



GREC Cost Recovery Options Follow up Discussion

Base Rates & Fuel Adjustment Committee
October 7, 2014

Recovery of Revenue Requirement

Classification of Revenue Requirement into Electric Rate Components

FY 15 Electric Retail Base Rev Req- \$112.7M

- Customer Charges (\$/mo)
- Energy Charges (\$/kWh)
- Demand Charges (\$/kW)

FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M

- Fuel Adjustment (FA) Charge (\$/kWh)

Allocation/Assignment of Revenue Requirement into Electric Customer Classes

FY 15 Electric Retail Base Rate Rev Req - \$112.7M

- Residential
- GS Non-Demand Commercial
- GS Demand Commercial
- Large Power Commercial
- Lighting Commercial

FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M

- Retail Customers
- Wholesale Customers
 - City of Alachua
 - City of Winter Park

Alternative GREC PPA Cost Recovery

GREC PPA Components

FUEL ADJUSTMENT

Base Fuel Charge	\$21.9M
Variable O&M	\$2.1M

\$24.0M

Current Method

Move Fixed PPA Charges to Base

★ Non-Fuel Energy	\$41.0M
★ Fixed O&M	\$16.8M
★ Property Taxes	\$7.6M

\$65.4M

\$160.3 M

\$94.9M

Remaining GRU Fuel Components

Coal, Gas, Purchases	\$70.9M
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Retail Base Rate Revenue

BASE RATE

Base Revenue	\$112.7M
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\$112.7 M

\$178.1M

★ Under GRU ownership structure, these PPA components would be recovered through base rate revenues.

Non Fuel Energy – Annual debt service and capital improvements
 Fixed O&M – Annual O&M expenses
 Property Taxes - Annually not assessed if GRU/City owned

Estimated Tax Revenue Increase Resulting from Alternative Cost Recovery of GREC PPA (Customers Inside City)

	<u>Estimated Additional City Utility Tax Revenue</u>	<u>Estimated Increase to Residential Monthly Bill</u>
A) Shift GREC NF Energy to Base Rate Revenue ➤ \$112.1M + <u>\$41.0M</u> = \$153.1M	\$2.5M	\$2.36
B) Shift GREC Fixed O&M to Base Rate Revenue ➤ \$112.1M + <u>\$16.8M</u> = \$128.9M	\$1M	\$0.95
C) Shift GREC Prop Tax to Base Rate Revenue ➤ \$112.1M + <u>\$7.6M</u> = \$119.7M	\$480k	\$0.39
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D) Shift GREC All Above to Base Rate Revenue ➤ \$112.1M + <u>\$65.4M</u> = \$177.5M	\$3.9M	\$3.78

Estimated Tax & Surcharge Increase Resulting from Alternate Cost Recovery of GREC PPA (Outside City Customer)

	<u>Estimated Additional County Utility Tax Revenue</u>	<u>Estimated Increase to Residential Monthly Bill</u>	<u>Estimated Additional Electric Surcharge Revenue</u>	<u>Estimated Increase to Residential Monthly Bill</u>
A) Shift GREC NF Energy to Base Rate Revenue	\$1.03M	\$2.59	\$950k	\$2.36
➤ \$112.1M + <u>\$41.0M</u> = \$153.1M				
B) Shift GREC Fixed O&M to Base Rate Revenue	\$420k	\$1.04	\$390k	\$0.95
➤ \$112.1M + <u>\$16.8M</u> = \$128.9M				
C) Shift GREC Prop Tax to Base Rate Revenue	\$195k	\$0.42	\$180k	\$0.39
➤ \$112.1M + <u>\$7.6M</u> = \$119.7M				
D) Shift GREC All Above to Base Rate Revenue	\$1.64M	\$4.16	\$1.5M	\$3.78
➤ \$112.1M + <u>\$65.4M</u> = \$177.5M				

Some Implications of GREC Cost Recovery Shift Into Retail Base Rate Revenue Requirement

1) Greater amount of GRU base rate electric revenue funds additional tax revenue:

- City Municipal Utility tax of 10% - additional tax revenue retained by City of Gainesville (assess inside customers only)
- County Municipal Utility tax of 10% - additional tax revenue retained by Alachua County (assess outside customers only)
- Electric Surcharge of 10% - additional surcharge revenue retained by GRU (assess outside customers only)

All additional tax revenues would be paid by electric utility customers (with outside customers paying both utility tax AND surcharge assessment)

2) Certain GRU Customers/ Customer Classes would contribute less towards GREC's fixed costs when recovery of those costs are achieved through retail base rates

- City of Alachua and Lighting (rental & street lighting) customer classes both would contribute less overall revenue with a lower FA rate, but would not have a corresponding increase contribution to GRU base rate revenue requirement if a cost shift occurs. City of Alachua is governed by contractual wholesale agreement terms and lighting service revenues are comprised of monthly fixed charges per fixture and poles. **The remaining additional unallocated cost from Alachua and Lighting class would have to be recovered through retail customers' base rates.**

3) Per bond covenants, increased GRU base rate revenues are subject to mandatory formulaic UPIF contribution funding. Greater required UPIF contributions exert short-term upward retail rate pressure but would lower borrowing needs to fund capital expenditures in future.

Sample Total Revenue Requirement Comparison (\$ in Millions)

FUEL ADJUSTMENT

<u>FA Revenue Requirement - Customer Class Breakout</u>	<u>Recover ALL GREC Fixed costs via Fuel Clause \$160.3 FY 15 Fuel Budget</u>	<u>Shift GREC Fixed Costs out of Fuel Recovery and Into Retail Base Rate Recovery of (\$65.4)</u>	<u>Resulting Lowered FA Revenue Requirement after GREC Fixed Cost Shift</u>
Residential	\$62.2	(\$28.7)	\$33.5
Commercial (GSN,GSD,LP)	\$73.3	(\$33.6)	\$39.7
Lighting	\$1.9	(\$0.9)	\$1.0
City of Alachua	\$7.7	(\$2.2)	\$5.5
All Other Fuel Revenues (Winter Park, Embedded, RECs)	\$15.2	0	\$15.2
Total Native Load FA Revenue	\$160.3	(\$65.4)	\$94.9

BASE RATE

<u>Retail Base Rate Revenue Requirement - Customer Class Breakout</u>	<u>Recover NO GREC Fixed costs via Retail Base Rates - \$112.7 Rev Req – FY 15 Budget</u>	<u>Shift GREC Fixed Costs out of Fuel Recovery and Into Retail Base Rate Recovery of \$65.4</u>	<u>Resulting Increased Retail Base Rate Revenue Requirement</u>
Residential	\$47.5	\$28.7	\$76.2
Commercial (GSN,GSD,LP)	\$60.0	\$33.6	\$93.6
Lighting	\$5.2	\$0	\$5.2
Sub-Total	\$112.7	\$62.3	\$175.0
Remaining Costs to be Allocated from Alachua & Lighting to Retail	N/A	\$3.1	\$3.1
Total Retail Base Rate Revenue	\$112.7	\$65.4	\$178.1