Item No. 140344 BR/FA Committee 9/25/2014



GREC Cost Recovery Options

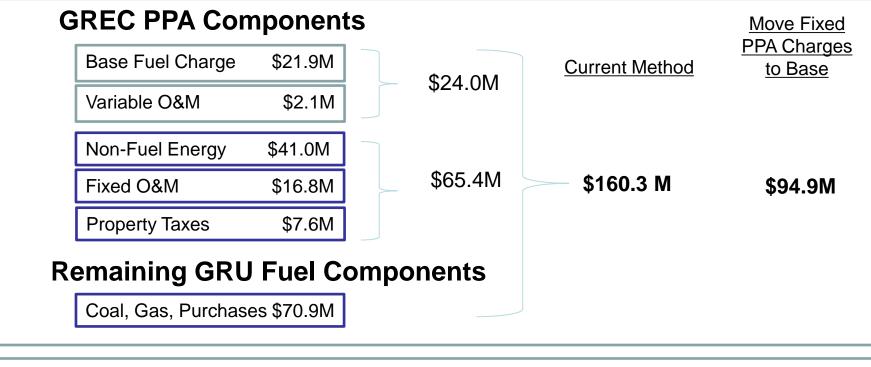


Recovery of Revenue Requirement

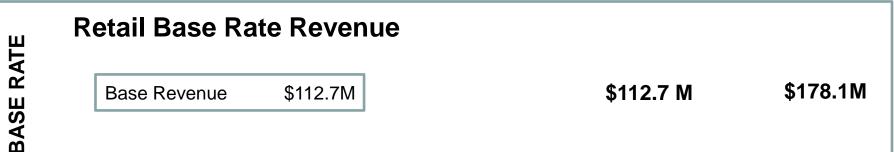
Classification of Revenue Requirement into Electric Rate Components	Allocation/Assignment of Revenue Requirement into Electric Customer Classes
FY 15 Electric Retail Base Rev Req- \$112.7M	FY 15 Electric Retail Base Rate Rev Req - \$112.7M
Customer Charges (\$/mo)	Residential
Energy Charges (\$/kWh)	GS Non-Demand Commercial
Demand Charges (\$(kW)	GS Demand Commercial
	Large Power Commercial
	Lighting Commercial
FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M	FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M
	Retail Customers
Fuel Adjustment (FA) Charge (\$/kWh)	 Wholesale Customers City of Alachua City of Winter Park



Alternative GREC PPA Cost Recovery



FUEL ADJUSTMENT





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

FY 15 Budget Reduction of Base Rate Revenue	<u>Estimated</u> <u>Additional City</u> <u>Utility Tax</u> <u>Revenue</u>	Estimated Increase to Residential Monthly Bill	
\$123.6M – <u>(\$10.9M)</u> = \$112.7M	(\$678k)	(\$0.67)	
 A) Shift GREC Prop Tax to Base Rate Revenue ▶ \$112.1M + <u>\$7.6M</u> = \$119.7M 	\$480k	\$0.39	
 B) Shift GREC Fixed O&M to Base Rate Revenue ▶ \$112.1M + <u>\$16.8M</u> = \$128.9M 	\$1M	\$0.95	
 C) Shift GREC NF Energy to Base Rate Revenue ▶ \$112.1M + \$41.0M = \$153.1M 	\$2.5M	\$2.36	
D) Shift GREC All Above to Base Rate Revenue	\$3.9M	\$3.78	





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

	Estimated Additional County Utility Tax Revenue	Estimated Increase to Residential Monthly Bill	Estimated Additional Electric Surcharge Revenue	Estimated Increase to Residential Monthly Bill	
FY 15 Budget Reduction of Base Rate Revenue	•				
\$123.6M – <u>(\$10.9M)</u> = \$112.7M	(\$300k)	(\$0.73)	(\$270k)	(\$0.67)	
 A) Shift GREC Prop Tax to Base Rate Revenue ▶ \$112.1M + \$7.6M = \$119.7M 	\$195k	\$0.42	\$180k	\$0.39	
 B) Shift GREC Fixed O&M to Base Rate Reven ▶ \$112.1M + \$16.8M = \$128.9M 	ue \$420k	\$1.04	\$390k	\$0.95	
 C) Shift GREC NF Energy to Base Rate Revenu ▶ \$112.1M + \$41.0M = \$153.1M 	ue \$1.03M	\$2.59	\$950k	\$2.36	
 D) Shift GREC All Above to Base Rate Revenue > \$112.1M + <u>\$65.4M</u> = \$177.5M 	e \$1.64M	\$4.16	\$1.5M	\$3.78	



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)

FA Revenue Requirement - Customer Class Breakout	Recover ALL GREC Fixed costs via Fuel Clause <u>\$160.3 FY 15 Fuel Budget</u>	Shift GREC Fixed Costs out of Fuel Recovery and Into Retail Base Rate Recovery of (<u>\$65.4)</u>	Resulting Lowered FA Revenue Requirement after GREC Fixed Cost Shift
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
<u>Retail Base Rate Revenue</u> <u>Requirement</u> - Customer Class Breakout	Recover NO GREC Fixed costs via Retail Base Rates - <u>\$112.7 Rev Req – FY 15</u> <u>Budget</u>	Shift GREC Fixed Costs out of Fuel Recovery and Into Retail Base Rate Recovery of <u>\$65.4</u>	Resulting Increased Retail Base Rate Revenue Requirement
Requirement - Customer	costs via Retail Base Rates - \$112.7 Rev Req – FY 15	of Fuel Recovery and Into Retail Base Rate	Base Rate Revenue
Requirement - Customer Class Breakout	costs via Retail Base Rates - <u>\$112.7 Rev Req – FY 15</u> <u>Budget</u>	of Fuel Recovery and Into Retail Base Rate Recovery of <u>\$65.4</u>	Base Rate Revenue Requirement
Requirement - Customer Class Breakout Residential	costs via Retail Base Rates - <u>\$112.7 Rev Req – FY 15</u> <u>Budget</u> \$47.5	of Fuel Recovery and Into Retail Base Rate Recovery of <u>\$65.4</u> \$28.7	Base Rate Revenue Requirement \$76.2
Requirement - Customer Class Breakout Residential Commercial (GSN,GSD,LP)	costs via Retail Base Rates - <u>\$112.7 Rev Req – FY 15</u> <u>Budget</u> \$47.5 \$60.0	of Fuel Recovery and Into Retail Base Rate Recovery of <u>\$65.4</u> \$28.7 \$33.6	Base Rate Revenue Requirement \$76.2 \$93.6
Requirement - Customer Class Breakout Residential Commercial (GSN,GSD,LP) Lighting	costs via Retail Base Rates - <u>\$112.7 Rev Req – FY 15</u> <u>Budget</u> \$47.5 \$60.0 \$5.2	of Fuel Recovery and Into Retail Base Rate Recovery of <u>\$65.4</u> \$28.7 \$33.6 \$0	Base Rate Revenue Requirement \$76.2 \$93.6 \$5.2



FUEL ADJUSTMENT