RESPONSE TO COMMISSION QUESTIONS
FROM MARCH 30, 2006

Gainesville Regional Utilities
April 12, 2006

1. How would the option of Maximum DSM combined with the CFB and IGCC options compare to the options already evaluated?

The summary discussion report provided to the Commission on March 28, 2006 has been updated to include these two new options and is available under separate cover, and the updated Decision Matrix will be available for the April 12, 2006 meeting. ICF Consulting developed these options at staff's request by re-running the CFB and IGCC energy supply options using the forecast developed to reflect the Maximum DSM case (using the TRC conservation cost-effectiveness criteria). For each of these two cases, 36 scenarios were run. These included two modified load and energy forecasts, three carbon price scenarios, three natural gas price scenarios, and two biomass price cases (2x3x3x2=36). For these two new energy supply options, evaluations were performed for:

1. *Revenue requirements;*
2. *Carbon Emissions; and*
3. *Jobs created;*

The analyses allowed staff to estimate the average retail rates associated with each option as well as to calculate the ranking factors used in the Decision Matrix exercised by the Commission on March 30, 2006. Due to time constraints, the economic value of the health effects could not be evaluated in time for the April 12 meeting, however the values associated with the CFB and IGCC alternatives under the RIM case options were assigned as reasonable assumptions for discussion purposes.

2. What are the economic consequences of postponing the decision to construct additional solid fuel capacity? How would not renewing our wholesale contracts affect that outcome?

Relatively detailed financial projections of overall utility costs for construction of a 220 MW solid-fuel fired CFB to come on line in 2011, as compared to purchasing power from the wholesale economy market, were prepared for the City Commission in May of 2005. These results are summarized in Table 2 below, showing the fuel costs, the debt service associated with the new unit, and the remaining ongoing utility costs for existing generation, transmission, distribution, etc. The proposed new unit pays for itself in fuel cost savings, for a net benefit of over 20 million dollars in 2011, and would reflect a similar cost in each year of delay.

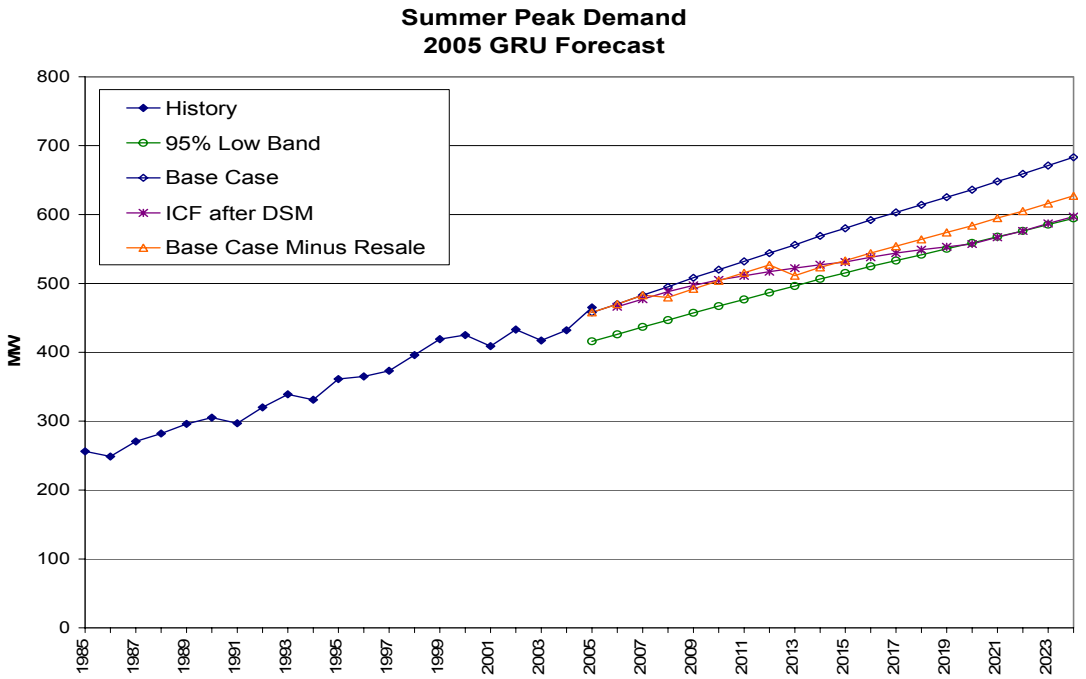
TABLE 1
THE COST OF DELAY
Annual Revenue Requirements in 2011
($x1,000,000)

Cost Category	Solid Fuel Scenario	Market Scenario	Cost of Delay
Other Expenses [a]	137	137	0
New Debt Service	23	0	-23
Fuel	51	95	43
Total Revenue Requirements	212	232	20

a. Non-Fuel generation expenses, A &G, Transmission and Distribution, GFT, existing debt service, etc.

Figure 1 below compares the effects of not renewing GRU's wholesale contracts and maximum DSM on the base and low forecasts of energy and load already tested. Under the 95% low band, solid fuel capacity was the least cost option. Since the Maximum DSM and non-renewed wholesale power contract scenarios are close to the low band already tested, it would appear reasonable to believe that solid fuel capacity would still be economically justifiable, subject to further analysis.

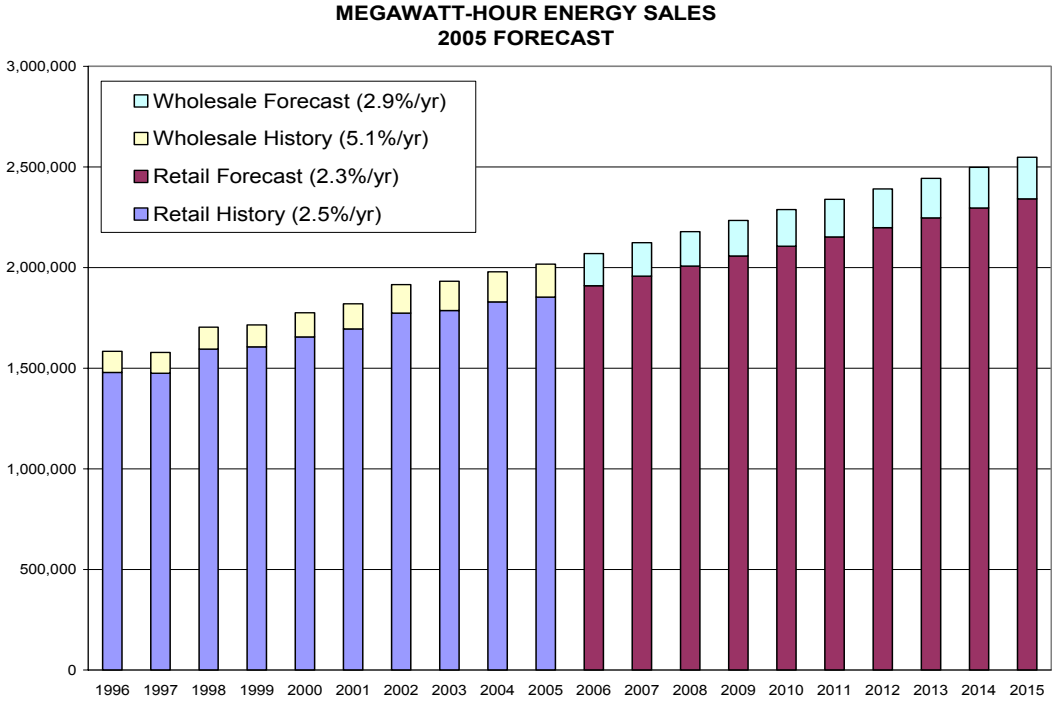
FIGURE 1



4. What are the relative growth rates of native and wholesale load (A citizen reported it to be 1% and 12% respectively)? What would not renewing the wholesale contract do to our load projections?

Our long term forecasts are based on long term statistical analyses of sales, weather, and population forecasts. We forecast future retail load growth (2.3%) to be slower than historically (2.5%) and future wholesale growth (2.9%) to be slower than history (5.1%).

FIGURE 2



4. What are the consequences of using Biomass on the transportation network, air emissions from trucks, etc., as well as any ecosystem implications?

If the Commission should choose an option involving biomass, all of these implications would have to be addressed and evaluated as part of the Site Certification process.

6. How can the public become involved in the development of DSM plans and programs?

The adoption of the of the TRC cost-effectiveness test would necessitate the development of a whole new DSM plan. Staff plans to include the initial phases of a

new plan in the budget proposals for FY 07 and FY 08. Staff intends to seek information and advice from a wide range of sources, including other communities, consultants, and the public. Staff is currently planning visits to a number of utilities in the near future, and would like to include member(s) of the City Commission and the Gainesville Energy Advisory Committee (GEAC) on these trips. GEAC is the Commission's standing citizen advisory committee on energy conservation. Over the years, GEAC has been very proactive in engaging the public in policy issues, and was the group that sponsored the Community Outreach Workshops that began the energy supply discussion the Commission is currently engaged in. The Commission could formally refer public participation in DSM planning to GEAC. The concept of an "All Source Solicitation" for load and energy reduction proposals is a further extension of this concept as presented by staff on March 30, 2006, could also create diverse public input to the process. Staff anticipates that the new DSM plan will require a phased implementation approach in order to create and test the appropriate procedures and monitor the effectiveness of the programs as they unfold.

7. How much do people's bills go down in the Maximum DSM case?

Under the Maximum DSM case an individual customer's bills will not go down unless they reduce their personal energy use. The Maximum DSM option as presented by ICF (based on the TRC conservation cost-effectiveness test) did not result in the lowest overall revenue requirements, and it resulted in the highest cost per kilowatt-hour. As an option, Maximum DSM has other benefits in terms of reduced emissions. Maximum DSM, by itself, will require the costly purchase of power imported over the power grid. Combining Maximum DSM with an IGCC or a CFB unit is less costly, as a less costly alternative to these purchases is provided. Table 3 compares a residential customer's bill under three energy plan options, and shows the amount of conservation required to leave that customer whole under a maximum DSM case.

TABLE 2
ENERGY USE REQUIRED TO MATCH MONTHLY BILLS
UNDER DIFFERENT ENERGY PLAN OPTIONS

Monthly Kilowatt-Hours	2025 Residential Monthly Bill			
	IGCC	IGCC w/ Max. DSM	Max. DSM w/ Power Imports	% Kilowatt-Hour Reduction
1000	$157.54	$163.68	$181.77	na
962	na	$157.54	na	3.8%
867	na	na	$157.54	13.3%

[

8. What would the result be if the investment in DSM was substantially more than the amounts present by ICF?

Figure 5 below presents data provided by ICF that indicates strongly diminished returns from levels of investment with benefits to cost ratios less than 0.50.

FIGURE 3