

Gainesville Regional Utilities

Quarterly Financial Statements

2nd Quarter Ending March 31st, 2008



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**Gainesville Regional Utilities
Quarterly Financial Statements
Quarter Ending March 31, 2008**

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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 of this management discussion and analysis of the utility system's financial statements for the quarter ending March 31, 2008. 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 results in costs being included in the determination of rates 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

This Year	Last Year	Quarter Change	Change (%)
26,469	25,804	665	2.6
912	1,159	(247)	(21.3)
22,653	18,318	4,335	23.7
(120)	1,462	(1,582)	(108.2)
-	-	-	-
787	780	7	0.9
50,701	47,523	3,178	6.7
5,389	5,111	278	5.4
196	188	8	4.3
-	-	-	-
54	29	25	86.2
5,639	5,328	311	5.8
7,719	6,622	1,097	16.6
121	311	(190)	(61.1)
-	-	-	-
103	58	45	77.6
7,943	6,991	952	13.6
4,100	3,691	409	11.1
7,053	5,166	1,887	36.5
-	-	-	-
155	111	44	39.6
11,308	8,968	2,340	26.1
2,798	3,083	(285)	(9.2)
-	-	-	-
63	43	20	46.5
2,861	3,126	(265)	(8.5)
78,452	71,936	6,516	9.1
46,276	38,035	8,241	21.7
1,153	1,393	(240)	(17.2)
47,429	39,428	8,001	20.3
18,151	17,351	800	4.6
8,749	6,862	1,887	27.5
74,329	63,641	10,688	16.8

REVENUES:

Total Native Load Sales of Electricity
Interchange Sales
Fuel Adjustment
Other Revenues
Rate Stabilization Fund Transfer
Interest Income

Total Electric Revenues

Sales of Water
Other Water Revenues
Rate Stabilization Fund Transfer
Interest Income

Total Water Revenues

Wastewater Billings
Other Wastewater Revenues
Rate Stabilization Fund Transfer
Interest Income

Total Wastewater Revenues

Sales of Gas and Service
Purchased Gas Adjustment
Rate Stabilization Fund Transfer
Interest Income

Total Gas Revenues

Sales of GRUCom Services
Rate Stabilization Fund Transfer
Interest Income

Total GRUCom Revenues

TOTAL REVENUES

OPERATION & MAINTENANCE EXPENSES:

Electric Fund:

Fuel Expense:

Retail & Purchased Power
Interchange
Total Fuel Expense

Operation & Maintenance Expense
Administrative & General Expense
Total Electric Fund Expenses

Year to Date	FY 08 Budget	FY 08 Projected	Change (%)
54,989	130,869	124,736	(4.7)
1,744	1,580	1,744	10.4
42,201	90,164	101,540	12.6
512	2,808	2,800	(0.3)
-	3,269	9,226	182.2
1,546	2,711	3,093	14.1
100,992	231,401	243,139	5.1
11,487	25,108	25,348	1.0
1,141	2,039	1,990	(2.4)
-	(960)	(1,760)	83.3
81	132	160	21.2
12,709	26,319	25,738	(2.2)
14,959	30,095	29,853	(0.8)
1,217	2,358	2,109	(10.6)
-	(498)	(208)	(58.2)
164	220	329	49.5
16,340	32,175	32,083	(0.3)
6,089	12,120	10,455	(13.7)
11,300	20,537	20,988	2.2
-	768	1,845	140.2
288	485	577	19.0
17,677	33,910	33,865	(0.1)
5,187	10,276	9,799	(4.6)
-	(309)	(295)	(4.5)
126	164	230	40.2
5,313	10,131	9,734	(3.9)
153,031	333,936	344,559	3.2
46,276	105,434	116,421	10.4
1,153	1,108	1,153	4.1
47,429	106,542	117,574	10.4
18,151	36,847	36,689	(0.4)
8,749	18,339	19,312	5.3
74,329	161,728	173,575	7.3

Gainesville Regional Utilities

COMBINED UTILITIES FUNDS STATEMENT OF OPERATING INCOME

This Year	Last Year	Quarter Change	Change (%)
1,643	1,554	89	5.7
1,032	979	53	5.4
2,675	2,533	142	5.6
1,882	1,556	326	21.0
1,123	1,194	(71)	(5.9)
3,005	2,750	255	9.3
7,573	5,713	1,860	32.6
460	391	69	17.6
878	830	48	5.8
8,911	6,934	1,977	28.5
706	495	211	42.6
599	540	59	10.9
1,305	1,035	270	26.1
53,592	45,585	8,007	17.6
12,626	14,756	(2,130)	(14.4)
379	434	(55)	(12.7)
13,005	15,190	(2,185)	(14.4)
2,964	2,795	169	6.0
4,938	4,241	697	16.4
2,397	2,034	363	17.8
1,556	2,091	(535)	(25.6)
24,860	26,351	(1,491)	(5.7)
12,122	10,492	1,630	15.5
6,588	5,220	1,368	26.2
7,947	7,494	453	6.0
75	89	(14)	(15.7)
(1,872)	3,056	(4,928)	(161.3)

Water Fund:

Operation & Maintenance Expense	3,123	6,831	6,859	0.4
Administrative & General Expense	1,971	4,801	4,526	(5.7)
Total Water Fund Expenses	5,094	11,632	11,385	(2.1)

Wastewater Fund:

Operation & Maintenance Expense	3,269	7,540	7,371	(2.2)
Administrative & General Expense	2,392	5,994	5,739	(4.3)
Total Wastewater Fund Expenses	5,661	13,534	13,110	(3.1)

Gas Fund:

Fuel Expense - Purchased Gas	12,149	22,029	22,386	1.6
Operation & Maintenance Expense	829	1,579	1,673	6.0
Administrative & General Expense	1,676	4,205	3,800	(9.6)
Total Gas Fund Expenses	14,654	27,813	27,859	0.2

GRUCom Fund:

Operation & Maintenance Expense	1,286	4,026	3,759	(6.6)
Administrative & General Expense	1,222	2,808	2,474	(11.9)
Total GRUCom Fund Expenses	2,508	6,834	6,233	(8.8)

Total Operation & Maintenance Expenses

Year to Date	FY 08 Budget	FY 08 Projected	Change (%)
102,246	221,541	232,162	4.8

NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION:

Electric - Retail & Wholesale
Electric - Interchange

Total Electric Fund
Water Fund
Wastewater Fund
Gas Fund
GRUCom Fund

TOTAL NET REVENUES IN ACCORDANCE WITH THE BOND RESOLUTION

DEBT SERVICE
UPIF CONTRIBUTIONS
TRANSFER TO GENERAL FUND
NUCLEAR DECOMMISSIONING/FUEL DISPOSAL

NET INCOME/(DEFICIT)

26,072	69,201	68,973	(0.3)
591	472	591	25.2
26,663	69,673	69,564	(0.2)
7,615	14,688	14,354	(2.3)
10,679	18,641	18,973	1.8
3,023	6,097	6,006	(1.5)
2,805	3,297	3,501	6.2
50,785	112,395	112,397	0.0
24,106	53,747	53,698	(0.1)
13,176	26,363	26,631	1.0
15,729	31,951	31,709	(0.8)
134	334	359	7.5
(2,360)	-	-	-

(1) Projected Aggregate Debt Service
Coverage Ratio

(2) Projected Total Debt Service
Coverage Ratio

	112,395	112,397
	51,445	51,256
=	2.18	2.19
	112,395	112,397
	53,747	53,698
=	2.09	2.09

Electric Revenue Fund

Financial Performance Discussion

Revenues from sales of native energy are 4.7% lower than the original budget. This is due to a mild winter resulting in lower sales, behavior change precipitated by an increase in prices, and the effects of conservation. Additionally, there were fewer new electric customers than previously anticipated.

Fuel Adjustment Revenue and Fuel Expense are projected to be higher than budgeted by 12.6% and 10.4%, respectively. This is due primarily to higher than anticipated fuel costs. Additionally, forced outage hours of our generating units incurred during the first two quarters of the year necessitated the production of more power using natural gas and more than expected reliance on purchased power.

Interchange Sales and Interchange Fuel Expense are projected to be 10.4% and 4.1% higher than budgeted. This increase is due to the availability of more marketable power as a result of lower native energy sales.

Projected interest income exceeds budget due to a combination of higher than anticipated interest rates on investments, and additional cash available in reserves to invest in Electric's Rate Stabilization Fund.

Electric System non-fuel operating expenses are projected to be approximately \$815K over budget, a variance of 1.5% primarily driven by unplanned spending in Nuclear and A&G costs. Nuclear costs associated with our partial 1.4% ownership of CR3 are projected to be \$310K above budget due to an unanticipated refueling outage expense in the fall of 2007. Administrative and General expenses are over budget by \$940K due to \$630K additional post go-live consulting on our CIS system and non-interest fees associated with the cost of issuance of the 2008 Commercial Paper in the amount of \$370K with other accounts offsetting the total of these overages.

Debt Service expenses are projected to be on target across all systems.

The result of the variances above will result in a Rate Stabilization Fund transfer into the Operating Fund of \$9.2 million, which is \$5.9 million greater than budgeted.

Gainesville Regional Utilities
ELECTRIC REVENUE FUND
STATEMENT OF OPERATING INCOME

This Year	Last Year	Quarter Change	Change (%)
10,853	11,520	(667)	(5.8)
10,662	8,729	1,933	22.1
1,197	1,550	(353)	(22.8)
912	1,159	(247)	(21.3)
805	750	55	7.3
2,952	3,255	(303)	(9.3)
27,381	26,963	418	1.6
22,653	18,318	4,335	23.7
50,034	45,281	4,753	10.5
(120)	1,462	(1,582)	(108.2)
-	-	-	-
787	780	7	0.9
50,701	47,523	3,178	6.7
23,363	20,218	3,145	15.6
533	725	(192)	(26.5)
23,896	20,943	2,953	14.1
5,260	4,704	556	11.8
394	284	110	38.7
293	371	(78)	(21.0)
285	253	32	12.6
30,128	26,555	3,573	13.5
257	157	100	63.7
2,938	2,236	702	31.4
3,195	2,393	802	33.5
1,917	1,252	665	53.1
2,456	2,133	323	15.1
4,373	3,385	988	29.2
37,696	32,333	5,363	16.6

REVENUES:

Residential Sales
General Service Sales
Large Power Sales
Interchange Sales
Utility Surcharge
Other Electric Sales (1)

Total Sales of Elec. Before Fuel Adj
Fuel Adjustment

Total Sales of Electricity

Other Revenues (2)
Rate Stabilization Fund Transfer
Interest Income

Total Revenues

OPERATION & MAINTENANCE EXPENSES:

Power Production Expenses:

Fuel Expense:
Retail & Purchased Power
Interchange

Total Fuel Expense

Steam Power Generation Expense
Nuclear Power Generation Expense
Other Power Generation Expense
System Control & Load Dispatching

Total Power Production Expenses

Transmission & Distribution Expenses:

Transmission Expense
Distribution Expense

Total Transmission & Distribution

Administrative & General Expenses:

Customer Accounts & Sales Expense
Administrative & General Expense

Total Administrative & General

Total Operation & Maintenance Expenses

Year to Date	FY 08 Budget	FY 08 Projected	Change (%)
22,840	63,356	58,284	(8.0)
22,204	42,895	46,221	7.8
2,615	7,856	9,543	21.5
1,744	1,580	1,744	10.4
1,453	3,532	3,110	(11.9)
5,877	13,230	7,578	(42.7)
56,733	132,449	126,480	(4.5)
42,201	90,164	101,540	12.6
98,934	222,613	228,020	2.4
512	2,808	2,800	(0.3)
-	3,269	9,226	182.2
1,546	2,711	3,093	14.1
100,992	231,401	243,139	5.1
46,276	105,434	116,421	10.4
1,153	1,108	1,153	4.1
47,429	106,542	117,574	10.4
10,000	20,210	20,004	(1.0)
1,154	1,480	1,790	20.9
417	1,681	1,461	(13.1)
524	1,008	1,099	9.0
59,524	130,921	141,928	8.4
501	896	1,020	13.8
5,555	11,572	11,315	(2.2)
6,056	12,468	12,335	(1.1)
3,100	7,708	7,741	0.4
5,649	10,631	11,571	8.8
8,749	18,339	19,312	5.3
74,329	161,728	173,575	7.3

(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
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This Year	Last Year	Quarter Change	Change (%)
12,626	14,756	(2,130)	(14.4)
379	434	(55)	(12.7)
13,005	15,190	(2,185)	(14.4)
7,193	5,900	1,293	21.9
3,978	3,444	534	15.5
5,010	4,689	321	6.8
75	89	(14)	(15.7)
(3,251)	1,068	(4,319)	(404.4)

**NET REVENUES IN ACCORDANCE WITH THE
BOND RESOLUTION:**

Retail & Wholesale
Interchange

**TOTAL NET REVENUE IN ACCORDANCE
WITH BOND RESOLUTION**

DEBT SERVICE
UPIF CONTRIBUTIONS
TRANSFER TO GENERAL FUND (Includes incentive)
NUCLEAR DECOMMISSIONING/FUEL DISPOSAL

NET INCOME/(DEFICIT)

Year to Date	FY 08 Budget	FY 08 Projected	Change (%)
26,072	69,201	68,973	(0.3)
591	472	591	25.2
26,663	69,673	69,564	(0.2)
14,123	33,858	33,721	(0.4)
7,956	15,917	15,976	0.4
9,840	19,564	19,508	(0.3)
134	334	359	7.5
(5,390)	-	-	-

Water Revenue Fund

Financial Performance Discussion

Revenues from sales of water to general customers are tracking close to budget. Projected revenues from sales of water to the University of Florida are currently 6.3% above budget. This is primarily the result of increases to UF water rates, which were not included in the original budget. Utility Surcharge revenues, which include surcharges on connection fees, are lower than expected by 9.6% due to an economic slowdown in the construction market. Other Revenues, which includes connection charges, are targeted to be below budget by 2.4%. This is also due to the decline in the construction market.

Projected interest income exceeds budget due to a combination of higher than anticipated interest rates on investments, and additional cash available in reserves to invest in Water's Utility Plant Improvement Fund

Water System total O&M expenses are projected to be \$247K in favor of budget, a variance of 2.1%. Water Distribution and Transmission expenses are expected to be \$165K under budget due to a greater portion of labor being capital related verses operating. Expenses are projected to be near budget for the most part.

Debt Service expenses are projected to be on target across all systems.

The result of the variances above will result in an Operating Fund transfer into the Rate Stabilization Fund of \$1.7 million, which is \$.8 million greater than budgeted.

Gainesville Regional Utilities
WATER REVENUE FUND
STATEMENT OF OPERATING INCOME

This Year	Last Year	Quarter Change	Change (%)
4,717	4,465	252	5.6
212	208	4	1.9
460	438	22	5.0
5,389	5,111	278	5.4
196	188	8	4.3
-	-	-	-
54	29	25	86.2
5,639	5,328	311	5.8
1,156	1,103	53	4.8
487	451	36	8.0
329	278	51	18.3
703	701	2	0.3
2,675	2,533	142	5.6
2,964	2,795	169	6.0
1,583	1,587	(4)	(0.3)
903	558	345	61.8
1,058	1,004	54	5.4
(580)	(354)	(226)	63.8

REVENUES:

General Customers
University of Florida
Utility Surcharge

Total Sales of Water

Other Revenues (1)
Rate Stabilization Fund Transfer
Interest Income

Total Revenues

OPERATION & MAINTENANCE EXPENSES:

Water Treatment Expense
Water Trans. & Dist. Expense
Customer Accounts & Sales Expense
Administrative & General Expense

Total Operation & Maintenance Expenses

**TOTAL NET REVENUES IN ACCORDANCE
WITH THE BOND RESOLUTION**

DEBT SERVICE
UPIF CONTRIBUTIONS
TRANSFER TO GENERAL FUND

NET INCOME/(DEFICIT)

Year to Date	FY 08 Budget	FY 08 Projected	Change (%)
10,044	21,793	22,202	1.9
467	941	1,000	6.3
976	2,374	2,146	(9.6)
11,487	25,108	25,348	1.0
1,141	2,039	1,990	(2.4)
-	(960)	(1,760)	83.3
81	132	160	21.2
12,709	26,319	25,738	(2.2)
2,236	4,793	4,986	4.0
887	2,038	1,873	(8.1)
591	1,425	1,347	(5.5)
1,380	3,376	3,179	(5.8)
5,094	11,632	11,385	(2.1)
7,615	14,687	14,353	(2.3)
3,170	6,229	6,222	(0.1)
1,806	3,616	3,711	2.6
2,192	4,842	4,420	(8.7)
447	-	-	-

(1) Other Revenue - Connection fees and miscellaneous.

Wastewater Revenue Fund Financial Performance Discussion

Revenues from wastewater billings are on budget through the second quarter. Surcharge revenues, which include surcharges on connection fees, are lower than expected by 10.2% due to an economic slowdown in the construction market. Other Revenues, which includes connection charges, are targeted to be below budget by 10.6%. This is also due to the decline in the construction market.

Projected interest income exceeds budget due to a combination of higher than anticipated interest rates on investments, and additional cash available in reserves to invest in Wastewater's Utility Plant Improvement Fund.

Wastewater System total O&M expenses are projected to be \$423K favorable to budget, a variance of 3.1%. Wastewater Treatment expenses are lower due to electricity costs projected to be under budget by \$140K. This is the result of the aeration basin and other equipment being offline for repairs.

Debt Service expenses are projected to be on target across all systems.

The result of the variances above will result in an Operating Fund transfer into the Rate Stabilization Fund of \$.20 million, which is \$.29 million less than budgeted.

Gainesville Regional Utilities
WASTEWATER REVENUE FUND
STATEMENT OF OPERATING INCOME

This Year	Last Year	Quarter Change	Change (%)
7,009	6,092	917	15.1
710	530	180	34.0
121	311	(190)	(61.1)
-	-	-	-
103	58	45	77.6
7,943	6,991	952	13.6
424	317	107	33.8
1,458	1,239	219	17.7
303	247	56	22.7
820	947	(127)	(13.4)
3,005	2,750	255	9.3
4,938	4,241	697	16.4
1,857	1,940	(83)	(4.3)
1,230	786	444	56.5
1,385	1,255	130	10.4
466	260	206	79.2

REVENUES:

Wastewater Billings
Surcharge
Other Revenues (1)
Rate Stabilization Fund Transfer
Interest Income

Total Revenues

OPERATION & MAINTENANCE EXPENSES:

Wastewater Collection Expense
Wastewater Treatment Expense
Customer Accounts & Sales Expense
Administrative & General Expense

Total Operation & Maintenance Expenses

**TOTAL NET REVENUES IN ACCORDANCE
WITH THE BOND RESOLUTION**

DEBT SERVICE
UPIF CONTRIBUTIONS
TRANSFER TO GENERAL FUND

NET INCOME/(DEFICIT)

Year to Date	FY 08 Budget	FY 08 Projected	Change (%)
13,589	27,679	27,683	0.0
1,370	2,416	2,170	(10.2)
1,217	2,358	2,109	(10.6)
-	(498)	(208)	(58.2)
164	220	329	49.5
16,340	32,175	32,083	(0.3)
757	1,733	1,746	0.8
2,512	5,807	5,625	(3.1)
535	1,140	1,171	2.7
1,857	4,854	4,568	(5.9)
5,661	13,534	13,110	(3.1)
10,679	18,641	18,973	1.8
3,861	8,157	8,086	(0.9)
2,460	4,915	4,994	1.6
2,747	5,569	5,893	5.8
1,611	-	-	-

(1) Other Revenue - Connection fees and miscellaneous.

Gas Revenue Fund

Financial Performance Discussion

Revenues from sales of natural gas, including fuels, are 4.6% below budget. Revenues from sales to residential customers are projected to be 20.4% below budget, due mainly to mild winter conditions. The residential customer revenue is impacted most by weather as gas is primarily used for space heating. In contrast, commercial customer use is generally level. Projected Surcharge revenues are below budget by 32.2%. Surcharge revenues are a function of Residential revenues, which are also below budget for this same period.

Purchased Gas Adjustment and Expense projections are 2.2% and 1.6%, respectively, higher than budgeted due to an increase in the price of natural gas.

Projected interest income exceeds budget due to a combination of higher than anticipated interest rates on investments, and additional cash available in reserves to invest in Gas' Utility Plant Improvement Fund.

Gas System non-fuel O&M expenses are projected to be approximately \$310K in favor of the budget, a variance of 5.4%. There were multiple smaller accounts driving this projected under budget variance. One of these was the Home Builder's program which provides builders incentives to install energy efficient natural gas appliances in new residences. Due to the economic slowdown in the new housing/construction market, fewer builders took advantage of this program.

Debt Service expenses are projected to be on target across all systems.

The result of the variances above will result in a Rate Stabilization Fund transfer into the Operating Fund of \$1.8 million, which is \$1.0 million greater than budgeted.

Gainesville Regional Utilities
GAS REVENUE FUND
STATEMENT OF OPERATING INCOME

This Year	Last Year	Quarter Change	Change (%)
2,564	2,272	292	12.9
1,861	934	927	99.3
329	65	264	406.2
7,053	5,166	1,887	36.5
93	110	(17)	(15.5)
248	229	19	8.3
49	81	(32)	(39.5)
11,153	8,857	2,296	25.9
-	-	-	-
155	111	44	39.6
11,308	8,968	2,340	26.1
7,573	5,713	1,860	32.6
460	391	69	17.6
592	532	60	11.3
286	298	(12)	(4.0)
8,911	6,934	1,977	28.5
2,397	2,034	363	17.8
718	474	244	51.5
384	324	60	18.5
410	465	(55)	(11.8)
885	771	114	14.8

REVENUES:

Sales of Gas and Service:

Residential	3,592	7,556	6,018	(20.4)
Commerical & Industrial	2,749	3,111	3,138	0.9
Interruptible & Transportation	(48)	921	963	4.6
Purchased Gas Adjustment	11,300	20,537	20,988	2.2
Surcharge	149	376	255	(32.2)
Cleanup Cost Recovery Factor (MGP)	401	21	(56)	(366.7)
Other Revenue (1)	137	135	137	1.5

Total Sales

Miscellaneous Revenue:

Rate Stabilization Fund Transfer	-	768	1,845	140.2
Interest Income	288	485	577	19.0

Total Revenues

OPERATION & MAINTENANCE EXPENSES:

Fuel Expense - Purchased Gas	12,149	22,029	22,386	1.6
Operation & Maintenance Expenses	829	1,579	1,673	6.0
Customer Accounts & Sales Expense	1,051	2,602	2,338	(10.1)
Administrative & General Expense	625	1,603	1,462	(8.8)

Total Operation & Maintenance Expenses

**TOTAL NET REVENUES IN ACCORDANCE
WITH THE BOND RESOLUTION**

DEBT SERVICE	1,513	2,918	2,885	(1.1)
UPIF CONTRIBUTIONS	768	1,538	1,567	1.9
TRANSFER TO GENERAL FUND	782	1,641	1,554	(5.3)

NET INCOME/(DEFICIT)

Year to Date	FY 08 Budget	FY 08 Projected	Change (%)
17,389	32,657	31,443	(3.7)
-	768	1,845	140.2
288	485	577	19.0
17,677	33,910	33,865	(0.1)
12,149	22,029	22,386	1.6
829	1,579	1,673	6.0
1,051	2,602	2,338	(10.1)
625	1,603	1,462	(8.8)
14,654	27,813	27,859	0.2
3,023	6,097	6,006	(1.5)
1,513	2,918	2,885	(1.1)
768	1,538	1,567	1.9
782	1,641	1,554	(5.3)
(40)	-	-	-

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

Telecommunications Revenue Fund

Financial Performance Discussion

Telecommunications revenue and Internet Access revenue are both projected to be 4.4% lower than original budget. Tower Lease Rental revenue is also anticipated to be 12% lower than originally budgeted. This is due primarily to the slower than anticipated growth in the service area and the telecommunications market.

Projected interest income exceeds budget due to higher than anticipated interest rates on investments.

Telecommunication System operating expenses are projected to be approximately \$621,207 favorable to budget, a variance of 8.8%. The largest budgetary item is the pending tax liability on GRUCom's fiber optic assets which are budgeted each year in case of a unfavorable outcome. The Telecom system did incur \$78K more in professional services and \$55K more in fiscal agent fees than were planned that offset the projected outcome for FY08.

Debt Service expenses are projected to be on target across all systems.

The result of the variances above will result in an Operating Fund transfer into the Rate Stabilization Fund of \$.29 million, which is \$.14 million less than budgeted.

Gainesville Regional Utilities
TELECOMMUNICATIONS REVENUE FUND
STATEMENT OF OPERATING INCOME

This Year	Last Year	Quarter Change	Change (%)
1,487	1,742	(255)	(14.6)
509	655	(146)	(22.3)
450	434	16	3.7
352	252	100	39.7
2,798	3,083	(285)	(9.2)
-	-	-	-
63	43	20	46.5
2,861	3,126	(265)	(8.5)
706	495	211	42.6
115	80	35	43.8
484	460	24	5.2
1,305	1,035	270	26.1
1,556	2,091	(535)	(25.6)
771	591	180	30.5
93	108	(15)	(13.9)
84	81	3	3.7
608	1,311	(703)	(53.6)

REVENUES:

Sales :

Telecommunication
Trunking Radio
Tower Lease Rental
Internet Access

Total Sales

Miscellaneous Revenue:

Rate Stabilization Fund Transfer/Borrowings
Interest Income

Total Revenues

OPERATION & MAINTENANCE EXPENSES:

Operation & Maintenance Expenses
Customer Accounts & Sales Expense
Administrative & General Expense

Total Operation & Maintenance Expenses

**TOTAL NET REVENUES IN ACCORDANCE
WITH THE BOND RESOLUTION**

DEBT SERVICE
UPIF CONTRIBUTIONS
TRANSFER TO GENERAL FUND

NET INCOME/(DEFICIT)

Year to Date	FY 08 Budget	FY 08 Projected	Change (%)
2,679	5,200	4,972	(4.4)
1,056	1,997	1,999	0.1
782	1,524	1,341	(12.0)
670	1,555	1,487	(4.4)
5,187	10,276	9,799	(4.6)
-	(309)	(295)	(4.5)
126	164	230	40.2
5,313	10,131	9,734	(3.9)
1,286	4,026	3,759	(6.6)
217	548	427	(22.1)
1,005	2,260	2,047	(9.4)
2,508	6,834	6,233	(8.8)
2,805	3,297	3,501	6.2
1,439	2,585	2,784	7.7
186	377	383	1.6
168	335	334	(0.3)
1,012	-	-	-

Balance Sheet – Combined Funds
As of March 31, 2008

As compared to December 31st, Other Current Assets is lower at March 31st due to a decrease in Fuel Contracts.

In the Restricted Asset section, the Debt Service Fund is higher as of March 2008 by \$4 million due to deposits to the Debt Service Fund to begin building towards our fiscal 2008 debt obligation. The Construction Fund balance increased by \$151 million due to the 2008 Series A and Series B bond issuances for construction of capital projects in February 2008. The Utility Plant Improvement Fund increased by \$3.4 million due to budgeted and scheduled transfers in accordance with the bond resolution. The increase in the Rate Stabilization Fund reflects the return of the temporary transfer and the final settlement for fiscal year 2007.

Included in the Current Liabilities is the current portion of Long Term-Debt which accumulates monthly. Also included is an increase in Fuel Payable. Higher fuel prices have resulted in a larger than usual increase to this liability.

As noted above, the Long Term-Debt liability, Senior Lien Debt increased due to the 2008 Series A Bonds (\$105 million) and the 2008 Series B Bonds (\$90 million).

**GAINESVILLE REGIONAL UTILITIES
COMBINED FUNDS
BALANCE SHEET
MARCH 31, 2008**

(000's)			\$	%
	Mar 31, 2008	Dec 31, 2007	Difference	Difference
	<u>ASSETS</u>			
CURRENT ASSETS:				
Cash, Investments & Accounts Receivable	27,336	26,013	1,323	4.8%
Other Current Assets	32,254	36,740	(4,486)	-13.9%
TOTAL CURRENT ASSETS	59,590	62,753	(3,163)	-5.3%
RESTRICTED ASSETS:				
Debt Service Fund	20,016	16,007	4,009	20.0%
Construction Fund	216,313	52,673	163,640	75.6%
Utility Plant Improvement Fund	26,815	23,391	3,424	12.8%
Rate Stabilization Fund	73,229	66,616	6,613	9.0%
Other Restricted Assets	15,350	15,097	253	1.6%
TOTAL RESTRICTED ASSETS	351,723	173,784	177,939	50.6%
NON-CURRENT ASSETS	118,355	119,825	(1,470)	-1.2%
NET CAPITAL ASSETS	877,499	848,637	28,862	3.3%
TOTAL ASSETS	1,407,168	1,204,999	202,169	14.4%
	<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES	18,702	14,508	4,194	22.4%
PAYABLE FROM RESTRICTED ASSETS:				
Rate Stabilization Deferred Credit	73,091	73,091	0	0.0%
Other Payables From Restricted Assets	30,373	27,766	2,607	8.6%
TOTAL PAYABLE FROM RESTRICTED ASSETS	103,464	100,857	2,607	2.5%
LONG TERM-DEBT:				
Utilities System Revenue Bonds Payable-Senior Lien Debt	719,502	529,999	189,503	26.3%
Utilities System Revenue Bonds Payable-Sub. Debt	62,000	61,175	825	1.3%
Commercial Paper Notes Payable	0	0	0	0.0%
Unamortized Bond Financing Costs	(22,268)	(22,731)	463	-2.1%
TOTAL LONG-TERM DEBT	759,234	568,443	190,791	25.1%
OTHER NON-CURRENT LIABILITIES	139,006	142,236	(3,230)	-2.3%
TOTAL LIABILITIES	1,020,406	826,044	194,362	19.0%
TOTAL NET ASSETS	386,761	378,955	7,806	2.0%
TOTAL LIABILITIES AND NET ASSETS	1,407,168	1,204,999	202,169	14.4%

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Supplemental Data

Gainesville Regional Utilities
ELECTRIC RESALE

Month March					Six Months Period Ended March 31			
This Year	Per KWh	Last Year	Per KWh	Change		This Year	Last Year	Change
					Resale Revenue			
829,734.29	0.0966	636,266.16	0.0822	193,468.13	Alachua	3,943,070.84	3,150,562.57	792,508.27
481,361.37	0.0928	411,054.55	0.0778	70,306.82	Seminole	2,430,732.53	2,059,217.60	371,514.93
<u>1,311,095.65</u>	0.0952	<u>1,047,320.71</u>	0.0804	<u>263,774.94</u>	Total Resale Revenue	<u>6,373,803.37</u>	<u>5,209,780.17</u>	<u>1,164,023.20</u>
					Resale KWh			
8,585,642		7,744,875		840,767	Alachua	51,449,935	46,350,027	5,099,908
5,186,540		5,283,543		(97,003)	Seminole	33,598,440	32,475,303	1,123,137
<u>13,772,182</u>		<u>13,028,418</u>		<u>743,764</u>	Total Resale KWh	<u>85,048,375</u>	<u>78,825,330</u>	<u>6,223,045</u>

Gainesville Regional Utilities
ELECTRIC STATISTICS

Month March				Six Months Period Ended March 31		
This Year	Last Year	Change		This Year	Last Year	Change
<u>90,668</u>	<u>92,137</u>	<u>(1,469)</u>	Total Customers	<u>91,708</u>	<u>91,749</u>	<u>(41)</u>
30,740	30,067	673	Street Lights in Service	30,740	30,067	673
585.33	591.72	(6.39)	Miles of Overhead Distribution Line	585.33	591.72	(1.13)
804.40	782.17	22.23	Miles of Underground Distribution Line	804.40	782.17	22.65
<u>1,389.73</u>	<u>1,373.89</u>	<u>15.84</u>	Total Miles of Distribution Line	<u>1,389.73</u>	<u>1,373.89</u>	<u>21.52</u>
281	311	(30)	Maximum Peak Load Generated/Gross	401	386	15
273	302	(29)	Maximum Peak Load Generated/Net	385	371	14
72.40	67.50	4.90	Load Factor - Percent	66.67	69.36	(2.69)
<u>11,451.90</u>	<u>11,389.40</u>	<u>62.50</u>	BTU per KWh Net Generated	<u>67,310.00</u>	<u>67,791.00</u>	<u>(481.00)</u>
28	53	(25)	Cooling Degree DBFs - Actual	411	360	51
65	65	0	Cooling Degree DBFs - Normal	425	425	0

Gainesville Regional Utilities
WATER & WASTEWATER STATISTICS

WATER

Month March				Six Months Period Ended March 31		
This Year	Last Year	Change		This Year	Last Year	Change
<u>68,439</u>	<u>67,346</u>	<u>1,093</u>	Total Customers	<u>69,237</u>	<u>66,940</u>	<u>2,297</u>
			Pumpage - Mega-gallons			
23,763	27,042	(3,279)	Raw Water - Average	24,284	26,310	(2,026)
<u>736,641</u>	<u>838,308</u>	<u>(101,667)</u>	Total	<u>4,444,040</u>	<u>4,814,681</u>	<u>(370,641)</u>
23,689	26,904	(3,215)	Distribution System - Average	24,111	25,795	(1,684)
<u>734,345</u>	<u>834,038</u>	<u>(99,693)</u>	Total	<u>4,412,246</u>	<u>4,720,483</u>	<u>(308,237)</u>
31.63	38.16	(6.53)	Maximum Daily Pumpage	35.25	39.19	(3.94)
28.47	32.70	(4.23)	Average Max. Daily Pumpage	28.56	30.58	(2.02)
10.05	15.24	(5.19)	Minimum Daily Pumpage	6.25	12.45	(6.20)
17.03	20.18	(3.15)	Average Min. Daily Pumpage	18.58	20.31	(1.73)
1,088.6	1,051.0	37.60	Miles of Main	1,088.6	1,051.0	37.60
5,367.0	5,251.0	116.00	Hydrants	5,367.0	5,251.0	116.00
4.36	1.68	2.68	Precipitation - Actual	21.19	15.16	6.03
4.18	4.18	0.00	Precipitation - Normal	18.35	18.35	0.00

WASTEWATER

Month December				Three Months Period Ended December 31		
This Year	Last Year	Change		This Year	Last Year	Change
60,464	59,974	1,720	Total Customers	61,153	59,651	1,502
603.5	601.3	2.20	Miles of Gravity Main	604	601	2.20
133.3	131.5	1.80	Miles of Force Main	133	132	1.80
736.8	732.8	4.00	Total Miles of Main	736.8	732.8	4.00

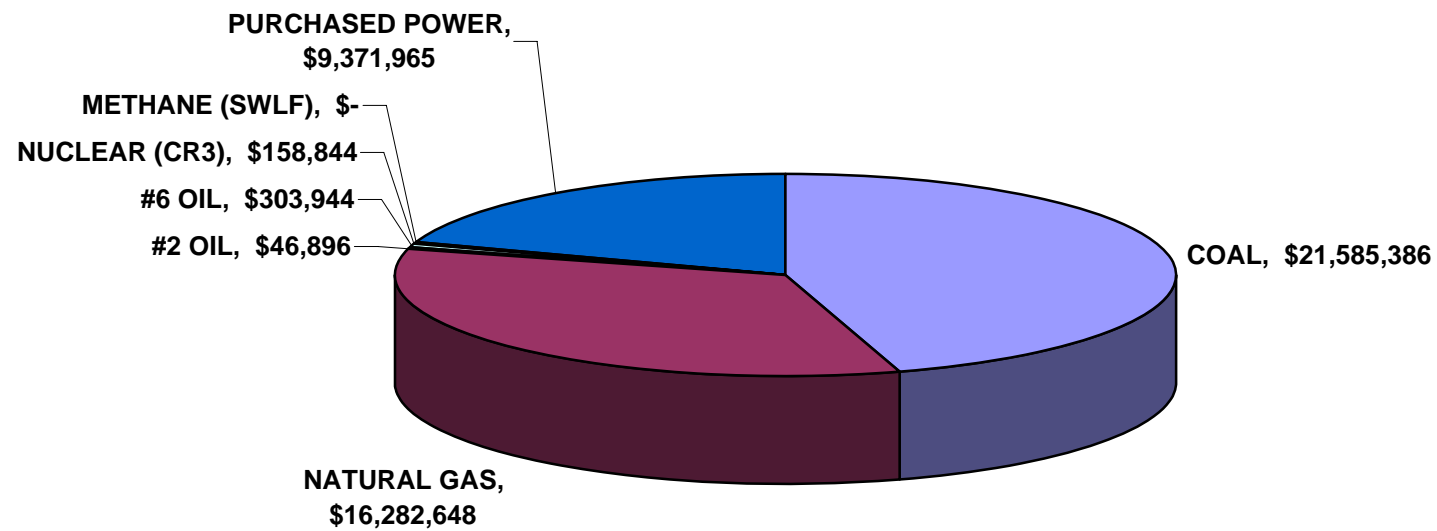
Gainesville Regional Utilities
GAS STATISTICS

Month March				Six Months Period Ended March 31		
This Year	Last Year	Change		This Year	Last Year	Change
<u>31,883</u>	<u>33,047</u>	<u>(1,164)</u>	Total NG Customers	<u>32,739</u>	<u>32,804</u>	<u>(66)</u>
<u>204</u>	<u>196</u>	<u>8</u>	LP Gas Total Customers	<u>200</u>	<u>194</u>	<u>6</u>
728.21	724.36	3.85	Distribution Mains	728.21	724.36	3.85
1,028.00	1,023.30	4.70	Average BTU per Cubic Foot	1,013.80	1,010.48	3.32
1.07080	0.59968	0.47	LP Gas Fuel Adjustment \$/Gal	1.55235	1.28750	0.26
142	103	39	Heating Degree DBFs - Actual	945	1,023	(78)
127	127	0	Heating Degree DBFs - Normal	1,092	1,092	0
			Purchased Natural Gas Clause			
1.42060	0.40584	1.01	Firm PGA	0.91678	0.61398	0.30
1.40940	0.39469	1.01	Interruptible PGA	0.90562	0.60283	0.30

Gainesville Regional Utilities
CLEAN AIR ALLOWANCES

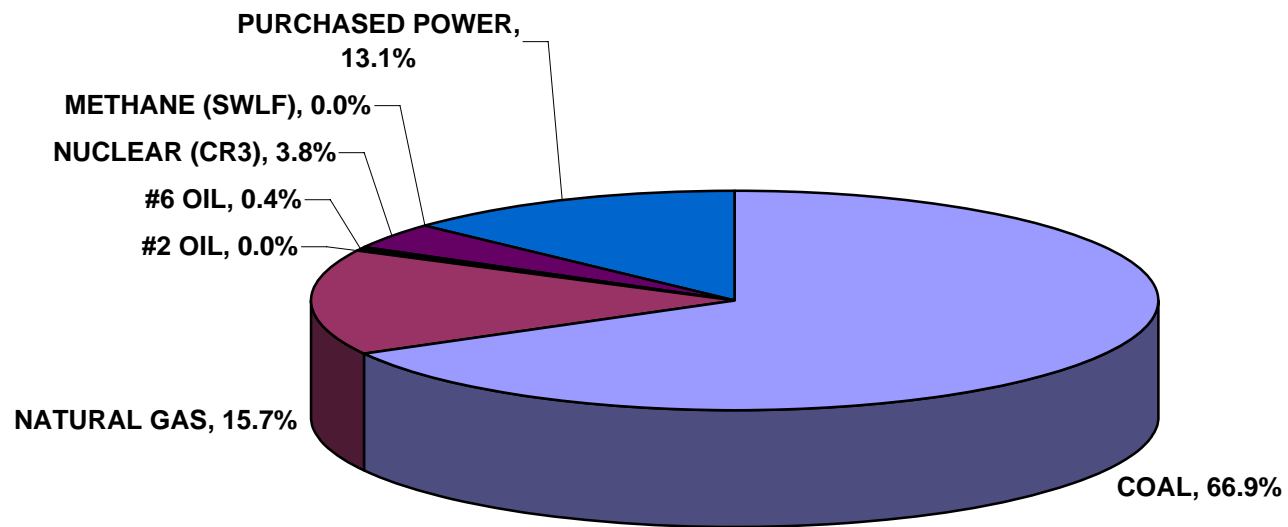
Month March						Three Months Period Ended March 31				
This Year	%	Last Year	%	Change	SO2 Emissions (tons)	This Year	%	Last Year	%	Change
<u>0.10</u>	0.0053	<u>0.00</u>	0.0000	<u>0.10</u>	John R. Kelly: Total (CC1)	<u>0.10</u>	0.0053	<u>0.00</u>	0.0000	<u>0.10</u>
					Deerhaven					
9.8	0.52	33.1	1.64	(50.9)	B1	9.8	0.52	33.1	1.64	(50.9)
1,865.8	99.47	1,989.5	98.36	(1,279.1)	B2	1,865.8	99.47	1,989.5	98.36	(1,279.1)
<u>0.1</u>	0.01	<u>0.0</u>	-	<u>(0.1)</u>	CT3	<u>0.10</u>	0.01	<u>0.00</u>	-	<u>(0.1)</u>
<u>1,875.7</u>	99.995	<u>2,022.6</u>	100.000	<u>(146.9)</u>	Total Emissions	<u>1,875.7</u>	99.995	<u>2,022.6</u>	100.000	<u>(146.9)</u>
<u>1,875.8</u>		<u>2,022.6</u>		<u>(146.8)</u>	Total GRU Emissions	<u>1,875.8</u>		<u>2,022.6</u>		<u>(146.8)</u>
Calendar Year 2007						Calendar Year 2008				
JR Kelly	%	Deerhaven	%	GRU Total	SO2 Allowances (tons)	JR Kelly	%	Deerhaven	%	GRU Total
115	5.22	2,087	94.78	2,202	Carryover	115	5.22	2,087	94.78	2,202
<u>58</u>	0.69	<u>8,369</u>	99.31	<u>8,427</u>	Yearly Allocation	<u>58</u>	0.69	<u>8,369</u>	99.31	<u>8,427</u>
<u>173</u>	1.63	<u>10,456</u>	98.37	<u>10,629</u>	Total	<u>173</u>	1.63	<u>10,456</u>	98.37	<u>10,629</u>
1	0.01	7,949	99.99	7,950	Used	1	0.01	7,949	99.99	7,950
<u>172</u>	6.42	<u>2,507</u>	93.58	<u>2,679</u>	Left Over	<u>172</u>	6.42	<u>2,507</u>	93.58	<u>2,679</u>

**Total Cost by Fuel Type
Six Months Ending March 31, 2008**



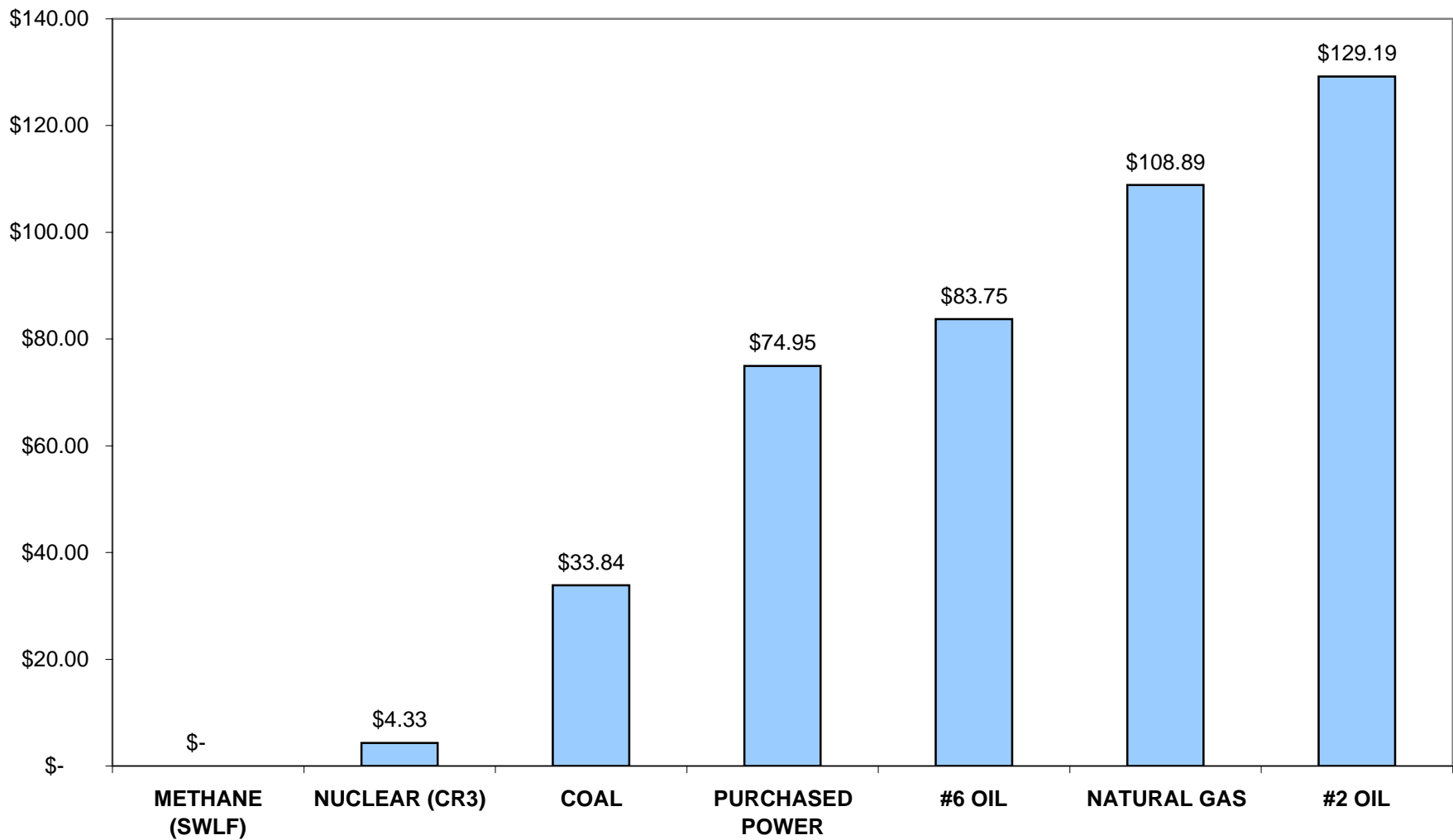
■ COAL ■ NATURAL GAS ■ #2 OIL ■ #6 OIL ■ NUCLEAR (CR3) ■ METHANE (SWLF) ■ PURCHASED POWER

**MWH Generation by Fuel Type
Six Months Ending March 31, 2008**



■ COAL ■ NATURAL GAS ■ #2 OIL ■ #6 OIL ■ NUCLEAR (CR3) ■ METHANE (SWLF) ■ PURCHASED POWER

**Total Cost per MWH by Fuel Type
Six Months Ending March 31, 2008**



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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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