

Gainesville Regional Utilities

Quarterly Financial Statements

1st Quarter Ended December 31st, 2010



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Gainesville Regional Utilities
Quarterly Financial Statements
Quarter Ended December 31st, 2010

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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 this management discussion and analysis of the utility system's financial statements for the quarter ended December 31st, 2010. 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 is utilized for the determination of rates. It results in costs being included 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).

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Financial Statements

**GAINESVILLE REGIONAL UTILITIES
COMBINED UTILITIES FUNDS
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2010**

This Year	Last Year	Change	Change (%)		Year to Date	FY 11 Budget	FY 11 Projected	Change (%)
				REVENUES:				
30,786	32,876	(2,090)	(6.4)	Total Native Load Sales of Electricity	30,786	131,577	138,418	5.2
497	782	(285)	(36.4)	Interchange Sales	497	2,500	2,500	-
25,550	28,262	(2,712)	(9.6)	Fuel Adjustment	25,550	129,096	129,096	-
1,913	1,613	300	18.6	Other Revenues	1,913	14,304	17,254	20.6
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
355	479	(124)	(25.9)	Interest Income	355	1,968	1,968	-
59,101	64,012	(4,911)	(7.7)	Total Electric Revenues	59,101	279,445	289,236	3.5
-	-	-	-					
7,364	6,474	890	13.7	Sales of Water	7,364	28,291	29,291	3.5
352	(15)	367	2,446.7	Other Water Revenues	352	2,293	2,669	16.4
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
38	44	(6)	(13.6)	Interest Income	38	161	161	-
7,754	6,502	1,252	19.3	Total Water Revenues	7,754	30,745	32,121	4.5
-	-	-	-					
7,928	7,636	292	3.8	Wastewater Billings	7,928	32,891	33,284	1.2
136	52	84	161.5	Other Wastewater Revenues	136	2,233	1,884	(15.6)
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
68	75	(7)	(9.3)	Interest Income	68	301	301	-
8,133	7,763	370	4.8	Total Wastewater Revenues	8,133	35,425	35,469	0.1
-	-	-	-					
3,229	2,974	255	8.6	Sales of Gas and Service	3,229	12,771	14,940	17.0
3,462	2,356	1,106	46.9	Purchased Gas Adjustment	3,462	11,339	13,209	16.5
252	-	252	-	Other Gas Revenue	252	304	904	197.4
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
70	88	(18)	(20.5)	Interest Income	70	368	368	-
7,014	5,418	1,596	29.5	Total Gas Revenues	7,014	24,782	29,421	18.7
-	-	-	-					
2,847	2,893	(46)	(1.6)	Sales of GRUCom Services	2,847	11,505	11,502	-
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
53	63	(10)	(15.9)	Interest Income	53	246	246	-
2,899	2,956	(57)	(1.9)	Total GRUCom Revenues	2,899	11,751	11,748	-
84,901	86,651	(1,750)	(2.0)	TOTAL REVENUES	84,901	382,148	397,995	4.1
				OPERATION & MAINTENANCE EXPENSES:				
				Electric Fund:				
				Fuel Expense:				
25,380	23,211	2,169	9.3	Retail & Purchased Power	25,380	129,096	129,096	-
427	763	(336)	(44.0)	Interchange	427	2,200	2,200	-
25,807	23,974	1,833	7.6	Total Fuel Expenses	25,807	131,296	131,296	-
-	-	-	-					
7,874	8,099	(225)	(2.8)	Operation & Maintenance Expense	7,874	41,656	41,656	-
5,882	4,662	1,220	26.2	Administrative & General Expense	5,882	22,617	22,617	-
39,562	36,735	2,827	7.7	Total Electric Fund Expenses	39,562	195,569	195,569	-

**GAINESVILLE REGIONAL UTILITIES
COMBINED UTILITIES FUNDS
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2010**

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This Year	Last Year	Change	Change (%)		Year to Date	FY 11 Budget	FY 11 Projected	Change (%)
1,628	1,606	22	1.4	Water Fund:	1,628	7,360	7,360	-
1,170	1,126	44	3.9	Operation & Maintenance Expense	1,170	5,506	5,506	-
2,798	2,732	66	2.4	Administrative & General Expense	2,798	12,866	12,866	-
				Total Water Fund Expenses				
1,450	1,398	52	3.7	Wastewater Fund:	1,450	7,423	7,423	-
1,410	1,337	73	5.5	Operation & Maintenance Expense	1,410	7,462	7,462	-
2,860	2,735	125	4.6	Administrative & General Expense	2,860	14,885	14,885	-
				Total Wastewater Fund Expenses				
4,504	3,774	730	19.3	Gas Fund:	4,504	11,424	13,209	15.6
274	360	(86)	(23.9)	Fuel Expense - Purchased Gas	274	1,260	1,260	-
920	817	103	12.6	Operation & Maintenance Expense	920	4,127	4,127	-
5,697	4,951	746	15.1	Administrative & General Expense	5,697	16,811	18,596	10.6
				Total Gas Fund Expenses				
818	892	(74)	(8.3)	GRUCom Fund:	818	3,616	3,354	(7.2)
528	521	7	1.3	Operation & Maintenance Expense	528	2,433	2,433	-
1,345	1,413	(68)	(4.8)	Administrative & General Expense	1,345	6,049	5,787	(4.3)
				Total GRUCom Fund Expenses				
52,263	48,566	3,697	7.6	Total Operation & Maintenance Expenses	52,263	73,228	74,751	2.1
				NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION:				
19,468	27,258	(7,790)	(28.6)	Electric - Retail & Wholesale	19,468	83,575	93,366	11.7
70	19	51	268.4	Electric - Interchange	70	300	300	-
19,538	27,277	(7,739)	(28.4)	Total Electric Fund	19,538	83,875	93,665	11.7
4,956	3,771	1,185	31.4	Water Fund	4,956	17,879	19,255	7.7
5,273	5,028	245	4.9	Wastewater Fund	5,273	20,541	20,584	0.2
1,317	468	849	181.4	Gas Fund	1,317	7,971	10,825	35.8
1,554	1,542	12	0.8	GRUCom Fund	1,554	5,702	5,960	4.5
32,638	38,085	(5,447)	(14.3)	TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	32,638	135,968	150,289	10.5
18,634	15,645	2,989	19.1	DEBT SERVICE	18,634	70,581	76,235	8.0
8,139	8,205	(66)	(0.8)	UPIF CONTRIBUTIONS	8,139	32,555	32,555	-
5,859	5,665	194	3.4	TRANSFER TO GENERAL FUND	5,859	35,154	35,154	-
103	66	37	56.1	NUCLEAR DECOMMISSIONING/FUEL DISPOSAL	103	406	406	-
(97)	8,505	(8,602)	(101.1)	NET INCOME/(DEFICIT)	(97)	(2,728)	5,939	(317.7)
				(1) Projected Aggregate Debt Service Coverage Ratio		135,968	150,289	
						68,401	75,908	
						1.99	1.98	
				(2) Projected Total Debt Service Coverage Ratio		135,968	150,289	
						70,581	76,235	
						1.93	1.97	

Electric Revenue Fund Financial Performance Discussion

Total electric sales revenues for FY11, exclusive of fuel adjustment, have decreased by 7.4% from FY10. However, actual residential megawatt sales have actually increased by roughly 10.28% in FY11 from FY10. The decrease in revenue is attributable to the removal of base rate embedded fuel revenue from the FY11 revenue figures for financials statement presentation.

Fuel Adjustment Revenue has decreased by almost 10% over the prior year results, which is comparable to the decrease in total sales of electricity.

Retail and Purchased Power Expense for the first three months is 9.3% higher than for the first three months of the prior fiscal year.

Interchange sales and interchange fuel expense have both decreased compared with the prior fiscal three month results by 36.4% and 44.0%, respectively. Interchange sales are subject to multiple variables including the availability of excess marketable generation from our plants and economic pricing conditions within the interchange market.

Other Electric Sales in the first quarter FY11 have decreased by 33.9% compared to FY10, which is due to a timing difference in December billing. Other Revenues have increased by 26.7% from this quarter in FY10, reflecting increased sales related to the Shands South Energy Center. This increase also reflect the addition of rebate associated with the Build America Bonds.

Interest income for FY11, as compared to FY10, decreased in the Electric Revenue Fund by 25.9%. This is due largely to an overall lower return on the investment portfolio due to market conditions. Investment returns are lower for all systems given the current economic climate of low interest rates.

Electric Revenue Fund

Financial Performance Discussion cont.

Steam Power Generation expenses are generally on track for FY11, while Nuclear Power Generation expenses are down 15.3% from FY10 due to increased expenditures associated with last year's CR3 outages. Other Power Generation expenses are up considerably over the same quarter last year due to significant repairs to a fuel nozzle and cap and liner totaling \$150k. System Control and Load Dispatching expenses are down 13.0% stemming from CR3 operating charges incurred last FY10 and a decrease in OT hours in the first quarter of FY11 lowering costs \$10k over the previous FY10.

Transmission costs are down 11.5% compared to last year same quarter with \$27k more in labor expenditures going to capital construction verses O&M. Distribution costs are down 17.1% with similar labor costs reflecting the higher percentage of construction work verses O&M workin the amount of \$218k compared to last year same quarter. Energy Delivery has also updated its fleet capitalization policy to more closely follow the amount of capital construction work being performed in which it has sent \$132k more to capital projects verses O&M. A correction of a warehouse charging error caused a timing difference of \$178k between quarters also. Offsetting to these reductions are tree timing expenditures up \$114k over last year for the same quarter.

Customer Accounts and Sales expenses are up slightly at 7.8% with the Home Energy Reporting Program adding \$50k of increased costs and as well as increased spending on radio conservation messages of \$35k over last FY10 same quarter. Administrative and General expenses are up by 36.0%, due mainly to Pension and OPEB costs up \$635k over FY10 same quarter. Also factoring in are timing differences in recording allocated A&G costs to capital and settlement of General Government interfund payments for insurance expenses which were \$300k and \$145k respectively.

Debt Service expenses increased from FY10 primarily because of the issuance of the 2010B and 2010C bonds. The increase in debt service expense is somewhat mitigated by low interest rates on most of GRU's variable rate debt. Additionally, a portion of this increase is the result of the reclassification of the Build America Bonds rebate into Other Revenues per the Bond Resolution.

Although we had originally budgeted a \$3.5m net deficit for the year, we are projected to end the year with a net income of nearly \$5.4m for the current year, based on the most recent sales forecast. General Service and Large Power Sales are projected to come it 8.6% higher than budget with the new FY11 rates driving this increase

**GAINESVILLE REGIONAL UTILITIES
ELECTRIC REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2010**

This Year	Last Year	Change	Change (%)		Year to Date	FY 11 Budget	FY 11 Projected	Change (%)
12,390	13,651	(1,261)	(9.2)	REVENUES:	12,390	57,163	58,505	2.3
15,833	15,980	(147)	(0.9)	Residential Sales	15,833	60,803	66,014	8.6
497	782	(285)	(36.4)	General Service and Large Power Sales	497	2,500	2,500	-
814	797	17	2.1	Interchange Sales	814	3,903	4,006	2.6
1,618	2,446	(828)	(33.9)	Utility Surcharge	1,618	9,708	9,893	1.9
				Other Electric Sales				
31,152	33,658	(2,506)	(7.4)	Total Sales of Elec. Before Fuel Adj.	31,152	134,077	140,918	5.1
25,550	28,262	(2,712)	(9.6)	Fuel Adjustment	25,550	129,096	129,096	-
56,702	61,919	(5,217)	(8.4)	Total Sales of Electricity	56,702	263,174	270,014	2.6
2,044	1,613	431	26.7	Other Revenues	2,044	14,304	17,254	20.6
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
355	479	(124)	(25.9)	Interest Income	355	1,968	1,968	-
59,101	64,012	(4,910)	(7.7)	Total Revenues	59,101	279,445	289,236	3.5
				OPERATION & MAINTENANCE EXPENSES:				
				Power Production Expenses:				
				Fuel Expenses:				
25,380	23,211	2,169	9.3	Retail & Purchased Power	25,380	129,096	129,096	-
427	763	(336)	(44.0)	Interchange	427	2,200	2,200	-
25,807	23,974	1,833	7.6	Total Fuel Expenses	25,807	131,296	131,296	-
4,430	4,264	166	3.9	Steam Power Generation Expense	4,430	26,630	26,630	-
587	693	(106)	(15.3)	Nuclear Power Generation Expense	587	2,055	2,055	-
338	133	205	154.1	Other Power Generation Expense	338	348	348	-
220	253	(33)	(13.0)	System Control & Load Dispatching	220	1,078	1,078	-
31,381	29,317	2,065	7.0	Total Power Production Expenses	31,381	161,408	161,408	-
				Transmission & Distribution Expenses:				
230	260	(30)	(11.5)	Transmission Expenses	230	1,132	1,132	-
2,069	2,496	(427)	(17.1)	Distribution Expenses	2,069	10,413	10,413	-
2,299	2,756	(457)	(16.6)	Total Transmission & Distribution	2,299	11,545	11,545	-
				Administrative & General Expenses:				
1,753	1,626	127	7.8	Customer Accounts & Sales Expense	1,753	8,632	8,632	-
4,129	3,037	1,092	36.0	Administrative & General Expense	4,129	13,986	13,986	-
5,882	4,662	1,219	26.1	Total Administrative & General	5,882	22,617	22,617	-
39,562	36,735	2,827	7.7	Total Operating & Maintenance Expenses	39,562	195,570	195,570	-

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

(2) Other Revenues - Commercial lighting, service charges, miscellaneous.

**GAINESVILLE REGIONAL UTILITIES
ELECTRIC REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2010**

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<u>This Year</u>	<u>Last Year</u>	<u>Change</u>	<u>Change (%)</u>		<u>Year to Date</u>	<u>FY 11 Budget</u>	<u>FY 11 Projected</u>	<u>Change (%)</u>
				NET REVENUES IN ACCORDANCE WITH THE BOND				
				RESOLUTION:				
19,468	27,258	(7,790)	(28.6)	Retail & Wholesale	19,468	83,575	93,365	11.7
70	19	51	268.4	Interchange	70	300	300	-
<hr/>					<hr/>			
19,538	27,277	(7,739)	(28.4)	TOTAL NET REVENUE IN ACCORDANCE WITH BOND	19,538	83,875	93,665	11.7
				RESOLUTION				
11,275	10,088	1,187	11.8	DEBT SERVICE	11,275	44,978	45,774	1.8
4,812	4,941	(129)	(2.6)	UPIF CONTRIBUTIONS	4,812	19,248	19,248	-
3,803	3,334	469	14.1	TRANSFER TO GENERAL FUND (Includes incentive)	3,803	22,815	22,815	-
103	66	37	56.1	NUCLEAR DECOMMISSIONING/FUEL DISPOSAL	103	406	406	-
<hr/>					<hr/>			
(454)	8,848	(9,303)	(105.1)	NET INCOME/(DEFICIT)	(454)	(3,573)	5,422	(251.7)

Water Revenue Fund Financial Performance Discussion

The increase in FY11 General Customer revenue of 15.8% reflects increased consumption due to lower than average rainfall for this period, as well as the base rate increase in FY11 over FY10 for the Water System. These base rate increases were implemented as of October 1, 2010. Actual k-Gal sales for first quarter FY11 for this category are 2.76% higher compared to FY10 sales for the same period.

Utility Surcharge is up by 26.6% and Other Revenues, which include connection fees, are up in first quarter FY11 compared to FY10. This revenue increase is largely a function of economic conditions in the new housing and construction market, as well as increased connection fees implemented October 1, 2010. This resulted in an increased revenue figure for the first quarter of FY11.

Interest income for FY11, as compared to FY10, decreased in the Water Revenue Fund by 13.6%. This is due largely to an overall lower return on the investment portfolio due to market changes. Investment returns are significantly less for all systems given the current economic climate of low interest rates.

Water Treatment expense is up 7.8% compared to the first three months in FY10. This corresponds to higher costs associated with a slight increase in production as well as reallocating certain managerial and administrative labor to Administrative and General costs in an effort to more accurately reflect costs.

Water Transmission & Distribution expense for FY11, as compared to FY10, decreased by 11.7% due to non-labor expenditures shifting to capital projects versus O&M. In an effort to reduce the number of water leaks/breaks, Water Distribution has moved from O&M point repairs to capital replacement projects.

Customer Accounts and Sales expense has decreased in FY11 from FY10 by \$65k, due to reallocating certain costs associated with Field Services to both the Water and Wastewater funds. Also factoring in are timing differences in recording allocated A&G costs to capital and settlement of General Government interfund payments for insurance expenses which were \$50k and \$75k respectively.

Debt Service expenses increased from FY10 primarily because of the issuance of the 2010B and 2010C bonds. The increase in debt service expense is somewhat mitigated by low interest rates on most of GRU's variable rate debt. Additionally, a portion of

Water Revenue Fund
Financial Performance Discussion cont.

this increase is the result of the reclassification of the Build America Bonds rebate into Other Revenues per the Bond Resolution.

While we had originally budgeted net income of \$747k for FY11, our latest projections indicate a net income of nearly \$174k for the current year, based on the most recent sales forecast.

**GAINESVILLE REGIONAL UTILITIES
WATER REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2010**

This Year	Last Year	Change	Change (%)		Year to Date	FY 11 Budget	FY 11 Projected	Change (%)
6,474	5,592	882	15.8	REVENUES:	6,474	24,364	25,752	5.7
314	427	(113)	(26.5)	General Customers	314	1,741	1,432	(17.7)
576	455	121	26.6	University of Florida	576	2,186	2,107	(3.6)
-	-	-	-	Utility Surcharge	-	-	-	-
				Fire Hydrant Rentals				
7,364	6,474	890	13.7	Total Sales of Water	7,364	28,291	29,291	3.5
352	(15)	367	2,446.7	Other Revenues	352	2,293	2,669	16.4
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
38	44	(6)	(13.6)	Interest Income	38	161	161	-
7,754	6,502	1,251	19.2	Total Revenues	7,754	30,745	32,121	4.5
1,158	1,074	84	7.8	OPERATION & MAINTENANCE EXPENSES:	1,158	5,151	5,151	-
470	532	(62)	(11.7)	Water Treatment Expense	470	2,209	2,209	-
251	316	(65)	(20.6)	Water Trans. & Dist. Expense	251	1,199	1,199	-
920	810	110	13.6	Customer Accounts & Sales Expense	920	4,307	4,307	-
				Administrative & General Expenses				
2,798	2,732	67	2.5	Total Operating & Maintenance Expenses	2,798	12,866	12,866	-
4,956	3,771	1,184	31.4	TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	4,956	17,879	19,255	7.7
2,122	1,522	600	39.4	DEBT SERVICE	2,122	7,410	9,360	26.3
1,214	1,199	15	1.3	UPIF CONTRIBUTIONS	1,214	4,855	4,855	-
811	895	(84)	(9.4)	TRANSFER TO GENERAL FUND	811	4,866	4,866	-
809	155	653	421.3	NET INCOME/(DEFICIT)	809	747	174	(76.7)

(1) Other Revenue - Connection fees and miscellaneous.

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Wastewater Revenue Fund Financial Performance Discussion

Although wastewater billings for the first quarter of FY11 increased by 3.3% over FY10, this increase is attributable to the base rate increase for the Wastewater System implemented as of October 1, 2010. This revenue requirement increase is offset by a nearly 1% decrease in actual k-Gals.

Surcharge Revenues have increased this quarter from the same quarter in FY10 by 11.2%, and similar to the Water System, Other Revenues have increased significantly. Other Revenues include connection fees which are up from the same quarter last year, however this revenue category is projected to be under budget by 15.6% for the year.

Interest income for FY11, as compared to FY10, decreased in the Wastewater Revenue Fund by 9.3%. This is due largely to an overall lower return on the investment portfolio due to market changes. Investment returns are significantly less for all systems given the current economic climate of low interest rates.

Collection expenses are showing 12.9% higher than FY10 due to changes in how lift station expenses are being classified. Lift station costs were previously considered Treatment costs since they were managed by the treatment plants. Part of the SAP conversion included fully adopting the NARUC method of account coding, which provided an opportunity to reclassify certain costs. Treatment expenses are also showing a slight decrease of .6% due to the change in cost classification as mentioned above. Certain changes also included classifying managerial and administrative labor out of Operations and into the Administrative and General category for financial reporting. A timing of electricity costs being posted in the system also caused a variance in first quarter FY10 being \$200k below that of FY09.

Customer Accounts and Sales expense has increased in FY11 over FY10 by 43.0%, due to reallocating certain costs associated with Field Services to both the Water and Wastewater funds.

Debt Service expenses increased from FY10 primarily because of the issuance of the 2010B and 2010C bonds. The increase in debt service expense is somewhat mitigated by low interest rates on most of GRU's variable rate debt. Additionally, a portion of this increase is the result of the reclassification of the Build America Bonds rebate into Other Revenues per the Bond Resolution.

**Wastewater Revenue Fund
Financial Performance Discussion cont.**

While we had originally budgeted a net deficit of \$477k for FY11, our latest projections indicate a net deficit of nearly \$2m for the current year, based on the most recent sales forecast.

**GAINESVILLE REGIONAL UTILITIES
WASTEWATER REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2010**

This Year	Last Year	Change	Change (%)		Year to Date	FY 11 Budget	FY 11 Projected	Change (%)
7,350	7,116	234	3.3	REVENUES:	7,350	30,483	31,002	1.7
578	520	58	11.2	Wastewater Billings	578	2,408	2,282	(5.2)
136	52	84	161.5	Surcharge	136	2,233	1,884	(15.6)
-	-	-	-	Other Revenues	-	-	-	-
68	75	(7)	(9.3)	Rate Stabilization Fund Transfer	68	301	301	-
				Interest Income				
8,133	7,763	369	4.8	Total Revenues	8,133	35,427	35,469	0.1
				OPERATION & MAINTENANCE EXPENSES:				
499	442	57	12.9	Wastewater Collection Expense	499	2,360	2,360	-
951	957	(6)	(0.6)	Wastewater Treatment Expense	951	5,063	5,063	-
306	214	92	43.0	Customer Accounts & Sales Expense	306	1,380	1,380	-
1,104	1,123	(19)	(1.7)	Administrative & General Expenses	1,104	6,082	6,082	-
2,860	2,735	124	4.5	Total Operating & Maintenance Expenses	2,860	14,886	14,886	-
				TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	5,273	20,541	20,584	0.2
5,273	5,028	245	4.9					
2,628	1,858	770	41.4	DEBT SERVICE	2,628	8,993	10,553	17.3
1,505	1,481	24	1.6	UPIF CONTRIBUTIONS	1,505	6,020	6,020	-
1,001	1,050	(49)	(4.7)	TRANSFER TO GENERAL FUND	1,001	6,005	6,005	-
139	638	(500)	(78.4)	NET INCOME/(DEFICIT)	139	(477)	(1,994)	318.0

(1) Other Revenue - Connection fees and miscellaneous.

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Gas Revenue Fund Financial Performance Discussion

Residential gas sales were higher for the first quarter FY11 compared to FY10 by 9.2%. This is the result of colder than average weather in this period and a slight increase in base rates for the system implemented October 1, 2010. Commercial gas sales are less affected by weather and are comparable to this same quarter last year. Other Gas Sales and MGP includes Liquid Propane Gas Sales, and the Manufactured Gas Plant (MGP) Cleanup Cost Recovery Factor. The increase in this category is due to higher propane sales associated with the aforementioned colder than average weather, as well as higher MGP revenue which is driven by therm sales.

Purchased Gas Adjustment projections are based on projected sales, and increase or decrease proportionately.

Interest income for FY11, as compared to FY10, decreased in the Gas Revenue Fund by 20.5%. This is due largely to an overall lower return on the investment portfolio due to market changes. Investment returns are significantly less for all systems given the current economic climate of low interest rates.

Operation and Maintenance expenses are 23.9% less than FY10 due to labor expenditures charging against capital projects \$67k more verses O&M in this FY11. Fleet costs are also reduced due to a change in capitalization methodology more reflective of higher construction related work, sending \$24k more to capital projects this year versus FY10 during the same quarter.

Customer Account expenses are on track with last FY10 while Administrative and General costs are 23.0% higher than last FY10 due to timing differences in recording allocated A&G costs to capital and settlement of General Government interfund payments for insurance expenses which were \$60k and \$33k respectively.

Debt Service expenses increased from FY10 primarily because of the issuance of the 2010B bonds. The increase in debt service expense is somewhat mitigated by low interest rates on most of GRU's variable rate debt. Additionally, a portion of this increase is the result of the reclassification of the Build America Bonds rebate into Other Revenues per the Bond Resolution.

While we had originally budgeted a net income of \$1.1m for FY11, our latest projections indicate a net income of nearly \$3.0m for the current year, based on the most recent sales forecast.

**GAINESVILLE REGIONAL UTILITIES
GAS REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2010**

This Year	Last Year	Change	Change (%)		Year to Date	FY 11 Budget	FY 11 Projected	Change (%)
				REVENUES:				
				Sales of Gas and Service:				
1,788	1,638	150	9.2	Residential	1,788	7,740	7,837	1.3
1,095	1,097	(2)	(0.2)	Commercial & Interruptible	1,095	3,610	4,397	21.8
3,462	2,344	1,118	47.7	Purchased Gas Adjustment	3,462	11,339	13,209	16.5
105	84	21	25.0	Surcharge	105	392	444	13.3
240	177	63	35.6	Other Gas Sales and MGP	240	1,029	2,262	119.8
<u>6,691</u>	<u>5,340</u>	<u>1,351</u>	<u>25.3</u>	Total Sales	<u>6,691</u>	<u>24,110</u>	<u>28,149</u>	<u>16.8</u>
				Miscellaneous Revenue:				
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
70	88	(18)	(20.5)	Interest Income	70	368	368	-
252	(9)	261	2,900.0	Other Revenue	252	304	904	197.4
<u>7,014</u>	<u>5,418</u>	<u>1,596</u>	<u>29.5</u>	Total Revenues	<u>7,014</u>	<u>24,782</u>	<u>29,421</u>	<u>18.7</u>
				OPERATION & MAINTENANCE EXPENSES:				
4,504	3,774	730	19.3	Fuel Expense - Purchased Gas	4,504	11,424	13,209	15.6
274	360	(86)	(23.9)	Operation & Maintenance Expenses	274	1,260	1,260	-
448	434	14	3.2	Customer Accounts & Sales Expense	448	2,152	2,152	-
471	383	88	23.0	Administrative & General Expense	471	1,975	1,975	-
<u>5,697</u>	<u>4,951</u>	<u>746</u>	<u>15.1</u>	Total Operation & Maintenance Expenses	<u>5,697</u>	<u>16,811</u>	<u>18,596</u>	<u>10.6</u>
<u>1,317</u>	<u>468</u>	<u>849</u>	<u>181.4</u>	TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	<u>1,317</u>	<u>7,971</u>	<u>10,825</u>	<u>35.8</u>
1,214	874	340	38.9	DEBT SERVICE	1,214	3,713	4,798	29.2
496	449	47	10.5	UPIF CONTRIBUTIONS	496	1,985	1,985	-
184	327	(143)	(43.7)	TRANSFER TO GENERAL FUND	184	1,102	1,102	-
<u>(578)</u>	<u>(1,182)</u>	<u>604</u>	<u>51.1</u>	NET INCOME/(DEFICIT)	<u>(578)</u>	<u>1,171</u>	<u>2,940</u>	<u>151.1</u>

(1) Other Revenue - Liquid propane sales, service charges and miscellaneous.

Telecommunications Revenue Fund Financial Performance Discussion

Telecommunication revenues decreased by 4.9% in the first quarter of FY11, as compared to the first quarter of FY10. Internet access revenues increased 2.4% compared to this same period. This was the result of the addition of several new services, as well as larger accounts added. Tower Lease Rental revenue increased in FY11 over FY10 by 14.9% while Trunking Radio revenue decreased by 9.1% for this same period.

Interest income for FY11, as compared to FY10, decreased in the Telecommunications Revenue Fund by 15.9%. This is due largely to an overall lower return on the investment portfolio due to market changes. Investment returns are significantly less for all systems given the current economic climate of low interest rates.

First quarter FY11 Operating and Maintenance expenses decreased by 8.3% compared to the prior year amount. This decrease is due to timing differences between when radio equipment purchases were made for Gainesville Fire Rescue and when the reimbursable expenses were recovered. The recovery from Gainesville Fire Rescue occurred in FY09 prior to the actual expense that occurred for the radio equipment purchases in FY10

Debt Service expenses increased from FY10 primarily because of the issuance of the 2010A and 2010C bonds. The increase in debt service expense is somewhat mitigated by low interest rates on most of GRU's variable rate debt. Additionally, a portion of this increase is the result of the reclassification of the Build America Bonds rebate into Other Revenues per the Bond Resolution.

While we had originally budgeted a net deficit of \$598k for FY11, our latest projections indicate a net deficit of nearly \$603k for the current year, based on the most recent sales forecast.

**GAINESVILLE REGIONAL UTILITIES
TELECOMMUNICATIONS REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2010**

<u>This Year</u>	<u>Last Year</u>	<u>Change</u>	<u>Change (%)</u>		<u>Year to Date</u>	<u>FY 11 Budget</u>	<u>FY 11 Projected</u>	<u>Change (%)</u>
				REVENUES:				
				Sales:				
1,386	1,457	(71)	(4.9)	Telecommunication	1,386	5,750	5,658	(1.6)
497	547	(50)	(9.1)	Trunking Radio	497	2,293	1,987	(13.3)
500	435	65	14.9	Tower Lease Rental	500	1,586	1,999	26.0
464	453	11	2.4	Internet Access	464	1,876	1,858	(1.0)
<u>2,847</u>	<u>2,893</u>	<u>(45)</u>	<u>(1.6)</u>	Total Sales	<u>2,847</u>	<u>11,505</u>	<u>11,502</u>	<u>-</u>
				Miscellaneous Revenue:				
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
53	63	(10)	(15.9)	Interest Income	53	246	246	-
<u>2,899</u>	<u>2,956</u>	<u>(55)</u>	<u>(1.9)</u>	Total Revenues	<u>2,899</u>	<u>11,751</u>	<u>11,748</u>	<u>-</u>
				OPERATION & MAINTENANCE EXPENSES:				
818	892	(74)	(8.3)	Operation & Maintenance Expenses	818	3,616	3,354	(7.2)
71	69	2	2.9	Customer Accounts & Sales Expense	71	421	421	-
457	452	5	1.1	Administrative & General Expenses	457	2,012	2,012	-
<u>1,345</u>	<u>1,413</u>	<u>(67)</u>	<u>(4.7)</u>	Total Operating & Maintenance Expenses	<u>1,345</u>	<u>6,049</u>	<u>5,787</u>	<u>(4.3)</u>
<u>1,554</u>	<u>1,542</u>	<u>12</u>	<u>0.8</u>	TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	<u>1,554</u>	<u>5,702</u>	<u>5,960</u>	<u>4.5</u>
1,396	1,303	93	7.1	DEBT SERVICE	1,396	5,487	5,750	4.8
112	135	(23)	(17.0)	UPIF CONTRIBUTIONS	112	447	447	-
61	59	2	3.4	TRANSFER TO GENERAL FUND	61	366	366	-
<u>(15)</u>	<u>46</u>	<u>(60)</u>	<u>(130.4)</u>	NET INCOME/(DEFICIT)	<u>(15)</u>	<u>(598)</u>	<u>(603)</u>	<u>0.8</u>

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**GAINESVILLE REGIONAL UTILITIES
COMBINED FUNDS
BALANCE SHEET
DECEMBER 31, 2010**

(000's)	<u>ASSETS</u>	<u>Dec 31, 2010</u>	<u>Sep 30, 2010</u>	<u>\$</u> <u>Difference</u>	<u>%</u> <u>Difference</u>
	CURRENT ASSETS:				
	Cash, Investments & Accounts Receivable	35,329	60,241	(24,912)	-70.5%
	Other Current Assets	22,446	25,373	(2,927)	-13.0%
	TOTAL CURRENT ASSETS	57,775	85,614	(27,839)	-48.2%
	RESTRICTED ASSETS:				
	Debt Service Fund	15,539	51,754	(36,215)	-233.1%
	Construction Fund	132,083	146,785	(14,702)	-11.1%
	Utility Plant Improvement Fund	29,229	25,543	3,686	12.6%
	Rate Stabilization Fund	66,135	51,349	14,786	22.4%
	Other Restricted Assets	20,040	19,773	267	1.3%
	TOTAL RESTRICTED ASSETS	263,026	295,204	(32,178)	-12.2%
	NON-CURRENT ASSETS	87,647	84,529	3,118	3.6%
	NET CAPITAL ASSETS	1,097,345	1,088,641	8,704	0.8%
	TOTAL ASSETS	1,505,793	1,553,988	(48,195)	-3.2%
	 <u>LIABILITIES AND NET ASSETS</u>				
	CURRENT LIABILITIES	15,417	41,017	(25,600)	-166.1%
	PAYABLE FROM RESTRICTED ASSETS:				
	Rate Stabilization Deferred Credit	65,934	49,834	16,100	24.4%
	Other Payables From Restricted Assets	49,842	69,589	(19,747)	-39.6%
	TOTAL PAYABLE FROM RESTRICTED ASSETS	115,776	119,423	(3,647)	-3.2%
	LONG TERM-DEBT:				
	Utilities System Revenue Bonds				
	Payable-Senior Lien Debt	932,125	824,680	107,445	11.5%
	Utilities System Revenue Bonds Payable-Sub. Debt	0	0	0	0.0%
	Commercial Paper Notes Payable	62,000	62,000	0	0.0%
	Unamortized Bond Financing Costs	(18,519)	(18,222)	(297)	1.6%
	TOTAL LONG-TERM DEBT	975,606	868,458	107,148	11.0%
	OTHER NON-CURRENT LIABILITIES	84,279	84,189	90	0.1%
	TOTAL LIABILITIES	1,191,078	1,113,087	77,991	6.5%
	TOTAL NET ASSETS	314,715	440,901	(126,186)	-40.1%
	TOTAL LIABILITIES AND NET ASSETS	1,505,793	1,553,988	(48,195)	-3.2%

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Supplemental Data

ELECTRIC RESALE
FOR FIRST QUARTER ENDED DECEMBER 31, 2010

Month December					Quarter that Ended December 31			
This Year	Per KWh	Last Year	Per KWh	Change		This Year	Last Year	Change
710,406	0.0661	695,999	0.0721	14,408	Resale Revenue			
652,611	0.0752	456,811	0.0718	195,799	Alachua	632,059	685,461	(53,402)
					Seminole	500,376	475,643	24,733
<u>1,363,017</u>	0.0702	<u>1,152,810</u>	0.0720	<u>210,207</u>	Total Resale Revenue	<u>1,132,435</u>	<u>1,161,104</u>	<u>(28,669)</u>
					Resale KWh			
10,745,370		9,658,902		1,086,468	Alachua	9,389,532	9,757,543	(368,011)
8,676,825		6,358,481		2,318,344	Seminole	6,708,279	6,077,800	630,480
<u>19,422,195</u>		<u>16,017,383</u>		<u>3,404,812</u>	Total Resale KWh	<u>16,097,811</u>	<u>15,835,343</u>	<u>262,468</u>

ELECTRIC STATISTICS
FOR FIRST QUARTER ENDED DECEMBER 31, 2010

Month December				Quarter that Ended December 31		
This Year	Last Year	Change		This Year	Last Year	Change
96,227	96,864	(637)	Total Customers	96,402	96,568	(166)
31,460	31,363	97	Street Lights in Service	31,460	31,363	97
576.49	579.06	(2.57)	Miles of Overhead Distribution Line	576.49	579.06	(2.57)
840.74	833.54	7.20	Miles of Underground Distribution Line	840.74	833.54	7.20
1,417.23	1,412.60	4.63	Total Miles of Distribution Line	1,417.23	1,412.60	4.63
423	321	102	Maximum Peak Load Generated/Gross (MW)	364	347	17
395	297	98	Maximum Peak Load Generated/Net (MW)	338	325	13
183,046	153,906	29,140	Net Energy for Load (MWh)	159,528	157,661	1,867
64.36	69.65	(5.29)	Load Factor - Percent	66.03	66.83	(0.80)
0	37	(37)	Cooling Degree DBFs - Actual Days	238	374	(136)
25	26	(1)	Cooling Degree DBFs - Normal Days	315	319	(4)
(25)	11	(36)	Difference from Normal	(77)	55	(132)
0.0520	0.0560	(0.0040)	Fuel Adjustment	0.0520	0.0560	(0.0040)

WATER STATISTICS
FOR FIRST QUARTER ENDED DECEMBER 31, 2010

Month December			Quarter that Ended December 31			
This Year	Last Year	Change		This Year	Last Year	Change
<u>68,483</u>	<u>68,756</u>	<u>(273)</u>	Total Customers	<u>68,483</u>	<u>69,196</u>	<u>(713)</u>
			Pumpage - Mega-gallons			
24,276	25,798	(1,522)	Raw Water - Max	29,602	28,180	1,422
16,960	17,504	(544)	Raw Water - Min	16,960	17,504	(544)
21,579	20,327	1,252	Raw Water - Avg	24,112	23,168	945
<u>668,955</u>	<u>630,134</u>	<u>38,821</u>	Total	<u>2,218,329</u>	<u>2,131,416</u>	<u>86,913</u>
23,528	22,954	574	Distribution System - Max	28,480	27,284	1,196
17,577	16,953	625	Distribution System - Min	17,577	16,953	625
21,074	20,158	915	Distribution System - Avg	23,681	22,812	869
<u>653,281</u>	<u>624,903</u>	<u>28,378</u>	Total	<u>2,178,644</u>	<u>2,098,693</u>	<u>79,951</u>
28.74	27.50	1.24	Maximum Daily Pumpage	32.46	31.98	0.48
25.40	23.45	1.96	Average Max. Daily Pumpage	27.84	26.46	1.38
13.35	13.33	0.02	Minimum Daily Pumpage	13.35	13.33	0.02
16.67	15.83	0.84	Average Min. Daily Pumpage	18.69	18.04	0.65
1,108.7	1,101.1	7.6	Miles of Potable Water Main	1,108.7	1,101.1	7.6
13.1	12.1	1.0	Miles of Potable Water Fire Mains	13.1	12.1	1.0
5,545	5,525	20	Fire Hydrants	5,545	5,525	20
0.69	2.72	(2.03)	Precipitation - Actual Inches	1.25	6.41	(5.16)
2.32	2.38	(0.06)	Precipitation - Normal Inches	7.32	7.56	(0.24)
(1.63)	0.34	(1.97)	Difference from Normal	(6.07)	(1.15)	(4.92)

WASTEWATER STATISTICS
FOR FIRST QUARTER ENDED DECEMBER 31, 2010

Month December			Quarter that Ended December 31			
This Year	Last Year	Change		This Year	Last Year	Change
<u>61,572</u>	<u>61,888</u>	<u>(316)</u>	Total Customers	<u>61,688</u>	<u>61,682</u>	<u>6</u>
			Pumpage - Mega-gallons			
249.20	292.51	(43.31)	Kanapaha WRF Total	790.97	843.47	(52.50)
8.039	9.436	(1.397)	Kanapaha WRF Daily Avg	8.600	9.161	(0.561)
172.33	176.23	(3.90)	Main Street WRF Total	503.51	520.26	(16.75)
5.559	5.685	(0.126)	Main Street WRF Daily Avg	5.473	5.665	(0.192)
58.80	50.62	8.18	Total Reclaimed	188.00	175.10	12.90
2.57	2.25	0.32	Reclaimed Daily Max	2.59	2.48	0.11
1.90	1.64	0.26	Reclaimed Monthly Avg	2.04	1.79	0.25
<u>422</u>	<u>469</u>	<u>(47)</u>	Total Pumpage	<u>1,294</u>	<u>1,364</u>	<u>(69)</u>
<u>13.598</u>	<u>15.121</u>	<u>(1.523)</u>	Total Daily Avg	<u>14.073</u>	<u>14.826</u>	<u>(0.753)</u>
14,780	14,724	56.00	Manholes	14,780	14,724	56
27.1	24.9	2.2	Miles of Reclaimed Water Mains	27.1	24.9	2.2
138.1	136.8	1.3	Miles of Force Main	138.1	136.8	1.3
613.5	610.4	3.1	Miles of Gravity Main	613.5	610.4	3.1
<u>751.6</u>	<u>747.2</u>	<u>4.4</u>	Total Miles of Main	<u>751.6</u>	<u>747.2</u>	<u>4.4</u>

GAS STATISTICS
FOR FIRST QUARTER ENDED DECEMBER 31, 2010

Month December			Quarter that Ended December 31			
This Year	Last Year	Change		This Year	Last Year	Change
33,056	33,499	(443)	Total NG Customers	33,017	33,427	(410)
182	182	-	LP Gas Total Customers	182	190	(7)
			Distribution Mains			
736.67	732.53	4.14	NG System	736.67	732.53	4.14
7.05	7.04	0.01	LP System	7.05	7.04	0.01
743.72	739.57	4.15	Total Distribution Mains	743.72	739.57	4.15
527	272	255	Heating Degree DBFs - Actual Days	642	394	248
288	279	9	Heating Degree DBFs - Normal Days	437	429	8
239	(7)	246	Difference from Normal	205	(35)	240
47.8	57.2	(9.4)	Average Temperature	60.4	64.5	(4.1)
			FUEL ADJUSTMENTS			
0.5900	0.8300	(0.2400)	Natural Gas Firm PGA	0.5900	0.8738	(0.2838)
0.5738	0.8620	(0.2882)	Natural Gas Int PGA	0.5738	0.8780	(0.3042)
1.6500	1.6041	0.0459	LP PGA	1.4200	1.9406	(0.5206)

**CLEAN AIR ALLOWANCES
AS OF DECEMBER 2010**

SO₂ Allowances (tons)

	DH	JRK	GRU Total
Carryover	5,807	284	6,091
Ann. Alloc.	8,400	67	8,467
Tot. Avail.	14,207	351	14,558
Used	6,362	2	6,364
Left Over	7,845	349	8,194

SO₂ Emissions (tons)

Quarter	B1	B2	CT3	DH Total	CC1	JRK Total	GRU Total
1	0.0	688.7	0.2	688.9	0.6	0.6	689.5
2	0.2	561.5	0.1	561.8	0.2	0.2	562.0
3	2.6	1,154.3	0.0	1,156.9	0.2	0.2	1,157.1
4	17.1	756.5	0.0	773.6	0.1	0.1	773.7
Year	19.9	3,161.0	0.3	3,181.2	1.1	1.1	3,182.3

NO_x Allowances (tons)

	DH		JRK		GRU Total	
	Ann.	OS	Ann.	OS	Ann.	OS
Purch/Trans					0	0
Ann. Alloc.	1,184	588	89	44	1,273	632
Tot. Avail.	1,184	588	89	44	1,273	632
Used	571	294	29	13	600	307
Sold	0	0	0	0	0	0
Left Over	613	294	60	31	673	325

NO_x Emissions (tons)

Quarter	B1		B2		CT3		DH Total		CC1		JRK Total		GRU Total	
	Ann.	OS	Ann.	OS	Ann.	OS	Ann.	OS	Ann.	OS	Ann.	OS	Ann.	OS
1	0.0	0.0	127.7	0.0	2.6	0.0	130.3	0.0	8.0	0.0	8.0	0.0	138.3	0.0
2	40.8	29.2	101.9	90.5	3.4	2.7	146.1	122.4	8.1	4.3	8.1	4.3	154.2	126.7
3	31.1	31.1	138.7	138.7	2.1	2.1	171.9	171.9	8.3	8.3	8.3	8.3	180.2	180.2
4	16.0	0.0	106.4	0.0	0.3	0.0	122.7	0.0	4.6	0.0	4.6	0.0	127.3	0.0
Year	87.9	60.3	474.7	229.2	8.4	4.8	571.0	294.3	29.0	12.6	29.0	12.6	600.0	306.9

ELECTRIC REVENUES AND EXPENSES
For the First Quarter Ended December 31, 2010

Month of December					Three months ended December 31			
2010	Per KWh	2009	Per KWh	Change		2010	2009	Change
4,762,449	0.0770	3,873,829	0.0729	888,620	REVENUES:			
4,313,244	0.0698	3,780,832	0.0711	532,412	Residential Sales	13,698,365	13,932,609	(234,244)
4,990,839	0.0714	4,823,230	0.0685	167,609	Residential Sales less Bad Debts	12,389,938	13,651,315	(1,261,377)
201,058	0.2150	451,489	0.2067	(250,431)	General Service and Large Power Sales	15,832,918	15,980,423	(147,505)
181,854		-		181,854	Street and Traffic Lights	1,079,185	1,340,538	(261,353)
284,693		233,039		51,654	Interchange Sales	497,023	782,107	(285,084)
463,986	0.0239	744,961	0.0465	(280,975)	Utility Surcharge	813,911	797,474	16,437
					Other Electric Sales	1,618,472	2,446,312	(827,840)
10,234,616	0.0677	9,582,062	0.0687	652,554	Total Sales of Elec. Before Fuel Adj.	31,152,262	33,657,631	(2,505,369)
8,446,256		7,749,211		697,045	Fuel Adjustment	25,549,523	28,261,725	(2,712,202)
18,680,872	0.1236	17,331,273	0.1242	1,349,599	Total Sales of Electricity	56,701,785	61,919,356	(5,217,571)
953,586		1,207,840		(254,254)	Other Revenues	2,043,735	1,613,487	430,248
-		-		-	Rate Stabilization Fund Transfer	-	-	-
113,318		164,908		(51,590)	Interest Income	355,382	479,245	(123,864)
19,747,776	0.1307	18,704,021	0.1340	1,043,755	Total Revenues	59,100,902	64,012,088	(4,911,187)
					OPERATION & MAINTENANCE EXPENSES:			
9,883,959		6,290,949		3,593,010	Power Production Expenses:			
90,283		-		90,283	Fuel Expenses:			
9,974,242		6,290,949		3,683,293	Retail & Purchased Power	25,379,971	23,210,606	2,169,365
2,078,420		2,031,945		46,475	Interchange	426,861	763,421	(336,560)
171,546		343,417		(171,870)	Total Fuel Expenses	25,806,832	23,974,027	1,832,805
189,964		67,784		122,180	Steam Power Generation Expense	4,430,061	4,263,713	166,348
121,247		119,479		1,768	Nuclear Power Generation Expense	586,836	693,022	(106,187)
12,535,419		8,853,573		3,681,846	Other Power Generation Expense	337,786	132,796	204,990
					System Control & Load Dispatching	219,632	253,392	(33,760)
117,155		128,531		(11,376)	Total Power Production Expenses	31,381,146	29,316,951	2,064,196
776,613		1,070,405		(293,792)	Transmission & Distribution Expenses:			
893,768		1,198,936		(305,168)	Transmission Expenses	230,390	259,851	(29,461)
					Distribution Expenses	2,069,009	2,496,229	(427,220)
788,203		631,177		157,026	Total Transmission & Distribution	2,299,399	2,756,080	(456,681)
1,371,951		500,949		871,002	Administrative & General Expenses:			
2,160,154		1,132,126		1,028,028	Customer Accounts & Sales Expense	1,753,030	1,625,688	127,342
15,589,341		11,184,635		4,404,706	Administrative & General Expense	4,128,906	3,036,548	1,092,358
					Total Administrative & General	5,881,936	4,662,236	1,219,700
					Total Operating & Maintenance Expenses	39,562,481	36,735,266	2,827,215

ELECTRIC REVENUES AND EXPENSES

For the First Quarter Ended December 31, 2010

Page 2

Month of December				
2010	Per KWh	2009	Per KWh	Change
4,066,864		7,519,386		(3,452,521)
91,571		-		91,571
4,158,435		7,519,386		(3,360,951)
3,800,233		3,364,891		435,342
1,604,008		1,647,016		(43,008)
1,901,288		1,666,996		234,292
240		(135)		375
(3,147,333.35)	(0.0208)	840,618.01	0.0060	(3,987,951.36)

NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION:

Retail & Wholesale
Interchange

TOTAL NET REVENUE IN ACCORDANCE WITH BOND RESOLUTION

Debt Service
Upif Contributions
Transfer To General Fund (Includes Incentive)
Nuclear Decommissioning/Fuel Disposal

NET INCOME/(DEFICIT)

Three months ended December 31		
2010	2009	Change
19,468,258	27,258,136	(7,789,878)
70,162	18,686	51,476
19,538,420	27,276,822	(7,738,401)
11,274,731	10,088,454	1,186,277
4,812,025	4,941,047	(129,022)
3,802,575	3,333,991	468,584
102,594	65,767	36,827
(453,505.04)	8,847,563.27	(9,301,068.31)

WATER REVENUES AND EXPENSES
For the First Quarter Ended December 31, 2010

Month of December					Three months ended December 31			
2010	Per KGal	2009	Per KGal	Change		2010	2009	Change
2,081,400	3.7079	1,777,192	3.2520	304,208	REVENUES:	6,473,833	5,591,946	881,887
89,171	1.7010	124,294	1.9354	(35,123)	General Customers	313,961	426,848	(112,887)
175,557		140,224		35,333	University of Florida	576,371	454,954	121,417
-		-		-	Utility Surcharge	-	-	-
2,346,128	3.8225	2,041,710	3.3432	304,418	Fire Hydrant Rentals	7,364,165	6,473,748	890,417
100,471		(28,154)		128,625	Total Sales of Water	352,337	(15,121)	367,458
-		-		-	Other Revenues	-	-	-
11,767		15,170		(3,403)	Rate Stabilization Fund Transfer	37,621	43,771	(6,149)
2,458,366	4.0054	2,028,726	3.3219	429,640	Interest Income	7,754,123	6,502,398	1,251,726
508,125		471,481		36,644	Total Revenues	7,754,123	6,502,398	1,251,726
223,220		259,672		(36,452)	OPERATION & MAINTENANCE EXPENSES:	1,158,265	1,074,477	83,788
77,780		151,311		(73,531)	Water Treatment Expense	469,678	531,623	(61,945)
421,103		290,076		131,027	Water Trans. & Dist. Expense	250,679	315,733	(65,054)
1,230,228		1,172,540		57,688	Customer Accounts & Sales Expense	919,608	809,977	109,631
1,228,138		856,186		371,952	Administrative & General Expenses	2,798,230	2,731,810	66,420
725,292		507,746		217,546	Total Operating & Maintenance Expenses	4,955,893	3,770,588	1,185,306
404,607		399,550		5,057	TOTAL NET REVENUES IN ACCORDANCE WITH	2,121,577	1,521,762	599,815
405,533		447,456		(41,923)	THE BOND RESOLUTION	1,213,820	1,198,649	15,171
(307,294)	(0.5007)	(498,566)	(0.8164)	191,272	DEBT SERVICE	811,065	894,911	(83,846)
					UPIF CONTRIBUTIONS			
					TRANSFER TO GENERAL FUND			
					NET INCOME/(DEFICIT)	809,431	155,266	654,166

WASTEWATER REVENUES AND EXPENSES
For the First Quarter Ended December 31, 2010

Month of December					Three months ended December 31				
2010	Per KGal	2009	Per KGal	Change		2010	2009	Change	
REVENUES:					REVENUES:				
2,428,087	6.1595	2,361,307	5.9400	66,780	Wastewater Billings	7,350,292	7,116,071	234,221	
183,231		166,766		16,465	Surcharge	577,858	519,721	58,137	
29,306		(7,269)		36,575	Other Revenues	136,437	51,667	84,770	
-		-		-	Rate Stabilization Fund Transfer	-	-	-	
21,074		25,478		(4,404)	Interest Income	67,997	75,208	(7,211)	
2,661,698	6.7522	2,546,282	6.4053	115,416	Total Revenues	8,132,584	7,762,667	369,917	
OPERATION & MAINTENANCE EXPENSES:					OPERATION & MAINTENANCE EXPENSES:				
245,433		190,439		54,994	Wastewater Collection Expense	498,644	441,545	57,099	
430,290		313,117		117,173	Wastewater Treatment Expense	951,055	956,509	(5,454)	
190,509		104,702		85,807	Customer Accounts & Sales Expense	306,215	213,787	92,428	
542,842		428,712		114,130	Administrative & General Expenses	1,103,743	1,123,026	(19,283)	
1,409,074		1,036,970		372,104	Total Operating & Maintenance Expenses	2,859,657	2,734,867	124,790	
1,252,624		1,509,312		(256,688)	TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	5,272,927	5,027,800	245,127	
917,968		619,185		298,783	DEBT SERVICE	2,627,981	1,857,610	770,371	
501,684		493,783		7,901	UPIF CONTRIBUTIONS	1,505,051	1,481,348	23,703	
500,390		527,848		(27,458)	TRANSFER TO GENERAL FUND	1,000,779	1,050,415	(49,636)	
(667,418)	(1.6931)	(131,504)	(0.3308)	(535,914)	NET INCOME/(DEFICIT)	139,116	638,427	(499,311)	

GAS REVENUES AND EXPENSES
For the First Quarter Ended December 31, 2010

Month of December				
2010	Per Thm	2009	Per Thm	Change
858,758	0.6353	689,118	0.8446	169,640
437,930	0.4124	430,322	0.4376	7,608
135,203		77,420		57,783
1,740,394		1,057,385		683,009
51,733		35,084		16,649
<u>3,224,018</u>	<u>1.3318</u>	<u>2,289,329</u>	<u>1.2696</u>	<u>934,689</u>
-		-		-
21,608		29,353		(7,744)
69,275		(3,102)		72,377
<u>3,314,901</u>	<u>1.3693</u>	<u>2,315,580</u>	<u>1.2841</u>	<u>999,322</u>
2,530,097		1,829,830		700,267
113,827		155,872		(42,045)
209,789		204,047		5,742
210,633		119,388		91,245
<u>3,064,346</u>		<u>2,309,137</u>		<u>755,209</u>
<u>250,555</u>		<u>6,443</u>		<u>244,113</u>
437,698		291,220		146,478
165,405		149,562		15,843
91,867		164,286		(72,419)
<u>(444,415)</u>	<u>(0.1836)</u>	<u>(598,625)</u>	<u>(0.3320)</u>	<u>154,211</u>

Three months ended December 31			
2010	2009	Change	
REVENUES:			
Sales of Gas and Service:			
Residential	1,788,328	1,638,020	150,308
Commercial & Interruptible	1,095,251	1,096,542	(1,291)
Liquid Propane Gas	240,421	176,649	63,772
Purchased Gas Adjustment	3,462,137	2,343,939	1,118,198
Surcharge	105,265	83,701	21,564
Total Sales	<u>6,691,402</u>	<u>5,338,851</u>	<u>1,352,551</u>
Miscellaneous Revenue:			
Rate Stabilization Fund Transfer	-	-	-
Interest Income	70,414	88,043	(17,629)
Other Revenue	251,952	(8,528)	260,480
Total Revenues	<u>7,013,768</u>	<u>5,418,366</u>	<u>1,595,402</u>
OPERATION & MAINTENANCE EXPENSES:			
Fuel Expense - Purchased Gas	4,503,694	3,773,958	729,736
Operation & Maintenance Expenses	273,926	359,710	(85,784)
Customer Accounts & Sales Expense	448,261	433,926	14,335
Administrative & General Expense	471,330	383,130	88,200
Total Operation & Maintenance Expenses	<u>5,697,211</u>	<u>4,950,724</u>	<u>746,487</u>
TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	<u>1,316,557</u>	<u>467,642</u>	<u>848,915</u>
DEBT SERVICE			
UPIF CONTRIBUTIONS	1,214,171	874,078	340,093
TRANSFER TO GENERAL FUND	496,216	448,685	47,531
	183,734	326,571	(142,837)
NET INCOME/(DEFICIT)	<u>(577,564)</u>	<u>(1,181,692)</u>	<u>604,128</u>

DEERHAVEN FUELS REPORT
FOR FIRST QUARTER ENDED DECEMBER 31, 2010

Month December					Quarter that Ended December 31			
This Year		Last Year			This Year		Last Year	
BBLS	Value	BBLS	Value		BBLS	Value	BBLS	Value
79,076.40	3,406,971.66	67,837.30	2,621,875.08	#6 Oil (Bunker C)	79,076.40	3,406,971.66	65,543.30	2,495,324.79
72,984.10	2,984,425.57	67,837.30	2,621,875.08	Beginning Inventory	72,984.10	2,984,425.57	67,837.30	2,621,875.08
				Ending Inventory				
GALS	Value	GALS	Value		GALS	Value	GALS	Value
291,822.00	423,371.08	237,339.00	291,522.67	#2 Oil (Diesel Fuel)	299,191.00	440,396.44	249,230.00	309,622.99
288,410.00	415,351.41	232,724.00	284,465.37	Beginning Inventory	288,410.00	415,351.41	232,724.00	284,465.37
				Ending Inventory				
TONS	Value	TONS	Value		TONS	Value	TONS	Value
53,868.44	3,435,603.01	60,999.88	4,457,177.98	Coal Fuel	83,391.19	6,016,443.94	54,412.14	3,831,357.44
57,143.94	3,722,033.55	48,969.15	3,142,001.92	Beginning Inventory	57,143.94	3,722,033.55	48,969.15	3,142,001.92
				Ending Inventory				
%	Days	%	Days		%	Days	%	Days
76.04	30.83	65.23	26.33	Oil Levels	76.04	30.83	63.02	25.42
70.18	28.39	65.23	26.33	#6 Oil	70.18	28.39	65.23	26.33
				Beginning				
33.93	41.26	27.60	33.48	Ending				
33.54	40.77	27.06	32.82	#2 Oil	34.79	42.31	28.98	35.18
				Beginning	33.54	40.77	27.06	32.82
				Ending				
	24.67		28.42	Coal		40.21		24.95
	26.39		22.09	Beginning		26.39		22.09
				Ending				

Month December					Quarter that Ended December 31			
This Year	Last Year	Change	Percentage		This Year	Last Year	Change	Percentage
43.0846	38.6495	4.4351	11.4752	Bunker C (\$/BBL)	43.0846	38.0714	5.0132	13.1678
40.8914	38.6495	2.2420	5.8008	Beginning	40.8914	38.6495	2.2420	5.8008
				Ending				
1.4508	1.2283	0.2225	18.1136	Diesel Fuel (\$/Gal)	1.4720	1.2423	0.2296	18.4847
1.4401	1.2223	0.2178	17.8195	Beginning	1.4401	1.2223	0.2178	17.8195
				Ending				

**JR KELLY FUELS REPORT
FOR FIRST QUARTER ENDED DECEMBER 31, 2010**

Month December			
This Year		Last Year	
BBLs	Value	BBLs	Value
8,509.10	340,140.21	8,509.10	340,140.21
8,509.10	340,140.21	8,509.10	340,140.21
GALS	Value	GALS	Value
491,313.12	872,234.95	260,218.50	328,114.23
478,842.53	842,835.41	257,140.00	320,169.48
%	Days	%	Days
8.18	2.60	8.18	2.60
8.18	2.60	8.18	2.60
57.13	69.76	30.26	36.75
55.68	67.98	29.90	36.31

Quarter that Ended December 31			
This Year		Last Year	
BBLs	Value	BBLs	Value
8,509.10	340,140.21	8,509.10	340,140.21
8,509.10	340,140.21	8,509.10	340,140.21
GALS	Value	GALS	Value
494,666.61	880,140.84	264,151.90	338,265.23
478,842.53	842,835.41	257,140.00	320,169.48
%	Days	%	Days
8.18	2.60	8.18	2.60
8.18	2.60	8.18	2.60
57.52	70.24	30.72	37.31
55.68	67.98	29.90	36.31

#6 Oil (Bunker C)
Beginning Inventory
Ending Inventory

#2 Oil (Diesel Fuel)
Beginning Inventory
Ending Inventory

Oil Levels

#6 Oil

Beginning
Ending

#2 Oil

Beginning
Ending

Month December			
This Year	Last Year	Change	Percentage
39.9737	39.9737	-	-
39.9737	39.9737	-	-
1.7753	1.2609	0.5144	40.7953
1.7602	1.2451	0.5150	41.3643

Quarter that Ended December 31			
This Year	Last Year	Change	Percentage
39.9737	39.9737	-	-
39.9737	39.9737	-	-
1.7793	1.2806	0.4987	38.9428
1.7602	1.2451	0.5150	41.3643

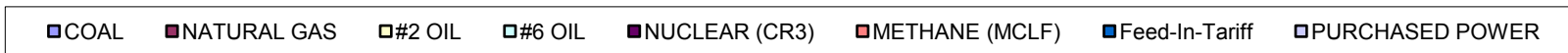
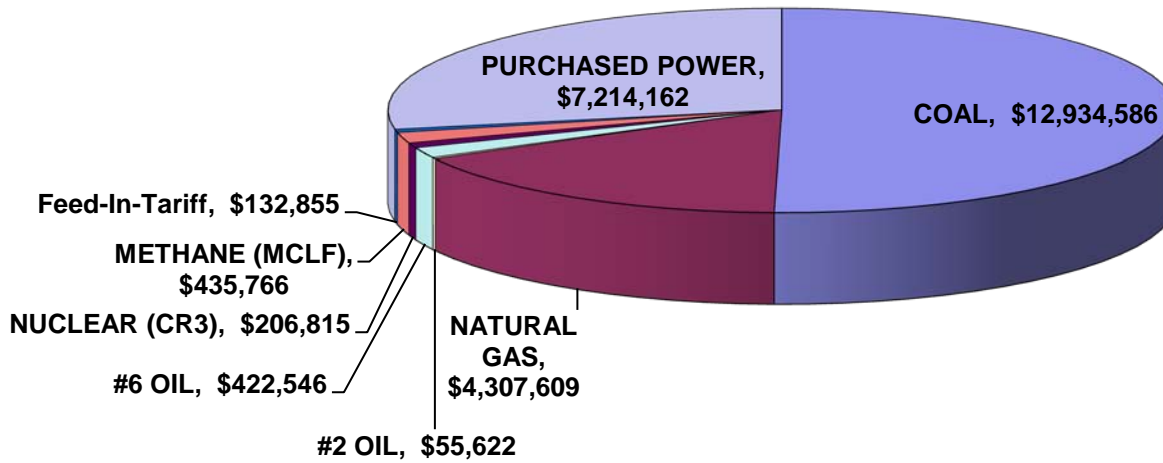
Bunker C (\$/BBL)

Beginning
Ending

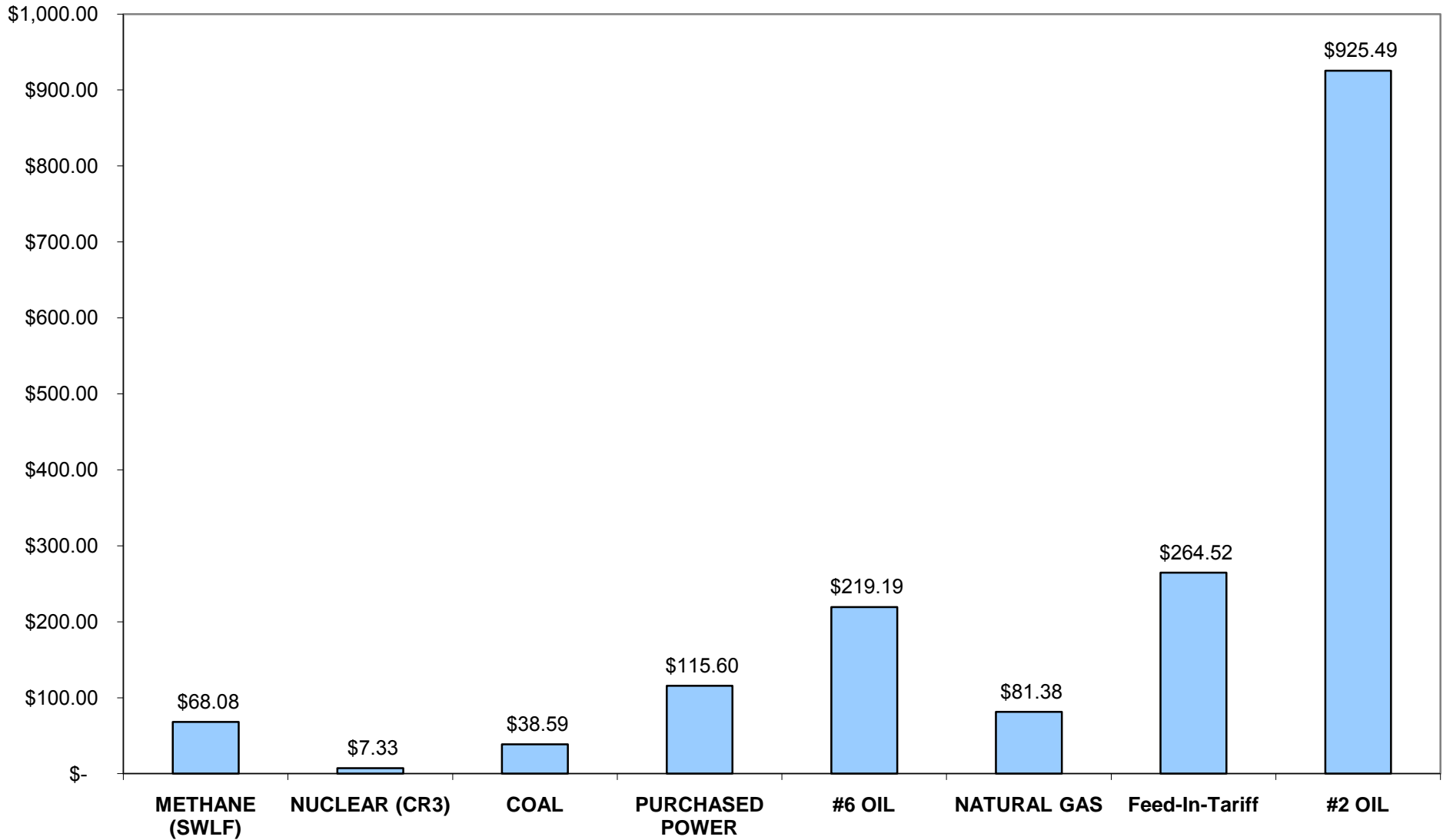
Diesel Fuel (\$/Gal)

Beginning
Ending

Total Cost by Fuel Type For First Quarter Ended December 31, 2010



Total Cost per MWh by Fuel Type For First Quarter Ended December 31, 2010



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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 liquefied propane service provided on a firm, non-interruptible basis to households and other nonprofit living units.

Water System

Other Revenues – This includes connection fee charges for water service to new service locations plus miscellaneous revenue receipts not specified in other categories.

Wastewater System

Other Revenues – This includes connection fee charges for wastewater service to new service locations plus miscellaneous revenue receipts not specified in other categories

GRUCom System

Internet Access – Revenue generated from the sale of retail Internet access. GRUCom provides dial-up Internet access services under the domain names GRU.Net and Gator.Net. High speed Internet access is also provided to commercial customers, government entities and to residents at several apartment complexes in the Gainesville area. High speed Internet access services are typically delivered to the customer location utilizing the GRUCom fiber optic network. Revenue from periphery services such as Web Site Hosting and e-mail only accounts are also included in this category.

Telecommunications Revenue– Includes revenue for sales of point to point and carrier access circuits delivered in whole, or in part, on the GRUCom fiber optic network. These sales are primarily to other telecommunications carriers, commercial customers and government entities requiring high bandwidth connections for delivery of data, voice and video signals. Also includes revenues from switched services provided by GRUCom. Currently GRUCom utilizes its voice switch to provide call in lines for dial-up access to Internet Service Providers including GRU.Net/Gator.Net.

Tower Lease Rental – Revenue generated in conjunction with the lease of space on the City’s communication and water towers for the location of antennas and related equipment. These leases are primarily with Cellular and Personal Communications Services (PCS) companies offering wireless communications in the Gainesville area. Also includes revenue from the rental of interface equipment to customers (Routers, Channel Service Units/Data Service Units, etc.) necessary for them to connect to GRUCom services delivered over the fiber optic network.

Trunking Radio – Revenue generated by the 800 MHz radio system, delivering switched voice and data services for public safety and other government entities. Revenues are collected through monthly subscriber unit charges.

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.

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