

DRAFT REPORT FOR REVIEW

Base Rate & Fuel Adjustment Committee Report

Commissioner Lauren Poe – Committee Chair
Commissioner Randy Wells – Committee Member
Commissioner Craig Carter – Committee Member

January 2015

BACKGROUND

During FY 15 GRU budget presentations, the Gainesville City Commission established a sub-committee to discuss and make recommendations to the City Commission on several items related to the Base Rates and the Fuel Adjustment. The objective of the committee was to devote additional time and effort on rate structure and other rate related matters for ultimate policy directives and recommendations back to the full City Commission.

The BRFA was comprised of three City Commissioners: Lauren Poe - Chair; Randy Wells - Committee Member; and Craig Carter - Committee Member. The meetings occurred in the afternoons and typically lasted two hours. The format of the meetings generally included a staff presentation on Committee-directed topics; staff responses to Committee-directed inquiries; Committee discussion and dialogue on policy implications; and citizen comment on topics throughout the course of each meeting.

There were a total of six BRFA meetings that occurred during September 2014 – December 2014.

The main topics discussed at these meetings included:

- **Strategy on Connect Free Program Options**
- **Recovery of GREC PPA Costs Through Fuel Adjustment vs. Base Rates**
- **Residential Electric & Water Rate Structure – Options on Tiering Alternatives**
- **Multi-family Water Rate Structure**
- **Billing and Collection of General Government Storm water & Refuse Services on GRU Bill**

EXECUTIVE SUMMARY

- ***Strategy on Connect-Free Program Options***

BRFA recommends that the committee seek consensus from the full City Commission in order to create a dedicated fund for FY 16 under General Government control. BRFA recommends the focus of the program be low income residents, feasible locations, dense population and possibly non-profits that offer significant public benefit. BRFA recommends that the City Commission discuss whether the program will remain available for city residents only or be available to county residents as well. The City Commission should develop criteria for use of program funds by non-profits and also discuss whether to establish a per customer cap and evaluate that cap annually.

- ***Recovery of GREC PPA Costs Through Fuel Adjustment vs. Base Rates***

BRFA recommends that upcoming 2015 cost of service study report prepared by the rate consultant outline the pros and cons of recovering GREC PPA fixed costs through fuel adjustment rates or retail base rates. BRFA recommends having GRU & GG present the upcoming FY 16 Budget under two set of circumstances: 1) Recover fixed costs of GREC's PPA as it currently exists through the Fuel Adjustment rate; 2) Recover fixed costs of GREC's PPA through retail base rates. Since base rates are subject city and county utility taxes as well as the electric surcharge in the unincorporated area, the latter scenario would result in a net increase in taxes to General Government and Alachua County. This would also result in a net increase to customers who pay those taxes and surcharge. Increased electric surcharge revenues would accrue to GRU, but due the way the Fuel Adjustment is calculated in the City of Alachua wholesale contract, those revenues would decrease by a larger amount than the increased electric surcharge receipts (that are retained by GRU). There are other options the committee discussed that could exempt a portion of electric usage from utility tax assessment or lower the utility tax and surcharge rates in order to keep utility tax and surcharge revenues neutral should the Commission desire that as an outcome.

- ***Residential Electric Rate Structure – Tiering Alternatives***

BRFA recommends a policy that the range for cost vs. revenue of residential versus non-residential rate classes be limited to 0 – 5 percent as determined by the cost-of-service study. BRFA recommends establishing residential electric rate structure at two tiers, breaking at 750 kWh per month for both the base rate and fuel adjustment rate – with a one cent per kWh differential on the fuel adjustment tiered rate. BRFA recommends referring a citizen suggestion – that there be a special electric rate for those residential customers not served by natural gas to the Regional Utilities Committee.

- ***Multi-family Water Rate Structure***

BRFA recommends developing appropriate cost recovery methodologies for this group of water customers whether through consumption charges, customer charges, or combination of the two. Utilize the results of the upcoming cost of service study by consultant for determination of cost-based service in relation to other users within the water system. BRFA recommends considering an additional phase-in approach to any future increases in revenue requirements and rate designs in upcoming budget cycles specific to this subset of water customers. Finally, maintain involvement and keep interested stakeholders informed and engaged of the rate setting and budget process.

- ***Billing and Collection of General Government Stormwater & Refuse Services on GRU Bill***

BRFA recommends that the suggestion to bill and collect stormwater and refuse services through an alternate method not be given further consideration and that these services continue to be billed on GRU's monthly bill. The basis for this recommendation is that the current classification of these fees as user charges to the tenant on the monthly utility bill is reasonable and allowable by law. A move to billing and collecting through the tax collector office categorizes the charges as special assessments to property owners, to be collected in one annual lump sum. It was determined that there was not sufficient reason to support changing the billing and collection process for stormwater and refuse services to an alternative method.

BRFA MEETING HIGHLIGHTS

September 16, 2014

The first BRFA meeting addressed future strategies of the Connect-Free program which was referred to committee out of FY 2015 Budget adoption. To summarize recent policy directives passed by the City Commission regarding the Connect-Free program, a moratorium was placed on collecting additional surcharges from water and wastewater connection fees during FY 15. In addition, the existing balance in Connect-Free program was to be re-directed to other funds:

\$475,000 to the GRU water rate stabilization fund; and \$125,000 to the General Government general fund, and completion of previously planned extension projects for approximately \$350,000. The redirection of Connect-Free existing balances allowed GRU to further reduce FY 15 electric revenue requirements. This was accomplished by increasing water system reserves and lowering electric system reserves to maintain combined system reserve levels as presented in the budget.

GRU staff presented additional information on program's background and history. The program created a funding source for assisting with the payment of costs associated with extending, constructing and connecting to the City's water, wastewater, or reclaimed water systems. The funding is sourced from one-half of surcharges collected on annual water and wastewater fees. The funding is allocated to 20% Health/Safety/Environment, 20% to Affordable Housing, and 60% to Programmed Extensions for residents of the city based on prioritized targeted areas.

Dialogue ensued on the desire to continue the program after the FY 15 moratorium. Funding considerations were discussed and program objectives were discussed such as expanding to entire GRU service area instead of just city limits, residential only or include non-profits, and any cap on expenditure per customer. It was concluded that the item would need additional discussion outside of the BRFA.

September 25, 2014

The topics discussed at this meeting included an introduction to the GREC cost recovery mechanisms either through base rates or fuel adjustment.

The presentation began with an overview of electric revenue requirement concepts and how revenue requirements are classified into rate components along with allocations or assignment into customer classes. Next, the GREC PPA components were presented in detail, outlining the major cost drivers associated with the PPA. The main discrete cost components of the PPA include the base fuel charge, variable Operations & Maintenance (O&M) charge, non-fuel energy charge, fixed O&M charge, and reimbursement of ad valorem taxes. The components considered more "fixed" in nature are the non-fuel energy charge, fixed O&M charge, and ad valorem taxes.

GRU legal explained that the utility has discretion as to what purchased power components are allowable through Fuel Adjustment rate recovery relating to Power Purchased Agreements. All costs associated with purchasing power are justified in being recovered through the Fuel Adjustment clause. Further, GRU legal described that if the utility and its governing body decide to recover a portion of the GREC PPA costs that are considered "fixed" in nature through base rates, then that is allowable as well. The distinction between GREC PPA fixed and non-fixed costs cannot be arbitrary.

Peer utilities across the state vary in their classification of purchased power costs with recovery through fuel adjustment, base rates, or some other mechanism. For example, many of the

investor-owned utilities contain a separate rate tariff for the non-fuel costs of purchasing power. Orlando Utilities Commission classifies the capacity related portion of PPA costs to base rate recovery. However, many all-requirement members of Florida Municipal Power Agency (FMPPA) treat the entire cost of purchased power as rate recovery through their fuel and purchased power adjustment – outside of base rates.

GRU ordinance for the fuel adjustment and purchased power clause states that the purpose of the rate is to provide for increases or decreases in the charge of electric energy to cover increases and decrease in the cost of fuel and purchased power, to the extent such cost varies from the predetermined base of 6.5 mills per kWh embedded into the base rate charges for electric service. The FA has the effect of segregating the remaining fuel and purchased power cost recovery that is exempt for utility tax and surcharge assessment onto customers' bills.

A shift in the recovery of certain GREC PPA costs from out of Fuel Adjustment and into base rates create a few intended and unintended consequences the first of which being a greater amount of GRU base rate electric revenue subject to tax and surcharge for utility customers. Absent a change in utility tax and surcharge rate percentage assessments, this creates significantly greater annual revenues for the collection of utility taxes and surcharges to both the City of Gainesville and Alachua County – all paid by customer's electric bills with outside city limits customers paying more.

Also, a shift would cause certain GRU customers or customer classes to contribute less towards GREC's fixed costs when recovery of those costs is achieved through base rates. Both the wholesale electric service contract with City of Alachua and the lighting customer class would contribute less overall revenue with a lower FA rate, but would not have a corresponding increase contribution to GRU base rate revenue requirement if a cost shift occurs (unless opening up contract & altering lighting rate components). The additional unallocated cost would have to be picked up and recovered through remaining retail customers' base rates. This deficit amount is approximately \$2M per year for City of Alachua & \$0.9M for lighting class.

Also at the 9/25/14 meeting, a brief discussion occurred on the content and schedule for the upcoming 2015 cost-of-service RFP with an external consultant. The timing for receiving the study results will be spring 2015 – for consideration before FY 16 GRU budget presentations are made. The Regional Utilities Committee will receive the presentation first and then the full City Commission in the subsequent month.

October 7, 2014

The topics discussed at this meeting included a continuation of GREC cost recovery through base rates or fuel adjustment and follow-up to certain requests from the prior meeting.

As a follow-up to the last meeting, a request was made to show the impact of removing the GREC PPA from the FA charge and placing components into base rate recovery "as if GRU

owned the plant". If GRU owned the plant, the base fuel charge and variable O&M charge of the GREC PPA would be recovered through the fuel adjustment clause, and the non-fuel energy, fixed O&M, and ad valorem taxes would be recovered through base rates.

The total for all GREC PPA expenses in Budget FY 15 is \$94.9M. If GRU owned the plant, only the portion of base fuel charges and variable O&M which are estimated at \$24M would be recovered through fuel adjustment rates. The remaining "fixed" components estimated at \$65.4M for FY 15 would be added to the revenue requirement for recovery through base rates. This shift has a significant impact on the fuel adjustment and base rate portions of the bill; significantly reducing FA rates and correspondingly increasing the base rates for which residential customers are billed consumption based on tiers. Further, a cost recovery shift of the entire estimated FY 15 GREC PPA fixed costs components create additional utility tax revenue to the City of Gainesville estimated at \$3.9M which equates to an approximate \$3.78 increase to an average 1,000kWh monthly customer inside City of Gainesville. Surcharge revenue is estimated to increase approximately \$1.5M in total and utility tax revenue going to Alachua County estimated to increase \$1.6M in total. The monthly bill impact to outside-city-limit customers using 1,000kWh/mo is \$4.16 for additional utility tax to Alachua County and \$3.78 surcharge to the City of Gainesville/GRU for a total increase of almost \$8/mo in increased taxes and surcharges as a result of the GREC PPA cost recovery shift, if no offsetting measures are adopted. These figures do not consider the impact of foregone revenue from the City of Alachua that must be picked up by retail customers which could further place additional customer bill impact pressure by the GREC PPA cost recovery shift.

Note that although the non-fuel energy and fixed O&M charges are designated as "fixed", they are really dependent on the "availability" of the GREC biomass facility. For example, if the power plant experiences unplanned or forced outages, then GRU is not obligated to pay the non-fuel energy and fixed O&M components for that time period. A hypothetical 2-week unplanned outage results in avoidance of over \$2.5M fixed GREC PPA costs. The advantage to recovering the fixed GREC PPA costs through the Fuel Adjustment is more timely ability to change FA rates, due to significant changes in recoverable costs. All GRU rates are set based on budgeted and projected cost and sales levels. Depending on the time of year and market for electricity, extended unplanned outages in the near term from GREC could prove to be significant to the downside for customer bills. FA rates could be adjusted monthly with consideration given to the Fuel Adjustment Levelization balance thresholds. Base rates are generally not changed until each October 1st, potentially absorbing any swings from fixed GREC PPA costs until each budget cycle.

GRU staff also presented data on the consumption of disconnected customers at the request of the committee. Data presented included breakdown of disconnection by premise type (i.e. single family detached vs. other) and average usage for those customers disconnected multiple times throughout the year. The data suggested that those being disconnected, on average, were not extremely high users contrary to conventional belief.

October 21, 2014

The topics discussed at this meeting were GRU residential electric and water tiered rate structures.

Tiered rates currently exist for GRU residential electric and water customer usage, along with small commercial non-demand electric customer usage. Tiered rates are defined by the size of the consumption blocks and rate difference between the blocks. A variety of tiered rate structure designs are possible depending on CCOM goals and objectives.

A listing was provided on peer comparisons around the state for residential electric tiered rate structures. The majority of peers contain two blocks with a break at 1,000kWh for residential electric service. All investor-owned utilities have a \$0.01 (1 cent) differential between base rates and fuel adjustment rates, both breaking at 1,000kWh level. GRU's current residential rate structure includes three tiers with a \$0.053 (5.3 cent) differential between tier 1 & tier 3. GRU rate structure contains the most pronounced rate differentials between tiered blocks within the peer group.

Next, revenue requirements by class (residential vs. commercial) were discussed in relation to the cost to serve. The 2012 Baker Tilly study indicated class revenues for residential were about 5% below cost which were compensated through the commercial classes. The upcoming 2015 Baker Tilly study will revisit the cost-of-service spread between electric customer classes.

A few alternative residential rate structure examples were provided to demonstrate the differences to users at varying levels of consumption. Note that any change to rate structure examples maintained equal overall revenue requirement collection amounts to the existing GRU rate structure. However, different rate structures create larger differences for some customers within class depending on usage levels and where tier blocks and rates are adjusted.

The range of alternatives all maintained the existing customer charge and went from a range of 1) uniform consumption rate with no tiers (largest difference to existing rate structure) to a 2) two-tier break at 750kWh or 3) two-tier break at 1,000kWh. Each of the two-tier examples maintained the rather large rate spread between the tier blocks in order to keep rate comparison levels close to existing three tier rate structures. GRU billing data suggests that approximately 73% of residential consumption is billed under 750kWh per month with 27% of sales billed over 750kWh. If breakpoint were 1,000kWh then the amount of consumption in that tier block would be 84% with 16% of sales billed over 1,000kWh. These billing statistics form the basis for estimating and calculating class revenue requirements when consumption rates are tiered.

The results of the rate structure alternatives were most dramatic for the uniform – no tiers option which resulted in lower bill compare amounts for high users, and increases for lower users compared to the existing three tier structure. The two-tier break at 1,000kWh with still pronounced rate differentials between tiers had more of a difference to existing bill level

amounts than break at 750kWh but less than a uniform rate. The two-tier break at 750kWh with still pronounced rate differentials between tiers maintained the smallest difference across usage levels to existing bill comparison amounts.

Finally, water rate structures were briefly discussed. The Florida water management district consumptive use permits (CUP) require water utilities to have a conservation inclining rate structure for certain water users in order to reduce water withdrawn from the source of supply. Fixed cost recovery is very important in the water and wastewater systems, especially considering trends of declining per capita water use. Setting appropriate rates for water tier blocks are crucial to maintaining financial stability in order to compensate for the loss of revenue over time from reduced customer usage. The peer comparison data to other Florida water utility service providers indicates GRU's water rates are in a more competitive position when viewed against a larger peer group of providers around the state, but pricing the first tier block at low rates exerts pressure on the utility for fully recovering its fixed costs of supplying, treating, and delivering water to the end customer.

November 4, 2014

The topics discussed at this meeting included a continuation of GRU residential electric tiered rate structures and an introduction into stormwater and refuse billing and collection options.

Continuation of GRU residential electric tiered rate structure – 11/04/2014

This meeting continued the GRU residential electric rate structure discussion and followed up on a few requests from the prior meeting. Tiering of residential Fuel Adjustment rates with a break of 750kWh and 1,000kWh options were presented and incorporated into the rate structure alternatives for a total bill amount comparison. At a current FY 15 FA millage rate of 78 mills, a tiered residential FA rate at 750kWh break would be 75.3mills for under 750kWh and 85.3 mills over 750kWh billed (using a one cent per kWh spread among tier blocks). The tiered FA rate with a break at 1,000kWh turns into 76.4mills for under 1,000kWh and 86.4 mills over 1,000kWh.

Also there was a brief discussion on the amount of residential electricity costs as a portion of median income. The statistic provided was around 4.4% for 1,000kWh based on gross median income in Alachua County.

Stormwater and Refuse Billing and Collection Options – 11/04/14

General Government preliminarily discussed alternative options for stormwater and refuse billing. Currently, GG pays GRU approximately \$665,000 for the billing and collection service. The Alachua County Tax Collector office was contacted as an alternative to billing and collection through GRU monthly utility bill. The Tax Collector's office quoted a 2% charge of the revenues, which is approximately \$320,000-\$330,000 per year – but this quote is for a narrower of scope

of services. The stormwater and refuse billing and collection topic was asked to be further discussed at the next BRFA meeting.

December 16, 2014

The December 16, 2014 BRFA meeting included two topics on the agenda: multi-family water rates and stormwater/refuse billing and collections options.

Stormwater and Refuse Billing and Collection Options – 12/16/14

Liz Waratuke, City Attorney, led a discussion on alternatives for stormwater/refuse billing and collection processes. Current GRU billing practices include issuing a monthly bill for utility services, of which additional fees are applied to the utility bill for stormwater and refuse service, if applicable. It is generally applicable to residential customers living inside city limits. Due to quoted potential cost savings and other general interest, alternative billing and collection measures have been explored.

One alternative to the current billing and collection practices would be to designate the stormwater and refuse fees as special assessments or taxes which could then be collected via the Alachua County Tax Collector's office – as an ad valorem tax assessment on the annual property tax bill. In order to classify the fees or charges as special assessments, there are a number of administrative items that need to be satisfied including issuing studies that ensure the assessment is based on the benefit to the property and more strict deadlines for public notice and hearings for the annual assessment on the tax bill. A disadvantage to an ad valorem tax assessment would be an upfront collection of the entire annual amount for these services as opposed to the monthly collection as it occurs currently.

Another option mentioned would be to leave the services as monthly fees, but have stormwater and refuse bills issued and collected independently of the GRU monthly bill. This would most likely result in duplicate efforts and increased costs over those of the current practice.

Multi-family water rates – 12/16/14

The multi-family water presentation centered on rate structure and equity discussions for a certain subset of water customers: multi-family constructed buildings served behind one single meter. These customers range from a duplex up to a large apartment building with over 300 units, with the number of units for this subset of multi-family customers averaging approximately 17 units. During FY 15 budget, GRU received CCOM approval to change the rate structure for these multi-family customers from the residential tiered consumption rate per thousand-gallons, to a uniform rate per thousand-gallons. This change was made mainly to have this group of customers pay an equitable share of their system costs. Factors driving the introduction of the new multi-family rate structure included the lower revenue recovery per thousand-gallons achieved from multi-family customers as compared to other customers within

the water system (average consumption of multi-family is about half of single family detached users), lower customer charge revenue recovery since one charge covers multiple units, and the low average use of multi-family customers mean they are not receiving price signals from the inclining block price structure.

GRU has indicated that for the FY 16 Budget, the pricing for these multi-family customers will move toward general service commercial pricing. Even with the move to general service rates, the all-in cost, including customer charges, per delivered thousand gallons of water will still be at or near the delivered cost for single-family detached residential service or general service commercial service based on average consumption.

January 27, 2015

The last BRFA meeting will review the contents and recommendations contained with the final report for consensus and adoption to the full City Commission.

APPENDIX – List of BRFA Presentations included for reference

Agenda Item 130528
Base Rates and Fuel Adjustment Committee

ConnectFree Program

September 16, 2014



ConnectFree Resolution Overview

- Passed July 2003; Revisions Nov 2005, Jan 2014; Sept 2014 (Proposed)
- ½ of proceeds from 25% surcharge on W/WW connection charges outside City go to General Government ConnectFree fund
- Extension of Water, WW & Reclaimed water to residences inside City

How Funds Are Being Used

- Fund Allocation (per Resolution)
 - 60% Programmed Extensions
 - Marketing to residents based on prioritization
 - 20% Health/Safety/Environment*
 - Cases with health/environmental concern
 - 20% Affordable Housing*
 - New & existing affordable housing projects

**Funds not encumbered roll over to Programmed Extension fund each year*

Implementation

- Implementation based on prioritization
 - Emphasis on low income areas
 - Door to door marketing in CDBG areas
 - Referrals from GRU new services, housing division, health dept & others
 - Public outreach
 - Plumbing improvements paid for low income & for CDBG areas

Current Status

- 67 Customers served to date
- Water available throughout City limits
 - City's cost for extension limited to \$7,500 per lot
 - On-site plumbing paid for low income customers & customers in CDBG

ConnectFree Overview

- January 2014 City Commission modified Resolution
 - Referral to RUC to review ConnectFree program & make recommendations
- May 20, 2014 RUC reviewed alternatives & recommended
 - Item be removed from RUC referral
 - City Commission make final decision on alternative to move forward during budget

ConnectFree Overview

- July 2014 City Commission decision:
 - Moratorium on collection of surcharge on W/WW connection charges in 2015
 - Transfer \$475,000 from fund balance in 2015 to GRU rate stabilization fund
 - Transfer \$125,000 from fund balance in 2015 to Gen Gov general fund

History of Actual Revenue & Expenditures

Total Net Revenue/Income	\$1,712,677
Total Expenditures	(\$861,136)
Remaining Funds (current)	\$851,541
FY14 Budget Transfer (estimated)	\$117,883
Reserve for FY15 transfer to GRU rate stab	(\$475,000)
Reserve for FY15 transfer to GG	(\$125,000)
Reserve for projects*	(\$369,424)
Projected Final Balance	\$0

*Includes Arbour Valley affordable housing, Empowerment Center & W/WW extensions

Suggestions

- No rate increase to customers
- GRU provides technical support, but does not administer program

Overall Questions

- Do you want the program to continue?
- If so:
 - How to fund the program?
 - GFT implications
 - What do you want program to look like?
 - Inside City limits only OR GRU service area
 - Residential only OR include non-profits
 - Consider expenditure caps per customer



GREC Cost Recovery Options



Recovery of Revenue Requirement

Classification of Revenue Requirement into Electric Rate Components

FY 15 Electric Retail Base Rev Req- \$112.7M

- Customer Charges (\$/mo)
- Energy Charges (\$/kWh)
- Demand Charges (\$(kW)

FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M

- Fuel Adjustment (FA) Charge (\$/kWh)

Allocation/Assignment of Revenue Requirement into Electric Customer Classes

FY 15 Electric Retail Base Rate Rev Req - \$112.7M

- Residential
- GS Non-Demand Commercial
- GS Demand Commercial
- Large Power Commercial
- Lighting Commercial

FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M

- Retail Customers
- Wholesale Customers
 - City of Alachua
 - City of Winter Park

Alternative GREC PPA Cost Recovery

GREC PPA Components

FUEL ADJUSTMENT

Base Fuel Charge	\$21.9M	\$24.0M	Current Method	<u>Move Fixed PPA Charges to Base</u>
Variable O&M	\$2.1M			
Non-Fuel Energy	\$41.0M	\$65.4M	\$160.3 M	\$94.9M
Fixed O&M	\$16.8M			
Property Taxes	\$7.6M			
Remaining GRU Fuel Components				
Coal, Gas, Purchases	\$70.9M			

BASE RATE

Retail Base Rate Revenue

Base Revenue	\$112.7M	\$112.7 M	\$178.1M
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Estimated Tax Revenue Increase Resulting from Alternative Cost Recovery of GREC PPA (Customers Inside City)

	<u>Estimated Additional City Utility Tax Revenue</u>	<u>Estimated Increase to Residential Monthly Bill</u>
FY 15 Budget Reduction of Base Rate Revenue \$123.6M – (\$10.9M) = \$112.7M	(\$678k)	(\$0.67)
<hr/>		
A) Shift GREC Prop Tax to Base Rate Revenue ➤ \$112.1M + \$7.6M = \$119.7M	\$480k	\$0.39
B) Shift GREC Fixed O&M to Base Rate Revenue ➤ \$112.1M + \$16.8M = \$128.9M	\$1M	\$0.95
C) Shift GREC NF Energy to Base Rate Revenue ➤ \$112.1M + \$41.0M = \$153.1M	\$2.5M	\$2.36
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D) Shift GREC All Above to Base Rate Revenue ➤ \$112.1M + \$65.4M = \$177.5M	\$3.9M	\$3.78

Estimated Tax & Surcharge Increase Resulting from Alternate Cost Recovery of GREC PPA (Outside City Customer)

	<u>Estimated Additional County Utility Tax Revenue</u>	<u>Estimated Increase to Residential Monthly Bill</u>	<u>Estimated Additional Electric Surcharge Revenue</u>	<u>Estimated Increase to Residential Monthly Bill</u>
FY 15 Budget Reduction of Base Rate Revenue \$123.6M – <u>(\$10.9M)</u> = \$112.7M	(\$300k)	(\$0.73)	(\$270k)	(\$0.67)
A) Shift GREC Prop Tax to Base Rate Revenue ➤ \$112.1M + <u>\$7.6M</u> = \$119.7M	\$195k	\$0.42	\$180k	\$0.39
B) Shift GREC Fixed O&M to Base Rate Revenue ➤ \$112.1M + <u>\$16.8M</u> = \$128.9M	\$420k	\$1.04	\$390k	\$0.95
C) Shift GREC NF Energy to Base Rate Revenue ➤ \$112.1M + <u>\$41.0M</u> = \$153.1M	\$1.03M	\$2.59	\$950k	\$2.36
D) Shift GREC All Above to Base Rate Revenue ➤ \$112.1M + <u>\$65.4M</u> = \$177.5M	\$1.64M	\$4.16	\$1.5M	\$3.78

Some Implications of GREC Cost Recovery Shift Into Retail Base Rate Revenue Requirement

1) Greater amount of GRU base rate electric revenue funds additional tax revenue:

- City Municipal Utility tax of 10% - additional tax revenue retained by City of Gainesville (assess inside customers only)
- County Municipal Utility tax of 10% - additional tax revenue retained by Alachua County (assess outside customers only)
- Electric Surcharge of 10% - additional surcharge revenue retained by GRU (assess outside customers only)

All additional tax revenues would be paid by electric utility customers (with outside customers paying both utility tax AND surcharge assessment)

2) Certain GRU Customers/ Customer Classes would contribute less towards GREC's fixed costs when recovery of those costs are achieved through retail base rates

- City of Alachua and Lighting (rental & street lighting) customer classes both would contribute less overall revenue with a lower FA rate, but would not have a corresponding increase contribution to GRU base rate revenue requirement if a cost shift occurs. City of Alachua is governed by contractual wholesale agreement terms and lighting service revenues are comprised of monthly fixed charges per fixture and poles. **The remaining additional unallocated cost from Alachua and Lighting class would have to be recovered through retail customers' base rates.**

3) Per bond covenants, increased GRU base rate revenues are subject to mandatory formulaic UPIF contribution funding. Greater required UPIF contributions exert short-term upward retail rate pressure but would lower borrowing needs to fund capital expenditures in future.

Sample Total Revenue Requirement Comparison (\$ in Millions)

FUEL ADJUSTMENT

<u>FA Revenue Requirement - Customer Class Breakout</u>	<u>Recover ALL GREC Fixed costs via Fuel Clause \$160.3 FY 15 Fuel Budget</u>	<u>Shift GREC Fixed Costs out of Fuel Recovery and Into Retail Base Rate Recovery of (\$65.4)</u>	<u>Resulting Lowered FA Revenue Requirement after GREC Fixed Cost Shift</u>
Residential	\$62.2	(\$28.7)	\$33.5
Commercial (GSN,GSD,LP)	\$73.3	(\$33.6)	\$39.7
Lighting	\$1.9	(\$0.9)	\$1.0
City of Alachua	\$7.7	(\$2.2)	\$5.5
All Other Fuel Revenues (Winter Park, Embedded, RECs)	\$15.2	0	\$15.2
Total Native Load FA Revenue	\$160.3	(\$65.4)	\$94.9

BASE RATE

<u>Retail Base Rate Revenue Requirement - Customer Class Breakout</u>	<u>Recover NO GREC Fixed costs via Retail Base Rates - \$112.7 Rev Req – FY 15 Budget</u>	<u>Shift GREC Fixed Costs out of Fuel Recovery and Into Retail Base Rate Recovery of \$65.4</u>	<u>Resulting Increased Retail Base Rate Revenue Requirement</u>
Residential	\$47.5	\$28.7	\$76.2
Commercial (GSN,GSD,LP)	\$60.0	\$33.6	\$93.6
Lighting	\$5.2	\$0	\$5.2
Sub-Total	\$112.7	\$62.3	\$175.0
Remaining Costs to be Allocated from Alachua & Lighting to Retail	N/A	\$3.1	\$3.1
Total Retail Base Rate Revenue	\$112.7	\$65.4	\$178.1



GREC Cost Recovery Options Follow up Discussion

Base Rates & Fuel Adjustment Committee
October 7, 2014

Recovery of Revenue Requirement

Classification of Revenue Requirement into Electric Rate Components

FY 15 Electric Retail Base Rev Req- \$112.7M

- Customer Charges (\$/mo)
- Energy Charges (\$/kWh)
- Demand Charges (\$/kW)

FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M

- Fuel Adjustment (FA) Charge (\$/kWh)

Allocation/Assignment of Revenue Requirement into Electric Customer Classes

FY 15 Electric Retail Base Rate Rev Req - \$112.7M

- Residential
- GS Non-Demand Commercial
- GS Demand Commercial
- Large Power Commercial
- Lighting Commercial

FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M

- Retail Customers
- Wholesale Customers
 - City of Alachua
 - City of Winter Park

Alternative GREC PPA Cost Recovery

GREC PPA Components

FUEL ADJUSTMENT

Base Fuel Charge	\$21.9M
Variable O&M	\$2.1M

\$24.0M

Current Method

Move Fixed PPA Charges to Base

★ Non-Fuel Energy	\$41.0M
★ Fixed O&M	\$16.8M
★ Property Taxes	\$7.6M

\$65.4M

\$160.3 M

\$94.9M

Remaining GRU Fuel Components

Coal, Gas, Purchases	\$70.9M
----------------------	---------

Retail Base Rate Revenue

BASE RATE

Base Revenue	\$112.7M
--------------	----------

\$112.7 M

\$178.1M

★ Under GRU ownership structure, these PPA components would be recovered through base rate revenues.

Non Fuel Energy – Annual debt service and capital improvements
 Fixed O&M – Annual O&M expenses
 Property Taxes - Annually not assessed if GRU/City owned

Estimated Tax Revenue Increase Resulting from Alternative Cost Recovery of GREC PPA (Customers Inside City)

	<u>Estimated Additional City Utility Tax Revenue</u>	<u>Estimated Increase to Residential Monthly Bill</u>
A) Shift GREC NF Energy to Base Rate Revenue ➤ \$112.1M + <u>\$41.0M</u> = \$153.1M	\$2.5M	\$2.36
B) Shift GREC Fixed O&M to Base Rate Revenue ➤ \$112.1M + <u>\$16.8M</u> = \$128.9M	\$1M	\$0.95
C) Shift GREC Prop Tax to Base Rate Revenue ➤ \$112.1M + <u>\$7.6M</u> = \$119.7M	\$480k	\$0.39
<hr/>		
D) Shift GREC All Above to Base Rate Revenue ➤ \$112.1M + <u>\$65.4M</u> = \$177.5M	\$3.9M	\$3.78

Estimated Tax & Surcharge Increase Resulting from Alternate Cost Recovery of GREC PPA (Outside City Customer)

	<u>Estimated Additional County Utility Tax Revenue</u>	<u>Estimated Increase to Residential Monthly Bill</u>	<u>Estimated Additional Electric Surcharge Revenue</u>	<u>Estimated Increase to Residential Monthly Bill</u>
A) Shift GREC NF Energy to Base Rate Revenue	\$1.03M	\$2.59	\$950k	\$2.36
➤ \$112.1M + <u>\$41.0M</u> = \$153.1M				
B) Shift GREC Fixed O&M to Base Rate Revenue	\$420k	\$1.04	\$390k	\$0.95
➤ \$112.1M + <u>\$16.8M</u> = \$128.9M				
C) Shift GREC Prop Tax to Base Rate Revenue	\$195k	\$0.42	\$180k	\$0.39
➤ \$112.1M + <u>\$7.6M</u> = \$119.7M				
D) Shift GREC All Above to Base Rate Revenue	\$1.64M	\$4.16	\$1.5M	\$3.78
➤ \$112.1M + <u>\$65.4M</u> = \$177.5M				

Some Implications of GREC Cost Recovery Shift Into Retail Base Rate Revenue Requirement

1) Greater amount of GRU base rate electric revenue funds additional tax revenue:

- City Municipal Utility tax of 10% - additional tax revenue retained by City of Gainesville (assess inside customers only)
- County Municipal Utility tax of 10% - additional tax revenue retained by Alachua County (assess outside customers only)
- Electric Surcharge of 10% - additional surcharge revenue retained by GRU (assess outside customers only)

All additional tax revenues would be paid by electric utility customers (with outside customers paying both utility tax AND surcharge assessment)

2) Certain GRU Customers/ Customer Classes would contribute less towards GREC's fixed costs when recovery of those costs are achieved through retail base rates

- City of Alachua and Lighting (rental & street lighting) customer classes both would contribute less overall revenue with a lower FA rate, but would not have a corresponding increase contribution to GRU base rate revenue requirement if a cost shift occurs. City of Alachua is governed by contractual wholesale agreement terms and lighting service revenues are comprised of monthly fixed charges per fixture and poles. **The remaining additional unallocated cost from Alachua and Lighting class would have to be recovered through retail customers' base rates.**

3) Per bond covenants, increased GRU base rate revenues are subject to mandatory formulaic UPIF contribution funding. Greater required UPIF contributions exert short-term upward retail rate pressure but would lower borrowing needs to fund capital expenditures in future.

Sample Total Revenue Requirement Comparison (\$ in Millions)

FUEL ADJUSTMENT

<u>FA Revenue Requirement - Customer Class Breakout</u>	<u>Recover ALL GREC Fixed costs via Fuel Clause \$160.3 FY 15 Fuel Budget</u>	<u>Shift GREC Fixed Costs out of Fuel Recovery and Into Retail Base Rate Recovery of (\$65.4)</u>	<u>Resulting Lowered FA Revenue Requirement after GREC Fixed Cost Shift</u>
Residential	\$62.2	(\$28.7)	\$33.5
Commercial (GSN,GSD,LP)	\$73.3	(\$33.6)	\$39.7
Lighting	\$1.9	(\$0.9)	\$1.0
City of Alachua	\$7.7	(\$2.2)	\$5.5
All Other Fuel Revenues (Winter Park, Embedded, RECs)	\$15.2	0	\$15.2
Total Native Load FA Revenue	\$160.3	(\$65.4)	\$94.9

BASE RATE

<u>Retail Base Rate Revenue Requirement - Customer Class Breakout</u>	<u>Recover NO GREC Fixed costs via Retail Base Rates - \$112.7 Rev Req – FY 15 Budget</u>	<u>Shift GREC Fixed Costs out of Fuel Recovery and Into Retail Base Rate Recovery of \$65.4</u>	<u>Resulting Increased Retail Base Rate Revenue Requirement</u>
Residential	\$47.5	\$28.7	\$76.2
Commercial (GSN,GSD,LP)	\$60.0	\$33.6	\$93.6
Lighting	\$5.2	\$0	\$5.2
Sub-Total	\$112.7	\$62.3	\$175.0
Remaining Costs to be Allocated from Alachua & Lighting to Retail	N/A	\$3.1	\$3.1
Total Retail Base Rate Revenue	\$112.7	\$65.4	\$178.1



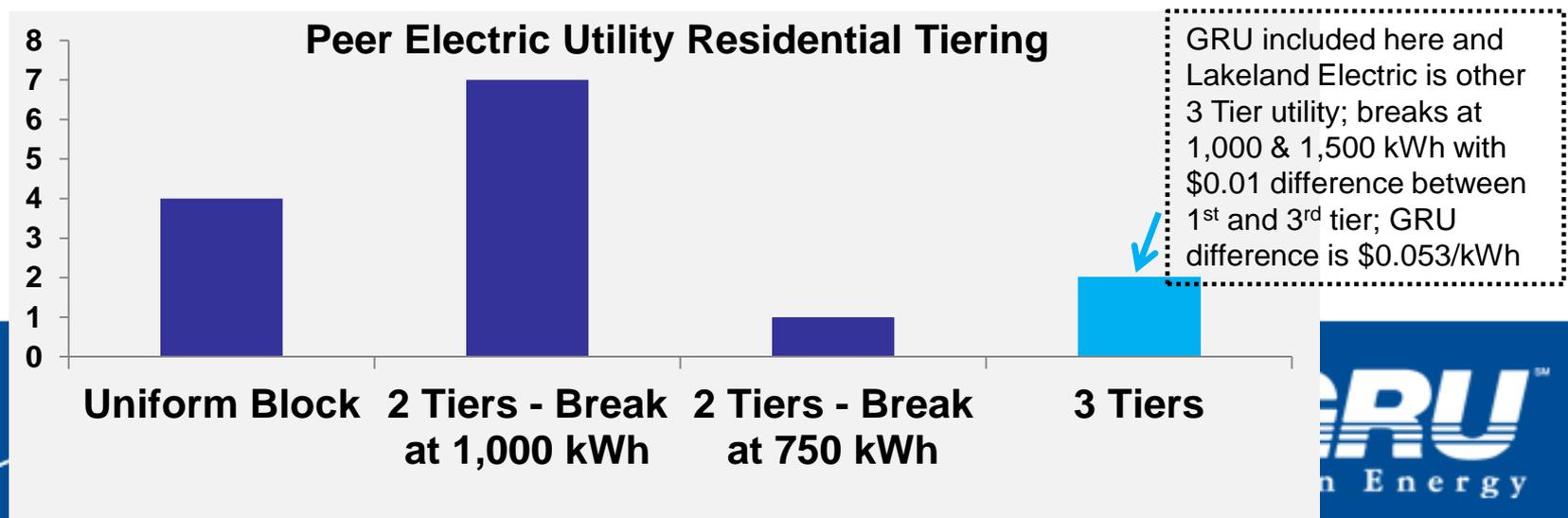
GRU Residential Tiered Rates

Item No. 140428

Base Rates & Fuel Adjustment Committee
October 21, 2014

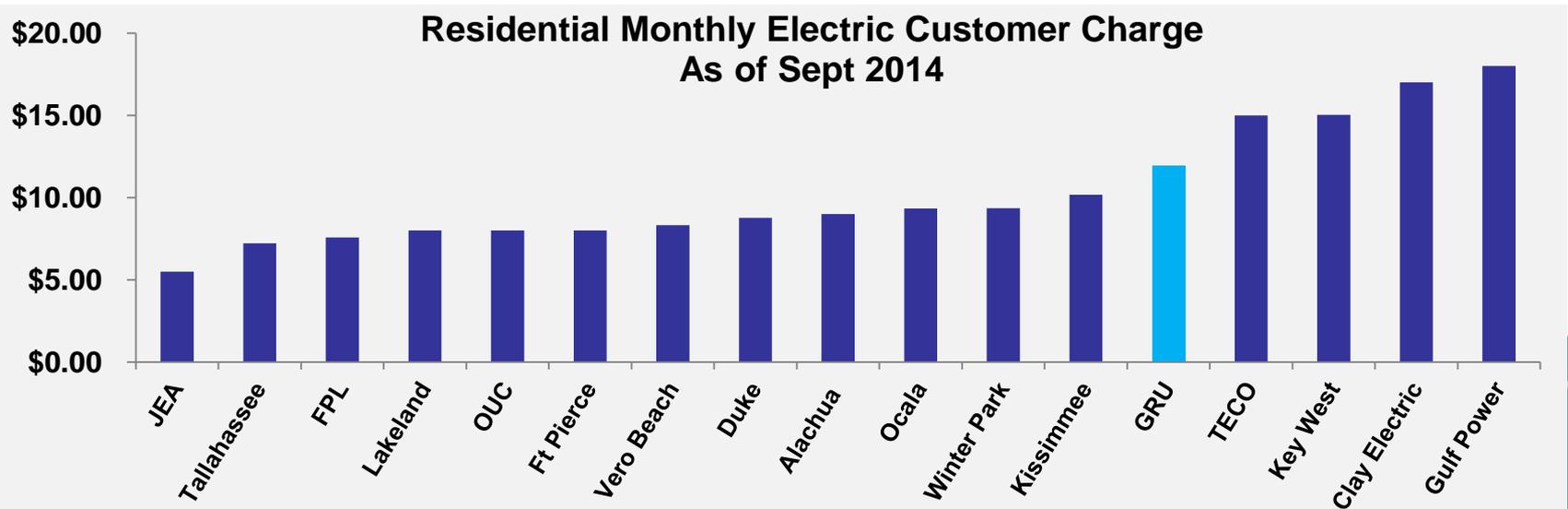
Residential Electric Tiered Rates Overview

- Tiered rates currently exist for GRU residential electric and water customers, along with small commercial non-demand electric customers.
- Tiered rates are defined by the size of the blocks and the rate differences between the blocks.
- A variety of tiered rate structures are possible depending on the City Commission's goals and objectives.
- If tiers are applicable, majority of peer electric utilities around state have smaller rate differences among tiers.



Cost of Service and Electric Tiered Rate Examples

- Results from 2012 Cost-of-Service study suggested residential class base rate revenues ~5% below cost to serve (compensated by commercial rates charged above cost to serve).
- Changes to electric base rates were made proportionally between residential and commercial classes since COS study (i.e. shouldn't have increased the spread)
- GRU FY 15 Budget required \$46.7M of revenue from sales of residential electric rate components. Any change to tiers would still need to recover same aggregate amount from customer class.
- Monthly Customer Charge (\$ - fixed amount per bill and not based on usage)



Cost of Service and Electric Tiered Rate Examples (cont'd)

- Changing the break point for tiers will create larger differences for some customers and lesser changes for other customers depending on usage levels.

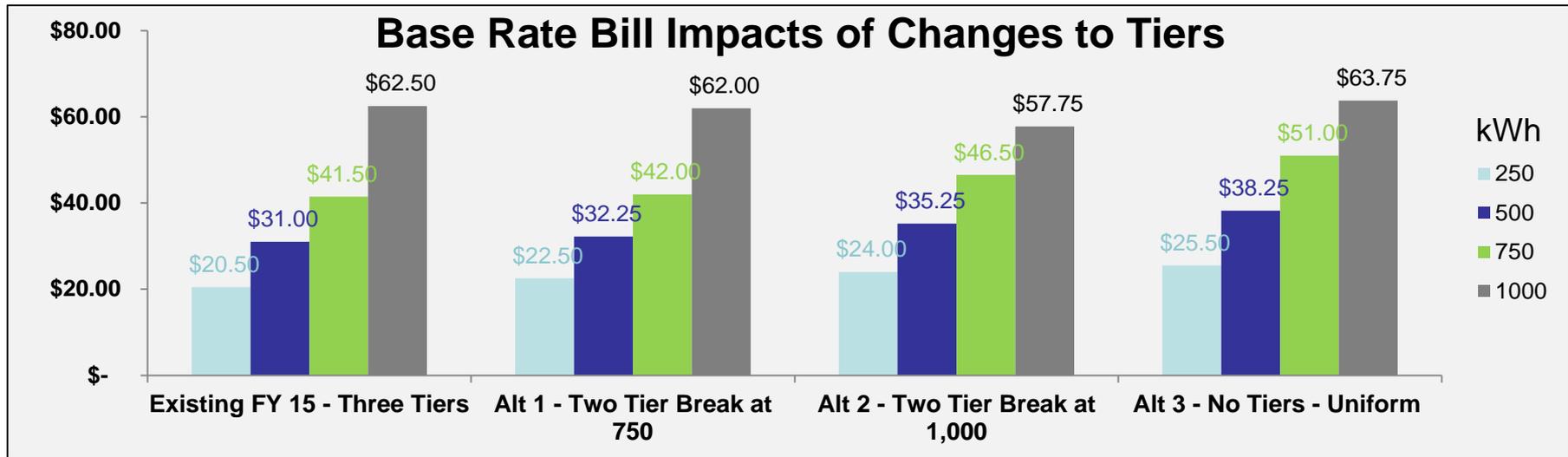
<u>Current FY 15 Rate Structure</u>	<u>Alt 1: 2 Tier – Break at 750;</u>	<u>Alt 2: 2 Tier - Break at 1,000;</u>	<u>Alt 3: No Tier - Uniform</u>
<ul style="list-style-type: none"> - Tier 1 (0 to 250 kWh) - Tier 2 (251 to 750 kWh) - Tier 3 (Over 750 kWh) 	<ul style="list-style-type: none"> -Tier 1 (0 to 750 kWh) -N/A -Tier 2 (Over 750 kWh) 	<ul style="list-style-type: none"> -Tier 1 (0 to 1,000 kWh) -N/A -Tier 2 (Over 1,000 kWh) 	<ul style="list-style-type: none"> -Tier 1 (All kWh) -N/A -N/A
<ul style="list-style-type: none"> • FA (\$/All kWh) 	FA (\$/All kWh)	FA (\$/All kWh)	FA (\$/All kWh)

» Customer Charge \$12.75/mo

» Energy Charge (\$/kWh usage)

<u>Current FY 15 Rate Structure</u>	<u>Alt 1: 2 Tier – Break at 750;</u>	<u>Alt 2: 2 Tier - Break at 1,000;</u>	<u>Alt 3: No Tier - Uniform</u>
<ul style="list-style-type: none"> - Tier 1: \$0.031 - Tier 2: \$0.043 - Tier 3: \$0.084 	<ul style="list-style-type: none"> -Tier 1: \$0.039 - N/A -Tier 2: \$0.080 	<ul style="list-style-type: none"> -Tier 1: \$0.045 OR \$0.0495 - N/A -Tier 2: \$0.077 OR \$0.0595 	<ul style="list-style-type: none"> -Tier 1: \$0.051 - N/A - N/A
<ul style="list-style-type: none"> • FA: \$0.078 	FA: \$0.078	FA: \$0.078	FA: \$0.078

Cost of Service and Electric Tiered Rate Examples (cont'd)



Residential Water Tiers

- Most water management district consumption use permits (CUP) require utilities to have a conservation rate structure to reduce water consumption.
- Fixed cost recovery is an important indicator of financial stability, especially considering trends in declining per capita water use.
- Setting appropriate rates for water tier blocks are crucial to maintaining financial stability in order to compensate for the loss of revenue from reduced usage.

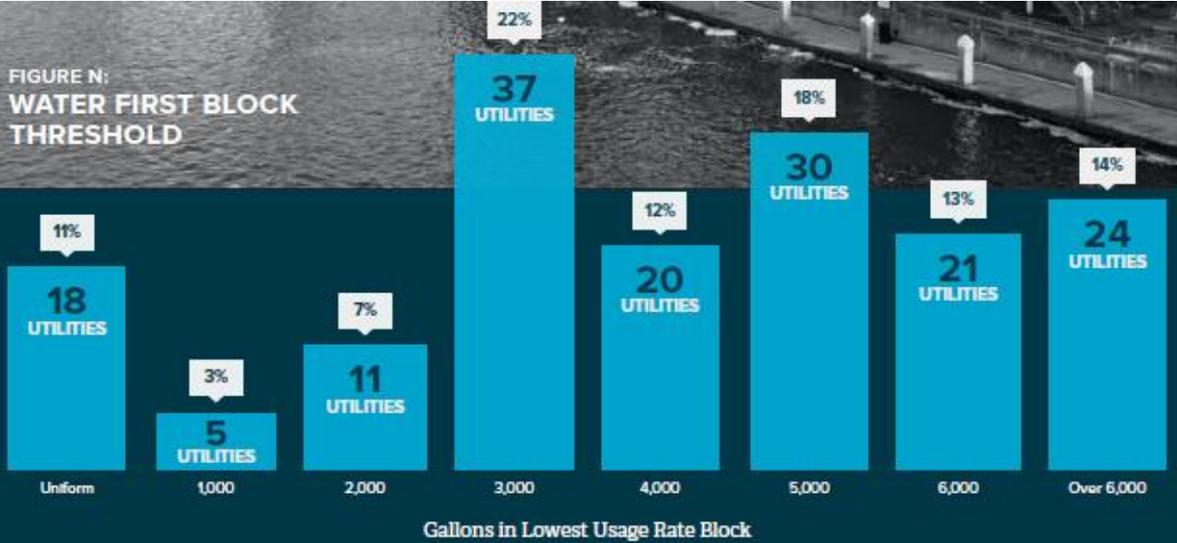
- GRU FY 15 residential water tiered rates

- Customer Charge - \$9.20/mo
- Tier 1 (0-6 kgals) \$2.35/kgal
- Tier 2 (7-20 kgals) \$3.75/kgal
- Tier 3 (Over 20 kgals) \$6.00/kgal

Cost of Service and Residential Water Tiered Rate Examples

- Results from 2012 Cost-of-Service study suggested residential class rate revenues ~5% below cost to serve (compensated by commercial rates charged above cost to serve).
- GRU FY 15 Budget allocated ~\$20M of revenue come from sales of residential water rate components (including multi-family & residential irrigation) out of ~\$28M total revenue requirement for all water customer classes (excluding wholesale sales to UF). Any change to residential tiers would still need to recover same aggregate amount from customer class unless shift more of the total costs onto residential and away from commercial.
- Options:
 - Adjust block size of kgals contained within tiers
 - Adjust kgal rates charged within tiers
 - Combination

FIGURE N:
WATER FIRST BLOCK
THRESHOLD



FIRST WATER USAGE RATE BLOCK

Many utilities have multiple usage blocks (tiered blocks) for charging water rates to residential customers. The amount of water within the first block is usually related to indoor usage or a local affordability threshold. Figure N illustrates the distribution of utilities by the gallons included in the first usage block. The utilities that do not have tiered water rates are indicated above as "Uniform."

***Source: 2014 Florida Water & WW Survey Study – Raftelis Consultants**

MONTHLY MINIMUM COMBINED BILL



MONTHLY MINIMUM WATER BILL



MONTHLY MINIMUM WASTEWATER BILL



GRU FY 15 Minimum Bill Amounts:

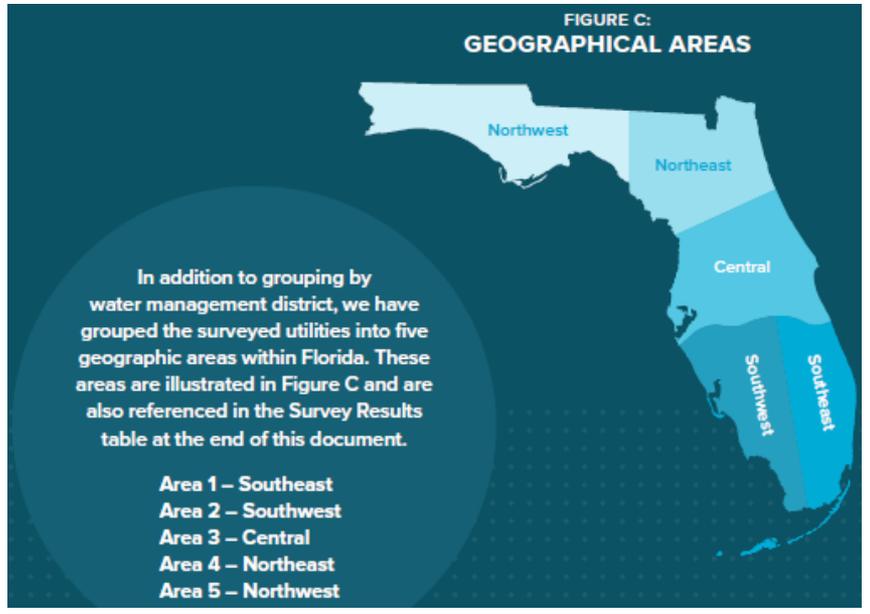
Residential Water: \$ 9.20

Residential Wastewater: \$ 8.40

Total Combined W & WW: \$17.60

The 2014 Survey is focused on publicly owned utilities. Often utility infrastructure is the most valuable asset in many communities. The rates established by each community for utility service are essential for operations, maintenance, and renewal of the utility infrastructure investment. There are many factors that have an effect on the level of utility rates; however, based on our experience, the items described in this section summarize the more salient factors affecting potable water rates.

- Source of Supply
- Effluent Disposal
- Infrastructure Replacement
- Connection Density
- Regulatory Stringency
- Decreasing Per Capita Consumption
- Water Restrictions
- Efficiencies
- Budget Policies
- Acquisitions & Contributions
- Political Action



SUMMARY RESULTS BY AREA

Figure D provides a breakdown of the number of utilities and average bills for each geographic area.

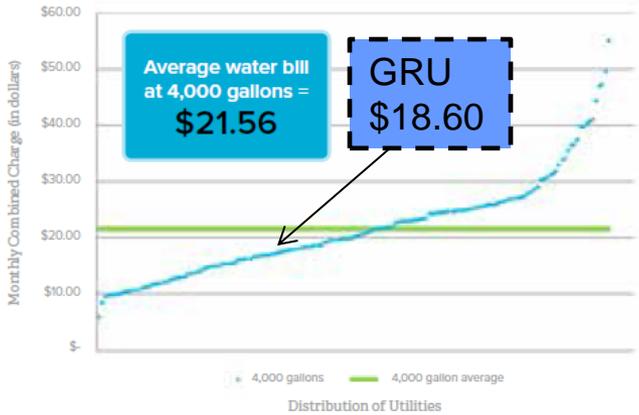
AREA	COMBINED MONTHLY WATER AND WASTEWATER BILL				MONTHLY WATER BILL				MONTHLY WASTEWATER BILL			
	Minimum Bill	4,000 Gallons	8,000 Gallons	Surveyed Utilities	Minimum Bill	4,000 Gallons	8,000 Gallons	Surveyed Utilities	Minimum Bill	4,000 Gallons	8,000 Gallons	Surveyed Utilities
1	\$30.18	\$55.41	\$85.77	34	\$14.95	\$24.10	\$36.82	38	\$17.71	\$34.20	\$52.40	37
2	\$36.80	\$72.64	\$108.69	18	\$14.84	\$29.57	\$46.73	18	\$21.96	\$43.06	\$61.95	18
3	\$28.02	\$53.41	\$85.27	62	\$10.37	\$19.17	\$31.63	65	\$17.75	\$34.23	\$53.79	65
4	\$32.54	\$52.91	\$77.81	18	\$12.96	\$21.35	\$32.81	19	\$19.55	\$31.98	\$45.96	18

GRU FY 15 Rates	\$17.60	\$51.20	\$87.60	\$9.20	\$18.60	\$30.80	\$8.40	\$32.60	\$56.80
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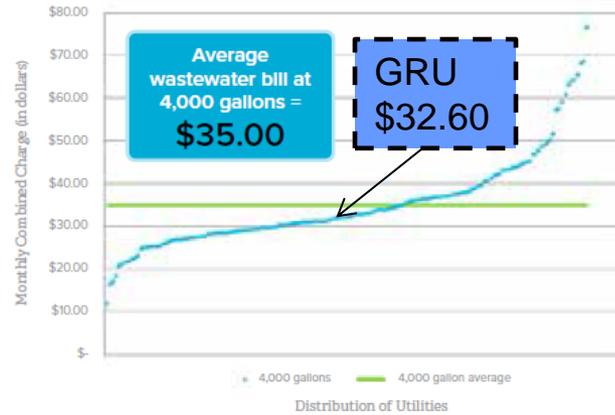
****Source: 2014 Florida Water & WW Survey Study – Raftelis Consultants**



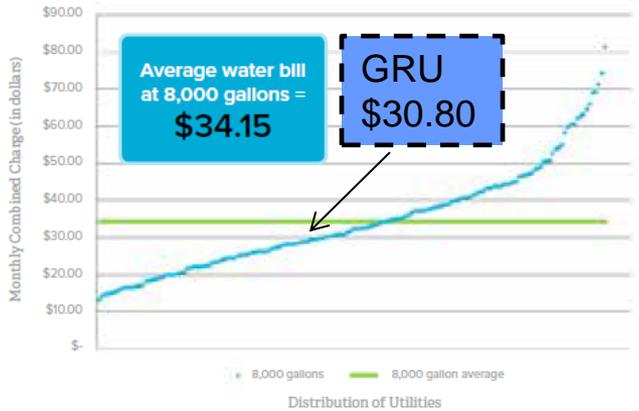
**FIGURE E:
MONTHLY WATER CHARGES
AT 4,000 GALLONS**



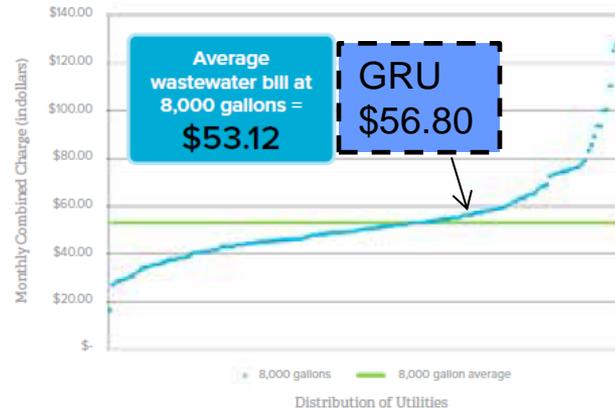
**FIGURE F:
MONTHLY WASTEWATER CHARGES
AT 4,000 GALLONS**



**FIGURE G:
MONTHLY WATER CHARGES
AT 8,000 GALLONS**



**FIGURE H:
MONTHLY WASTEWATER CHARGES
AT 8,000 GALLONS**



***Source: 2014 Florida Water & WW
Survey Study – Raftelis Consultants**

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11/4/2014



GRU Residential Tiered Rates (continued)

Base Rates & Fuel Adjustment Committee
November 4, 2014

Cost of Service and Electric Tiered Rate Examples (cont'd)

- Changing the break point for tiers will create larger differences for some customers and lesser changes for other customers depending on usage levels.

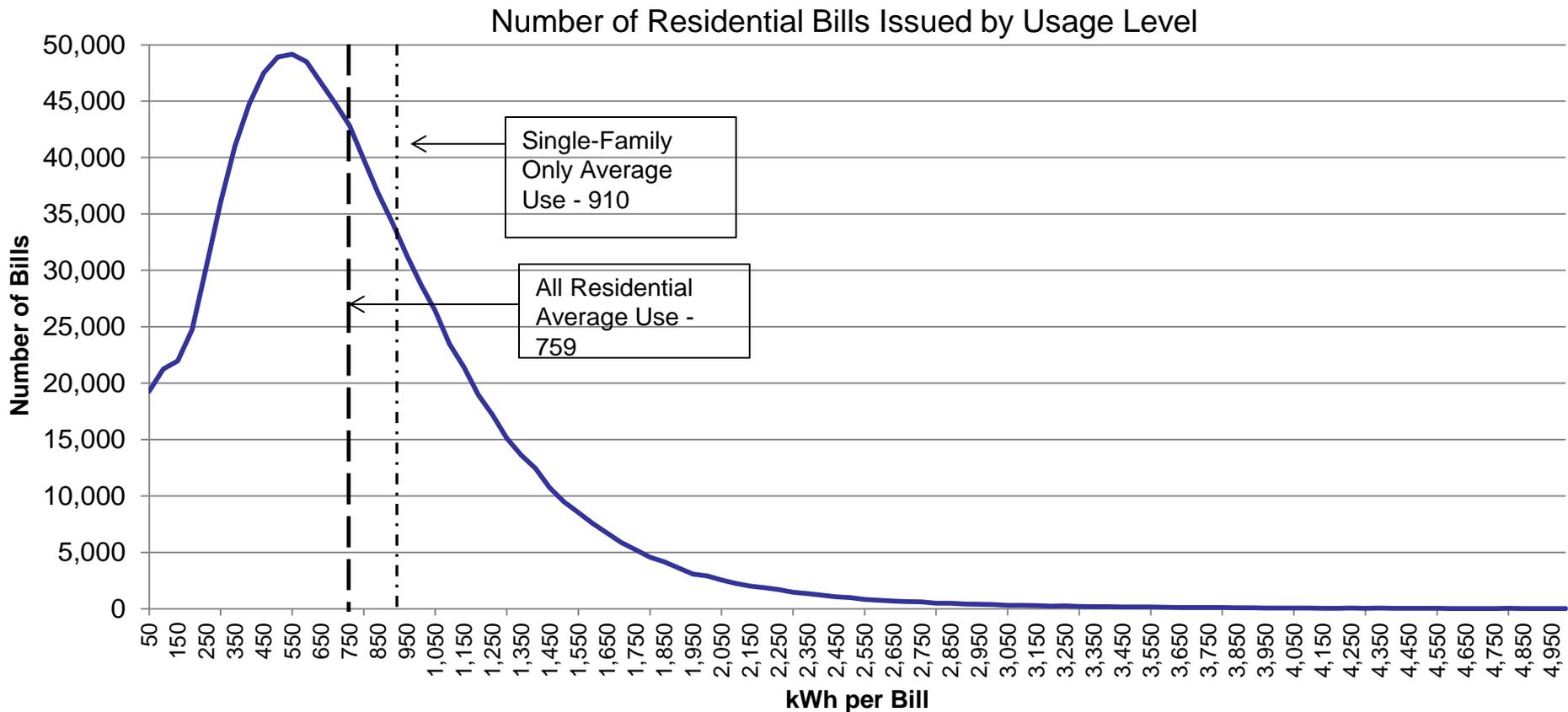
<u>Current FY 15 Rate Structure</u>	<u>Alt 1: 2 Tier – Break at 750;</u>	<u>Alt 2: 2 Tier - Break at 1,000;</u>	<u>Alt 3: No Tier - Uniform</u>
<ul style="list-style-type: none"> - Tier 1 (0 to 250 kWh) - Tier 2 (251 to 750 kWh) - Tier 3 (Over 750 kWh) 	<ul style="list-style-type: none"> -Tier 1 (0 to 750 kWh) -N/A -Tier 2 (Over 750 kWh) 	<ul style="list-style-type: none"> -Tier 1 (0 to 1,000 kWh) -N/A -Tier 2 (Over 1,000 kWh) 	<ul style="list-style-type: none"> -Tier 1 (All kWh) -N/A -N/A
<ul style="list-style-type: none"> • FA (\$/All kWh) 	FA (\$/All kWh)	FA (\$/All kWh)	FA (\$/All kWh)

» Customer Charge \$12.75/mo

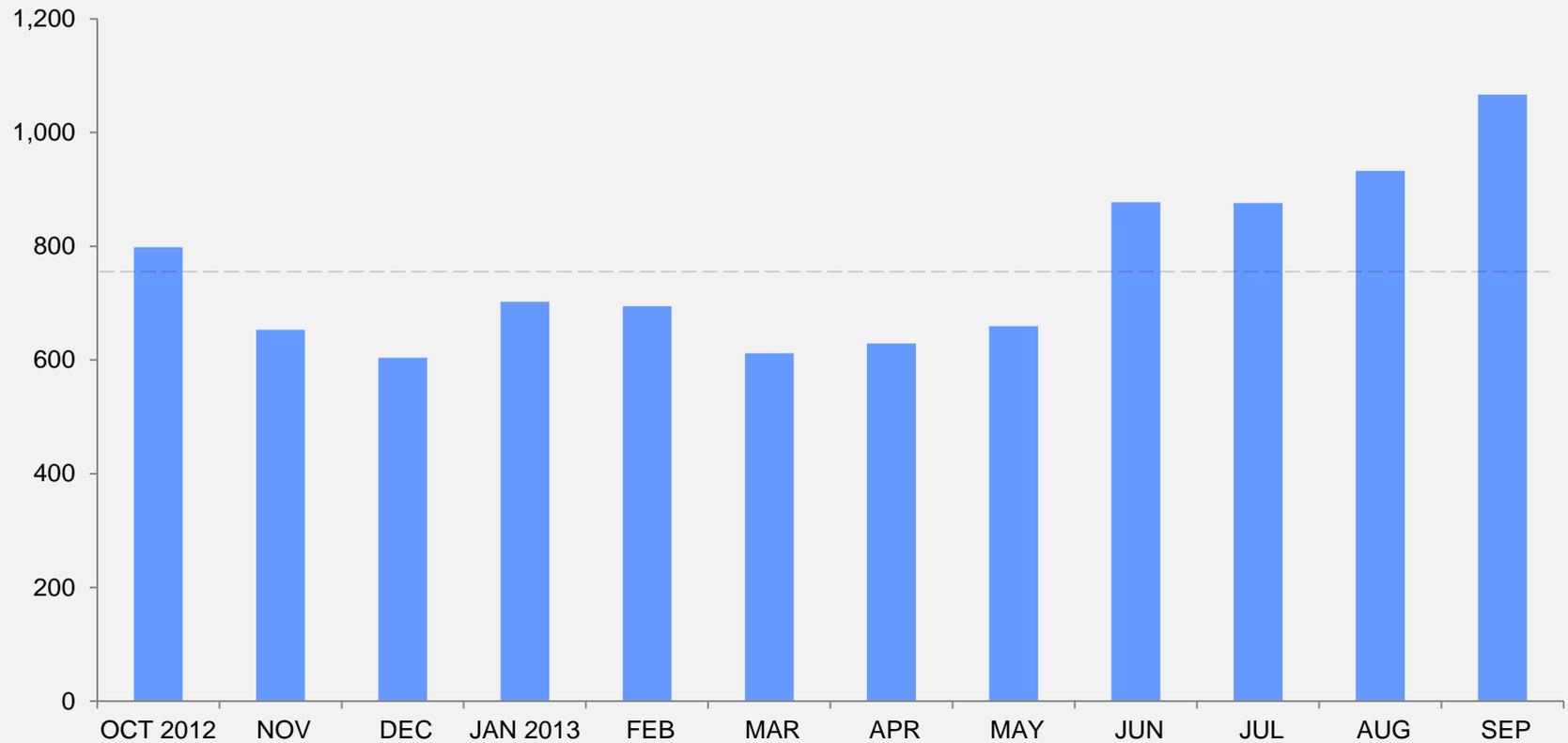
» Energy Charge (\$/kWh usage)

<u>Current FY 15 Rate Structure</u>	<u>Alt 1: 2 Tier – Break at 750;</u>	<u>Alt 2: 2 Tier - Break at 1,000;</u>	<u>Alt 3: No Tier - Uniform</u>
<ul style="list-style-type: none"> - Tier 1: \$0.031 - Tier 2: \$0.043 - Tier 3: \$0.084 	<ul style="list-style-type: none"> -Tier 1: \$0.039 - N/A -Tier 2: \$0.080 	<ul style="list-style-type: none"> -Tier 1: \$0.045 OR \$0.0495 - N/A -Tier 2: \$0.077 OR \$0.0595 	<ul style="list-style-type: none"> -Tier 1: \$0.051 - N/A - N/A
<ul style="list-style-type: none"> • FA: \$0.078 	FA: \$0.078	FA: \$0.078	FA: \$0.078

Distribution of Residential Electric Bills CY 2013



Monthly Average Residential Electric Usage CY 2013



FA Residential Tiering

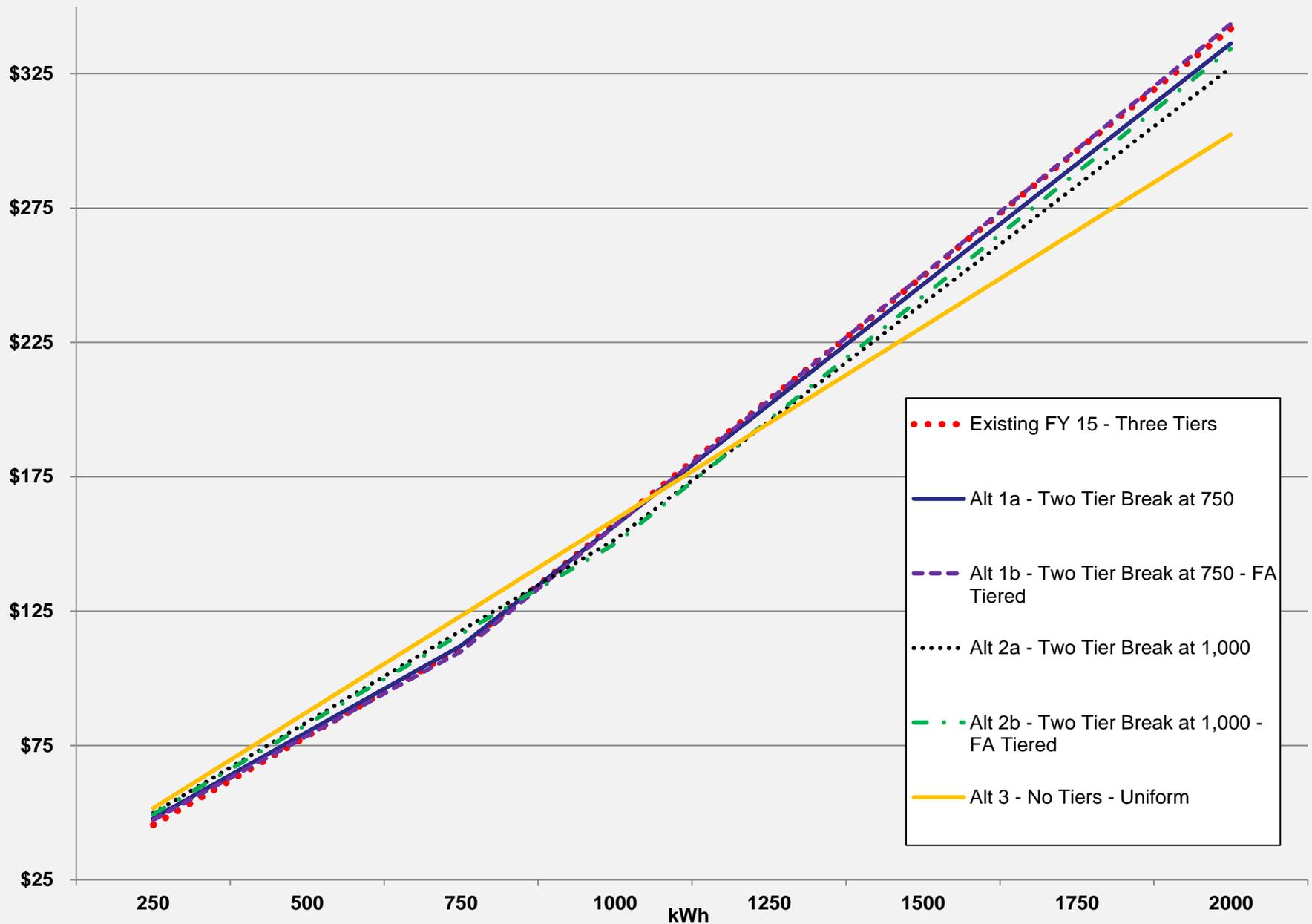
- GRU sales statistics data show break point of 750kWh (Tier 1 & 2) yield the following percentages:
 - 73% of consumption billed under 750
 - 27% of consumption billed over 750
- Break point at 1,000 kWh:
 - 84% of consumption billed under 1,000
 - 16% of consumption billed over 1,000

FA Residential Tiering

- \$60.6M in FY 15 FA revenue projected to be equally recovered from residential class whether billed via option 1, 2, or 3.

1. All residential kWh billed	78 mills *OR*
2a. Under 750 kWh billed	75.3 mills
2b. Over 750 kWh billed	85.3 mills
3a. Under 1,000 kWh billed	76.4 mills
3b. Over 1,000 kWh billed	86.4 mills

Electric Tiered Rate Examples – Monthly Total Bill with taxes at usage levels



Electric Tiered Rate Examples

750	Existing	Alt 1a	Alt 1b	Alt 2a	Alt 2b	Alt 3
Base Rates	\$ 41.50	\$ 42.00	\$ 42.00	\$ 46.50	\$ 46.50	\$ 51.00
FA	\$ 58.50	\$ 58.50	\$ 56.48	\$ 58.50	\$ 57.30	\$ 58.50
Estimated Utility & GR Tax	\$ 7.25	\$ 7.32	\$ 7.27	\$ 7.94	\$ 7.91	\$ 8.56
Estimated Surcharge	\$ 4.26	\$ 4.31	\$ 4.31	\$ 4.77	\$ 4.77	\$ 5.23
Total	\$ 111.51	\$ 112.13	\$ 110.05	\$ 117.71	\$ 116.48	\$ 123.30

1,000	Existing	Alt 1a	Alt 1b	Alt 2a	Alt 2b	Alt 3
Base Rates	\$ 62.50	\$ 62.00	\$ 62.00	\$ 57.75	\$ 57.75	\$ 63.75
FA	\$ 78.00	\$ 78.00	\$ 77.80	\$ 78.00	\$ 76.40	\$ 78.00
Estimated Utility & GR Tax	\$ 10.66	\$ 10.59	\$ 10.58	\$ 10.00	\$ 9.96	\$ 10.83
Estimated Surcharge	\$ 6.41	\$ 6.36	\$ 6.36	\$ 5.92	\$ 5.92	\$ 6.54
Total	\$ 157.57	\$ 156.95	\$ 156.74	\$ 151.67	\$ 150.03	\$ 159.12

1,250	Existing	Alt 1a	Alt 1b	Alt 2a	Alt 2b	Alt 3
Base Rates	\$ 83.50	\$ 82.00	\$ 82.00	\$ 77.00	\$ 77.00	\$ 76.50
FA	\$ 97.50	\$ 97.50	\$ 99.13	\$ 97.50	\$ 98.00	\$ 97.50
Estimated Utility & GR Tax	\$ 14.07	\$ 13.86	\$ 13.90	\$ 13.17	\$ 13.18	\$ 13.10
Estimated Surcharge	\$ 8.56	\$ 8.41	\$ 8.41	\$ 7.90	\$ 7.90	\$ 7.85
Total	\$ 203.63	\$ 201.77	\$ 203.44	\$ 195.56	\$ 196.08	\$ 194.94

1,500	Existing	Alt 1a	Alt 1b	Alt 2a	Alt 2b	Alt 3
Base Rates	\$ 104.50	\$ 102.00	\$ 102.00	\$ 96.25	\$ 96.25	\$ 89.25
FA	\$ 117.00	\$ 117.00	\$ 120.45	\$ 117.00	\$ 119.60	\$ 117.00
Estimated Utility & GR Tax	\$ 17.48	\$ 17.13	\$ 17.22	\$ 16.33	\$ 16.40	\$ 15.36
Estimated Surcharge	\$ 10.72	\$ 10.46	\$ 10.46	\$ 9.87	\$ 9.87	\$ 9.15
Total	\$ 249.69	\$ 246.59	\$ 250.13	\$ 239.46	\$ 242.12	\$ 230.77

% of Median Income

- Alachua County median income in 2012: ~ \$43,000
- Alachua County mean income in 2012 ~ \$62,000
- 500 kWh monthly GRU electric bill:
 - $\$70.00^* + \$5.29^{**} + \$3.18^{***} = \78.47
 - 2.2% of median income
 - 1.5% of mean income
- 1,000 kWh monthly GRU electric bill:
 - $\$140.50^* + \$10.66^{**} + \$6.41^{***} = \157.57
 - 4.4% of median income
 - 3.0% of mean income
- 1,500 kWh monthly GRU electric bill:
 - $\$221.50^* + \$17.48^{**} + \$10.72^{***} = \249.70
 - 7.0% of median income
 - 4.8% of mean income

* Customer Charge, Base Rates & FA
** Estimated Utility & Gross Receipt Tax
*** Estimated Surcharge

Cost Allocation Examples between Residential & Commercial

- Baker Tilly indicated residential customer class typically billed 5-15% less than cost with 15% representing the higher end of the range.



GRU Multi-family (unit) Water Rates

Base Rates & Fuel Adjustment Committee
December 16, 2014

Single Metered Water Service Types

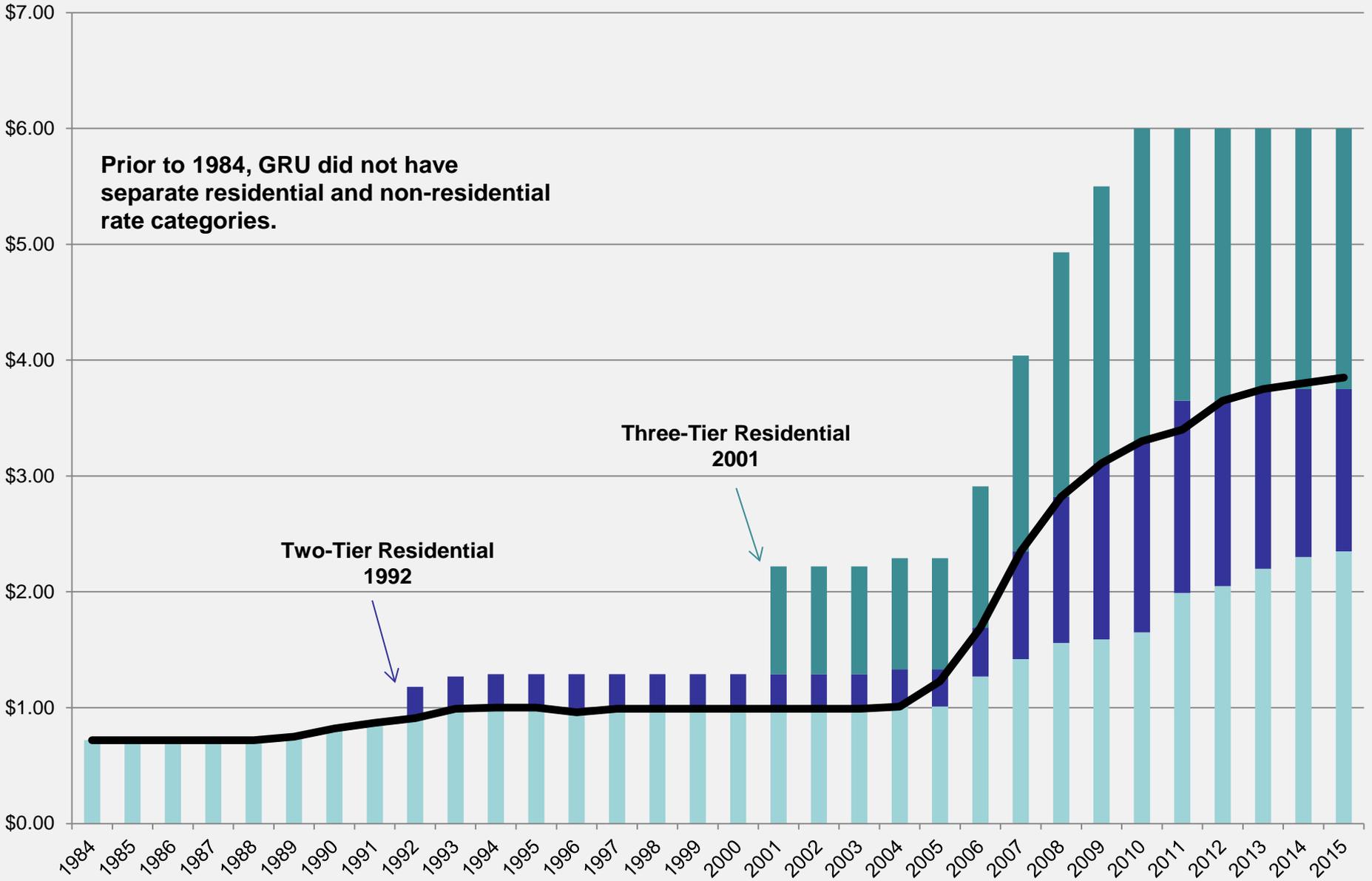
- Single meter (customer account) serves the following type of end-use residential water customer:
 - Single-family detached home
 - One (1) dwelling unit of a multi-family constructed building (individually metered)
 - More than one (1) dwelling unit of a multi-family constructed building (shared meter)*
- *Dwelling* shall mean a living unit, house, apartment, or building used primarily for human habitation. The word “*dwelling*” shall not include hotels, motels.

*

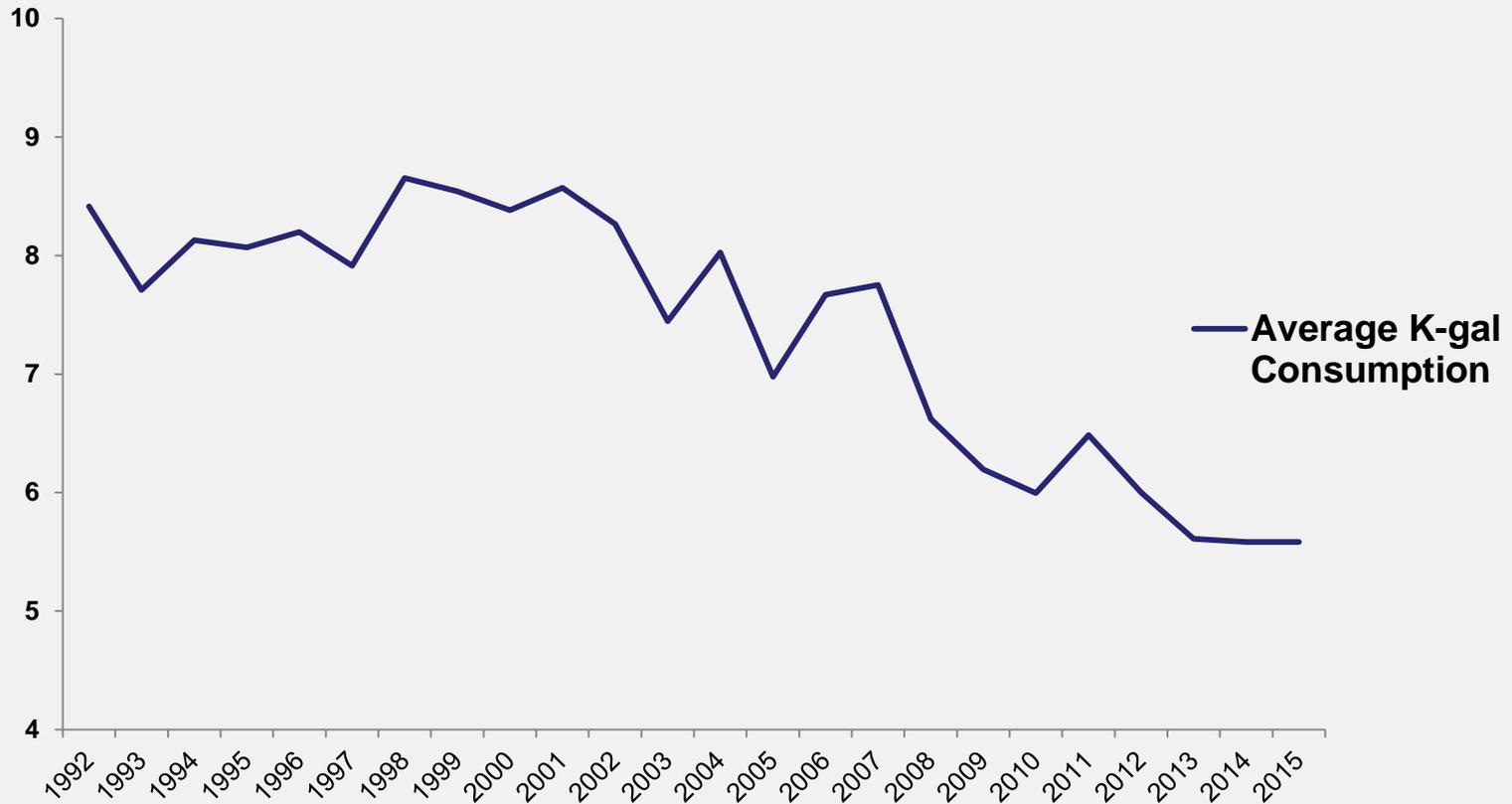
Only this group of customers affected by new multi-family water rate change

GRU Water Rates - \$/kGal

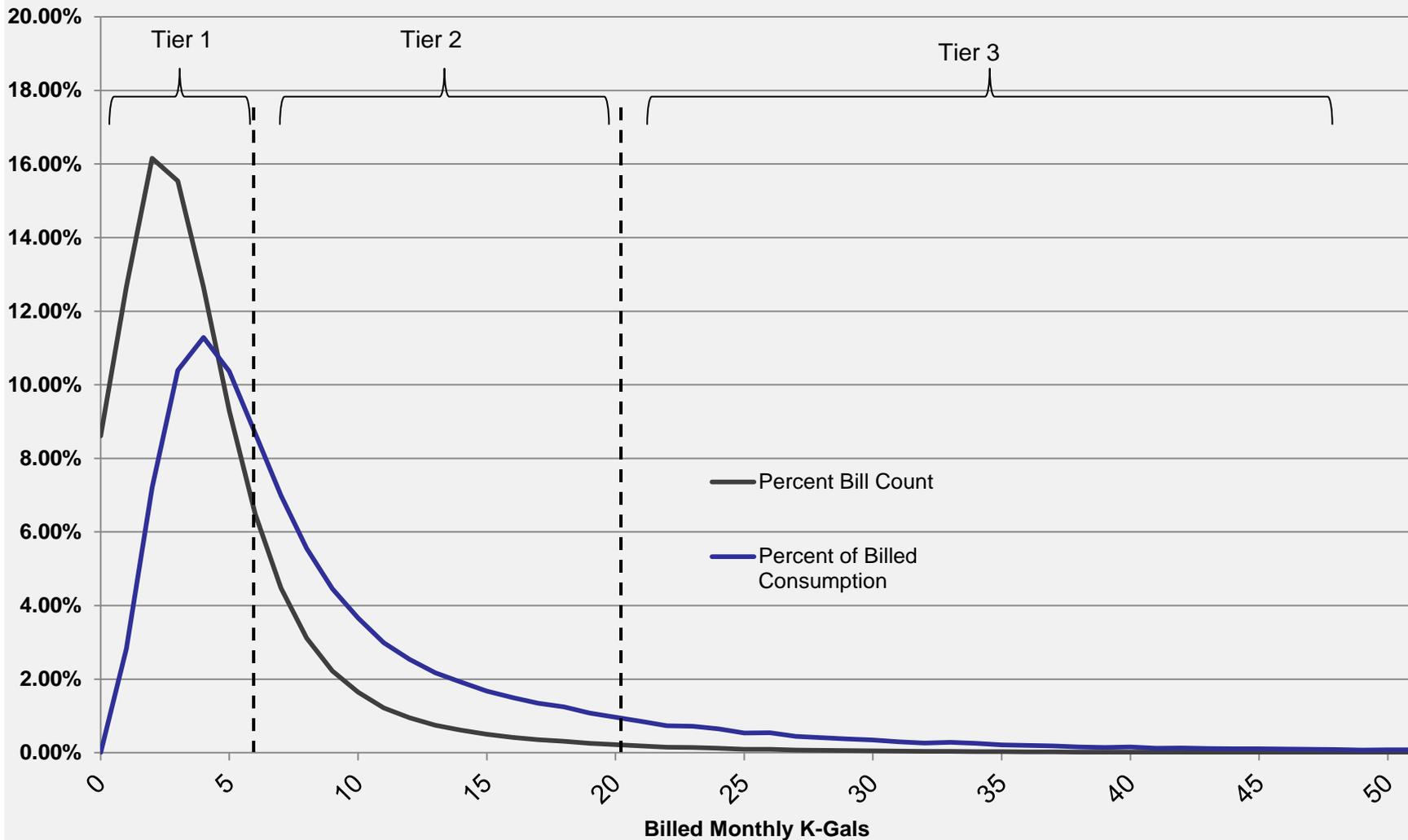
Residential Tier 1 Residential Tier 2 Residential Tier 3 Non-Residential



Average Monthly Residential Billed Water Consumption



Distribution of Individually Metered Residential Water Billed Consumption CY 2013



Average Water Use – Single Family Detached vs. Multi-family constructed buildings

- Average use for Single-family detached home is close to 6,000 gallons per month
- Average use for Multi-family constructed buildings serving more than one dwelling unit behind the meter is around 3,000 gallons per month
- Lower average usage can be attributed to limited use of outdoor watering such as irrigation and car washing and also many apartment type households do not include laundry facilities in each individual dwelling unit.

Water Cost-of-Service Methodology

- American Water Works Association (AWWA) recommends using the “Base-Extra Capacity” methodology to allocate costs among classes of water users within a cost-of-service study.
- Allocation of costs to functions such as max day and max hour demand, fire protection, base costs, and customer costs. Allocation of many fixed costs are guided by ratios of max hour/day production to average day or base production.

All figures are estimates for FY 15	Customer Accounts	Dwelling units served behind single meter	Total K-gals estimated to be billed	Customer Charge Revenue (\$)	K-gal consumption Revenue (\$)	Total Revenue Estimated to be Collected	% Revenue from Customer Charge	% Revenue from K-gal consumption
Multi-Family serving more than one dwelling unit behind single meter	1,300	17 Overall Average	795,000	\$145,000	\$2,427,000	\$2,572,000	*5.6%*	94.4%
Single-Family Detached & Multi-Family serving one dwelling unit behind single meter	62,000	1	3,475,000	\$6,858,000	\$9,646,000	\$16,504,000	*41.5%*	58.5%

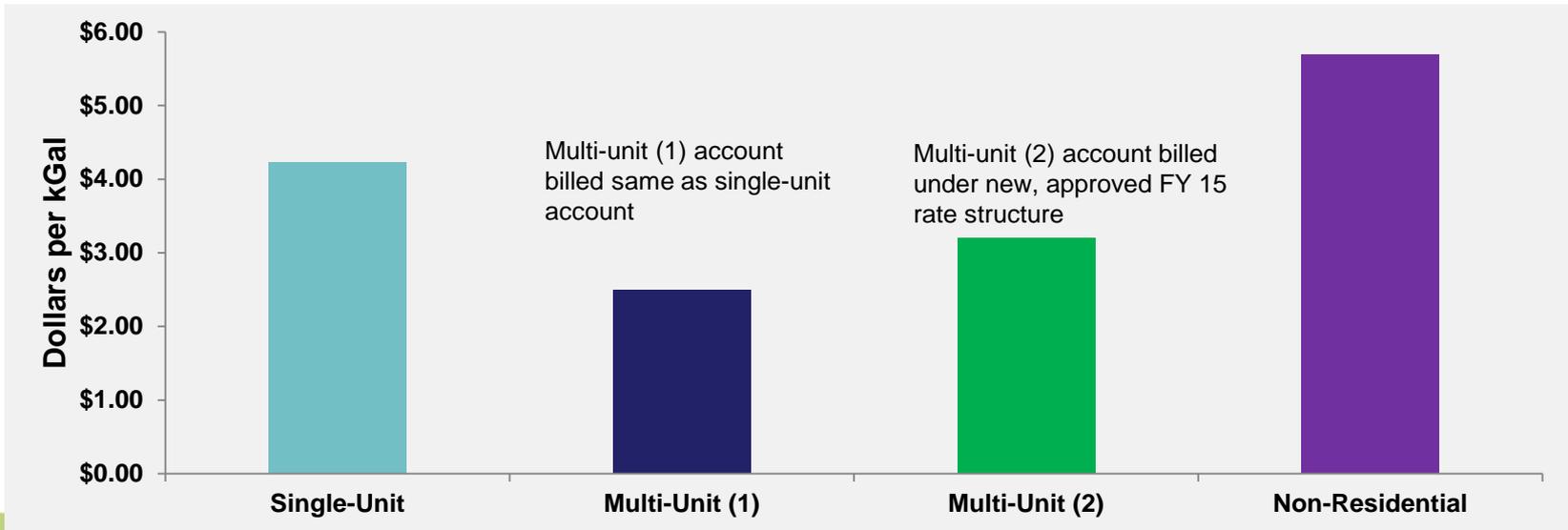
Factors contributing to new multi-family rate structure for FY 15

- Multi-family usage contributes less revenue recovery per thousand-gallons compared to others within the water system.
- Less contribution from customer charge revenue recovery places rate pressure onto other customer users within water system.
- The price signal of GRU inclining block structure is mostly absent to end users of multi-family accounts.

Water Price (\$/k-gal)

FY 15 Rates

	Single-Unit	Multi-Unit (1)	Multi-Unit (2)	Non-Residential
Number of Units	1	12	12	1
K-Gal Usage per Unit	5	5	5	5
Customer Charge	\$9.20	\$9.20	\$9.20	\$9.20
K-gal Charge	\$2.35	\$2.35	\$3.05	\$3.85
Bill Amount	\$20.95	\$150.20	\$192.20	\$28.45
Total k-Gals	5	60	60	5
\$ per K-Gal	\$4.19	\$2.50	\$3.20	\$5.69



Adopted FY 15 Water Rates & Budgeted FY 16 Water Rates

FY 15	Customer Charge	K-gals in Tiered Block	K-gal Rate
Residential serving one dwelling unit	\$9.20	1-6	\$2.35
		7-20	\$3.75
		20+	\$6.00
Multi-family serving more than one dwelling unit	\$9.20	All K-gals	\$3.05
General Service - Commercial	\$9.20	All K-gals	\$3.85

Estimated for FY 16	Customer Charge	K-gals in Tiered Block	K-gal Rate
Residential serving one dwelling unit	\$9.40	1-6	\$2.45
		7-20	\$3.75
		20+	\$6.00
Multi-family serving more than one dwelling unit	\$9.40	All K-gals	\$3.85
General Service - Commercial	\$9.40	All K-gals	\$3.85