

December 5, 2007

Mr. Austin Schuman  
6924 SW 45<sup>th</sup> Avenue  
Gainesville, FL 32614

Dear Mr. Schuman:

Your hand written comments submitted at the November 19, 2007 City Commission meeting was referred to me for response. I have included a portion of your question with our response immediately following.

Question #1: I would like the City Commission to review its stand on a tiered rate increase on power consumption. Although conservation is good for residents, it is counter productive for manufacturers that can only receive utilities from the City's, GRU, utility provider, and whose productivity is directly proportional to power & water consumption. This policy is a direct attack on industry & manufacturing companies that receive utilities from the city owned & operated utility company.

Response: Almost without exception industry and manufacturing companies fall into the rate categories of General Service Demand or Large Power. These rate classes do not have tiered rates. I have attached a sheet which shows the rates for each customer class.

Question #2: How is the increased rate justified? Or how was increasing price per unit arrived at?

Response: Tiered rates are directly related to the cost to serve those classes of customers. For example, residential customer loads typically peak in the 4:00-7:00 PM time frame but are considerably lower during the night. Nonetheless, we have to build power plants and distribution systems big enough to serve these customers at peak even though they only hit peak for a few hours per day. Contrast this, for example, with a large grocery store that has a more uniform load throughout the day and night due to refrigeration. Because the variance in this customer's usage is less, they are relatively less expensive to serve.

Question #3: What is the annual profit margin of GRU?

Response: See attached balance sheets for FY 05 and FY 06.

Submitted  
1/14/2008  
Citizen  
Comment  
Austin Schuman  
No Details on cost / ~~profit~~ income  
to show margin

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Question #4: Do City Commissioners receive stock options, profit sharing or any other benefit, directly or indirectly, from GRU?

Response: No. All of GRU's "profits" go to the City's General Fund where they are used to pay for services like Police, Fire, and Recreation.

Question #5: Has the City considered allowing the free market to dictate the highest quality product for the lowest possible rate?

Response: In Florida the wholesale market is relatively "free," but the retail power market is highly regulated. Each utility has a defined service territory. Absent changes at the state or Federal level, Gainesville does not have the authority to allow a greater degree of retail competition.

Question #6: Is GRU a public or privately held corporation?

Response: GRU is a municipal utility system owned by the City of Gainesville.

Question #7: When should I expect to receive an answer to my concerns?

Response: I hope that the information provided above has answered your questions. We will notify you when this issue is to be discussed at a future Regional Utilities Committee meeting.

Sincerely,



Karen S. Johnson  
General Manager

Attachments

KSJ:jjh

cc: Mayor and Members of the City Commission  
Ed Regan, AGM/Strategic Planning  
David Barclay, Strategic Planning, Utility Analyst