

Fuel Adjustment Ordinance Revisions

January 16, 2014



Agenda

- Update on Levelization Balance
- Recommended Ordinance Formula Revisions
- Recommended Ordinance Language Revisions on Levelization Balance Policy

Fuel Levelization Balance

- Balance as of November 30, 2013 is \$24.7 million
- Projected Balance September 30, 2014 is \$13.7 million
- Projected to reach 10 percent of 2014 fuel budget in April/May of 2014
- Do not anticipate exceeding 10 percent after April/May 2014

Fuel Adjustment Alternatives

	Per Budget	1 Month (February 2014)	2 Months (February and March 2014)	8 Months (February – September 2014)
Fuel Adjustment Rate	\$0.071/kWh	\$0.051/kWh	\$0.060/kWh	\$0.069/kWh
Variance from Budget to 1,000 kWh*	\$0.00/month	\$20.00/month	\$11.00/month	\$2.00/month

*Fuel Adjustment is set to the nearest whole mill (\$1 per 1,000 kWh), so total impact to 1,000 kWh bill under each alternative may vary due to rounding and variation in sales from month to month.

Issues with Current Formula

- Transparency - complex and difficult to understand
- Obsolete items
 - Includes calculations for wholesale fuel adjustments that are obsolete (wholesale fuel adjustment set by contract)
 - Refers to Island Creek Settlement

Recommended Changes

- Add definitions for “Electric system fuel and purchased power costs” and “Native Load Fuel Cost”
- Revise definition of “Extraordinary fuel related expenses” to include Renewable Energy Credits (RECs), while continuing to be consistent with FERC Accounting
- Simplify formula to yield results consistent with current formula
- Revise language to remove Island Creek reference and improve clarity of text
- Address Levelization Balance in Note 6 of current ordinance

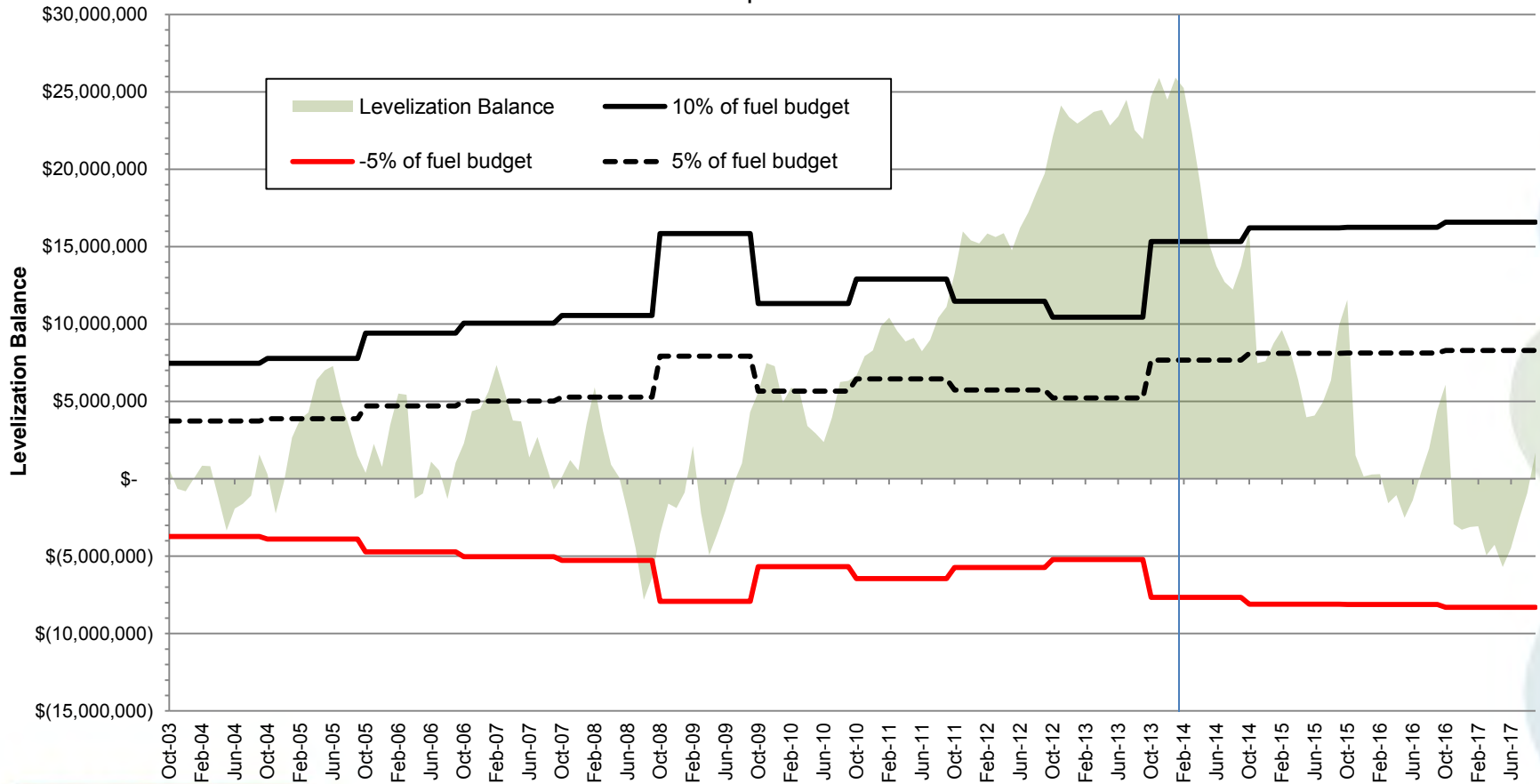
Levelization Balance Recommendation

- Add specific parameters for balance
 - Staff recommends that the balance be no less than -5 percent or no more than 10 percent of given fiscal year's fuel and purchased power budget
 - Should the balance exceed these parameters, GM will promptly notify the City Commission

Historical/Projected Levelization Balances

Shown with Bands at +10%, +5% and -5% of Annual Fuel Budget

October 2003 - November 2013 Actuals
December 2013 - September 2017 Estimates



Recommendation

- Direct the City Attorney to draft and the City Clerk to advertise revisions to the City of Gainesville Ordinance Section 27-28