

**Gainesville Regional Utilities  
Budget to Actual Comparison  
For the Period Ended June 30, 2016**

We offer readers this analysis of the budget to actual activities of GRU for the period ended June 30, 2016.

**Budget to Actual**

**Electric System**

- Residential sales are unfavorable versus budget due to lower customer counts than originally planned for fiscal year 2016. The last quarter is the heaviest sales period for the electric system and could expect to exceed projected amounts.
- Non-residential sales are tracking similar to residential with lower customer counts than originally planned for fiscal year 2016 through nine months.
- Fuel adjustment revenue is showing lower than budgeted due to lower customer counts and lower than planned fuel costs as GREC has been idled in favor of less expensive natural gas.
- Other revenues are showing very favorable to budget due to the \$10.2 million settlement with CR3 that posted in October.
- Fuel and purchased power expenses are showing lower than budgeted due to lower customer counts and lower than planned fuel costs as GREC has been idled in favor of less expensive natural gas.
- Steam power generation is showing unfavorable to budget due to greater repairs than budgeted for the fall outage. The air quality control system at DH2 had \$221,000 in unplanned repairs as well as a \$297,000 expenditure on the turbosorp. DH2 also had to contract for a resident electrical control engineer that they hope to fill with a permanent position soon. There were also varied repairs that totaled over \$800,000 that increased the outage scope once the inspection took place.
- System control & load dispatching has a favorable comparison to budget due to \$135,000 lower software maintenance expense and lower contract service expense in System Control.
- Distribution expense is showing unfavorable to budget due to increased labor costs hitting this line item for electric system from Field Services being offset by a favorable labor saving in customer accounts & sales expense. An adjustment for construction work in process reversal correcting labor for the level of capital activity is also a significant factor.
- Customer accounts and sales expense is favorable to budget due to a decrease in labor being charged by Field Services which is now charging to distribution expense. Additionally, uncollectable sales were budgeted as an offset to revenues but are now hitting customer accounts and sales expense.

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- Administrative and general expenses are nearly \$4 million unfavorable to budget mainly due to unplanned capital charges charged to operational and maintenance due to lower than budgeted capital expenditures, SAP financial management system reimplementation and increased GREC arbitration costs.

**Water System**

- Total water sales are running less than 1 percent below projected volumes, however when compared to the revenue at the nine month mark, we are showing ahead by \$1.9 million. A hot, dry fourth quarter would appear to produce favorable revenues for the fiscal year-end.
- Other revenues are showing very favorable to budget due to much higher than planned connection charges and other customer charges by nearly \$1 million.
- Pumping and water treatment expenses are favorable through June with a higher vacancy rate than budgeted resulting in lower labor expenses. Also contributing to the favorable variance is lower electricity charges for the treatment of water.
- Administrative and general expenses are showing unfavorable to budget at nine months due to unplanned charges from construction work in process written off to operational and maintenance and SAP financial management system reimplementation.

**Wastewater System**

- Total revenues are coming close to budgeted figures at the nine month mark. Wastewater revenues tend to track closely with water revenues. Heavier irrigation above winter max can however boost water sales above wastewater sales.
- Other revenues are showing very favorable to budget due to much higher than planned connection and other customer charges by over \$2 million.
- Administrative and general expenses are showing unfavorable to budget at nine months due to unplanned expenses from construction work in process written off to operational and maintenance and SAP financial management system reimplementation.

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## **Gas System**

- Total gas sales for both residential and commercial are showing unfavorable to budget through 9 months. Both customer counts and therms sold are below what was forecast for the fiscal year. With the high season for gas sales realized in the first six months of the fiscal year, it is unlikely that the system will recover to meet fiscal year 2016 budget.
- PGA revenues are directly associated with PGA expenses as a pass-thru to the customer. With lower than expected gas prices and unit sales through nine months it is expected that the unfavorable variance to budget will remain at year-end.
- Purchased gas expenses are directly associated with PGA revenues as a pass-thru to the customer. With lower than expected gas prices and unit sales through nine months, it is expected that the unfavorable variance to budget will remain at year-end.
- Operational and maintenance expenses are coming in near budget through nine months.
- Customer accounts and sales are showing favorable to budget primarily due to greater vacancy rates than planned and lower gas rebate spending through nine months.
- Administrative and general expenses are showing unfavorable to budget at nine months due to unplanned charges from construction work in process written off to operational and maintenance and SAP financial management system reimplementation.

## **Telecommunications System**

- Total sales of services are up overall primarily due to increased tower lease revenue. Telecommunication revenue is showing below budget due to a timing issue that will be resolved in the fourth quarter.
- Operation and maintenance expenses are showing unfavorable to budget due to changes in labor profiles to GRUCom staff. Less labor is being allocated to CWIP as they have less capital spending to support the large portion of labor budgeted as capital.
- Administrative and general expenses are showing unfavorable to budget at nine months due to unplanned charges from construction work in process written off to operation and maintenance and SAP financial management system reimplementation.