

GENERAL MANAGER ITEM #120097

Gainesville Regional Utilities

June 21, 2012

Prior Action

- Received initial approval on March 15, 2012 to continue work on upcoming bond deal
- Commission authorized, among other things:
 - Authorize the refunding of all or a portion of the 2005 Series B, 2005 Series C, 2006 Series A, 2008 Series A and 2010 Series C Bonds through the issuance of variable-rate tax-exempt debt; and
 - Authorize the refunding of all or a portion of the 2003 Series A and 2005 Series A fixed-rate tax-exempt bonds

2012 Plan of Finance

Description	Par Amount	Type	Maturities	Purpose	Benefit
Series A	\$43.185m*	Tax Exempt Fixed Rate Refunding	2021-2025	Partially refunds 2003 Series A and 2005 Series A Bonds	(1) Achieving net present value savings over the life of the bonds (2) Results in debt service savings between \$3.6m and \$14.4m through 2020 (3) Assists in managing the total bill impact
Series B	\$98.415m*	Tax Exempt Variable Rate Refunding	2021-2042	(1) Partially refunds 2005 Series B and C, 2006 Series A, and 2008 Series A (2) Make Whole restructuring of a portion 2005 Series B and 2008 Series A Bonds related to current taxable debt, which may be refunded on a tax exempt base after the termination of the LLO agreement	

* Preliminary, subject to change

Financing Schedule

Week of 06/11	Rating Agency Meeting
06/27	Receive Ratings
06/27	Post Fixed Rate POS
07/11	Pricing – Fixed Rate
07/24	Post Fixed Rate OS
07/25	Post Variable OS
08/02	Pricing – Variable
08/02	Closing

Price Mitigation

(x \$1,000,000 per year)

	RUC October 2011	Current
GREC Fixed Costs	\$ 70.0	\$ 70.0
Immediate Cost Savings:		
Drop PEF Baseload Capacity Contract	(12.0)	(12.0)
Net Production Cost Savings	(7.0)	TBD
Renewable Energy Credit Sales	(1.0)	TBD
	(20.0)	(12.0)
Power Marketing and Prepay Strategies:		
Long Term 25 MW PPA Assignment	(16.0)	TBD
Non-Recourse Prepay	(15.0)	TBD
System Wholesale Power Sale	(7.0)	TBD
Federal Agency Contract	(2.0)	TBD
	(40.0)	-
Policy Alternative Options:		
No Additional Solar FIT after 2013	(0.9)	TBD
Reduce GFT by GREC Ad Valorem Taxes	(1.3)	TBD
	(2.2)	-
Refinance/Restructuring		(10.0)
Residual Amount to Recover .		
Through Fuel Adjustment	\$ 7.8	\$ 48.0

Per October 2011 RUC Meeting, an increase of \$10.56 per typical residential is the target.

Price Mitigation

- Changing projections require a proactive approach to determining impact of these changes on our financial condition, and to our customers
- Financial projections were developed based the most likely case as follows:
 - Average use residential customer bill increases \$10.56
 - Assumes successful restructuring transaction
 - Assumes savings/cost reimbursement from power sales or assignments of \$10 million annually
- Any additional off system sales, assignments, or favorable policy decision changes will produce more favorable results

Electric Customer 1,000kwh Change

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase	Total Bill Increase
2013	0.00%	0.00%	0.00%
2014	-3.75%	31.37%	8.22%
2015	-7.50%	5.97%	2.17%
2016	2.00%	5.63%	2.48%
2017	2.00%	1.33%	1.38%
2018	2.00%	1.32%	1.59%
2019	2.00%	0.00%	1.17%
2020	2.00%	0.00%	0.66%

Note: Base Rate Revenue Increases represent an increase on the total base rate revenue, and does not translate directly into an overall bill increase due to the different tiers and fuel

Total Residential Bill Projected Change

	2013	2014	2015	2016	2017	2018	2019
Electric	\$ -	\$ 10.50	\$ 3.00	\$ 3.50	\$ 2.00	\$ 2.33	\$ 1.75
Gas	\$ (1.73)	\$ 0.50	\$ 1.12	\$ 1.15	\$ 1.19	\$ 1.42	\$ 1.38
Water	\$ 1.10	\$ 0.80	\$ 0.70	\$ 0.70	\$ 0.55	\$ 0.70	\$ 0.60
Wastewater	\$ 2.10	\$ 0.85	\$ 1.05	\$ 1.40	\$ 1.80	\$ 2.00	\$ 1.95
Total	\$ 1.47	\$ 12.65	\$ 5.87	\$ 6.75	\$ 5.54	\$ 6.45	\$ 5.68

Based on 1,000 kWh electricity, 25 therms natural gas, 7,000 gallons water and 7,000 gallons wastewater.

Financial Risk Management: Strong Liquidity Position Exceeds Targets

	2012	2013	2014	2015	2016	2017	2018	2019
Liquidity Targets	\$ 77,080,547	\$ 73,090,053	\$ 71,086,826	\$ 74,933,276	\$ 75,970,761	\$ 77,416,792	\$ 79,351,062	\$ 80,346,028
Source of Funds:								
Rate Stabilization	\$ 56,048,755	\$ 55,889,481	\$ 64,813,445	\$ 69,228,787	\$ 64,929,361	\$ 64,966,679	\$ 64,442,750	\$ 62,524,524
UPF for Reserves	17,637,334	15,772,985	15,642,686	16,134,823	15,778,013	15,735,887	16,020,777	16,716,237
Total Reserves	\$ 73,686,089	\$ 71,662,466	\$ 80,456,131	\$ 85,363,610	\$ 80,707,374	\$ 80,702,566	\$ 80,463,527	\$ 79,240,761

Financial Risk Management: Continued Equity Funding of Capital Program

Fiscal Years Ending September 30
(In Thousands)

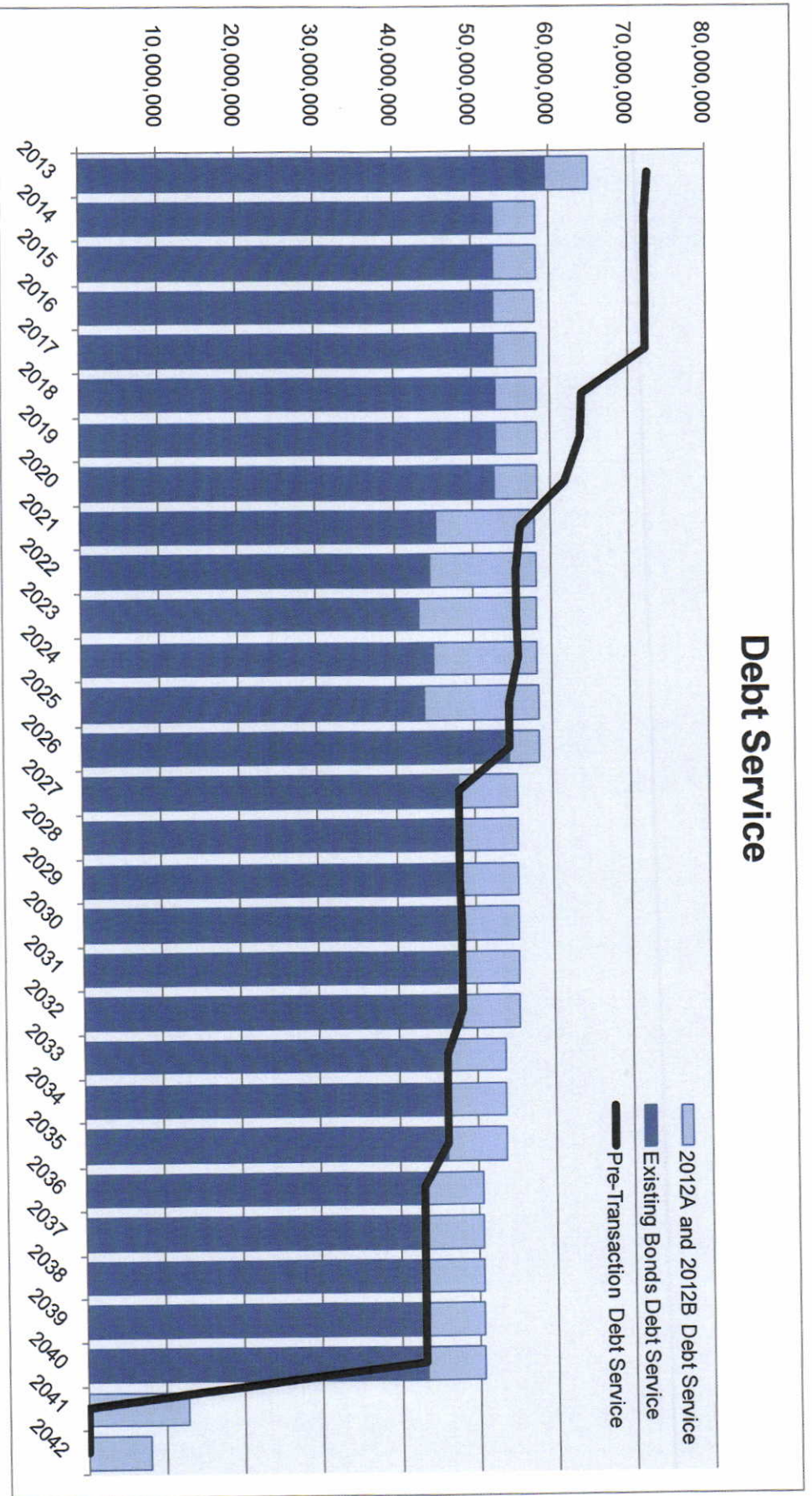
	2012	2013	2014	2015	2016	2017	2018	2019	Total
Cash Balance October 1,	146,678	87,134	21,490	65,334	2,014	47,171	1,360	57,802	146,678
Source of Funds:									
Bond Financing	\$0	\$0	\$106,518	\$0	\$98,482	\$0	\$106,984	\$0	\$311,984
UPF	46,252	29,380	16,184	18,763	18,832	18,584	16,537	17,492	182,024
Interest Earnings	862	213	279	49	0	40	188	41	\$1,672
Total Sources*	\$47,114	\$29,593	\$122,981	\$18,812	\$117,314	\$18,624	\$123,709	\$17,533	\$495,680

	2012	2013	2014	2015	2016	2017	2018	2019	Total
Use of Funds:									
Construction Projects:									
Electric	\$55,562	\$40,491	\$42,645	\$49,416	\$43,448	\$37,131	\$37,856	\$43,362	\$349,911
Gas	10,519	6,251	4,328	4,170	4,318	4,748	4,903	4,690	43,927
Water	13,888	11,719	9,703	10,958	8,599	8,608	7,748	9,334	80,557
Wastewater	13,528	27,169	14,019	11,915	7,938	7,844	8,287	10,301	101,001
GRUCom	13,161	9,607	6,312	5,673	5,884	6,104	6,333	6,243	59,317
Total Construction	\$106,658	\$95,237	\$77,007	\$82,132	\$70,187	\$64,435	\$65,127	\$73,930	\$634,713
Issuance Costs	0	-	2,130	-	1,970	-	2,140	-	6,240
Total Uses*	\$106,658	\$95,237	\$79,137	\$82,132	\$72,157	\$64,435	\$67,267	\$73,930	\$640,953
Cash Balance, September 30,	\$87,134	\$21,490	\$65,334	\$2,014	\$47,171	\$1,360	\$57,802	\$1,405	\$1,405

Projected Change in Key Metrics

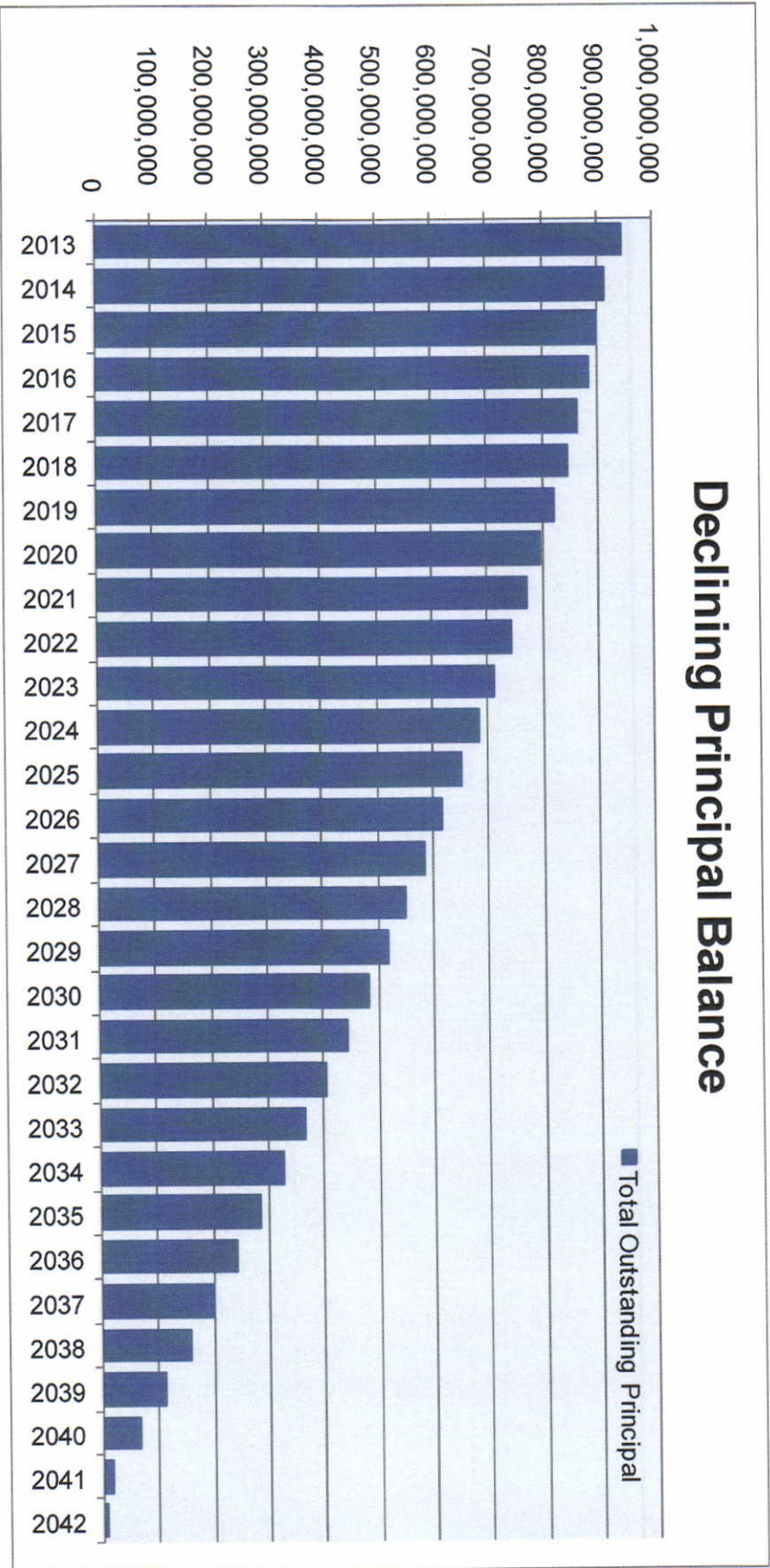
	2012	2013	2014	2015	2016	2017	2018	2019
Forward Looking Case:								
Total Debt Service Coverage	1.95	2.05	1.81	1.82	1.78	1.77	1.70	1.78
Total Debt Service Coverage Net of UPIF	1.95	2.05	2.54	2.55	2.00	1.95	1.86	1.84
Fixed Charge Coverage	1.48	1.52	1.27	1.28	1.29	1.25	1.21	1.28
Fixed Charge Coverage Net of UPIF	1.48	1.52	1.78	1.79	1.45	1.38	1.32	1.32

Debt Management: Declining Debt Service Structure Post Financing



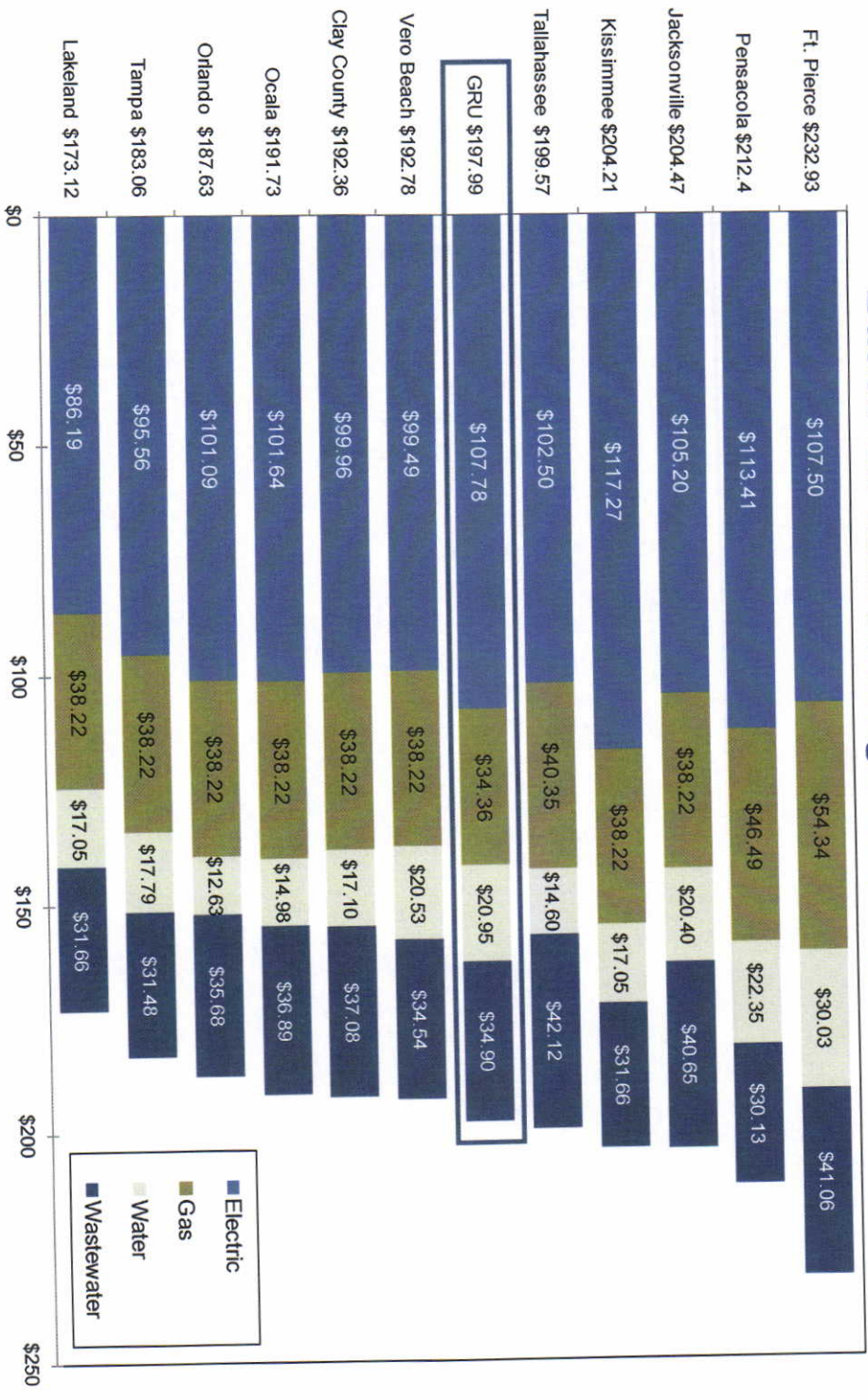
Includes Commercial Paper and Net of Build America Bonds' Subsidy

Debt Management: Post-Transaction Principal Balance Declines Rapidly



GRU is Competitive in the Residential Basket of Services

Based on GRU Average Use - June 2012



NOTE: Basket of services based on consumption of 870kWh/25 therms/6kgal/5gal of electric, gas, water/wastewater service, respectively. Pensacola and Tampa electric rates include a 6% franchise fee paid by all customers served by IOUs. GRU's total bill effective June 2012, shown above, reflects a decrease to the Purchased Gas Adjustment since FY 12 Rates were enacted, as shown on page 19.

Recommendation Parameters

GM or Designee Determines:	Series A	Series B
Principal (not to exceed)	\$50m	\$105m
Final Maturity (no later than)	10/01/27	10/01/42
Maximum Interest Rate (not to exceed)	5.00%	N/A
True Interest Costs	4.50%	N/A
Redemption Provisions	No earlier than 10/1/22 @ 100% plus accrued interest	
Underwriters Discount		No greater than \$3.00 per \$1,000
Net Present Value Savings	Not less than 2.50%	

Recommendation

Adopt the authorizing resolution which authorizes:

- Issuance, Sale, Execution and Delivery of Bonds
- 24th and 25th Supplemental Bond Resolution
- Contract of Purchase
- Continuing Disclosure Certificate
- Preliminary Official Statement
- Escrow Deposit Agreement
- Remarketing Agreement
- Tender Agency Agreement
- Standby Bond Purchase Agreement
- Other documents in relation to Series A/B/C Bonds
- Clerk, General Manager, and other Authorized Officers to execute documents needed to proceed with issuance