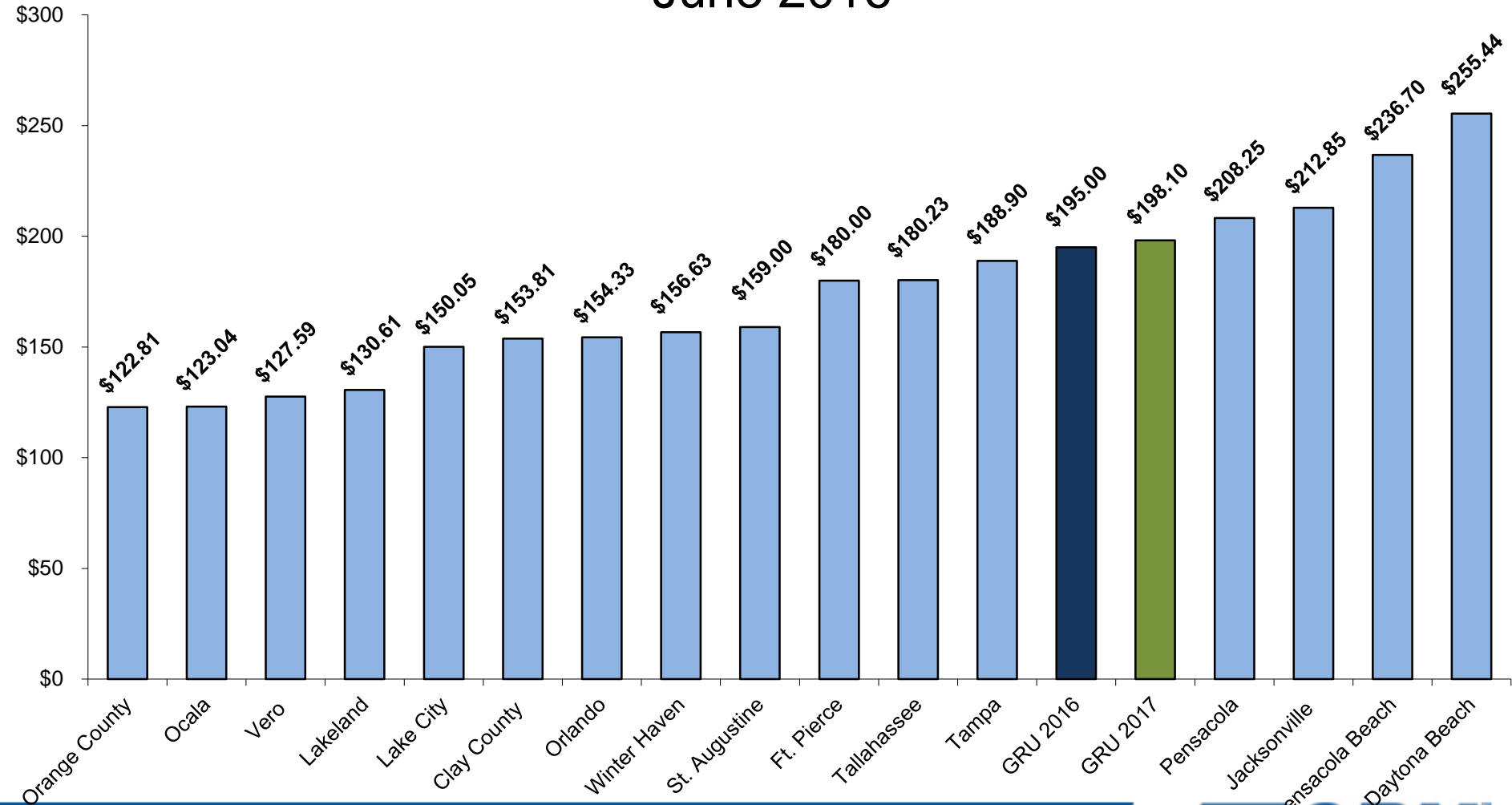
June 2016



Commercial Wastewater Bill Comparison

30,000 Gallons

June 2016



Proposed Revision to Methodology for Multi-family Wastewater

- Currently Wastewater volume billed is based on residential winter max method
- Proposing billing wastewater based on 95% of water use each month, as commercial wastewater is billed
- More accurate billing and revenues

WATER AND WASTEWATER FEES

Proposed Water & Wastewater Inspection Fees

	Water		Wastewater	
	2016	Proposed 2017	2016	Proposed 2017
Flat Fee	\$710	\$730	\$1,280	\$1,320
\$/LF (Linear Foot)	\$2.31	\$2.38	\$5.69	\$5.86

Proposed Tapping Fees

Size	2016	Proposed 2017
1.5"	\$940	\$970
2"	\$940	\$970
4"	\$4,750	\$4,890
6"	\$5,110	\$5,270
8"	\$5,920	\$6,100
12"	\$9,430	\$9,710

STREET LIGHTING RATES

Proposed Lighting Rate Changes

Fixture Description	Current FY16 Rate	Proposed FY17 Rate
100W High Pressure Sodium	\$7.75	\$8.37
150W High Pressure Sodium	\$8.25	\$9.18
250W High Pressure Sodium	\$10.25	\$11.80
50W alternative LED - general use	\$19.35	\$14.95
100W alt LED - general use	\$20.83	\$16.88
150W alt LED - general use	\$24.01	\$20.55
50W alt LED - mass change out		\$6.29
100W alt LED - mass change out		\$8.06
150W alt LED – mass change out		\$10.46

FIT CHARGES



Current FIT Charges

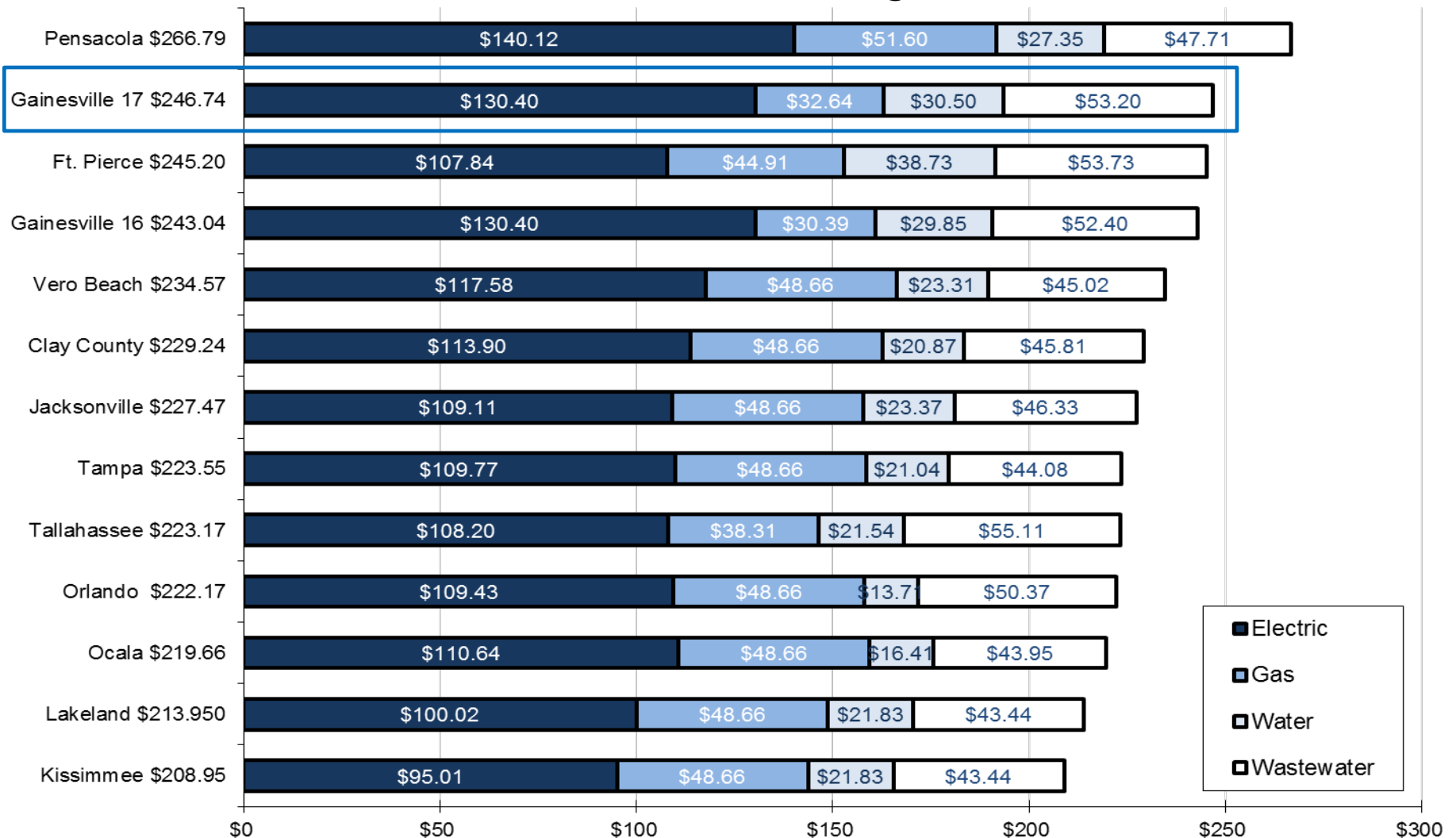
- Two registers (1 meter) for every FIT Installation
 - Register 1 measures on-site consumption
 - Register 2 measures energy delivered to GRU system
- FIT systems are compensated for energy placed on GRU system based on Register 2's reading
- Currently FIT systems are charged a monthly fee based on system size and customer type (4 different rates)
 - Exception are systems installed 2009 and 2010 which are not currently billed a customer charge
- Although minimal, FIT systems have not been charged for their consumption

Proposed FIT Charges

- Two rates for administrative fees
 - Based on size of system (not customer type)
 - Systems $\leq 10\text{KW}$ (Small FIT) - \$14.25/Mo
 - Systems $> 10\text{kW}$ (Large FIT) - \$29.50/Mo
- Rates for consumption will be assigned to Register 1 that will mirror GSND pricing & taxing
- All FIT systems will be charged fees

Residential Basket of Services

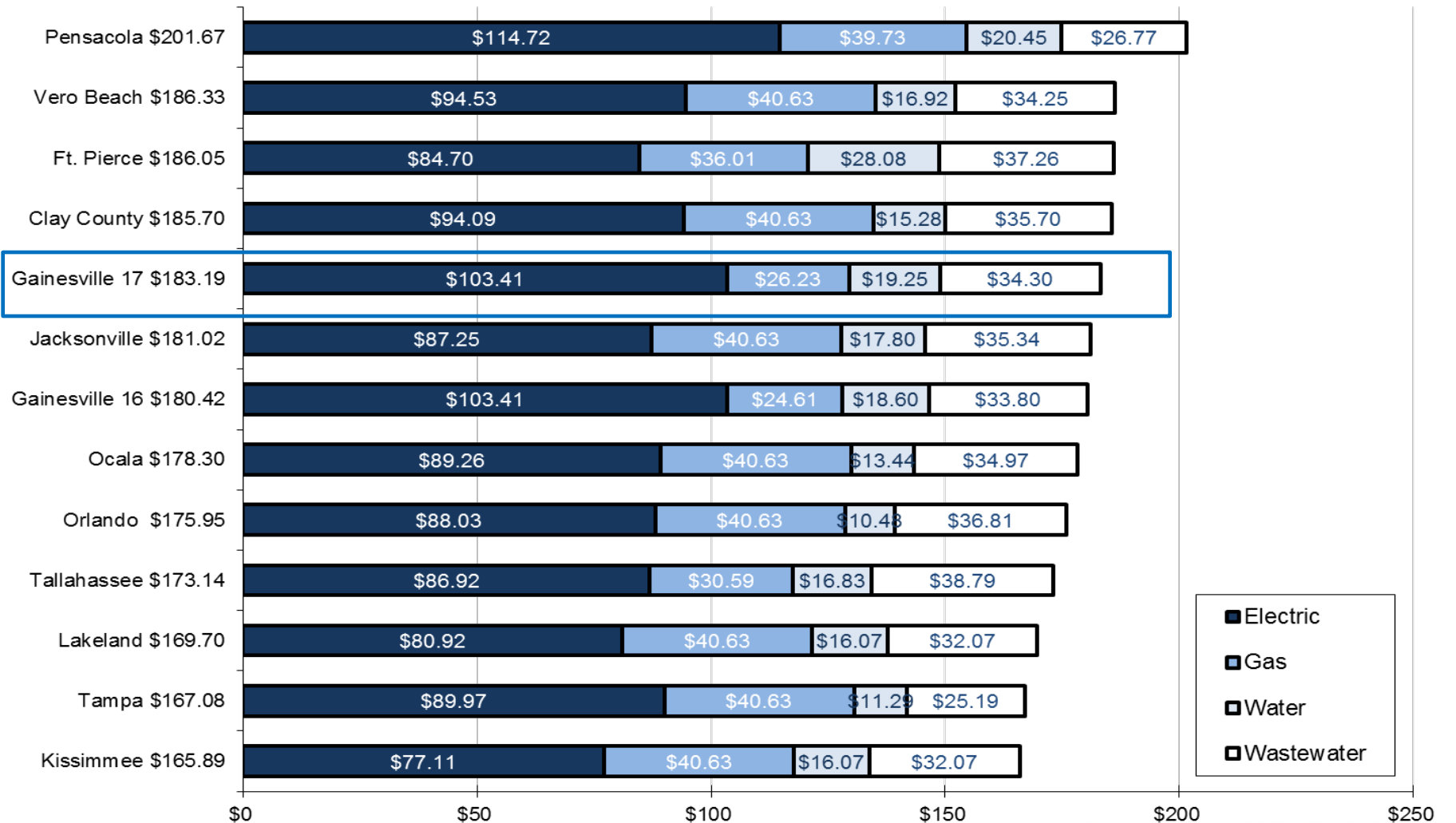
Standard Usage



1,000 kWh of Electricity, 25 Therms of Gas,
7,000 Gallons of Water, & 7,000 Gallons of Wastewater

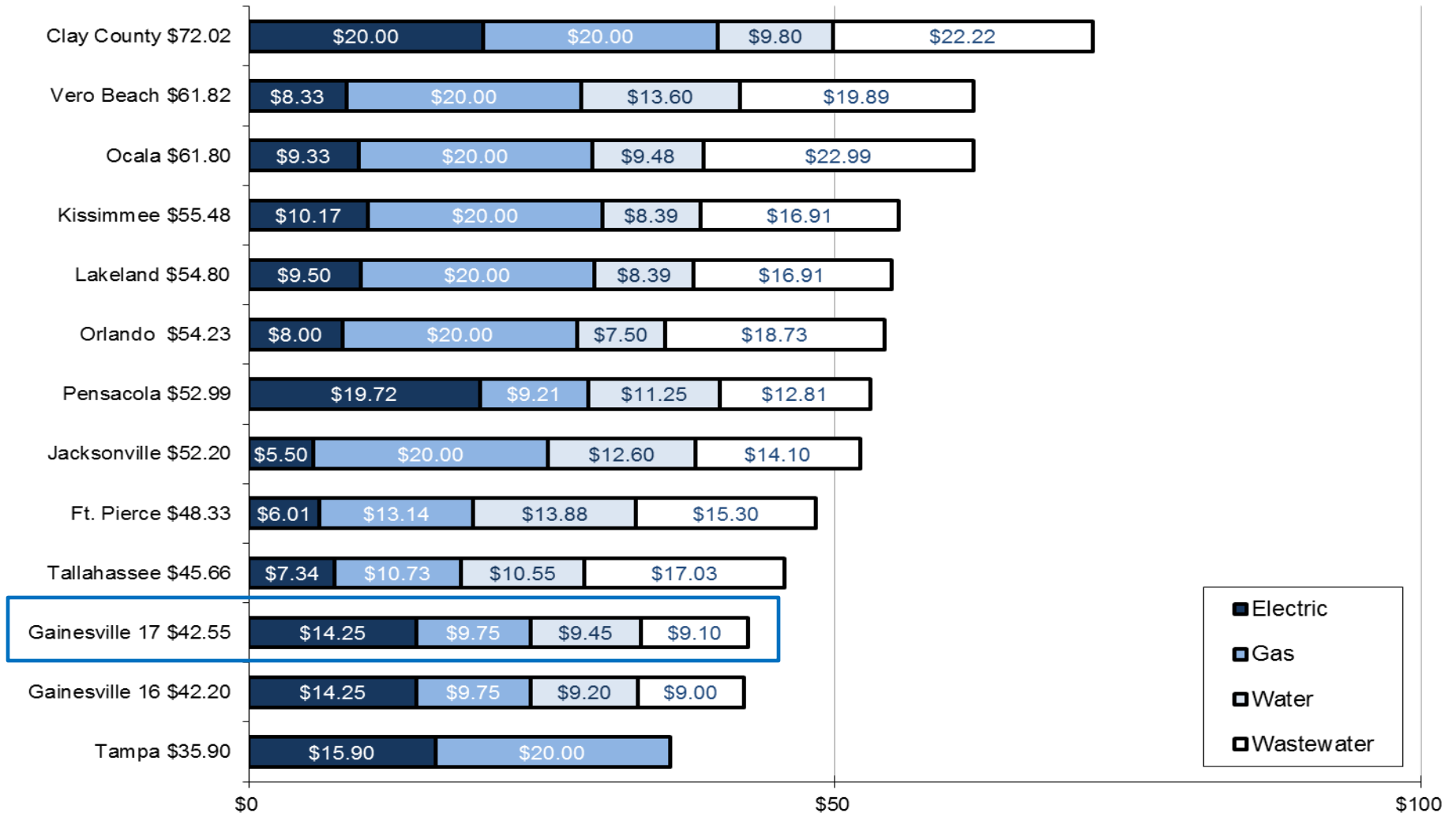
Residential Basket of Services

Average Usage



789 kWh of Electricity, 18 Therms of Gas,
4,000 Gallons of Water, & 4,000 Gallons of Wastewater

Residential Basket of Services Customer Charge



Proposed Residential Rate Summary

System	Usage	July 2016 Bill	Base Rate Change	Fuel Change	Proposed FY17 Bill
Electric	1000 kWh	\$130.40	\$0.00	\$0.00	\$130.40
Gas	25 therms	\$ 30.39	\$2.25	\$0.00	\$ 32.64
Water	7 kgal	\$ 29.85	\$0.65	\$0.00	\$ 30.50
Wastewater	7 kgal	\$ 52.40	\$0.80	\$0.00	\$ 53.20
Total		\$243.04	\$3.70	\$0.00	\$246.74

Proposed Residential Rate Summary – Average Usage

System	Usage	July 2016 Bill	Base Rate Change	Fuel Change	Proposed FY17 Bill
Electric	789 kWh	\$103.41	\$0.00	\$0.00	\$103.41
Gas	18 therms	\$24.60	\$1.63	\$0.00	\$26.23
Water	4,000 gallons	\$18.60	\$0.65	\$0.00	\$19.25
Wastewater	4,000 gallons	\$33.80	\$0.50	\$0.00	\$34.30
Total		\$180.41	\$2.78	\$0.00	\$183.19

Recommendation

- The City Commission direct the City Attorney to draft, and the Clerk of the Commission to advertise an ordinance to adopt the recommended rates, fees and charges for Electric, Water, Wastewater and Gas.