

000210

7/20/2000

**FY 2001-2002
Budget Presentation**

Serving Our Customers

Gainesville Regional Utilities
July 20, 2000

Presentation Overview

- Strategic Issues
- Working the Plan
 - Customer Care
 - Marketing and Communications
 - Telecommunications
 - Energy Supply
 - Energy Delivery
 - Water and Wastewater
- Budget Walk-Through

Strategic Issues

- Our Vision, Mission, Values and Business Objective
- Industry Restructuring Update
- Highlights of Our Competitive Assessment
- Environmental Management
- Employee Empowerment

Our Vision and Mission

OUR VISION The Utility of Choice

OUR MISSION We will provide safe, reliable and competitively priced utility services which consistently meet our customers' needs and expectations.

We will deliver our services through a team of innovative, self-motivated, and caring employees of the highest integrity.

We will ensure the financial vitality of the utility and return superior value to the community for its investment.

Our Values

CUSTOMER VALUES The satisfaction of our customers defines our success.

We will respond to our customers promptly, with empathy, and with respect for their unique circumstances.

EMPLOYEE VALUES Together we will promote an environment that fosters innovation, self motivation and caring.

Together we will promote an environment that encourages each of us to strive to reach our maximum potential.

Our Values (continued)

BUSINESS CULTURE We will conduct our business with the highest level of honesty and integrity; anything less is unacceptable.

We will be good stewards of the resources entrusted to us.

We will pursue continuous improvement and innovation to create a competitive advantage.

GRU's Business Objective

"Increase Net Revenues Over the Long Term by Optimizing Market Share"*

Strategic Business Plan, Feb. 1998

A Delicate Balancing Act

- General Fund Transfer
- Customer Value
- Financial Strength

*General Fund Transfer

INDUSTRY RESTRUCTURING UPDATE

Electric Utility Restructuring Is Sweeping the Country



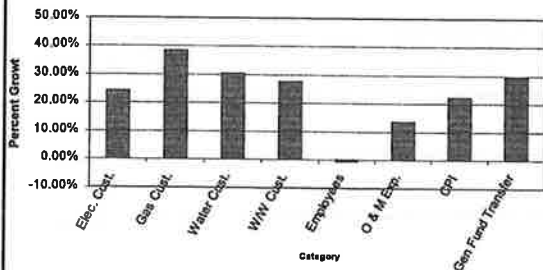
Deregulation Topics/Issues

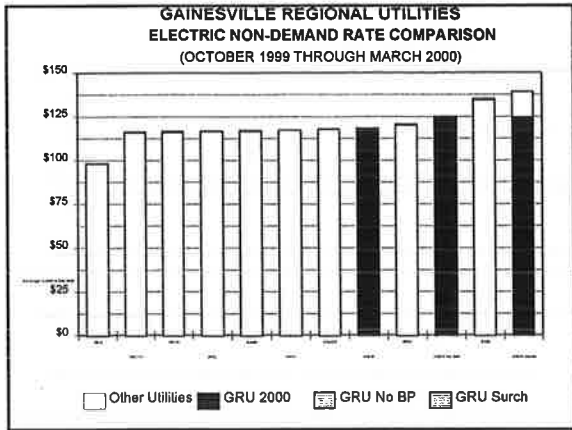
- The Governor's "Energy 2020" Commission
- Federal Initiatives
 - Reliability Legislation
 - Tax Reform
- Our Planning Assumption: FY 2004
 - Competition Is Here Now

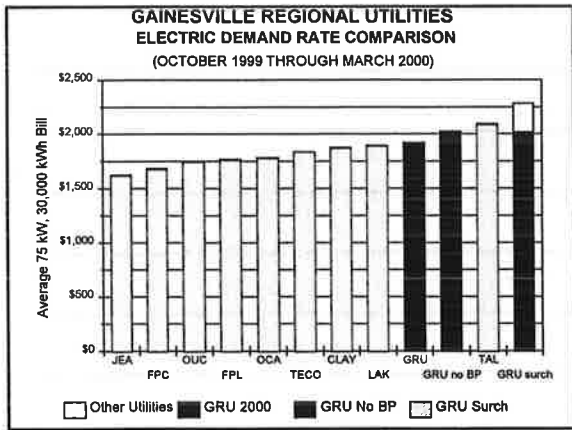
Highlights Of Our Competitive Assessments

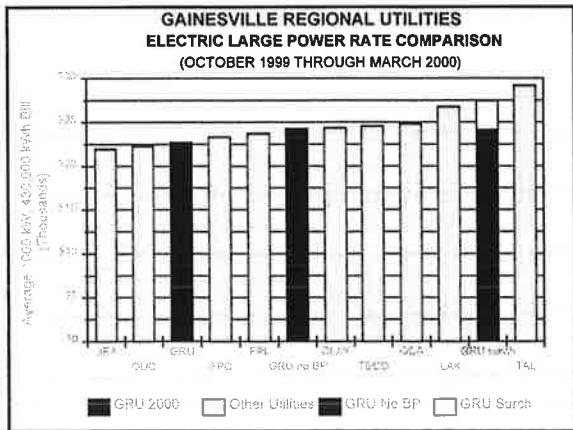
- Cost Control
- Rate Comparisons and Proposed Rate Changes
- Financial Strength
- Customer Satisfaction and Loyalty

DOING MORE WITH LESS
% Growth By Category 1991 - 1999







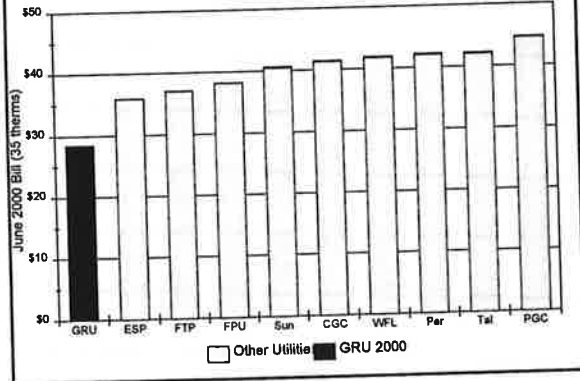


Proposed Electric Rate Changes

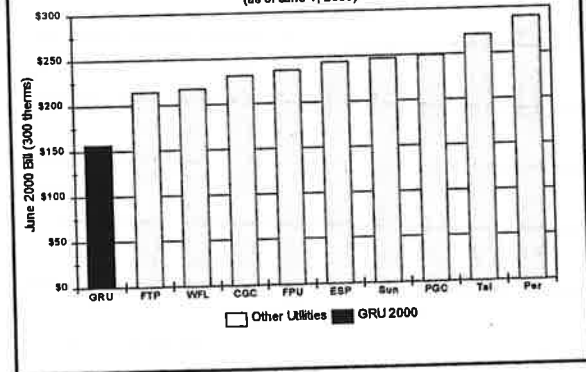
- Proposed Overall Rate Changes
 - FY 2001 0.0%
 - FY 2002 0.0%
- Rate Designs/Programs To Consider
 - Residential Loyalty Rewards
 - Commercial Load Factor Rates
 - Unbundled Rates
 - Multiple Utility Service Discounts

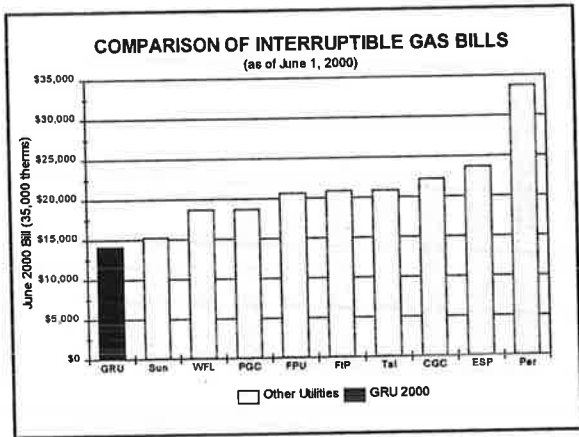


COMPARISON OF RESIDENTIAL GAS BILLS
(as of June 1, 2000)



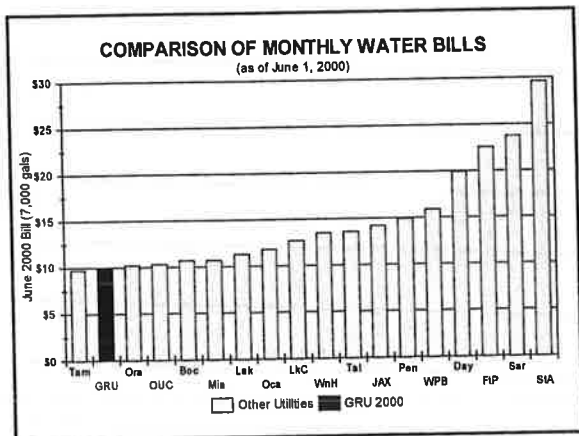
COMPARISON OF COMMERCIAL GAS BILLS
(as of June 1, 2000)





Proposed Overall Natural Gas Rate Changes

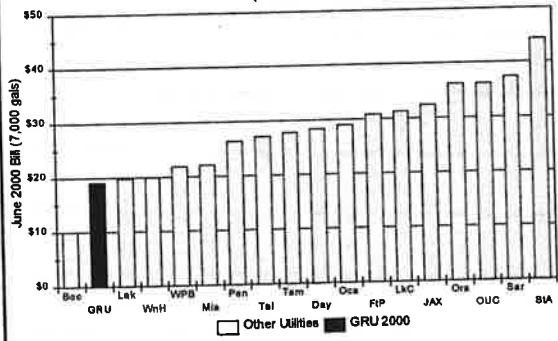
- Proposed Rate Changes
 - FY 2001 3.75%
 - FY 2002 3.75%
- Multiple Utility Service Discounts



Proposed Water Rate Changes

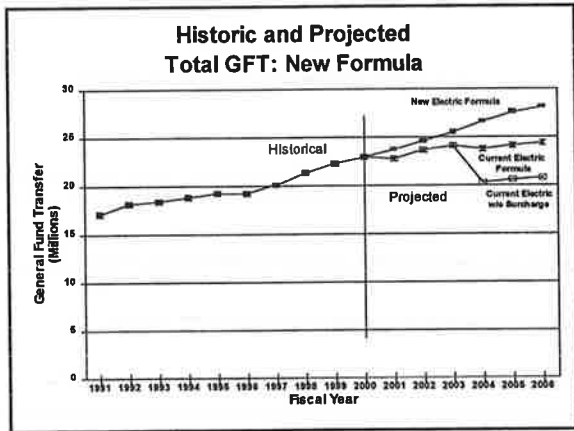
- Proposed Overall Rate Changes
 - FY 2001 0.0%
 - FY 2002 0.0%
- Rate Designs/Programs To Consider
 - Updated Connection Charges
 - Additional Price Tier For High Consumption
 - Begin Irrigation Rates At Second Price Tier
 - Multiple Utility Service Charge Discounts

COMPARISON OF MONTHLY WASTEWATER BILLS
(as of June 1, 2000)



Proposed Wastewater Rate Changes

- Proposed Overall Rate Changes
 - FY 2001 0.0%
 - FY 2002 0.0%
- Rate Designs/Programs To Consider
 - Updated Connection Charges
 - Multiple Utility Service Discounts



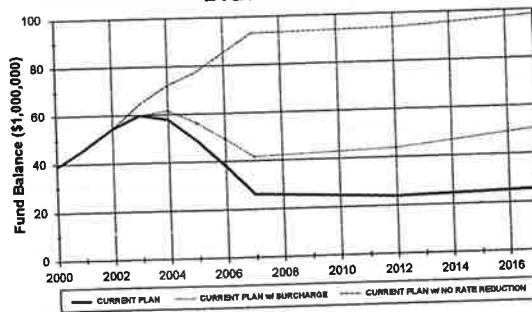
- ### GRU'S Ability To Fund New GFT Formula
- Rate Stabilization Fund
 - Unbundled Rate Strategy
 - Strategic Marketing
 - New/Expanded Products and Services

- ### The Role Of The Rate Stabilization Fund
- Compensate For Revenue Swings Due To Weather Etc.
 - Maintain Minimum Funds For Emergencies (Outages, Storms)
 - Avoid Rate Shock
 - Maintain Bond Ratings
 - Resources For Customer Retention
 - Surcharge
 - Price Reductions/Other

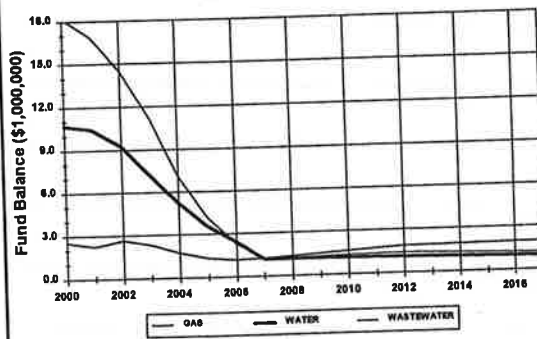
What We Must Have To Be Financially Secure

- Contingency Reserves
 - DH2 Outage
 - Major Storms
 - Target Minimum Balance
- Resources For Customer Retention
 - \$3,500,000/year Electric Surcharge
 - \$6,720,000/year to Reduce Rates/Other*
- The Value of Customer Retention
 - \$3,500,000 - \$11,000,000/year GFT
 - *PV Annualized over 10 years @ 8.75%

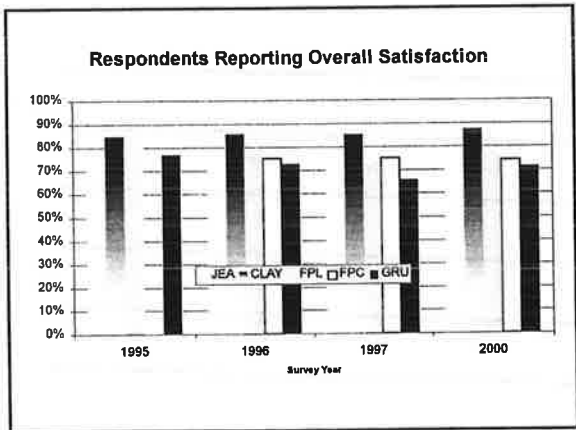
Electric Rate Stabilization Fund Drawdown

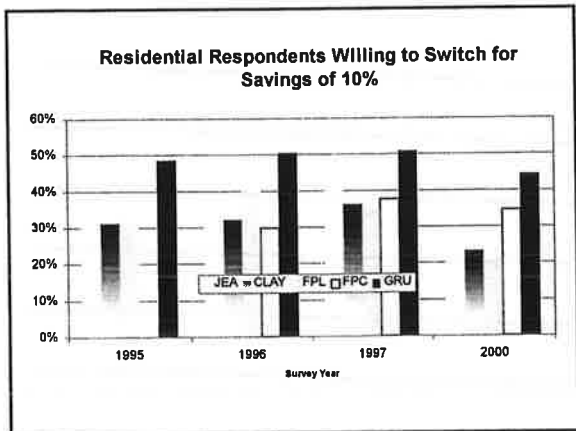


Gas, W/WW Rate Stabilization Fund Drawdown



CUSTOMER SATISFACTION AND LOYALTY



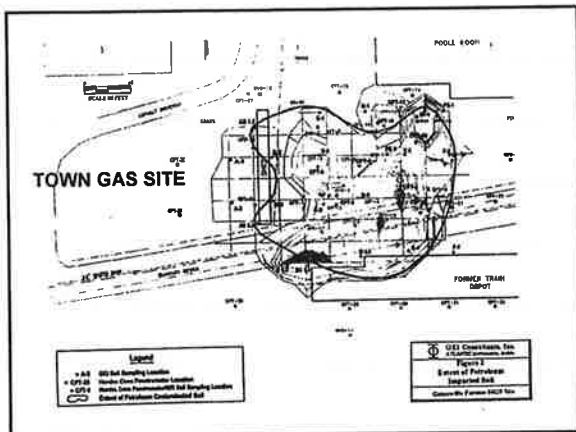


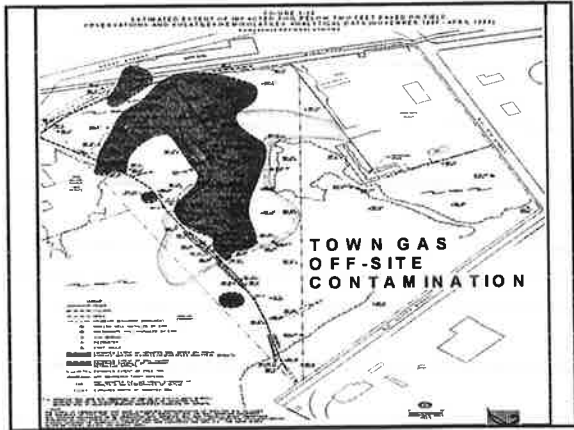
Environmental Management

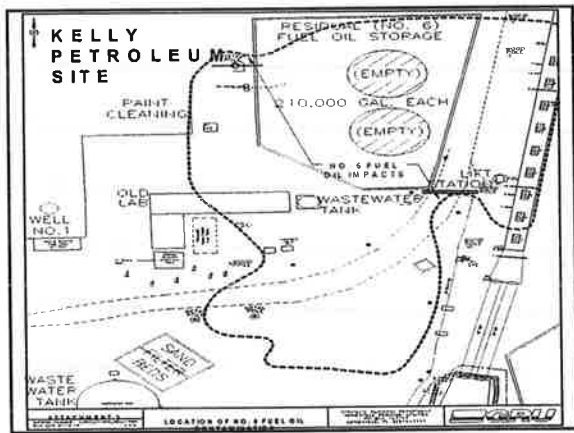
- Environmental Management System Review
- Contamination Clean-ups
- Green Energy
- Local Air Quality
- Other Environmental Studies
 - Paynes Prairie
 - Reclaimed Water

Environmental Management System Review

- Adapted From ISO 14000 Standard
 - Procedures
 - Staffing Workload
 - QA/QC
- Proposing To Add Two Additional Staff To Address Identified Concerns
 - Materials Management at Power Plants
 - Environmental Analysis and Compliance







**Recommendations From the
DH Emission Study**

- Solicit Feedback From:
 - Energy Advisory Committee
 - Alachua County Environmental Advisory Committee
- Participate In Developing Alachua County Air Quality Model
- Participate In Particulate Characterization
 - Mercury Speciation
- Participate In Air Quality Sampling
- Monitor On-going Statewide Modeling Efforts

Green Energy



- Solar And Natural Gas Programs
- Innovative Projects Under Consideration
 - Landfill Gas
 - “E” Grass
 - The Green Energy Market

Employee Empowerment

INTEREST BASED BARGAINING	SAFE
CAT	LAMP
IRS	FLEET
COMBINED LOCATES	GRUCOM
CAPITAL IMPROVEMENT	OAT
LEGISLATIVE	GENERAL LEAVE
RETAIL AREA EXPANSION	DISTRIBUTION
AUTOMATED METER READING	PENSION
KELLY REPOWERING	MULTI-FAMILY
AA COMMUNICATIONS	FLEX
LEADERSHIP GRU	MINCOM
FINANCIAL	DIRT
MYTH	JOINT TRENCHING
SUPPORT SERVICES	Y2K
KEY ACCOUNTS	ERGONOMICS
GRUNET	WHOLESALE POWER MARKET
FUEL COST	DIVERSITY
MAPPING	SBPT

Community Relations

- Must be aligned with VMV and Business Objective
- We're Confronted with Tremendous Competition for Minority Candidates with Technical Backgrounds
- Must Grow our Own
 - Internships
 - High School Trainees
 - Pre-apprenticeship Program

Community Relations

- Recruit Minorities for Employment with GRU
- Recruit Minority Vendors to do Business with GRU

Community Relations

- Sponsorships
- At-risk Youth and Minority Organizations
- Non-Profits
 - MLK Commission Annual Banquet
 - 5th Avenue Arts Festival
 - Heritage Festival
 - Black Business Explosion
 - NAACP Annual Banquet

Advertising Targeted to Minorities

- Mahogany Revue
- Black Pages
- Black College Football Weekly Radio
- Magic 101.3
- WB53 TV

Customer and Administrative Services

- Customer & Administrative Services: Mission**
- Routinely present GRU's face to every customer every month
 - "Cash register" for all of the other utility and some General Government services
 - Provide all of our internal customers with support services
 - Work closely with GG on shared issues and concerns

- Meter Reading**
- Read about 167,000 meters per month (over 2,000,000 per year)
 - Accuracy rate of 99.97%

Billing & Collections

- Bill and collect about 84,000 bills per month (over 1,000,000 per year)
- Total dollar value of \$182,000,000 in FY99
- Customer may pay in lobby, at drop and go box, by mail, by recurring payments to credit card, or by electronic funds transfer

Customer Guarantees

- Guarantee to our customers that we will be on time for appointments, read meters accurately, and bill and post accounts correctly
- Back that guarantee with credits of \$10-\$20 when we make errors
- Paid out only \$10,000 last year-- about 600 occurrences out of more than 4,000,000 opportunities (0.00015%)

New Customers

- Turn over about 35% of our customers per year, mostly in January, July, and August
- Can sign up in person, by mail, by phone, by fax, or on-line
- Are able to give same-day service to any customer who signs up by 5:00 P.M. (did not miss a day last year, even during Rush)

Delinquents

- Sixty-five percent of our customers do not have to put up a deposit
- About eighty-eight percent of our customers pay on time each month
- Wrote off about \$400,000 in uncollectibles last year

Strategic Alliances

- Long term agreement
- Commitment to work in cooperation
- Supplier understands GRU's needs
- Open communications
- Share risk and rewards

Strategic Alliances

- Koppers: Wood poles
- Pro Ink: IBB communications
- Office Depot: Office supplies

E-Commerce: Current

- Fax solicitation of quotes
- On-line usage information for standard materials
- On-line bid results and vendor applications
- Internet ordering of office supplies

E-Commerce: Future

- Electronic submission of quotes by vendor
- Full on-line catalogue of standard materials
- Electronic mall
- Consortium buying via the web with other public utilities

MBE

- Increased participation by minority businesses 63% (\$345,000) over total FY99 in just nine months of FY 2000
- Continue a very "hands-on" matchmaking of minority vendors and GRU needs
- Trade show this past spring for MBEs

Organizational Development

- Bring knowledge of IBB process to all levels of the organization
- Help GRU better link individual, team and departmental objectives to pay and performance systems
- Targeted recruiting
- Succession planning

Information Systems

- Due to increasing number of PCs for all aspects of our work, our service times for repairs had expanded from 8 hrs. to 40.
- We have added one Support Specialist position to bring the repair times into a more acceptable range.

Information Systems

- Need to go to a 7x24 hour operation for GRUCom, the billing system, & network operations.
- Adding Customer Service Supervisor position to be responsible for staffing and scheduling this operation.

Information Systems

- Web team consisting of 2.0 FTE working directly with the Communications Dept. to make sure that our web offerings have a consistency of look and feel
- This group oversees 4 GRU web sites

Shared Services

- GRU/GG are each others' direct customer for utilities, stormwater, and refuse under the same terms and conditions as any other customer
- GRU pays General Government \$504,408 for general services such as City Commission, City Auditor, City Clerk, etc.

Shared Services

- In addition, GRU pays General Government for support services such as:

– Fleet	\$1,467,000
– Risk Mgt. Admin	392,000
– Human Resources	582,934
– Payroll	167,586
– Pension Admin	89,205
- TOTAL SHARED SERV. \$3,203,133

Shared Services

- General Government pays GRU an additional \$393,000 for billing and collecting stormwater and refuse services
- General Government pays GRU for telephone and network services \$255,000

O&M Budget

- See Page B-27 of budget document

Marketing and Communications

Marketing and Communication

- **Our Mission:**
Responsible for developing a comprehensive and customer responsive menu of services and communicating about these services to customers and employees.

2001-2002 Strategies

- **Combine Marketing and Communications**
- **Identify our competitive point of difference**
- **Focus on customer segments**
- **Make sure our public presence is consistent with our market position**
- **Constantly evaluate and update our tactics**
- **Continue our community involvement and measure its effect on customers** Develop new markets, products and services

Strategy 1

- **Combine Marketing and Communications**

Background

- Background
- 1996 Self Directed Work Team:
 - Need to create a Large Accounts group
- Strategic Business Team GAP:
 - Need to create a marketing department
- 1998 - Marketing and Sales Department Created
 - Marketing Director Hired

Departments

- Marketing
 - Marketing
 - Large Accounts
 - New Services
 - Energy Conservation
 - Gas Sales
- Corporate Communications

Personnel

- Staffing
 - 24 permanent full-time employees
 - 6 temporary energy auditors (UF students)
 - 4 temporary marketing interns (UF Students)
- We've had significant employee turnover in the marketing department

We Are Proposing

- One Director
 - Improve Efficiency
 - Improve Coordination
 - Provide Better Service to the Customer

Strategy 2

- Identify our competitive point of difference
 - Conduct Qualitative and Quantitative Research
 - Focus Groups
 - Surveys
 - Purchased Research

Focus Groups

- Conducted
 - Four Residential Customer Focus Groups this past June
 - Two with men, and two with women
 - Nine in depth phone interviews with GRU Business Customers
 - Key utility decision-makers

Common Opinions

- Reliability is extremely important
- GRU has a good reputation for service and reliability
 - “They are reliable... they are there when they say they will be.”
 - “There is a consistency in their services... they will be there if you need them, they can answer your questions.”

Common Opinions

- We are viewed as community oriented – most customers are aware of our community involvement, more so than other utilities serving them in other cities.
 - The Tree Giveaway and Energy Audits were cited frequently by customers as a sign of our community involvement

Common Opinions

- “I am happy with it, they are involved with the community... they have little shows they put on, family oriented things... they go to schools...to me, as a mother, that is very important.”
- “They give you free trees... they will come out to the house and tell you where you should and should not plant trees.”

Common Opinions

- "I met this guy at a community function... he was just flipping burgers like a regular guy and the next time I saw him, he was digging up dirt for the gas line for GRU... he remembered me... it is a small town where you actually know your utility workers."

Common Opinions

- Most did not know that GRU offers telecommunication services
- Most have no interest in paying their utility bills online at this time
- Most felt that GRU should do a better job of communicating with them

Differing Opinions

- Some were aware of customer choice and some weren't
 - "I have heard about it happening in other states."
 - "Sounds like they are trying to keep it quiet (not aware)."

Differing Opinions

- Some were excited about the opportunity for choice...
 - "The more you have to choose from, the better... everyone should have that."
 - "Anything that provides me with more choices of price and service and keeps the government out of my life, I am for it."
 - "If there is a small reduction, a lot of people will go with them."

Differing Opinions

- And some weren't excited about choice...
 - More choices, but I would be afraid of it... I like structure and stability... just like the airlines, they aren't held up to certain standards."
 - I don't have a problem with the way it is now, things are smooth... I don't like what it did to the phone companies."

Differing Opinions

- Some customers felt prices would increase under customer choice...
 - "I envision bills like what happened with the phone company where it seems cheaper, but ultimately people get really ripped off."

Differing Opinions

- And some felt they would decrease...
 - "I would switch... I want to try something new... just to save price because I pay GRU a lot of money."

Differing Opinions

- A written summary of GRU was presented to each focus group member
- They were asked to write down things they learned
 - The fact that GRU was a municipal, owned by the City came as a surprise to many
 - In fact, in one of the men's focus groups, several thought GRU was privately owned
 - "I think GRU is privately owned, but heavily regulated by the local government."

Differing Opinions

- Some saw a benefit to the utility being owned by the City...
 - "I didn't realize it was publicly held... it made me even more against deregulation."
 - "I pretty much knew about the services it provides, but I was impressed with the dollar figure... I didn't know how much went into the General Fund... it certainly would impact the City if there were changes."

Differing Opinions

- And some didn't (especially one men's focus group)....
 - "It's dishonest. They are trying to make it sound like its good, 'oh ya, they're paying money back to our City.' Let's be honest, it's a tax."
 - "It's just a way to tax people without raising your taxes."
 - "It's not a company, its government."

Differing Opinions

- This discussion also prompted several to mention the "capital credits" provided by Clay Electric Co-op.
 - "Clay is a co-op.. you pay a higher price, but at the end of the year you get a kick back on the profit... something to show their appreciation to you."
 - "They (GRU) are not interested in us being shareholders."

Conclusions

- One size doesn't fit all
- How we position GRU is critical to our long-term success
- We need to learn more
 - Additional quantitative customer research is forthcoming
 - Residential
 - Commercial

Conclusions

- We can then refine our customer segmentation model
 - Residential, small commercial, national accounts, large commercial
 - Switchers, moderates, loyalists?
 - Environmentalists, convenience buyers?

Strategy 3

- Focus on customer segments
 - Example: Regional/National Accounts

Regional/National Accounts

- What is a Regional/National Account?
 - Any GRU commercial customer that buys electricity from another utility company for another facility - Wal-Mart

Regional/National Accounts

- Regional/National Accounts make up at least 17 percent of our electric revenue or about \$21 million (1998 Market Segmentation Model)
- These customers have been difficult to sign to BP agreements
 - 150 of GRU's Top 200 would fall into this category
 - We've signed about 48% of these 150 customers

National Accounts

- According to research by Satisfaction Development Systems, when the opportunity for choice:
 - Most regional/national accounts will not issue an RFP
 - Most believe they will save money

Some Options

- Based on GRU's current status as a local provider, it will be difficult for us to compete for these customers
- What can we do?
 - Give up on that segment of the market and accept that we will lose many of them
 - Gain a more regional/national presence through a strategic alliance
 - Decide soon

A Strategic Alliance

- Main Street Energy Partners
 - Same organizations that belong to The Energy Authority (JEA, MEAG, NPPD, Santee Cooper)
 - Looking for 8-10 participants
 - Determine if we can protect this revenue and compete for national accounts
 - Do a feasibility study

Strategy 4

- Make sure our public presence is consistent with our market position

Communication

- Focus Group Participants
 - "Better education, better marketing, allowing the public to know about what's going on there."
 - "You need more knowledge about what they do or can do."
 - "If they could communicate to us on a regular basis what they are providing to us and how that compares to everyone else, it would give me a better feel."

How should we communicate?

- Many admit that they do not read the bill insert
 - “Nowadays, it is easier through television or radio... it would capture the audience more... if it is something in the bill statement, you are really concentrating on the bill and don't think about anything else.”

How should we communicate?

- “Why not have TV20 out there when they are doing all these extra things.”
- “If they gave out hot dogs and cokes downtown on Saturday that would do for me.”
- “Magnets are good.... I like stuff.”
- “Just have them call one person a day and if they answered one question correctly from the newsletter, they would win \$1,000... you would have a lot of people reading the newsletter.”

Our Plan

- Develop a strategic marketing plan
 - In the budget we have proposed:
 - Research \$ 80,000
 - Advertising \$205,000
 - Community Outreach \$283,500

Advertising

- In a June 2000 Survey of APPA members, of 70 municipal utilities:
 - 93% of municipal utilities advertise
 - 75% of respondents said competing utilities are advertising in their service area

What have we advertised?

- Energy Star
- Conservation information – One of most recognized services
- All in one – the convenience of one bill versus the “sticker shock” of having all services on one bill



What have we advertised?

- Read it in the GRU bulletin
- Computers in the classroom - GRU donated over 70 surplus computers to public schools
- Business partners – energy surveys and other programs

What have we advertised?

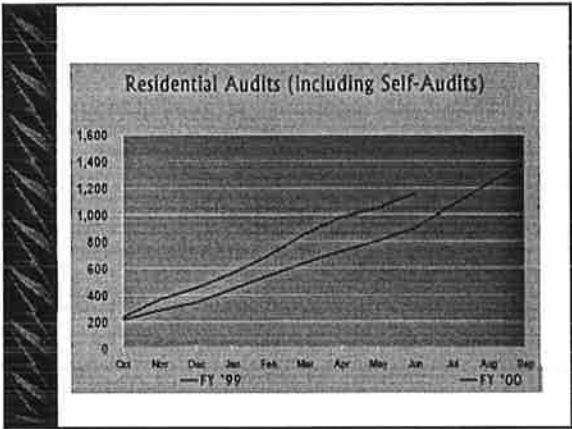
- The quality of our water
- Boulware springs – trying to get more people to use this facility
- Special events – Open Houses at Plants, Kelly Repowering, Electrifying Celebration

Strategy 5

- Constantly evaluate and update our tactics
 - Residential
 - Commercial

Residential

- Services we provide:
 - Bill payment options
 - Internet Service
 - Newsletter
 - Outdoor lighting
 - Rebates for solar and natural gas
 - Energy Audits
 - Energy Star



- ### Residential
- Potential New Services
 - Online energy consumption and billing history information
 - Online energy audit
 - List Server – online news
 - Interactive online energy house
 - Bill presentment and payment
 - Neighborhood Link - web pages for neighborhood groups

- ### Commercial “Business Partners”
- Current Menu of Services
 - GRUCom
 - Newsletter
 - Bill Payment
 - Workshops
 - Outdoor Rental Lighting
 - Contract for Term

**Top 100
Total Revenue \$35,000,000**



■ Business Partners Revenue ■ Unsigned

**Top 400
Total Revenue \$44,000,000**



■ Business Partners Revenue ■ Unsigned

Business Partners - Y2K



Current Services

- Energy Savings Programs
 - Commercial Energy Audit/EPA Energy Star
 - Best Energy Option – natural gas (rebates) or electric
 - Indoor Lighting
 - Infrared Scanning



US EPA Green Lights™
4-lamp T-12 fluorescents can be retrofitted to 2-lamp T-10s, reducing lighting costs by 50%.



US EPA Green Lights™
Exit signs using light emitting diodes (LEDs) can use 1/20 the energy and last 100x as long as incandescent lamps.

Business Partners Energy Services

	1999	2000	2000 Proj.
Energy Surveys	82	111	201
CLS Surveys	56	28	84
CLS Revenue	\$41,709	\$50,405	\$81,028
BP Signings	30	19	40

Greater Gainesville Pizza Hut



- Top 100 customer with non-fuel electric revenue of \$70,000 per year
 - Surveyed eight area franchise stores
 - Provided ENERGY STAR® lighting retrofit
 - Nominated Pizza Hut for U.S. ENERGY STAR® Small Business of the Year
 - Pizza Hut signed Business Partners 10-year contract-for-power

Marketing Success



- Customer**
- \$100,000 savings over 10 years
 - Marketing Opportunity
- GRU**
- Committed Top 100
 - Energy Services Revenue
 - Competitive Point of Difference

Potential New Services

- Online metering, energy consumption and billing history information
- Online bill presentment and payment
- Distributed Generation and Fuel Cell Technology
- Green Energy
- ESCO – Contract Services
 - Energy-related products and services to medium and large energy users.

Strategy 6

- Continue our community involvement and measure its effect on customers

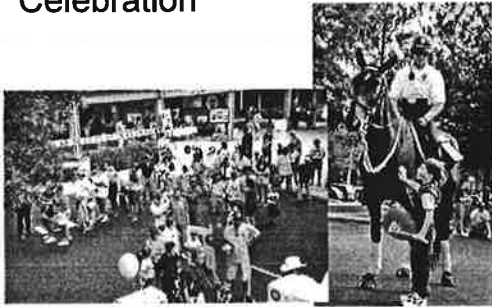
Community Involvement

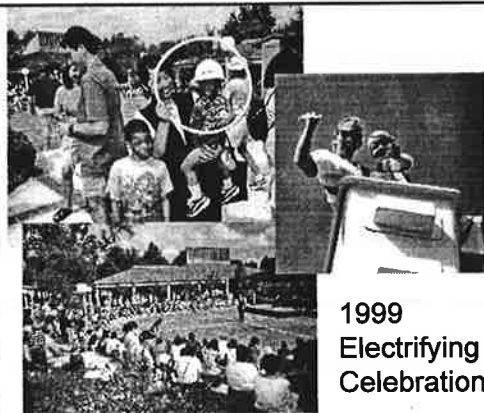
- Boulware Springs
 - Florida Wildlife renewed lease
- Summer House
- Solar in Schools Program
- Chapman's Pond and Nature Trails

Community Involvement

- Williams Elementary - tutoring, mentoring, fundraising, etc.
- Tree-Mendous Appreciation Day -
- Electrifying Celebration (move to downtown plaza - September 30)

1999 Electrifying Celebration





Official Energy Sponsor

- Build Customer Loyalty
 - Provide kids and families with a positive experience with GRU
- Reach out to at-risk youth and targeted minorities
- Deepen partnership with UF - one of our largest customers

Game Day with the Gators

- Last year:
 - 5,000 kids saw a Gator sports event last year
 - Disadvantage youth and minorities
 - School children
- Also provided opportunities to:
 - Customers
 - Our adopt-a-school Williams Elementary
 - Employees

Game Day with the Gators



Game Day with the Gators

- Disadvantaged youth programs
 - Richert House
 - Porters Youth Program
 - Coalition for Minority Health
 - Dignity Auto Club
 - Primetime
 - Teen Outlet Council
 - Big Brothers/Big Sisters

Game Day with the Gators



Strategy 7

- Develop new markets, products and services

New Revenue

- GRUCom
- GRUNet Dialup
 - Summer campaign
 - New CDs
- GRUNet High speed
 - Launched at Santa Fe Point

GRUCOM

GRUCOM Mission Statement

"Provide information infrastructure and integrated, low cost data communication services to the Gainesville Urban Area in such a manner as to minimize duplication of facilities, maximize inter-connectivity, simplify access, and promote the evolution of new technologies and business opportunities."

**GRUCOM
CARRIER INTERCONNECTIONS**

- BellSouth
- AT&T
- MCI/WorldCom
- Intermedia Communications, Inc. (ICI)
- Interstate Fibernet (IFN)
- Progress Telecom
- Ocala Electric Utilities
- Alltel (at Progress Center Node)

**GRUCOM
CELLULAR/PCS CUSTOMERS**

- U.S. Cellular
- Alltel
- Powertel
- PrimeCo
- Nextel
- Sprint PCS
- BellSouth Mobility

**GRUCOM
ISP/WEB DESIGN CUSTOMERS**

- AtlanticNet
- AccelerationNet
- Florida Digital Turnpike
- Colony One On-Line
- Cox Communications
- Live Wire Inc.
- RCI/Micromenders, Inc.
- OcalaNet

**GRUCOM
E-RATE CUSTOMERS**

- Alachua County Library District
- School Board of Alachua County
- Florida Information Resource Network (FIRN)

**GRUCOM SERVICES
AT MARCH 31, 2000**

		<u>Annualized Revenues (\$000)</u>
Fiber Transport		
-Circuits/Services	239	\$2,516
Tower Space Leasing		
-Active Leases	31	\$852
GRUNet		
-Customers	2,719	\$487
Trunking Radio		
-In Service Date	July 2000	
-Subscriber Units (Year 2)	2,548	\$1,645

**GRUCOM FIBER TRANSPORT
CIRCUITS/SERVICES & REVENUE GROWTH**

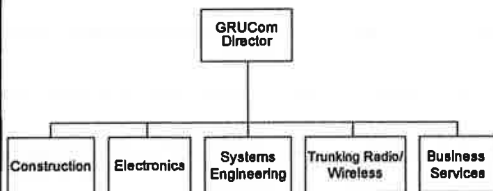
<u>FY End</u>	<u>No. Circuits/ Services</u>	<u>Annualized Revenue (\$000)</u>
1997	16	\$90
1998	61	\$793
1999	143	\$1,818
2000 (P/A)	321	\$3,482
2001 (P)	483	\$4,516
2002 (P)	685	\$5,972

GRUCOM CAPITAL BUDGET

(\$ Thousands)

	FY <u>2001</u>	FY <u>2002</u>
Backbone Fiber Network Expansion	\$1,782	\$1,155
Building Entry Costs	\$698	\$905
Internet Equipment	\$154	\$79
Trunking Radio	\$1,459	---
New Products & Services	\$1,507	\$1,107
Communication Towers	\$20	\$20
Software	\$75	---
Land & Land Rights	\$8	\$8
General Plant	<u>\$688</u>	<u>\$332</u>
TOTAL	\$6,390	\$3,606

GRUCOM FUNCTIONAL ORGANIZATION CHART



GRUCOM PERSONNEL REQUEST

- **Construction**
 - 1 new position
 - Create a second outside plant crew
 - Support growth
 - Reduce overtime

**GRUCOM
PERSONNEL REQUEST**

- **Electronics**
 - 1 new position
 - Support growth
 - Reduce overtime
 - Additional on-call

**GRUCOM
PERSONNEL REQUEST**

- **Engineering**
 - 1 new position
 - Support GRUCom lead engineer
 - Assist in sales engineering

**GRUCOM
PERSONNEL REQUEST**

- **TRSWireless**
 - 1 new position
 - Assist with operation and maintenance of TRS system
 - Support Electronics area in peak periods and on-call

**GRUCOM
O&M BUDGET
(\$Thousands)**

	FY 2000	FY 2001	(%)	FY 2002
	<u>Projection</u>	<u>Budget</u>	<u>Change</u>	<u>Budget</u>
O&M Salaries	\$370	\$484	30.9	\$504
Other Charges				
Fiber/Electronics Expenses	\$577	\$831	43.8	\$1,051
Internet Access Expenses	\$556	\$996	79.3	\$ 1,303
Trunking Radio Expenses	\$54	\$256	378.0	\$528
Miscellaneous Expenses	\$396	\$483	21.9	\$523
Total O&M Other Charges	\$1,583	\$2,566	62.1	\$3,405
Total O&M	\$1,953	\$3,050	56.2	\$3,909

**GRUCOM
FINANCIAL FORECAST
(\$ Thousands)**

	FY 2000	FY 2001	FY 2002
Gross Revenue	\$3,669	\$6,690	\$9,246
O&M Expenses	\$2,020	\$3,411	\$4,503
Debt Service	\$1,775	\$2,733	\$3,557
Net Income	(\$ 126)	\$ 546	\$1,186

NOTE: GAAP Basis

**GRUCOM
PLANT & DEBT FORECAST
(\$Thousands)**

	FY END 2000	FY END 2001	FY END 2002	FY END 2008
Plant In-Service	\$17,834	\$24,176	\$27,738	\$40,213
Net Debt	\$16,279	\$20,594	\$20,874	\$8,229

GRUCOM

**IT'S ABOUT MORE THAN MONEY
IT'S ABOUT ADDING VALUE TO THE
COMMUNITY**

- Competition and New Services
- Lower Prices
- Promoting Economic Development
- Positioning GRU for Competition

GRUCOM

BUT IT'S ALSO ABOUT MONEY

- Additional GFT
- A Valuable Network

Energy Supply

Energy Supply's Mission

- Provide the electric energy to meet GRU's retail customer and firm wholesale customer demand.
- Provide the natural gas to meet GRU's retail customer demand.
- Provide both gas and electricity at the lowest achievable price

Energy Supply Electric Customers

- Retail Electric Customers
- Firm Wholesale Customers: City of Alachua, Seminole (Clay Electric), FMPA
- Short Term Wholesale Purchasers: other utilities and power marketers

FY01 Firm Load & Peak Demand

	ENERGY MWH	PEAK DEMAND MW
GRU Retail	1,704,745	393
Seminole	48,832	12
Alachua	67,512	15
FMPA	67,385	43
	<u>1,888,474</u>	<u>463</u>
Non-firm Sales	94,088	

Electric Supply Portfolio

FY00 FY01

- Generation Capacity 550Mw 610Mw
- No Firm Purchases Planned FY01

Energy Supply Natural Gas Customers

- Retail Natural Gas Firm Customers
- Retail Natural Gas Interruptible Customers

Firm & Interruptible Load

	mmBtu
GRU Firm Load	1,922,577
GRU Interruptible Load	345,000
	<hr/>
	2,267,577

Gas Supply Portfolio

- Firm Interstate Pipeline Transportation Contracts
- Short Term Gas Supply Contracts
- TEA Developing Gas Management

Energy Supply A Commodity Business

- A kWh is a kWh, a Btu is a Btu
- The primary differentiators are price and reliability.

FY01 Electric Portfolio Cost

	FUEL	MWH	\$/MWH
DEERHAVEN 2	\$ 24,887,000	1,400,000	\$ 18
GAS UNITS	\$ 19,431,000	489,609	\$ 40
CR 3	\$ 384,000	90,000	\$ 4
PURCHASED POWER	\$ 3,397,000	78,603	\$ 43
O&M	\$ 16,401,999		
DEBT SERVICE	\$ 9,179,627		
TOTAL	\$ 73,660,626	2,058,212	\$ 36

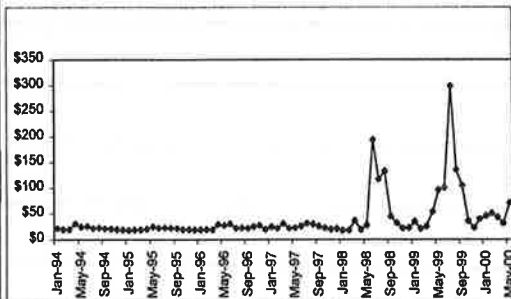
Electric Portfolio Risk Base Case

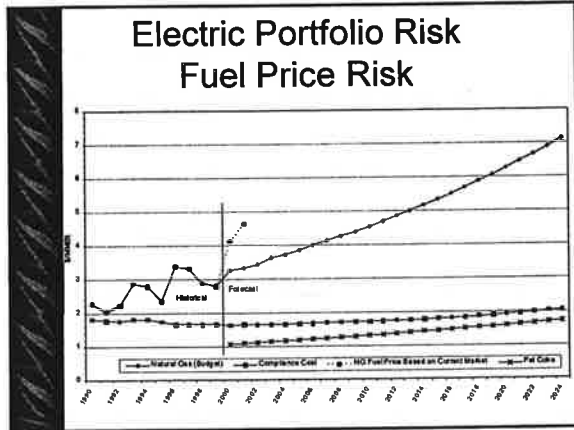
	FUEL COST	MWH	\$/MWH
DEERHAVEN 2	\$ 24,867,000	\$ 1,400,000	\$ 18
GAS UNITS	\$ 19,431,000	\$ 489,609	\$ 40
CR 3	\$ 384,000	\$ 90,000	\$ 4
GRU PRODUCTION	\$ 44,682,000	1,979,609	\$ 23
PURCHASED POWER	\$ 3,397,000	\$ 78,603	\$ 43
PLANNING PROJECTION	\$ 48,079,000	2,058,212	\$ 23

Electric Portfolio Risk DH 2 Summer Outage

DEERHAVEN 2	\$ 12,433,500	700,000	\$ 18
GAS UNITS	\$ 58,885,646	1,189,609	\$ 50
CR 3	\$ 384,000	90,000	\$ 4
GRU PRODUCTION	\$ 71,703,146	1,979,609	\$ 36
PURCHASED POWER	\$ 3,397,000	78,603	\$ 43
PLANNING PROJECTION	\$ 75,100,146	2,058,212	\$ 36
FUEL COST IMPACT	\$ (27,021,146)		

Electric Portfolio Risk Wholesale Power Prices





Energy Supply Organization

• Administration/Training	6
• Deerhaven Power Plant	96
• John R. Kelly Power Plant	32
• Power Engineering	7
• Fuels Management	2
• Control Area Operations	6
• Crystal River #3	0
• TEA	<u>0</u>
	149

Energy Supply Organization

• Deerhaven Power Plant	
Add 1 Lab Technician	
Manage waste disposal for both plants	
• John R. Kelly Power Plant	
Add 1 Instrument Technician	
Maintain added controls for CC 1	
• FY01 151	

Energy Supply FY01 Electric Budget

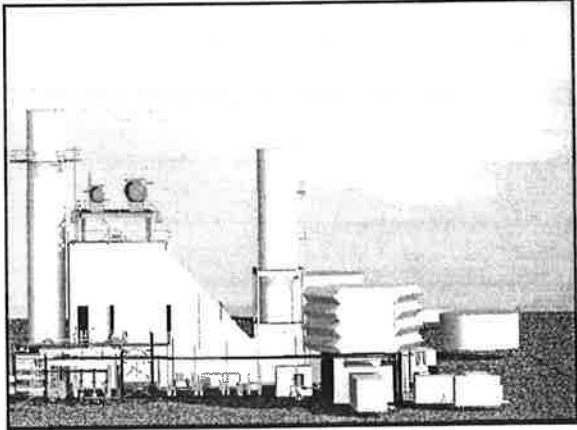
FUEL & PURCHASE POWER	\$ 48,079,000
TOTAL O&M	\$ 16,345,843
CAPITAL	\$ 13,475,337
TOTAL ENERGY SUPPLY	\$ 77,900,180

Energy Supply FY01 Gas Distribution Budget

•Gas Distribution Fuel \$8,653,000

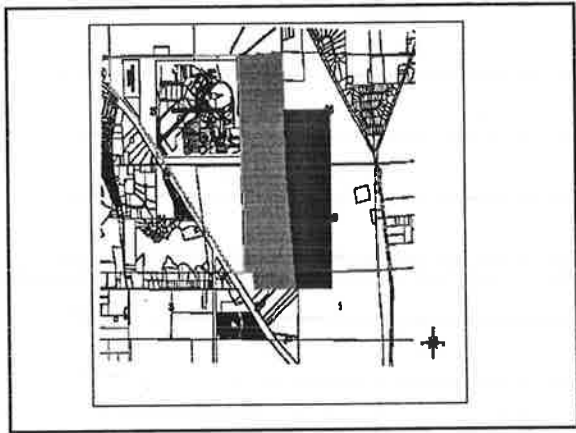
Energy Supply FY01 Major Projects

Completion of JRK CC1	\$ 7,150,000
JRK #6 Oil Site Remediation	\$ 2,000,000
Deerhaven Site Eastern Buffer	\$ 1,500,000









Energy Delivery

ENERGY DELIVERY

Mission Statement:
To design, construct, operate, and maintain GRU's electric and gas transmission and distribution systems in a safe, reliable, and economic manner consistent with industry accepted standards and the mission of the Utility.

Organization

°Electric T&D	George Dix
°Gas T&D	Tommy Brazeal
°Substation/Relay	Randy Williams
°Metering	Raleigh Alligood
°Engineering	Reid Rivers
°System Control	John Tisdale

Customers

•External:

- ° 71,430 Residential electric
- ° 8,488 Commercial electric
- ° 18 Large power electric
- ° 27,052 Residential gas
- ° 1,629 Commercial gas
- ° 2 Transportation gas

Customers

•Internal

- °General Government
 - Public Works
 - Streets
 - Parks and Recreation
- °GRU
 - GRUCom
 - Energy Supply
 - Marketing
 - Water & Wastewater

Strategies

- **Maintain Superior Systems Reliability**
 - Integrated System Construction
 - Infrastructure Maintenance
 - Load Diversification
 - New Technology Application
- **Control Delivery System Costs**
 - Flexible Work Force
 - Economies of Scale
 - Infrastructure Optimization
 - Sustainable Undergrounding Plan

1999-2000 Accomplishments

- Teams and Task Forces
- Capital Improvements
- O&M Activities
- Special Projects
- System Reliability
- Safety

Teams and Task Forces

- Diversified Resources Team
- Joint Line Locate Team
- Metering/Measurement Team
- Time & One Half Team
- Lineworker Progression Team
- Right of Way Utilization Task Force
- New Business Development Task Force

Diversified Resources Team

• **Mission:** Determine the feasibility of developing craft workers skilled in both electric and gas distribution systems construction.

• **Results:**

- New Classification, "Line Technician"
- Emphasis on underground construction
- Progression Through Training Program
- Customer satisfier
- Cost effective

Joint Line Locate Team

• **Mission:** Determine the feasibility of developing workers skilled in identifying and locating the underground infrastructure of all utility distribution systems.

• **Results:**

- New Classification, "Utilities Location Technician"
- Progression Through Training Program
- Centralized Locating Function
- Customer satisfier
- Cost effective

Metering/Measurement Team

• **Mission:** Determine the feasibility of combining electric metering and gas measurement functions within a common operating area.

• **Results:**

- Common operating practices identified
- Common business practices established
- Integration in progress
- Personnel additions avoided
- Cost effective

Time & One Half Team

- **Mission:** Review Article 13 of the CWA contract.
 - Determine intent of each provision
 - Recommend clarification as needed
 - Identify business needs not addressed
- **Results:**
 - Common interpretation of each provision
 - Contract language simplified/clarified
 - New business needs addressed
 - Recommendations submitted to the IBBT

Lineworker Progression Team

- **Mission:** Determine the benefit and feasibility of developing progression through training program for journey level electric lineworkers.
- **Results:**
 - Progression Through Training Program
 - Advanced Technical Training
 - Computer Skills
 - Competitive Advantage

Right of Way Utilization Task Force

- **Mission:** Review ROW/Easement policies.
 - Determine allowable usages
 - Recommend control mechanisms
 - Recommend a schedule of charges
- **Results:**
 - Manage ROW interest and investment
 - Permit certain usages
 - Establish application and usage fees
 - Establish fees to release legal rights

New Business Development Task Force

- **Mission:** Identify and evaluate new or expanded business opportunities. Generate business cases as warranted.
- **Results:**
 - Contract Services
 - System Expansion/Development
 - Stand-by Generators
 - Distributed Generation

Capital Improvements

- **Distribution Circuit Additions**
 - Millhopper S/S (2)
 - Sugarfoot S/S (1)
- **Energy Management System**
- **Electric System Renewal**
 - Install aerial cable or underground cable
- **Gas System Renewal**
 - Install cast iron pipe in lieu of plastic pipe
- **Gas and Electric System Expansion**
 - Response to customer growth

O&M Activities

- **Equipment Maintenance Program**
 - Switches, breakers, relays, and metering equipment
 - Gates, valves, and measurement equipment
- **Annual Disaster Drill**
 - Multi-discipline in nature
- **Lighting Program**
 - Mercury vapor to high pressure sodium
 - Area lights to cut-off luminaires

Special Projects

- **Vegetation Management Services**
 - Forest
 - Deerhaven
 - Airport
 - Transmission ROW
 - Large Central Florida Municipal
 - Distribution System
 - Small Municipals
 - Co-Host the Florida Vegetation Management Association

Special Projects

- **Gas System Expansion (LICAP)**
- **"Energy Delivery Service Guide"**
- **Distributed Generation**
 - Service, not a product
 - Emergency generation and utility dispatched generation
 - Long term commitment
- **Emergency Generation**
 - Service, not a product
 - Variable contract term

Special Projects

- **Operating/Engineering Services**
 - Municipals
 - Large Power Customers
- **Georgia Power storm assistance**
- **Field Survey**

Safety

- American Public Power Association
 - Honorable mention
 - National recognition
- Florida Municipal Association
 - First Place
 - Statewide recognition

2000-2001 Plans

- Teams and Task Forces
- Capital Improvements
- O&M Activities
- Special Projects
- Safety

Teams and Task Forces

- New Business Development Task Force
 - An on-going effort
- Interconnection Task Force
 - Develop interconnection requirements and specifications for small and large generation projects.
 - Green power solutions
 - Conventional power solutions

Capital Improvements

- Complete Rocky Point PDS, SW 27th St
- Expand automated distribution capabilities
- Construct NW gate station, Deerhaven
- Upgrade EMS to Oracle
- Acquire Outage Management System
- Convert gas maps/records to AM/FM

Capital Improvements

- Electric Distribution System
 - Arterial and major collector OH to UG conversion
 - Neighborhood reconstruction
 - aerial cable
 - underground renewal
 - OH to UG conversions
 - New customer requirements
- Gas Distribution System
 - Improve supply in the City core
 - Replace iron pipe with plastic
 - New customer requirements

O&M Activities

- Training
 - Apprentice Lineworkers
 - Gas Workers (federal requirement)
- Equipment Maintenance Program
 - Expand to include underground and padmounted equipment
 - Gates, valves, and measurement equipment
- Annual Disaster Drill
- Lighting Program
 - First full year

Special Projects

- Vegetation Management Services
 - Host the Florida Vegetation Management Association in Gainesville
- Gas System Expansion
- Distributed Generation
- Emergency Generation
- Operating/Engineering Services

Safety

- Reinforce that our employees are the most precious resource
- Remain focused in a changing environment
- Strive for excellence on a national and state level (gas and electric)

2000-2001 Budget

- O&M Budget (page B45)
 - FY2000 projection reflects the fact that numerous vacancies have been difficult to fill.
 - Lineworkers
 - Technicians
 - Engineers

2000-2001 Budget

*FY2001 request reflects:

- three regular personnel transferred from other areas of the utility.
 - Water & Wastewater (2)
 - GRUCom (1)
- four temporary full time personnel enrolled in the utility trainee/ apprentice lineworker program.
 - Affirmative Action Driven
 - Employee Retention Driven
 - Business Driven

2000-2001 Budget

- Numerous organizational changes
 - Metering measurement Team
 - Joint Locate Team
 - Diversified Resources Team
- Trunking Radio System charges hit for the first time.

Water/Wastewater

Water Wastewater Systems

Mission Statement (B29)

Design, construct, operate and maintain the City's water, wastewater and reclaimed water facilities in a safe, reliable and economical manner.

Water Wastewater Systems

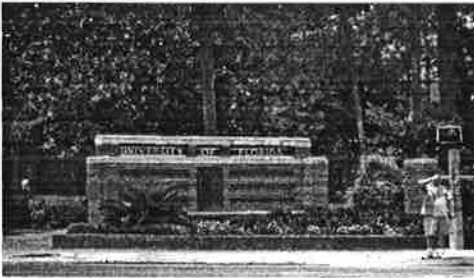
An Overview (B29 and B31)

- Water production
- Water transmission & distribution
- Wastewater collection
- Wastewater treatment
- Transmission and distribution of reclaimed water

Major Market Segments

- Commercial
- Residential

University of Florida



Apartments



Chapman's Pond



Major Projects and Programs (B30)

- Kanapaha Water Reclamation Program
- MSWWTP UV Disinfection
- MWTP Well Field Expansion
- MWTP Upgrades
- LS Upgrades and I&I Reduction

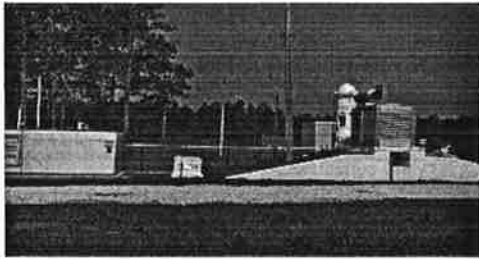
Aeration Basin



Chlorine Tanks



Murphree Wells



Murphree Upgrades



Lift Stations



Water System Enhancements

Problem

- Drought worst since 1915
- Loss of Production Capacity resulting in Inability to fill ground storage reservoirs
- Exorbitant Levels of Irrigation

Plant Ground Storage Tanks



System Water Storage Tank



Irrigation



Pipeline



Capital Budget Wrap Up (C1)

Capital Planning (Millions of Dollars)

FY	Water	Wastewater
1999-00	\$4.41	\$4.99
2000-01	\$4.93	\$4.49

O&M and Personal Services

- 2.2% increase in O&M (B33)
- No increases in personnel (D9)
- General reduction has occurred by teaming
- IBB Process
- Supervisory Rotation
- Hope Team (Benchmarking)
- Flex Team (Flexible Workforce)
- Outside Services (increased revenues)

Supervisory Rotation



Hope Team



Financial Summary

Review of FY 2001 Budget

- Flow of Funds
- Operation and Maintenance Expenses (O&M)
- Debt Service
- Capital Budget
- Personal Services

Flow of Funds

- Required Under Bond Resolution
- Essentially a Cash Flow Basis
- Budget Document

Operation & Maintenance (O&M) Expenses

- Major Projects Discussed
- Total GRU
- Major Differences

Capital

- Projects Discussed
- Plan for Current Plus 5 Budget Years
- Total GRU

Types of Debt

- Utilities are Capital Intensive
- Two Types:
 - Senior Lien (Fixed Rate) Debt
 - first priority lien
 - similar to preferred stock
 - Subordinated Debt
 - second priority lien
 - similar to common stock

Debt (Bond) Ratings

- AA (Double A) by both Standard & Poors Corp and Moody's Investors Service
- Only 16 Others in Nation
- Recently Reaffirmed
- Short-term Ratings in Highest Category Also
- Results in Lower Debt Costs

Outstanding Debt October 1, 1992

- Total Debt Outstanding \$493 million
- Senior Lien:
 - Fixed Rate \$323 million (65.5%)
- Subordinated Debt:
 - Fixed Rate \$100 million (20.3%)
 - Variable Rate \$ 70 million (14.2%)

Outstanding Debt October 1, 1999

- Total Debt Outstanding \$380 million
- Senior Lien:
 - Fixed Rate \$351 million (92.4%)
- Subordinated Debt:
 - Fixed Rate none
 - Variable Rate \$ 29 million (7.6%)

Debt Service

- \$416 Million dollars of debt currently outstanding
- Generates Debt Service (Principal and Interest) Requirement in FY 2001 of \$40.3 million

Forecast of Additional Debt Required - FY 2001/2006

- Forecasted Capital Projects FY 2001/06 is \$228.6 million
 - Approximately \$173 million funded through Utility Plant Improvement Fund
 - New money financing of approximately \$31 million in 2001
 - Balance from funds on hand and interest earnings

Personal Services

- Summary of Requested Positions
- Added/Deleted Positions

