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Statement by Adrienne Burges and Dian Deevey February 15, 2005

How the city proceeds will make have a tremendous economic impact on every one who buys electricity from GRU. If GRU builds the large generator its Manager wants, most of its cost will have to be borrowed by issuing more bonds, and this is likely to have a profound effect on the prices customers pay for electricity.

According to a recent report from Standard and Poor, "..*greater rate increases will be required to maintain the current [bond] rating, given the current debt amortization schedule. Although GRU has always had the support of the City of Gainesville in implementing rate increases needed to avoid credit deterioration, we are concerned that the increases needed to provide adequate debt service coverage over the nest several years may be unusually high, perhaps even higher than GRU's customers are willing to accept. GRU is using an increasing around of debt to finance the upgrade of the systems (almost two-thirds compared with around one-third prior to 2003), leading to an increased level of revenue requirement.*"

I and many others have strongly advocated investments in energy efficiency and related programs that reduce the amount of energy people need to buy, and promote their buying it at times when it is cheapest for GRU to generate.

The only way the community can avoid the very high costs of electricity they will experience if the current management's plans are approved is by using DSM and related programs to reduce demand. ICF's draft report is seriously flawed in many respects, but tonight we concentrate on the failure to provide an improved projection of future demand, and on ICF's refusal even to consider two policy options that could by themselves greatly reduce demand and delay the need for any new generation capacity.

The current utility management has vigorously opposed these kinds of programs, while at the same time pretending that it is doing the best it can.

Projected Demand. An honest analysis of the community's needs begins with an accurate projection of how much electricity customers will need in the future, but neither ICF nor GRU has given us one.

The method GRU uses is known to exaggerate future needs, because it assumes continued rapid growth of UF's student population and no change in customer behavior in the face of increased energy costs. There are many reasons to believe future electricity demand will not continue to increase as rapidly as it has in the last ten years or so:

The University will grow much most slowly than in the past.

New building codes are being developed to reduce the need for energy.
Federal energy efficiency standards for appliances and other equipment will continue to reduce electricity consumption.
The EIA projects that energy efficiency improvements will continue to reduce electricity consumption by 1.5% per year.

In the past, GRU has actively increased its customer base by purchasing a block of customers from Clay Electric Cooperative, and GRU's projections assumes it will continue to do so..

ICF and GRU both have ignored these facts. The result is a exaggerated estimate of future demand.

Policies That Reduce Peak Demand are Ignored. ICF refuses to consider or advise the Commission on policy options that could affect future needs for electricity and peak demand. ICF turns its back on back on the two most effective and cheapest ways to reduce future peak demand available to the utility.

Cancel Wholesale Sales. Right now, the utility sells wholesale elecgtricity to the City of Alachua and to Clay Electric Cooperative. Together, these two wholesale customers will add 46 MW to the 2014 peak demand GRU projects.

Fill Reserve Requirement by Curtailing Saless.The state requires that GRU have a reserve capacity equal to 15% of its peak demand, and ICF/GRU propose to provide this in the form of generators that sit idle. ICF projects the needed peak demand plus reserve at 654 MW in 2014.

But a great many of the utilities in Florida satisfy much of their reserve capacity requirements by arranging with customers to cut off part of their electricity supply when emergencies impose a need for the reserve. If GRU also adopted a policy of using interruptible or curtailed service to its customers for only half its required reserve, the net reduction in peak plus reserve demand would be over 91 NW. These two options would together achieve a significant delay in the time at which the Community needs to decide on new generating approaches.