

0500635

Balance Sheet Explanations

Current Assets, specifically the cash and investments balances, decreased for several reasons. Customer billing receipts were down due to reduced consumption of electric and gas in the first half of the fiscal year as a result of milder weather than anticipated. Additionally, recovery of fuel cost is a reaction to current conditions, thus the billing and subsequent cash receipts follow our payment for fuel purchases. Finally, there was a significant drain on cash resulting from the cost to recover from the September storms. Refer to the note on page 5 which further describes the impact of the hurricanes on cash flow.

In the Debt Service Fund, the current balance is lower because we are at the mid point in the fiscal year for accumulating our cash requirements to meet the annual bond principal payment on October 1st. As of March, we are one-half the way towards the required principal payment of \$12.5 million.

Construction Fund (CF) money is used to pay for all capital project costs. As of March 31st, the balance of available cash in this fund is reaching a critically low level and represented less than one month's average construction fund expenditures. Subsequent to the end of this quarter, an additional \$31 million in Tax Exempt Commercial Paper (TECP) was issued, as allowed under our existing line of credit. Projected CF expenditures indicate the need for additional funding in the form of a bond issuance during the fall of this year.

Current Liabilities are down significantly for a couple of reasons. The recognition of vendor invoices at year end is always higher than any other time during the year. This is because of our effort to properly account for costs in the appropriate fiscal period. Additionally, we are continually reducing the amount of liability associated with the leasing of the Deerhaven power plant (LILO) each fiscal year. For fiscal 2005, we had a liability of \$12.5 million. As of March 2005 the liability had dropped to \$6.25 million.

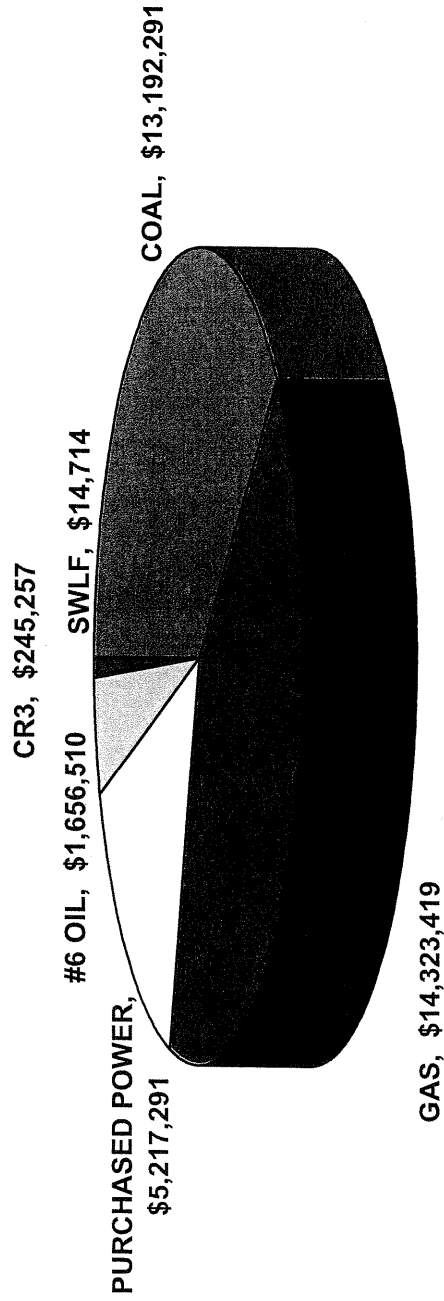
Long-Term Debt is lower due to the pay down of bond principal of \$13.0 million on October 1, 2004.

GAINESVILLE REGIONAL UTILITIES
 COMBINED FUNDS
 BALANCE SHEET
 MARCH 31, 2005

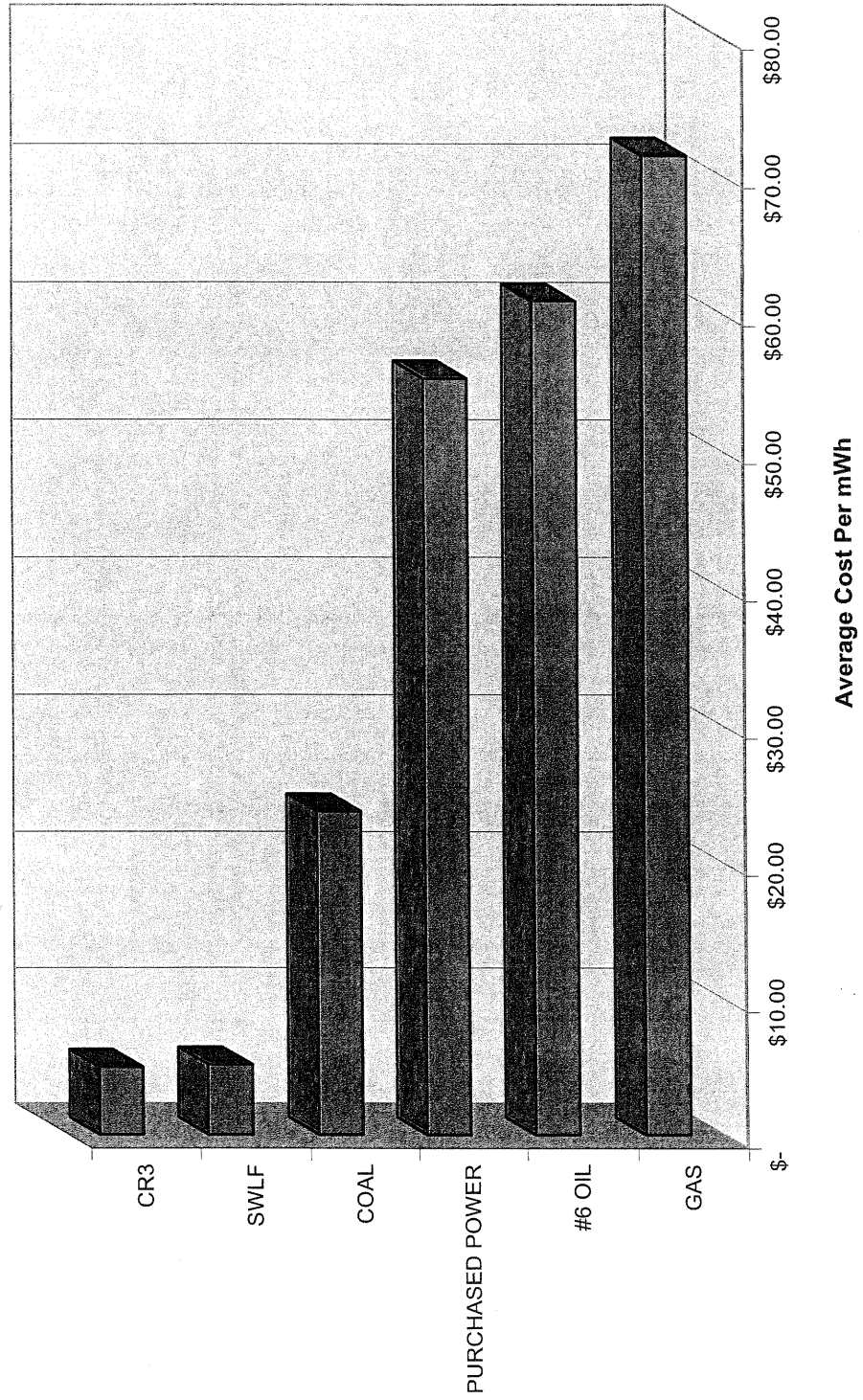
(000's)	Current Month	Fiscal 2004 Year End
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash, Investments & Accounts Receivable	27,859	35,587
Other Current Assets	26,378	31,422
TOTAL CURRENT ASSETS	<u>54,237</u>	<u>67,009</u>
RESTRICTED ASSETS:		
Debt Service Fund	14,248	22,422
Construction Fund	3,560	18,206
Utility Plant Improvement Fund	28,115	29,095
Rate Stabilization Fund	55,915	61,091
Other Restricted Assets	11,340	11,341
TOTAL RESTRICTED ASSETS	<u>113,178</u>	<u>142,155</u>
OTHER NON-CURRENT ASSETS	<u>157,937</u>	<u>158,485</u>
NET CAPITAL ASSETS	<u>718,773</u>	<u>710,009</u>
TOTAL ASSETS	<u>1,044,125</u>	<u>1,077,658</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES	<u>14,876</u>	<u>32,016</u>
PAYABLE FROM RESTRICTED ASSETS:		
Rate Stabilization Deferred Credit	55,868	61,091
Other Payables From Restricted Assets	29,171	30,248
TOTAL PAYABLE FROM RESTRICTED ASSETS	<u>85,039</u>	<u>91,339</u>
LONG TERM-DEBT:		
Utilities System Revenue Bonds		
Payable-Senior Lien Debt	272,801	281,274
Utilities System Revenue Bonds Payable-Sub. Debt	68,500	71,600
Commercial Paper Notes Payable	65,208	65,823
TOTAL LONG-TERM DEBT	<u>406,509</u>	<u>418,697</u>
OTHER NON-CURRENT LIABILITIES	<u>182,660</u>	<u>182,027</u>
TOTAL LIABILITIES	<u>689,084</u>	<u>724,079</u>
TOTAL NET ASSETS	<u>355,041</u>	<u>353,579</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,044,125</u>	<u>1,077,658</u>

Supplemental Data

Electric Generation Fuel Expense by Fuel Type FY 05 Through March 31, 2005



**Average Electric Generation Fuel Cost Per MWh
FY 05 through March 31, 2005**



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; 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 liquified 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.