



GRU at a Crossroads

"I see myself at a crossroads in my life, mapless, lacking bits of knowledge – then, the moon breaks through, lights up the path before me." – John Geddes

Feb. 28, 2019





Our Mission

GRU will provide safe, reliable, competitively priced utility services in an environmentally responsible manner and will actively contribute to the enhancement of the quality of life in our community.



GRU at a Crossroads

Why we are here today

- GRU projects an ongoing annual budget shortfall of between \$6 million and \$13 million over the next six years.
- Cash from operations has fallen below established GFT levels, requiring the utility to dip into reserves.
- The shortfall was addressed during the FY19 budget cycle and again at a special January 2019 commission meeting.
- The commission asked GRU and GG to research potential solutions to the shortfall.
- We will present a plan to mitigate the shortfalls.

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A little background ...

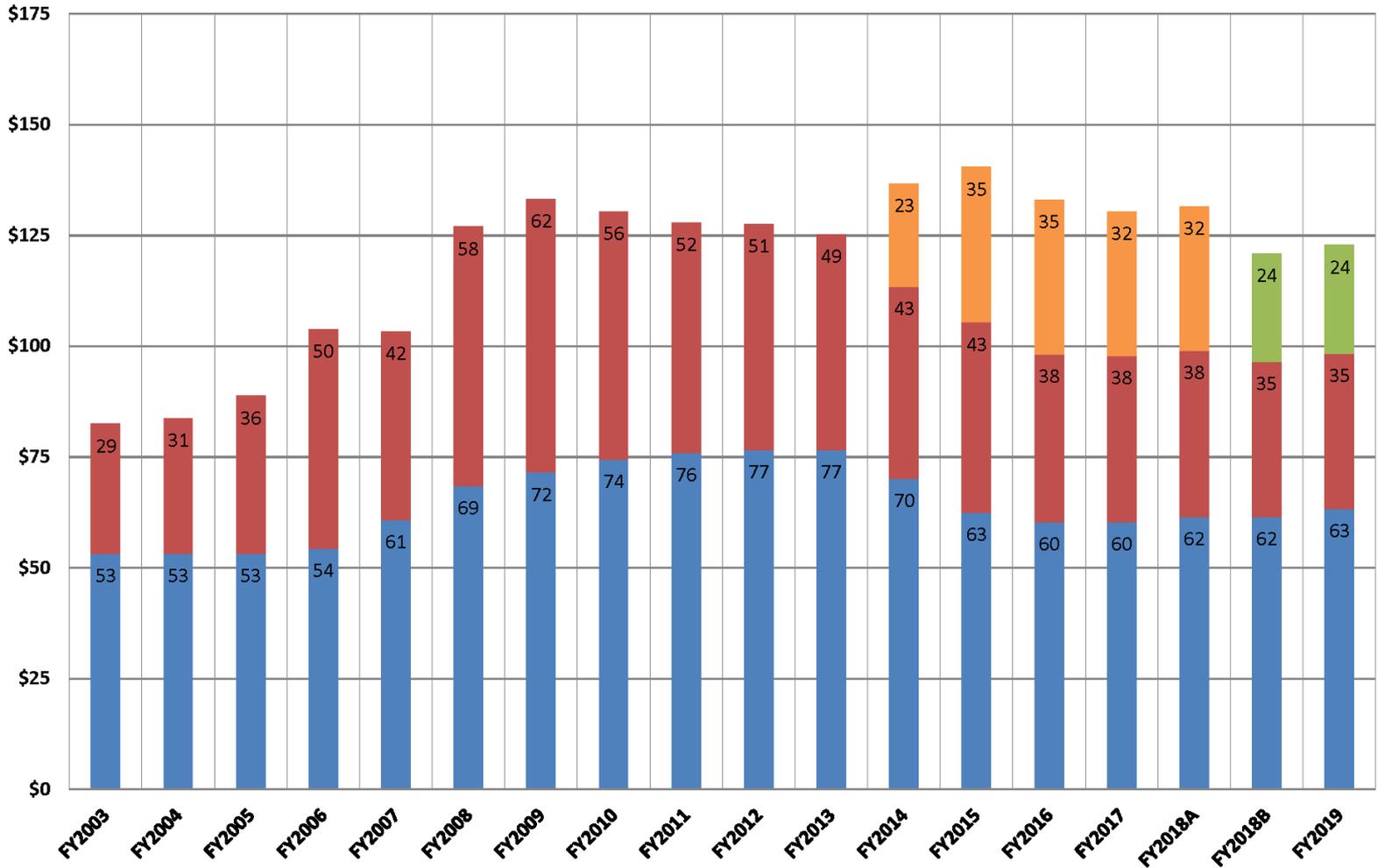
What contributed to the shortfalls?

- Past decisions primarily related to conservation programs, renewable energy (SolarFIT and biomass) and capital projects/debt.
- Changes in customer behavior and resource consumption related to the Great Recession and improved energy efficiencies.
- Flat revenues combined with high fixed costs and increased operating expenses.

These factors are discussed in detail in GRU at a Crossroads, a white paper Published Feb. 7, 2019, by GRU GM Ed Bielarski.

Residential Electric Bill for 1000 kWh

■ Base Rate Portion
 ■ Fuel Adjustment w/o BIO Fixed Fuel
 ■ BIO Fixed Fuel Portion
 ■ BIO Base Rate Portion



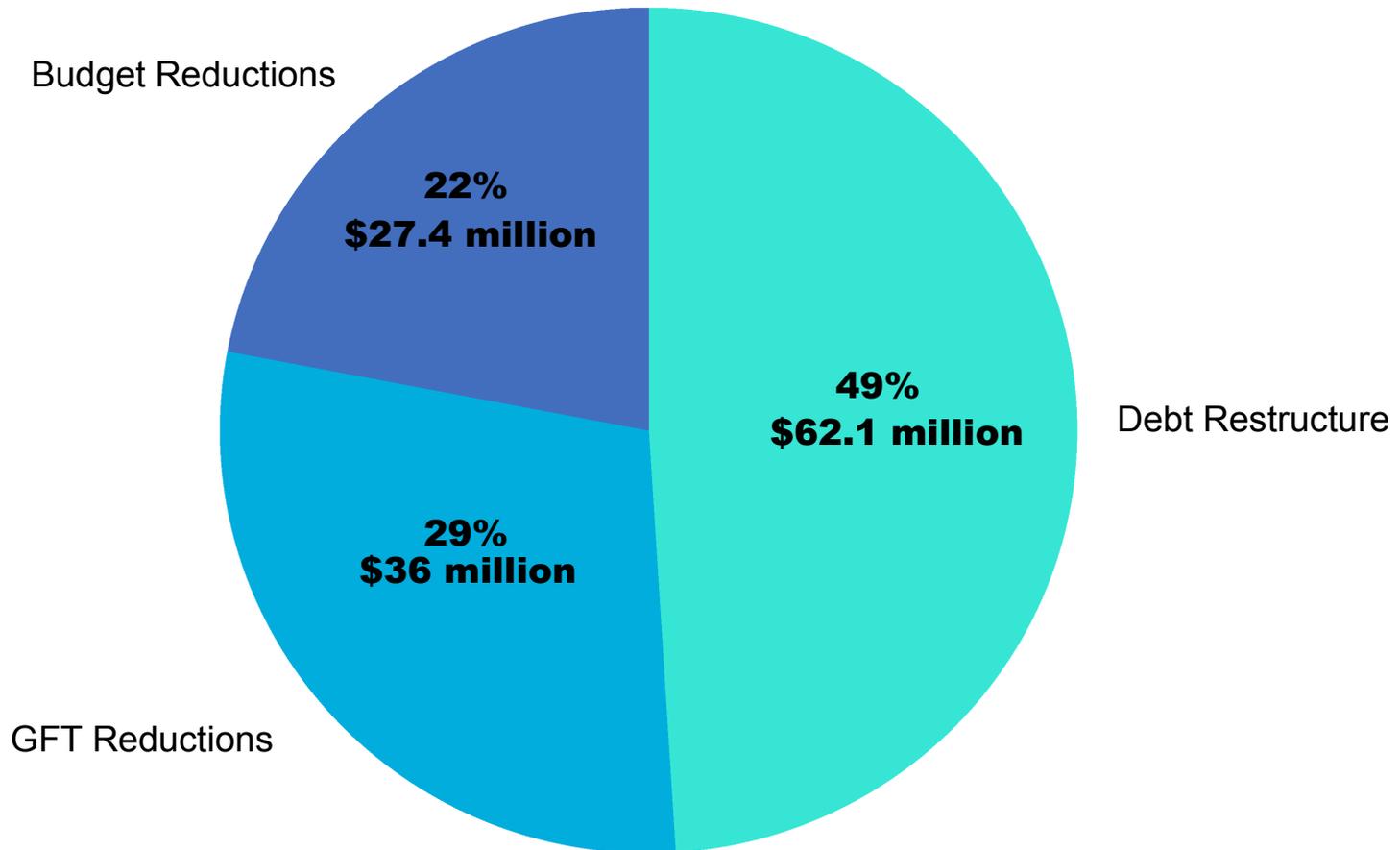
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Shortfall Scorecard (a Path to Sustainability)

Options	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Total
Status Quo	(\$12.2)	(\$13.1)	(\$10.2)	(\$6.9)	(\$7.8)	(\$6.8)	(\$7.6)	(\$52.4) FY20-25
Debt Restructure	9.9	12.3	12.9	10.3	8.6	10.2	(2.1)	
Wholesale Power								
UPIF								
UF Power								
Right-size Facilities		7.6	0.5	0.5	0.5	0.5	0.5	
Hiring Freeze								
Travel Limits		0.1	0.1	0.1	0.1	0.1	0.1	
Paper Bill Charges		0.4	0.4	0.4	0.4	0.4	0.4	
EVs								
On-boarding NAES		0.3	0.3	0.3	0.3	0.3	0.3	
GRUCom Expansion								
Rehab Kelly Unit #8								
Service-level Reductions	0.5	2.0	2.0	2.0	2.0	2.0	2.0	
New GFT		6.0	6.0	6.0	6.0	6.0	6.0	
New Cash Flows	(1.8)	15.6	12.0	12.7	10.1	12.7	(0.4)	\$62.7 FY20-25

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How we get \$125.5 million in reductions



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The Path We Recommend

Step 1. Implement proposed rate increases.

Step 2. Restructure debt.

(Debt from Series C restructure goes into GRU's Rate Stabilization Fund)

Step 3. Reduce GFT payments.

Step 4. Reduce expenses.

Note: Each of these steps is necessary to produce the results demonstrated in GRU's Shortfall Scorecard.

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Consequences of Choosing the Wrong Path

- Negative Rate Stabilization Fund cash by FY2022.
- GRU may be further downgraded by rating agencies.
- GRU draws on its line of credit to pay bills at higher interest rates.
- GRU erodes investor, bondholder and rating agency trust.
- GRU can't sustain a GFT level that's lower than the projected \$6 million reduction.
- GRU reduces essential services.

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Consequences of choosing the recommended path

- Long-term stabilization and focused execution of the proposed plan should result in excess reserves by FY2025.
- Any cash in excess of what is required to meet our reserves can be used for rate reductions or debt retirement.
- GRU secures its financial foundation in order to compete in the new/changing energy marketplace.

Questions?

“When you see a fork in the road, take it.” – Yogi Berra

