

Gainesville Regional Utilities

Quarterly Financial Statements

1st Quarter Ended December 31st, 2009



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**Gainesville Regional Utilities
Quarterly Financial Statements
Quarter Ended December 31st, 2009**

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Management Overview and Analysis

Overview

The City of Gainesville, Florida owns and operates a combined utility system doing business as Gainesville Regional Utilities (GRU) which provides five separate utility functions. The utility functions consist of an electric generation, transmission and distribution system (Electric System), water production and distribution system (Water System), wastewater collection and treatment systems (Wastewater System), natural gas distribution system (Gas System) and a telecommunication system (GRUCom). Each of these systems is accounted for internally as a separate enterprise fund but reported as a combined utility system for external financial reporting purposes.

We offer readers this management discussion and analysis of the utility system's financial statements for the quarter ended December 31, 2009. It should be read in conjunction with the financial statements that follow this section.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting, under Generally Accepted Accounting Principles (GAAP). Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred. Additionally, separate financial statements are presented in accordance with the amended and restated Utilities System Revenue Bond Resolution (Bond Resolution). In the Bond Resolution statements, rates are designed to cover operating and maintenance expense, debt service and other uses, which exclude depreciation expense and other non-cash expense items.

The Bond Resolution financial statement method of reporting is utilized for the determination of rates. It results in costs being included in different periods than when these costs are recognized for GAAP financial statement purposes.

Gainesville Regional Utilities has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC).

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Financial Statements

Gainesville Regional Utilities
COMBINED UTILITIES FUNDS
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2009

This Year	Quarter Last Year	Change	Change (%)		Year to Date	FY 10 Budget	FY 10 Projected	Change (%)
				REVENUES:				
32,876	29,893	2,983	10.0	Total Native Load Sales of Electricity	32,876	121,980	121,980	-
782	610	172	28.2	Interchange Sales	782	1,850	1,850	-
28,262	25,595	2,667	10.4	Fuel Adjustment	28,262	113,320	113,320	-
1,613	802	811	101.2	Other Revenues	1,613	12,313	12,313	-
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
479	620	(141)	(22.7)	Interest Income	479	1,946	1,916	(1.6)
<u>64,012</u>	<u>57,520</u>	<u>6,492</u>	<u>11.3</u>	Total Electric Revenues	<u>64,012</u>	<u>251,408</u>	<u>251,378</u>	<u>(0.0)</u>
6,454	6,650	(196)	(2.9)	Sales of Water	6,454	28,831	25,948	(10.0)
5	579	(574)	(99.1)	Other Water Revenues	5	1,842	1,691	(8.2)
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
44	60	(16)	(27.0)	Interest Income	44	274	176	(35.8)
<u>6,503</u>	<u>7,289</u>	<u>(786)</u>	<u>(10.8)</u>	Total Water Revenues	<u>6,503</u>	<u>30,948</u>	<u>27,815</u>	<u>(10.1)</u>
7,636	7,880	(244)	(3.1)	Wastewater Billings	7,636	31,540	29,025	(8.0)
52	452	(400)	(88.6)	Other Wastewater Revenues	52	4,934	4,578	(7.2)
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
75	102	(27)	(26.3)	Interest Income	75	497	300	(39.6)
<u>7,763</u>	<u>8,434</u>	<u>(671)</u>	<u>(8.0)</u>	Total Wastewater Revenues	<u>7,763</u>	<u>36,971</u>	<u>33,903</u>	<u>(8.3)</u>
2,974	4,712	(1,738)	(36.9)	Sales of Gas and Service	2,974	13,197	13,197	-
2,356	4,725	(2,369)	(50.1)	Purchased Gas Adjustment	2,356	14,678	14,678	-
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
88	129	(41)	(31.7)	Interest Income	88	554	352	(36.5)
<u>5,418</u>	<u>9,566</u>	<u>(4,148)</u>	<u>(43.4)</u>	Total Gas Revenues	<u>5,418</u>	<u>28,429</u>	<u>28,227</u>	<u>(0.7)</u>
2,893	2,525	368	14.6	Sales of GRUCom Services	2,893	10,975	10,975	-
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
63	81	(18)	(22.2)	Interest Income	63	543	321	(40.9)
<u>2,956</u>	<u>2,606</u>	<u>350</u>	<u>13.4</u>	Total GRUCom Revenues	<u>2,956</u>	<u>11,518</u>	<u>11,296</u>	<u>(1.9)</u>
<u>86,651</u>	<u>85,415</u>	<u>1,236</u>	<u>1.4</u>	TOTAL REVENUES	<u>86,651</u>	<u>359,274</u>	<u>352,619</u>	<u>(1.9)</u>
				OPERATION & MAINTENANCE EXPENSES:				
				Electric Fund:				
				Fuel Expense:				
23,211	29,680	(6,469)	(21.8)	Retail & Purchased Power	23,211	113,320	113,320	-
763	361	402	111.5	Interchange	763	1,200	1,200	-
<u>23,974</u>	<u>30,041</u>	<u>(6,067)</u>	<u>(20.2)</u>	Total Fuel Expense	<u>23,974</u>	<u>114,520</u>	<u>114,520</u>	-
8,099	9,100	(1,001)	(11.0)	Operation & Maintenance Expense	8,099	38,395	38,395	-
4,662	4,653	9	0.2	Administrative & General Expense	4,662	19,022	19,022	-
<u>36,735</u>	<u>43,794</u>	<u>(7,059)</u>	<u>(16.1)</u>	Total Electric Fund Expenses	<u>36,735</u>	<u>171,937</u>	<u>171,937</u>	-

Gainesville Regional Utilities
COMBINED UTILITIES FUNDS
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2009

This Year	Quarter Last Year	Change	Change (%)		Year to Date	FY 10 Budget	FY 10 Projected	Change (%)
1,606	1,911	(305)	(16.0)	Water Fund:	1,606	7,377	7,027	(4.7)
1,126	993	133	13.4	Operation & Maintenance Expense	1,126	4,772	4,772	-
2,732	2,904	(172)	(5.9)	Administrative & General Expense	2,732	12,149	11,799	(2.9)
				Total Water Fund Expenses				
1,398	1,920	(522)	(27.2)	Wastewater Fund:	1,398	7,168	7,168	-
1,337	1,050	287	27.3	Operation & Maintenance Expense	1,337	6,063	6,063	-
2,735	2,970	(235)	(7.9)	Administrative & General Expense	2,735	13,231	13,231	-
				Total Wastewater Fund Expenses				
3,774	5,876	(2,102)	(35.8)	Gas Fund:	3,774	14,678	14,678	-
360	457	(97)	(21.3)	Fuel Expense - Purchased Gas	360	1,337	1,337	-
817	759	58	7.6	Operation & Maintenance Expense	817	3,546	3,546	-
4,951	7,092	(2,141)	(30.2)	Administrative & General Expense	4,951	19,560	19,560	-
				Total Gas Fund Expenses				
892	678	214	31.6	GRUCom Fund:	892	3,497	3,783	8.2
521	482	39	8.1	Operation & Maintenance Expense	521	1,756	1,756	-
1,413	1,160	253	21.8	Administrative & General Expense	1,413	5,253	5,539	5.4
				Total GRUCom Fund Expenses				
48,566	57,920	(9,354)	(16.1)	Total Operation & Maintenance Expenses	48,566	222,129	222,066	(0.0)
				NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION:				
27,258	13,477	13,781	102.3	Electric - Retail & Wholesale	27,258	78,822	78,791	(0.0)
19	249	(230)	(92.5)	Electric - Interchange	19	650	650	-
27,277	13,726	13,551	98.7	Total Electric Fund	27,277	79,472	79,441	(0.0)
3,771	4,385	(614)	(14.0)	Water Fund	3,771	18,799	16,016	(14.8)
5,028	5,464	(436)	(8.0)	Wastewater Fund	5,028	23,740	20,672	(12.9)
468	2,474	(2,006)	(81.1)	Gas Fund	468	8,869	8,667	(2.3)
1,542	1,446	96	6.7	GRUCom Fund	1,542	6,265	5,757	(8.1)
38,085	27,495	10,590	38.5	TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	38,085	137,145	130,554	(4.8)
15,645	13,789	1,856	13.5	DEBT SERVICE	15,645	74,270	73,310	(1.3)
8,205	8,052	153	1.9	UPIF CONTRIBUTIONS	8,205	32,818	32,818	-
5,665	8,651	(2,986)	(34.5)	TRANSFER TO GENERAL FUND	5,665	35,141	34,712	(1.2)
66	131	(65)	(49.8)	NUCLEAR DECOMMISSIONING/FUEL DISPOSAL	66	359	359	-
8,505	(3,128)	11,633	(371.9)	NET INCOME/(DEFICIT)	8,505	(5,443)	(10,645)	95.6

(1) Projected Aggregate Debt Service Coverage Ratio	137,145	130,554
	71,948	72,046
=	1.91	1.81
(2) Projected Total Debt Service Coverage Ratio	137,145	130,554
	74,270	73,310
=	1.85	1.78

Electric Revenue Fund Financial Performance Discussion

Total electric sales revenues for FY10, exclusive of fuel adjustment, have increased by 10.3% over FY09. However, actual megawatt sales have only increased by roughly 4% in FY10 from FY09. The increase in revenue largely reflects the base rate increase implemented as of October 1, 2009. This held true for General Service and Large Power revenues, which collectively showed increases of 18.3% in revenues. However, the collective megawatt sales for this categories actually increased by only 5.7% in FY10 compared to FY09.

Fuel Adjustment Revenue has increased by almost 10% over the prior year results, which is comparable to the increase in total sales of electricity.

Retail and Purchased Power Expense for the first three months is nearly 22% less than for the first three months of the prior fiscal year. Fuel Expense is expected to be lower than budget due to lower fuel prices accomplished through the hedging program.

Interchange sales and interchange fuel expense have both increased compared with the prior fiscal three month results due to the availability of more excess marketable generation from our plants because of reduced native load consumption.

Other Electric Sales in the first quarter FY10 have decreased by 22.5% compared to FY09. However, these revenues are projected to meet their FY10 budget. Other Revenues have increased by 101.2% from this quarter in FY09, reflecting the sales related to the Shands South Energy Center.

Interest income for FY10, as compared to FY09, decreased in the Electric Revenue Fund by 22.7% due to an overall lower return on the investment portfolio due to market changes. Investment returns are lower for all systems given the current economic climate of low interest rates. Additionally, the Electric Revenue Fund fared slightly better than other systems due to a smaller withdrawal from the Rate Stabilization Fund than expected for FY09.

Electric Revenue Fund
Financial Performance Discussion cont.

Steam Power Generation expenses for FY10 are down slightly from FY09 by 10.2%, while Nuclear Power Generation expenses are comparable. Other Power Generation expenses have decreased in FY10 from FY09 by 19.5% due to the completion of overhaul work performed last year on the Deerhaven Unit #3 Combustion Turbine in FY09.

Customer Accounts and Sales expenses are down 5.5% from this same quarter in FY09. This is largely due to reductions of overtime in Field Service which accounts for a \$50k reduction. Additionally, General Marketing expenditures have been reduced in an effort to realize cost savings. Administrative and General expenses are up moderately by 3.6%, due mainly to increased labor and associated cost allocations being made to O&M, due to reduced capital expenditures within the system.

Debt Service expenses increased from FY09 primarily because of a scheduled increase in principal payments for the 2005C, and 2006A bonds. Additionally, due to the issuance of the 2009A and 2009B bonds, there is an increase to debt service cost for the principal and interest payments associated with this new debt. The increase in debt service expense is somewhat mitigated by low interest rates on most of GRU's variable rate debt.

We are projected to end the year close to the budgeted net deficit. There was a programmed withdrawal from Rate Stabilization Fund of just over \$8m for the current year. Projected results show a withdrawal of nearly \$7.9m.

Gainesville Regional Utilities
ELECTRIC REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2009

This Year	Last Year	Quarter Change	Change (%)		Year to Date	FY 10 Budget	FY 10 Projected	Change (%)
13,651	12,416	1,235	9.9	REVENUES:	13,651	57,095	57,095	-
15,980	13,507	2,473	18.3	Residential Sales	15,980	57,014	57,014	-
782	610	172	28.2	General Service & Large Power	782	1,850	1,850	-
797	812	(15)	(1.8)	Interchange Sales	797	3,549	3,549	-
2,446	3,158	(712)	(22.5)	Utility Surcharge	2,446	4,321	4,321	-
				Other Electric Sales ⁽¹⁾				
33,658	30,503	3,155	10.3	Total Sales of Elec. Before Fuel Adj	33,658	123,830	123,830	-
28,262	25,595	2,667	10.4	Fuel Adjustment	28,262	113,320	113,320	-
61,919	56,098	5,821	10.4	Total Sales of Electricity	61,919	237,149	237,149	-
1,613	802	811	101.2	Other Revenues ⁽²⁾	1,613	12,313	12,313	-
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
479	620	(141)	(22.7)	Interest Income	479	1,946	1,916	(1.6)
64,012	57,520	6,492	11.3	Total Revenues	64,012	251,408	251,378	(0.0)
				OPERATION & MAINTENANCE EXPENSES:				
				Power Production Expenses:				
				Fuel Expense:				
23,211	29,680	(6,469)	(21.8)	Retail & Purchased Power	23,211	113,320	113,320	-
763	361	402	111.5	Interchange	763	1,200	1,200	-
23,974	30,041	(6,067)	(20.2)	Total Fuel Expense	23,974	114,520	114,520	-
4,539	5,054	(515)	(10.2)	Steam Power Generation Expense	4,539	22,656	22,656	-
418	417	1	0.2	Nuclear Power Generation Expense	418	1,435	1,435	-
133	165	(32)	(19.5)	Other Power Generation Expense	133	1,310	1,310	-
253	282	(29)	(10.1)	System Control & Load Dispatching	253	1,132	1,132	-
29,317	35,959	(6,642)	(18.5)	Total Power Production Expenses	29,317	141,053	141,053	-
				Transmission & Distribution Expenses:				
260	265	(5)	(1.9)	Transmission Expense	260	1,266	1,266	-
2,496	2,917	(421)	(14.4)	Distribution Expense	2,496	10,596	10,596	-
2,756	3,182	(426)	(13.4)	Total Transmission & Distribution	2,756	11,862	11,862	-
				Administrative & General Expenses:				
1,626	1,721	(95)	(5.5)	Customer Accounts & Sales Expense	1,626	7,902	7,902	-
3,037	2,932	105	3.6	Administrative & General Expense	3,037	11,120	11,120	-
4,662	4,653	9	0.2	Total Administrative & General	4,662	19,022	19,022	-
36,735	43,794	(7,059)	(16.1)	Total Operation & Maintenance Expenses	36,735	171,937	171,937	-

(1) Other Electric Sales - Wholesale sales, traffic signals, streetlights and rental lights.

(2) Other Revenues - Commercial lighting, service charges, miscellaneous.

Gainesville Regional Utilities

**ELECTRIC REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2009**

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This Year	Last Year	Quarter Change	Change (%)		Year to Date	FY 10 Budget	FY 10 Projected	Change (%)
26,824	13,477	13,347	99.0	NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION:	26,824	78,822	78,791	(0.0)
19	249	(230)	(92.5)	Retail & Wholesale Interchange	19	650	650	-
26,842	13,726	13,116	95.6	TOTAL NET REVENUE IN ACCORDANCE WITH BOND RESOLUTION	26,842	79,472	79,441	(0.0)
10,088	9,011	1,077	12.0	DEBT SERVICE	10,088	47,378	47,281	(0.2)
4,941	4,803	138	2.9	UPIF CONTRIBUTIONS	4,941	19,764	19,764	-
3,334	5,011	(1,677)	(33.5)	TRANSFER TO GENERAL FUND (Includes incentive)	3,334	20,004	20,017	0.1
66	131	(65)	(49.8)	NUCLEAR DECOMMISSIONING/FUEL DISPOSAL	66	359	359	-
8,413	(5,230)	13,643	(260.9)	NET INCOME/(DEFICIT)	8,413	(8,033)	(7,980)	(0.7)

Water Revenue Fund Financial Performance Discussion

The decrease in FY10 revenue reflects decreased consumption largely due to higher than average rainfall for this period. The decrease is somewhat offset by the base rate increase in FY10 over FY09 for the Water System implemented as of October 1, 2009. Actual k-Gal sales for first quarter FY10 are 4.0% lower compared to FY09 sales for the same period. Overall these lower sales are predicted to result in a Total Sales of Water decrease of 10% for FY10.

Utility Surcharge is down by 25% and Other Revenues are down 39% in first quarter FY10 compared to FY09. This is largely a function of the continued downturn in the new housing and construction market, as connection revenues are down. Additionally, many developers paid connection charges in the final quarter of FY09 in anticipation of FY10 rate increases. This results in a depressed revenue figure for the first quarter of FY10.

Interest income for FY10, as compared to FY09, decreased in the Water Revenue Fund by 27% due to an overall lower return on the investment portfolio due to market changes. Investment returns are significantly less for all systems given the current economic climate of low interest rates. Additionally, the Water System made a 36.7% higher net withdrawal from the Rate Stabilization Fund for FY09, giving it a proportionately smaller amount to invest.

Water Treatment expense is down 22.3% compared to the first three months in FY09. This corresponds to lower variable costs associated with decreased consumption as well as reallocating certain managerial and administrative labor to Administrative and General costs in an effort to more accurately reflect costs. Water Distribution expense is comparable to FY09.

Customer Accounts and Sales expense has decreased in FY10 from FY09 by \$60k, due to decreased costs in General Marketing expenditures and costs associated with Field Services including fewer new connections. Administrative and General expenses are higher by 31.3%, again, due primarily to increased labor and associated cost allocations being made to O&M, due to reduced capital expenditures within the system

Debt Service expenses increased from FY09 primarily because of a scheduled increase in principal payments for the 2005C, and 2006A bonds. Additionally, due to the issuance of the 2009B bonds, there is an increase to debt service cost for the principal payment associated with this new debt. The increase in debt service expense is somewhat mitigated by record low interest rates on most of GRU's variable rate debt.

Water Revenue Fund
Financial Performance Discussion cont.

We are projected to end the year with a significantly larger net deficit rather than originally anticipated. This deficit is primarily due to lower sales. There was a programmed withdrawal from the Rate Stabilization Fund of \$344k for the current year. Projected results show a withdrawal of nearly \$2.1m.

Gainesville Regional Utilities

**WATER REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2009**

<u>This Year</u>	<u>Last Year</u>	<u>Quarter Change</u>	<u>Change (%)</u>		<u>Year to Date</u>	<u>FY 10 Budget</u>	<u>FY 10 Projected</u>	<u>Change (%)</u>
5,592	5,775	(183)	(3.2)	REVENUES:	5,592	25,037	22,534	(10.0)
427	295	132	44.7	General Customers	427	1,395	1,255	(10.0)
435	580	(145)	(25.0)	University of Florida	435	2,400	2,159	(10.0)
-	-	-	-	Utility Surcharge	-	-	-	-
				Fire Hydrant Rentals				
<u>6,454</u>	<u>6,650</u>	<u>(196)</u>	<u>(3.0)</u>	Total Sales of Water	<u>6,454</u>	<u>28,831</u>	<u>25,948</u>	<u>(10.0)</u>
5	579	(574)	(99.1)	Other Revenues ⁽¹⁾	5	1,842	1,691	(8.2)
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
44	60	(16)	(27.0)	Interest Income	44	274	176	(35.8)
<u>6,503</u>	<u>7,289</u>	<u>(786)</u>	<u>(10.8)</u>	Total Revenues	<u>6,503</u>	<u>30,948</u>	<u>27,815</u>	<u>(10.1)</u>
				OPERATION & MAINTENANCE EXPENSES:				
1,074	1,382	(308)	(22.3)	Water Treatment Expense	1,074	5,148	4,798	(6.8)
532	529	3	0.5	Water Trans. & Dist. Expense	532	2,229	2,229	-
316	376	(60)	(16.0)	Customer Accounts & Sales Expense	316	1,573	1,573	-
810	617	193	31.3	Administrative & General Expense	810	3,199	3,199	-
<u>2,732</u>	<u>2,904</u>	<u>(172)</u>	<u>(5.9)</u>	Total Operation & Maintenance Expenses	<u>2,732</u>	<u>12,149</u>	<u>11,799</u>	<u>(2.9)</u>
				TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	<u>3,730</u>	<u>18,799</u>	<u>16,016</u>	<u>(14.8)</u>
1,522	1,390	132	9.5	DEBT SERVICE	1,522	8,477	7,704	(9.1)
1,199	1,149	50	4.3	UPIF CONTRIBUTIONS	1,199	4,795	4,795	-
895	1,365	(470)	(34.4)	TRANSFER TO GENERAL FUND	895	5,871	5,631	(4.1)
<u>114</u>	<u>481</u>	<u>(367)</u>	<u>(76.3)</u>	NET INCOME/(DEFICIT)	<u>114</u>	<u>(344)</u>	<u>(2,114)</u>	<u>-</u>

(1) Other Revenue - Connection fees and miscellaneous.

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Wastewater Revenue Fund Financial Performance Discussion

Although wastewater billings for the first quarter of FY10 increased slightly by 1% over FY09, this increase is attributable to the base rate increase for the Wastewater System implemented as of October 1, 2009. This revenue requirement increase is offset by a 2.6% decrease in actual k-Gals. Overall these lower sales are predicted to result in Wastewater Billings decreasing by 8% for FY10.

Surcharge Revenues have decreased this quarter from last quarter by 37.7%, and similar to the Water System, Other Revenues are down significantly by 88.6% due to a decrease in connection charges. This is due to the continued contraction in the economy, particularly in the construction and housing industries.

Interest income for FY10, as compared to FY09, decreased in the Wastewater Revenue Fund by 26.3% due to an overall lower return on the investment portfolio due to market changes. Investment returns are significantly less for all systems given the current economic climate of low interest rates. Additionally, the Wastewater System made a 39.6% smaller deposit to the Rate Stabilization Fund for FY09, giving it a proportionately smaller amount to invest.

Collection expenses are showing 20.3% higher than FY09 due to changes in how lift station expenses are being classified. Lift station costs were previously considered Treatment costs since they were managed by the treatment plants. Part of the SAP conversion included fully adopting the NARUC method of account coding, which provided an opportunity to reclassify certain costs. Treatment expenses are also showing a decrease of 38.4% due to the change in cost classification as mentioned above. Certain changes also included classifying managerial and administrative labor out of Operations and into the Administrative and General category for financial reporting. A timing of electricity costs being posted in the system also caused a variance in first quarter FY10 being \$200k below that of FY09.

Customer Accounts and Sales expense has decreased in FY10 over FY09 by 20.8%, due to less spending for General Marketing expenditures. Administrative and General expenses are up by 44% for reasons discussed in the above paragraph as well as changes in percentages used to allocate certain labor associated costs due to reduced capital expenditures within the system.

Debt Service expenses increased from FY09 primarily because of a scheduled increase in principal payments for the 2005C, and 2006A bonds. Additionally, due to the issuance of the 2009B bonds, there is an increase to debt service cost for the principal

Wastewater Revenue Fund
Financial Performance Discussion cont.

payment associated with this new debt. The increase in debt service expense is somewhat mitigated by record low interest rates on most of GRU's variable rate debt.

We are projected to end the year with a net deficit instead of the net income originally anticipated. This deficit is primarily due to lower sales. There was a programmed deposit to the Rate Stabilization Fund of \$901k for the current year. Projected results show a withdrawal of \$964m.

Gainesville Regional Utilities

**WASTEWATER REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2009**

This Year	Last Year	Quarter Change	Change (%)		Year to Date	FY 10 Budget	FY 10 Projected	Change (%)
7,116	7,046	70	1.0	REVENUES:	7,116	31,540	29,025	(8.0)
520	834	(314)	(37.7)	Wastewater Billings	520	2,524	2,460	(2.5)
52	452	(400)	(88.6)	Surcharge	52	2,410	2,118	(12.1)
-	-	-	-	Other Revenues ⁽¹⁾	-	-	-	-
75	102	(27)	(26.3)	Rate Stabilization Fund Transfer	75	497	300	(39.6)
				Interest Income				
7,763	8,434	(671)	(8.0)	Total Revenues	7,763	36,971	33,903	(8.3)
				OPERATION & MAINTENANCE EXPENSES:				
442	367	75	20.3	Wastewater Collection Expense	442	1,684	1,684	-
957	1,553	(596)	(38.4)	Wastewater Treatment Expense	957	5,484	5,484	-
214	270	(56)	(20.8)	Customer Accounts & Sales Expense	214	1,082	1,082	-
1,123	780	343	44.0	Administrative & General Expense	1,123	4,981	4,981	-
2,735	2,970	(235)	(7.9)	Total Operation & Maintenance Expenses	2,735	13,231	13,231	-
				TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	4,956	23,740	20,672	(12.9)
4,956	5,464	(508)	(9.3)	DEBT SERVICE	1,858	10,030	9,029	(10.0)
1,858	1,819	39	2.1	UPIF CONTRIBUTIONS	1,481	5,925	5,925	-
1,481	1,452	29	2.0	TRANSFER TO GENERAL FUND	1,050	6,884	6,682	(2.9)
1,050	1,647	(597)	(36.2)	NET INCOME/(DEFICIT)	567	901	(964)	-
567	545	22	4.0					

(1) Other Revenue - Connection fees and miscellaneous.

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Gas Revenue Fund Financial Performance Discussion

Residential therm sales were lower for the first quarter FY10 compared to last year by 41%. This is likely the result of moderate weather (36% fewer heating degree days, and 12% more cooling degree days). Commercial gas sales are less affected by weather and showed an increase of 29.9% over this same quarter last year. However, sales for FY10 are projected to meet budget for this system.

Purchased Gas Adjustment projections are based on projected sales, and increase or decrease proportionately. Additionally the Cleanup Cost Recovery Factor is based on therm sales and generally moves in relation to this figure. As therm sales are down, the Cleanup Cost Recovery Factor has also decreased.

Interest income for FY10, as compared to FY09, decreased in the Gas Revenue Fund by 31.7% due to an overall lower return on the investment portfolio due to market changes. Investment returns are significantly less for all systems given the current economic climate of low interest rates.

Operation and Maintenance expenses are 21.3% less than FY09 due to decreased labor expenditures and related O&M through the first quarter FY10. Last year saw increased labor costs associated with main repairs and related maintenance. Customer Accounts and Sales expense are down 11.4% due to reduced Field Service costs and General Marketing expenses. However, Administrative and General Expenses are up by 42.4% primarily due to changes previously mentioned in other systems regarding increased labor and associated cost allocations being made to O&M, due to reduced capital expenditures within the system.

Debt Service expenses increased from FY09 primarily because of a scheduled increase in principal payments for the 2005C, and 2006A bonds. Additionally, due to the issuance of the 2009B bonds, there is an increase to debt service cost for the principal payment associated with this new debt. The increase in debt service expense is somewhat mitigated by record low interest rates on most of GRU's variable rate debt.

We are projected to end the year with a slightly higher net income rather than originally anticipated. There was a programmed contribution to the Rate Stabilization Fund of \$480k for the current year. Projected results show a deposit of nearly \$974k.

Gainesville Regional Utilities

**GAS REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2009**

This Year	Quarter Last Year	Change	Change (%)		Year to Date	FY 10 Budget	FY 10 Projected	Change (%)
				REVENUES:				
				Sales of Gas and Service:				
1,638	2,775	(1,137)	(41.0)	Residential	1,638	7,870	7,870	-
1,077	829	248	29.9	Commerical & Industrial	1,077	3,880	3,880	-
2,344	4,725	(2,381)	(50.4)	Purchased Gas Adjustment	2,344	14,678	14,678	-
84	86	(2)	(2.7)	Surcharge	84	359	359	-
177	198	(21)	(10.8)	Cleanup Cost Recovery Factor (MGP)	177	787	787	-
11	72	(61)	(84.7)	Other Revenue ⁽¹⁾	11	301	301	-
<u>5,330</u>	<u>8,685</u>	<u>(3,355)</u>	<u>(38.6)</u>	Total Sales	<u>5,330</u>	<u>27,875</u>	<u>27,875</u>	<u>-</u>
				Miscellaneous Revenue:				
-	-	-	-	Rate Stabilization Fund Transfer	-	-	-	-
88	129	(41)	(31.7)	Interest Income	88	554	352	(36.5)
<u>5,418</u>	<u>9,566</u>	<u>(4,148)</u>	<u>(43.4)</u>	Total Revenues	<u>5,418</u>	<u>28,429</u>	<u>28,227</u>	<u>(0.7)</u>
				OPERATION & MAINTENANCE EXPENSES:				
3,774	5,876	(2,102)	(35.8)	Fuel Expense - Purchased Gas	3,774	14,678	14,678	-
360	457	(97)	(21.3)	Operation & Maintenance Expenses	360	1,337	1,337	-
434	490	(56)	(11.4)	Customer Accounts & Sales Expense	434	2,119	2,119	-
383	269	114	42.4	Administrative & General Expense	383	1,427	1,427	-
<u>4,951</u>	<u>7,092</u>	<u>(2,141)</u>	<u>(30.2)</u>	Total Operation & Maintenance Expenses	<u>4,951</u>	<u>19,560</u>	<u>19,560</u>	<u>-</u>
<u>385</u>	<u>2,474</u>	<u>(2,089)</u>	<u>(84.4)</u>	TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	<u>385</u>	<u>8,869</u>	<u>8,667</u>	<u>(2.3)</u>
874	685	189	27.6	DEBT SERVICE	874	4,567	3,871	(15.2)
449	453	(4)	(1.0)	UPIF CONTRIBUTIONS	449	1,795	1,795	-
327	541	(214)	(39.6)	TRANSFER TO GENERAL FUND	327	2,027	2,027	-
<u>(1,265)</u>	<u>795</u>	<u>(2,060)</u>	<u>(259.0)</u>	NET INCOME/(DEFICIT)	<u>(1,265)</u>	<u>480</u>	<u>974</u>	<u>-</u>

(1) Other Revenue - Liquid propane sales, service charges and miscellaneous.

Telecommunications Revenue Fund Financial Performance Discussion

Telecommunication revenues increased by 15.1% in the first quarter of FY10, compared to the first quarter of FY09. Internet access revenues increased 37.4% compared to this same period. This was the result of the addition of several new services, as well as larger accounts added. Tower Lease Rental revenue increased in FY10 over FY09 by 13.6%. This was due to the completion of a tower lease audit, which uncovered several billing discrepancies. The catch-up billing for these differences resulted in the increase in revenue for FY10. Trunking Radio revenue was comparable between both periods.

Interest income for FY10, as compared to FY09, decreased in the Telecommunications Revenue Fund by 22.2% due to an overall lower return on the investment portfolio due to market changes. Investment returns are significantly less for all systems given the current economic climate of low interest rates. Additionally, the Telecommunications System made a 40.8% smaller deposit to the Rate Stabilization Fund for FY09, giving it a proportionately smaller amount to invest.

First quarter FY10 Operating and Maintenance expenses increased by 31.6% compared to the prior year amount. This increase is due largely to increased purchased circuits associated with system expansion, as well as other incremental increases, such as utilities expense.

Customer Accounts and Sales expense is 21.9% below first quarter spending compared to last year, which is largely due to decreased marketing expenses in the FY09. Additionally, Administrative and General Expenses increased by 14.9% due to the changes in labor associated capital allocations.

Debt Service expenses increased from FY09 primarily because of a scheduled increase in principal payments for the 2005C, and 2006A bonds. Additionally, due to the issuance of the 2009A bonds, there is an increase to debt service cost compared to budget as the Telecommunication system received a higher allocation of the issuance than originally budgeted. The increase in debt service expense is somewhat mitigated by record low interest rates on most of GRU's variable rate debt.

We are projected to end the year with a net deficit instead of the net income originally anticipated. There was a programmed deposit to the Rate Stabilization Fund of \$1.5m for the current year. Projected results show a withdrawal of \$562k.

Gainesville Regional Utilities
TELECOMMUNICATIONS REVENUE FUND
STATEMENT OF OPERATING INCOME
FOR FIRST QUARTER ENDED DECEMBER 31, 2009

This Year	Last Year	Quarter Change	Change (%)		Year to Date	FY 10 Budget	FY 10 Projected	Change (%)
				REVENUES:				
				Sales :				
1,457	1,266	191	15.1	Telecommunication	1,457	7,194	7,194	-
547	546	1	0.2	Trunking Radio	547	2,226	2,226	-
435	383	52	13.6	Tower Lease Rental	435	1,555	1,555	-
453	330	123	37.4	Internet Access	453	-	-	-
<hr/>				Total Sales	2,893	10,975	10,975	-
				Miscellaneous Revenue:				
-	-	-	-	Rate Stabilization Fund Transfer/Borrowings	-	-	-	-
63	81	(18)	(22.2)	Interest Income	63	543	321	(40.9)
<hr/>				Total Revenues	2,956	11,518	11,296	(1.9)
				OPERATION & MAINTENANCE EXPENSES:				
892	678	214	31.6	Operation & Maintenance Expenses	892	3,497	3,783	8.2
69	89	(20)	(21.9)	Customer Accounts & Sales Expense	69	338	338	-
452	393	59	14.9	Administrative & General Expense	452	1,418	1,418	-
<hr/>				Total Operation & Maintenance Expenses	1,413	5,253	5,539	5.4
<hr/>				TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION	1,494	6,265	5,757	(8.1)
1,542	1,446	96	6.7					
				DEBT SERVICE				
1,303	884	419	47.4	UPIF CONTRIBUTIONS	1,303	3,818	5,425	42.1
135	195	(60)	(30.9)	TRANSFER TO GENERAL FUND	135	539	539	-
59	87	(28)	(32.0)					
<hr/>				NET INCOME/(DEFICIT)	(3)	1,553	(562)	(136.2)
46	277	(231)	(83.5)					

**Balance Sheet – Combined Funds
As of December 31, 2009**

Total cash, investment and accounts receivable are reduced primarily due to a reduction in outstanding customer receivables during the first quarter as a result of milder weather conditions than experienced during the previous quarter. Cash is also reduced by \$3.0 due to the reversal of the rate stabilization temporary transfer which took place as of September 30, 2009. Other Current Assets were higher at September 30 due to recording of fuel adjustment and purchased gas adjustment true-ups at year end.

In the Restricted Asset section, debt service cash is lower as of December 2009 due to the net affect of our semi-annual payment of debt interest and annual pay down of debt principal, which was offset by deposits to the debt service fund to begin building towards our fiscal 2010 debt obligation. The construction fund balance is lower due to normal spend down of funds on capital projects. Utility Plant improvement fund is increased due to budgeted and scheduled transfers in accordance with the bond resolution.

Current Liabilities is reduced due to the reversal of year-end accruals which increased the payable accounts at September 30, 2009 by approximately \$6.0 million, accompanied by a reduction in outstanding payable due to normal fluctuations in payments to vendors. The liabilities outstanding are also reduced by approximately \$4.0 million in fuels payable, because the information was not available to be included in the accounting period. The remaining variance is due to recording of fuel adjustment and PGA true-ups at year end.

Other Payables from Restricted Assets decreased, primarily due to the net affect of making our semi-annual debt interest payment on October 1, offset by the accrual of our fiscal 2010 first quarter debt interest obligation.

**GAINESVILLE REGIONAL UTILITIES
COMBINED FUNDS
BALANCE SHEET
DECEMBER 31, 2009**

(000's)	ASSETS	Dec 31, 2009	Sep 30, 2009	\$ Difference	% Difference
	CURRENT ASSETS:				
	Cash, Investments & Accounts Receivable	44,691	55,408	(10,717)	-24.0%
	Other Current Assets	21,007	24,854	(3,847)	-18.3%
	TOTAL CURRENT ASSETS	65,698	80,262	(14,564)	-22.2%
	RESTRICTED ASSETS:				
	Debt Service Fund	15,810	44,620	(28,810)	-182.2%
	Construction Fund	170,606	201,598	(30,992)	-18.2%
	Utility Plant Improvement Fund	32,813	24,981	7,832	23.9%
	Rate Stabilization Fund	60,939	59,429	1,510	2.5%
	Other Restricted Assets	18,307	18,171	136	0.7%
	TOTAL RESTRICTED ASSETS	298,475	348,798	(50,323)	-16.9%
	NON-CURRENT ASSETS	21,793	21,687	106	0.5%
	NET CAPITAL ASSETS	1,056,571	1,049,533	7,038	0.7%
	TOTAL ASSETS	1,442,537	1,500,280	(57,744)	-4.0%
	LIABILITIES AND NET ASSETS				
	CURRENT LIABILITIES	7,683	27,287	(19,604)	-255.2%
	PAYABLE FROM RESTRICTED ASSETS:				
	Rate Stabilization Deferred Credit	60,966	60,966	0	0.0%
	Other Payables From Restricted Assets	23,002	57,682	(34,680)	-150.8%
	TOTAL PAYABLE FROM RESTRICTED ASSETS	83,968	118,648	(34,680)	-41.3%
	LONG TERM-DEBT:				
	Utilities System Revenue Bonds Payable-Senior Lien Debt	850,964	859,725	(8,761)	-1.0%
	Utilities System Revenue Bonds Payable-Sub. Debt	0	0	0	0.0%
	Commercial Paper Notes Payable	62,000	76,000	(14,000)	-22.6%
	Unamortized Bond Financing Costs	(19,581)	(20,136)	555	-2.8%
	TOTAL LONG-TERM DEBT	893,383	915,589	(22,206)	-2.5%
	OTHER NON-CURRENT LIABILITIES	27,070	26,980	90	0.3%
	TOTAL LIABILITIES	1,012,104	1,088,504	(76,400)	-7.5%
	TOTAL NET ASSETS	430,433	411,776	18,658	4.3%
	TOTAL LIABILITIES AND NET ASSETS	1,442,537	1,500,280	(57,742)	-4.0%

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Supplemental Data

Gainesville Regional Utilities

ELECTRIC RESALE

FOR FIRST QUARTER ENDED DECEMBER 31, 2009

Month December					Three Months Period Ended December 31			
<u>This Year</u>	<u>Per KWh</u>	<u>Last Year</u>	<u>Per KWh</u>	<u>Change</u>		<u>This Year</u>	<u>Last Year</u>	<u>Change</u>
695,999	0.0721	785,576	0.0869	(89,577)	Resale Revenue	2,056,382	2,384,279	(327,898)
456,811	0.0718	505,329	0.0829	(48,518)	Alachua	1,426,930	1,504,661	(77,731)
<u>1,152,810</u>	0.0720	<u>1,290,905</u>	0.0853	<u>(138,095)</u>	Seminole			
					Total Resale Revenue	<u>3,483,311</u>	<u>3,888,940</u>	<u>(405,629)</u>
					Resale KWh			
9,658,902		9,036,430		622,472	Alachua	29,272,630	27,269,819	2,002,811
6,358,481		6,097,392		261,089	Seminole	18,233,399	18,073,551	159,848
<u>16,017,383</u>		<u>15,133,822</u>		<u>883,561</u>	Total Resale KWh	<u>47,506,029</u>	<u>45,343,370</u>	<u>2,162,659</u>

Gainesville Regional Utilities

ELECTRIC STATISTICS

FOR FIRST QUARTER ENDED DECEMBER 31, 2009

Month December			Three Months Period Ended December 31			
This Year	Last Year	Change		This Year	Last Year	Change
96,864	95,641	1,223	Total Customers	96,568	95,333	1,235
31,363	30,934	429	Street Lights in Service	31,363	30,934	429
579.06	583.20	(4.14)	Miles of Overhead Distribution Line	579.06	583.20	(4.14)
833.54	821.96	11.58	Miles of Underground Distribution Line	833.54	821.96	11.58
1,412.60	1,405.16	7.44	Total Miles of Distribution Line	1,412.60	1,405.16	7.44
321	364	(43)	Maximum Peak Load Generated/Gross (MW)	425	364	61
297	340	(43)	Maximum Peak Load Generated/Net (MW)	406	345	61
153,906	150,961	2,945	Net Energy for Load (MWh)	178,779	166,036	12,743
69.65	59.68	9.97	Load Factor - Percent	69.65	64.69	4.96
37	33	4	Cooling Degree DBFs - Actual Days	374	253	121
26	25	1	Cooling Degree DBFs - Normal Days	319	318	1
11	8	3	Difference from Normal	55	(65)	120

Gainesville Regional Utilities
WATER & WASTEWATER STATISTICS
FOR FIRST QUARTER ENDED DECEMBER 31, 2009

WATER

Month December			Three Months Period Ended December 31			
This Year	Last Year	Change		This Year	Last Year	Change
68,385	69,526	(1,141)	Total Customers	68,495	69,342	(848)
			Pumpage - Mega-gallons			
25,798	28,498	(2,700)	Raw Water - Max	28,180	30,545	(2,365)
17,504	18,828	(1,323)	Raw Water - Min	17,504	18,828	(1,324)
20,327	22,755	(2,428)	Raw Water - Avg	23,168	24,969	(1,801)
630,134	705,416	(75,283)	Total	2,131,416	2,297,121	(165,705)
22,954	25,275	(2,321)	Distribution System - Max	27,284	30,043	(2,759)
16,953	19,432	(2,479)	Distribution System - Min	16,953	19,432	(2,479)
20,158	22,659	(2,501)	Distribution System - Avg	22,812	24,841	(2,029)
624,903	702,437	(77,534)	Total	2,098,693	2,285,412	(186,719)
27.50	29.03	(1.53)	Maximum Daily Pumpage	31.98	35.41	(3.43)
23.45	26.30	(2.85)	Average Max. Daily Pumpage	26.46	29.12	(2.66)
13.33	16.46	(3.13)	Minimum Daily Pumpage	13.33	16.46	(3.13)
15.83	18.52	(2.69)	Average Min. Daily Pumpage	18.04	19.96	(1.92)
2.72	0.89	1.83	Precipitation - Actual Inches	6.41	6.09	0.32
2.38	2.43	(0.05)	Precipitation - Normal Inches	7.56	7.68	(0.12)
0.34	(1.54)	1.88	Difference from Normal	(1.15)	(1.59)	0.44

WASTEWATER

Month December			Three Months Period Ended December 31			
This Year	Last Year	Change		This Year	Last Year	Change
4,175	65,303	(61,128)	Total Customers	41,424	43,287	(1,863)

Gainesville Regional Utilities

GAS STATISTICS

FOR FIRST QUARTER ENDED DECEMBER 31, 2009

Month December				Three Months Period Ended December 31		
<u>This Year</u>	<u>Last Year</u>	<u>Change</u>		<u>This Year</u>	<u>Last Year</u>	<u>Change</u>
<u>33,063</u>	<u>33,499</u>	<u>(436)</u>	Total NG Customers	<u>32,573</u>	<u>32,875</u>	<u>(302)</u>
<u>182</u>	<u>181</u>	<u>1</u>	LP Gas Total Customers	<u>182</u>	<u>188</u>	<u>(6)</u>
			Distribution Mains			
732.53	727.82	4.71	NG System	732.53	727.82	4.71
7.04	7.45	(0.41)	LP System	7.04	7.45	(0.41)
<u>739.57</u>	<u>735.27</u>	<u>4.30</u>	Total Distribution Mains	<u>739.57</u>	<u>735.27</u>	<u>4.30</u>
1.32000	1.60410	(0.28410)	LP Gas Fuel Adjustment \$/Gal	1.11333	1.94063	(0.82730)
272	199	73	Heating Degree DBFs - Actual Days	394	487	(93)
279	283	(4)	Heating Degree DBFs - Normal Days	429	429	-
(7)	(84)	77	Difference from Normal	(35)	58	(93)
57.2	59.4	(2.2)	Average Temperature	64.5	62.2	2.3
			Purchased Natural Gas Clause			

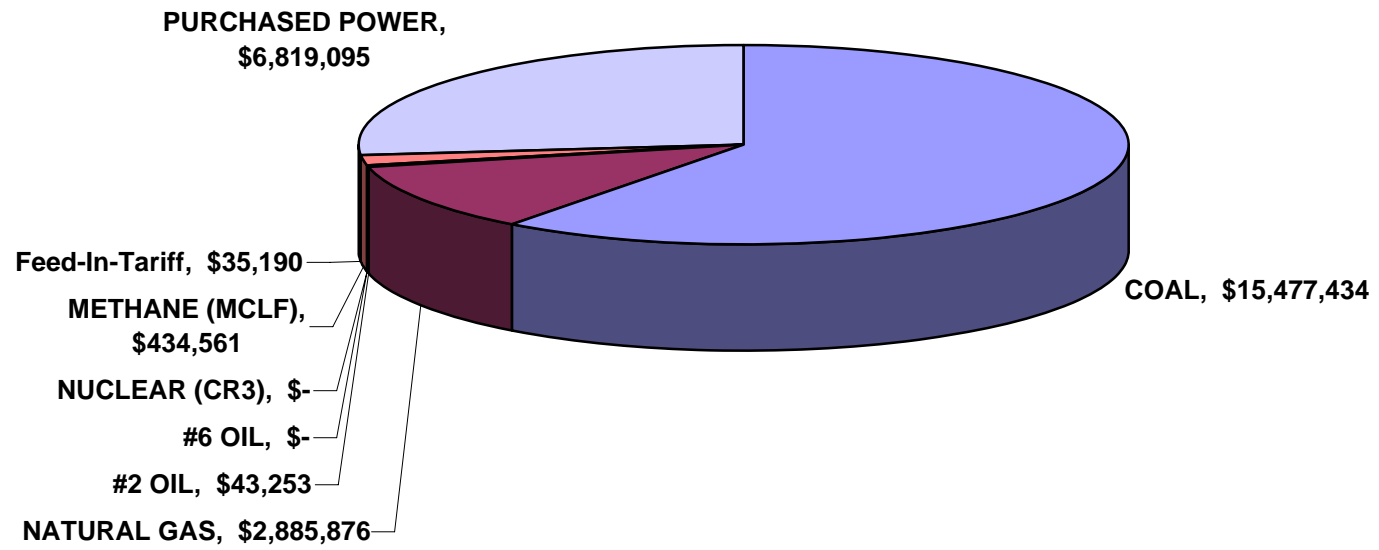
Gainesville Regional Utilities

**CLEAN AIR ALLOWANCES
FOR FIRST QUARTER ENDED DECEMBER 31, 2009**

Quarter that Ended December					SO2 Emissions (tons)	Fiscal Year				
This Year	%	Last Year	%	Change		This Year	%	Last Year	%	Change
0.10	0.0111	0.10	0.0056	-	John R. Kelly: Total (CC1)	0.70	0.0120	1.00	0.0131	(0.30)
0.0	-	0.7	0.039	(50.9)	Deerhaven B1	33.7	0.579	48.0	0.630	(50.9)
897.5	100.000	1,772.6	99.961	(1,279.1)	B2	5,781.9	99.415	7,574.0	99.370	(1,279.1)
0.0	-	0.0	-	(0.1)	CT3	0.30	0.005	0.00	-	(0.1)
<u>897.5</u>	<u>99.989</u>	<u>1,773.3</u>	<u>99.994</u>	<u>(875.8)</u>	Total Emissions	<u>5,815.9</u>	<u>99.988</u>	<u>7,622.0</u>	<u>99.987</u>	<u>(1,806.1)</u>
<u>897.6</u>		<u>1,773.4</u>		<u>(875.8)</u>	Total GRU Emissions	<u>5,816.6</u>		<u>7,623.0</u>		<u>(1,806.4)</u>

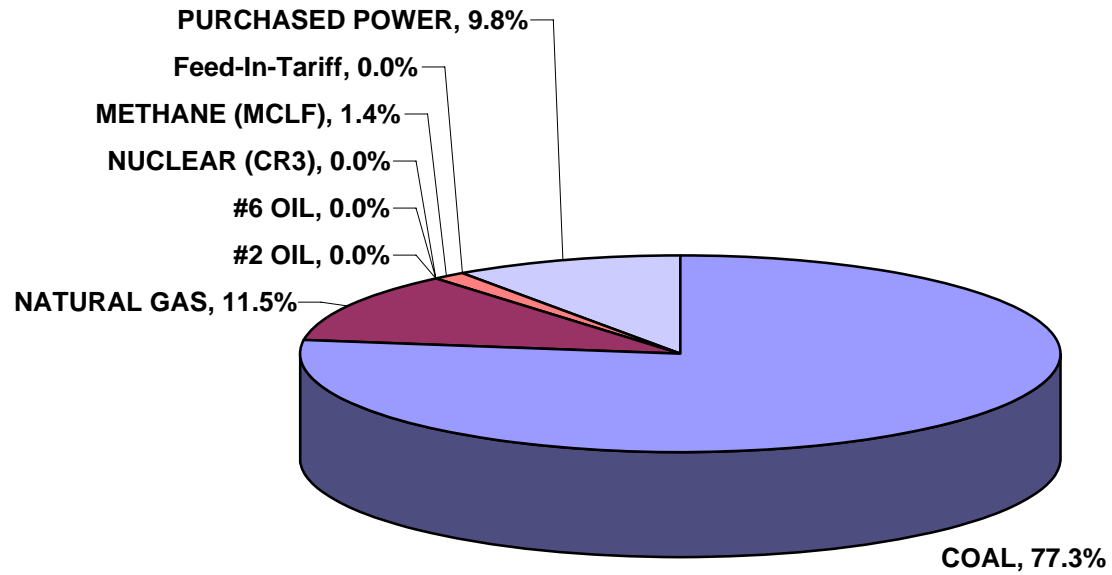
Calendar Year 2008					SO2 Allowances (tons)	Calendar Year 2009				
Deerhaven	%	JR Kelly	%	GRU Total		Deerhaven	%	JR Kelly	%	GRU Total
2,507	93.650	170	6.350	2,677	Carryover	3,254	93.479	227	6.521	3,481
8,369	99.312	58	0.688	8,427	Yearly Allocation	8,369	99.312	58	0.688	8,427
<u>10,876</u>	<u>97.947</u>	<u>228</u>	<u>2.053</u>	<u>11,104</u>	Total Available	<u>11,623</u>	<u>97.607</u>	<u>285</u>	<u>2.393</u>	<u>11,908</u>
7,622	99.987	1	0.013	7,623	Used	5,816	99.983	1	0.017	5,817
<u>3,254</u>	<u>93.479</u>	<u>227</u>	<u>6.521</u>	<u>3,481</u>	Left Over	<u>5,807</u>	<u>95.337</u>	<u>284</u>	<u>4.663</u>	<u>6,091</u>

Total Cost by Fuel Type Three Months Ending December 31, 2009



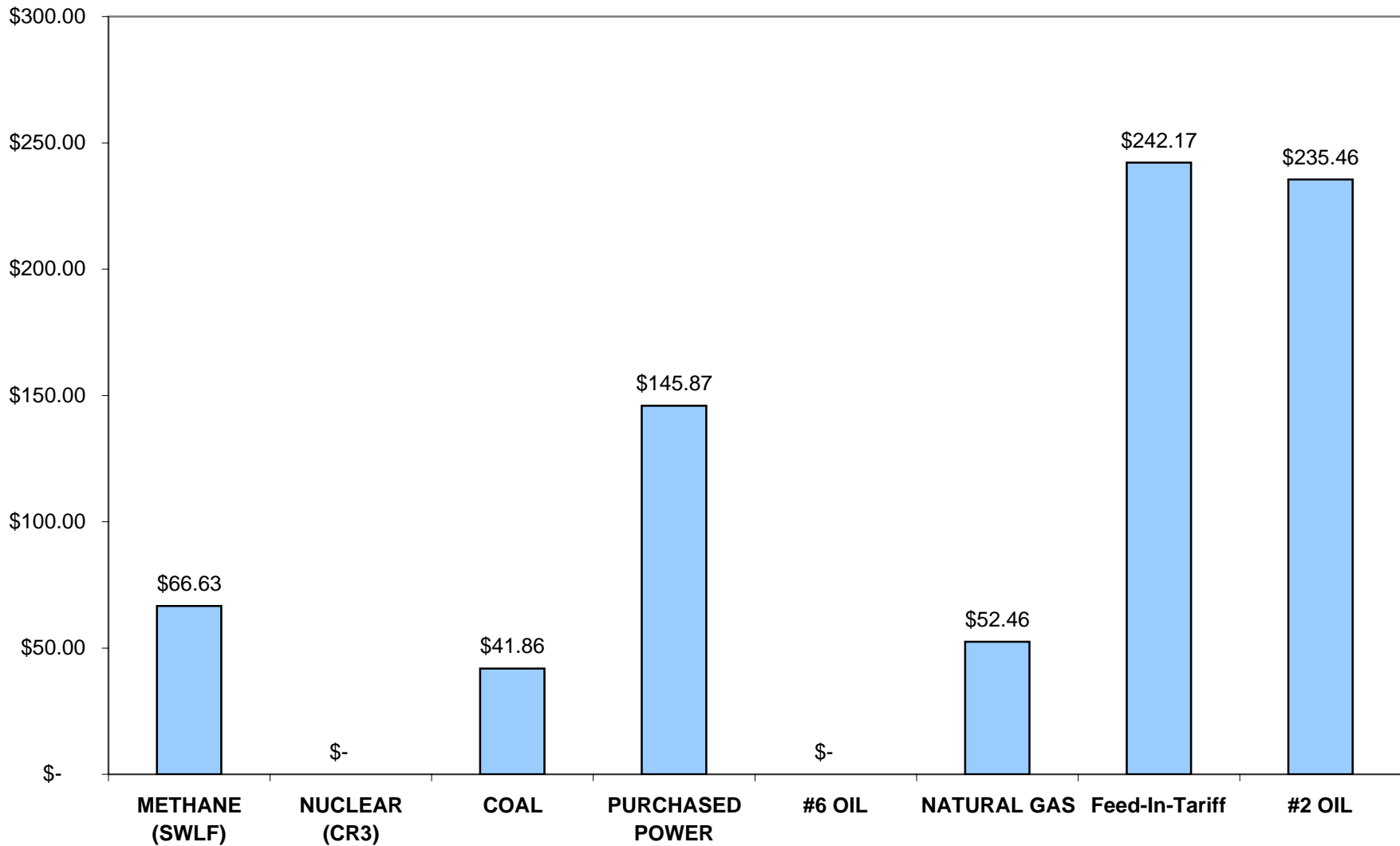
■ COAL
 ■ NATURAL GAS
 ■ #2 OIL
 ■ #6 OIL
 ■ NUCLEAR (CR3)
 ■ METHANE (MCLF)
 ■ Feed-In-Tariff
 ■ PURCHASED POWER

MWh Generation by Fuel Type Three Months Ending December 31, 2009



■ COAL ■ NATURAL GAS ■ #2 OIL ■ #6 OIL ■ NUCLEAR (CR3) ■ METHANE (MCLF) ■ Feed-In-Tariff ■ PURCHASED POWER

Total Cost per MWh by Fuel Type Three Months Ending December 31, 2009



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Definitions and Supplemental Information

Glossary of Terms Flow of Funds Statements

All Systems

Debt Service – Accounts for funds accumulated to provide payment of principal and interest on, or to redeem, outstanding debt.

Interest Income – As presented on our Flow of Funds Statement of Operating Income, it represents interest earnings on utility investments.

Operation & Maintenance Expense – Non-Fuel – This represents all operating, maintenance and administrative costs needed to support electric power generation, transmission and distribution, water treatment and distribution, wastewater collection and treatment, and telecommunication services provided by the utility.

Rate Stabilization Fund Transfer – This fund accounts for monies accumulated as a reserve for unplanned events, revenue changes, forecasting errors or unexpected losses and to stabilize rates over future periods through the transfer of funds to and from operations as necessary.

Surcharge – Additional charge to customers in the unincorporated service area, i.e. Electric – 10%, equal to the electric use tax; Gas – 10%; Water – 25% and Wastewater – 25% both per F.S Chapter 180.

UPIF Contributions – The Utility Plant Improvement Fund (UPIF) accounts for funds used to pay for certain capital projects or debt service, the purchase or redemption of bonds, or otherwise provide for the repayment of bonds. The contribution level is established under a formula set forth in the Utilities System Revenue Bond Resolution. It represents the equity that the utility puts back into the system.

Electric System

Fuel Adjustment – Revenue from fuel cost recovered from customers beyond the amount that is recovered in the base energy charge. GRU’s cost of fuel for the electric system is passed directly through to its customers. The base energy charge includes a portion of the fuel cost, 6.5 mils, or \$6.50 per 1,000 kWh. Fuel cost beyond this amount is applied to customer bills as calculated monthly, via a fuel adjustment rate.

Interchange Sales – Large blocks of energy sold to other utilities on a firm or non-firm basis. These sales are controlled through GRU’s Control Area Services, which monitors excess availability of power generated.

Nuclear Decommissioning\Fuel Disposal – As a partial owner of the Crystal River Unit 3 (CR3) nuclear power plant operated by Progress Energy, GRU is responsible for its share of future decommissioning costs. These costs are expensed annually and recovered through rates charged to customers. The fuel disposal cost represents GRU’s share of costs associated with safely disposing of CR3’s spent nuclear fuel assembly units.

Fuel Expense – This represents the cost of the fuel supply needed to generate electric power, i.e. coal, oil and natural gas, as well as the fuel distributed directly to service accounts, i.e. natural gas.

Other Electric Sales – This includes wholesales sales (sales for resale) to City of Alachua and Seminole Electric Co-op, traffic signal and streetlight sales to the City and County.

Other Revenue – This includes miscellaneous revenue receipts not specified in other categories, such as commercial lighting and service charges.

Gas System

Cleanup Cost Recovery Factor (MGP) – Revenue collected, at a rate of \$.0321/therm, for the cleanup and renovation of the former manufactured gas plant site into the Depot Avenue Stormwater Park.

Commercial & Industrial (General Service) – Natural gas and liquefied propane service provided on a firm, non-interruptible basis for any purpose except for residential purposes.

Fuel Expense – Purchased Gas – The purchase of natural gas, through long-term contractual agreements, for direct distribution to our gas utility services.

Interruptible & Transportation – Natural gas service provided on a non-firm basis to nonresidential customers. This service is subject to interruption pursuant to the policies and conditions stipulated to by the customer and the System. Included also is revenue for gas transportation to the University of Florida.

Other Gas Sales – Includes other miscellaneous sales not specifically identified in other categories, such as Liquid Propane (LP) sales.

Other Revenue - This includes miscellaneous revenue receipts not specified in other categories, such as service charges.

Residential Gas Sales – Natural gas and liquefied propane service provided on a firm, non-interruptible basis to households and other nonprofit living units.

Water System

Other Revenues – This includes connection fee charges for water service to new service locations plus miscellaneous revenue receipts not specified in other categories.

Wastewater System

Other Revenues – This includes connection fee charges for wastewater service to new service locations plus miscellaneous revenue receipts not specified in other categories

GRUCom System

Internet Access – Revenue generated from the sale of retail Internet access. GRUCom provides dial-up Internet access services under the domain names GRU.Net and Gator.Net. High speed Internet access is also provided to commercial customers, government entities and to residents at several apartment complexes in the Gainesville area. High speed Internet access services are typically delivered to the customer location utilizing the GRUCom fiber optic network. Revenue from periphery services such as Web Site Hosting and e-mail only accounts are also included in this category.

Telecommunications Revenue– Includes revenue for sales of point to point and carrier access circuits delivered in whole, or in part, on the GRUCom fiber optic network. These sales are primarily to other telecommunications carriers, commercial customers and government entities requiring high bandwidth connections for delivery of data, voice and video signals. Also includes revenues from switched services provided by GRUCom. Currently GRUCom utilizes its voice switch to provide call in lines for dial-up access to Internet Service Providers including GRU.Net/Gator.Net.

Tower Lease Rental – Revenue generated in conjunction with the lease of space on the City’s communication and water towers for the location of antennas and related equipment. These leases are primarily with Cellular and Personal Communications Services (PCS) companies offering wireless communications in the Gainesville area. Also includes revenue from the rental of interface equipment to customers (Routers, Channel Service Units/Data Service Units, etc.) necessary for them to connect to GRUCom services delivered over the fiber optic network.

Trunking Radio – Revenue generated by the 800 MHz radio system, delivering switched voice and data services for public safety and other government entities. Revenues are collected through monthly subscriber unit charges.

Glossary of Terms Balance Sheet

Other Current Assets – Includes fuel and stores inventories and other miscellaneous current assets.

Restricted Assets – Those moneys or other resources that are restricted as to use by legal or contractual requirements.

Other Restricted Assets – GRU's investment in The Energy Authority (TEA) and our funded obligation for the decommissioning of our share of Crystal River #3 nuclear facility.

Other Non-Current Assets – Includes long-term portion of Lease In\Lease Out (LILO) of Deerhaven generation plant, plus other miscellaneous non-current assets.

Net Capital Assets – System plant assets net of accumulated depreciation.

Current Liabilities – Includes fuels, vendor and miscellaneous payables.

Payable from Restricted Assets – Obligations that are payable from GRU's restricted assets.

Other Payables from Restricted Assets – Includes the current year's portion of debt principal due and Construction Fund vendor payables.

Long-Term Debt – Bonds and commercial paper debt obligations.

Other Non-Current Liabilities – Includes deferred revenue due from LILO transaction.

Total Liabilities – The combination of Current Liabilities, Payable from Restricted Assets, Long-Term Debt and Other Non-Current Liabilities.

Net Assets – The net value or net worth of the system after deducting total liabilities from system assets.

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