

Proposed Annual Operating Budget Fiscal Year 2016

July 13, 2015



Agenda

- **Budget Overview**
 - Ed Bielarski, General Manager
- **Budget Highlights**
 - David Richardson, Interim Chief Financial Officer
- **Proposed Budget and Financial Metrics**
 - David Richardson, Interim Chief Financial Officer
 - Jim Severance, Lead Analyst
- **Forecasts**
 - Todd Kamhoot, Lead Analyst
- **Rates and Charges**
 - Diane Wilson, Rates & Economic Analysis Manager
 - Rick Hutton, Supervising Engineer
 - Dave Beaulieu, AGM Energy Delivery

Overview

- Striving for competitive electric rates
 - City Commission adopted goal of rates at $\frac{1}{2}$ of one standard deviation above the mean of FMEA surveyed utilities
- Ongoing regulatory pressure in all systems
- Desire to maintain/improve system reliability
- Excellent customer value/customer service
- Maintain financial strength
- Continue to improve employee engagement

Budget Highlights

- Controlling FY15 expenses to help with FY16
- Holding down personnel costs
 - Deleted 20 Regular positions and 2 Overfill positions in FY16
 - FY16 Original Authorized Positions: 921.75 FTEs
 - FY16 Revised Authorized Positions: 899.75 FTEs
 - FY16 Funded Positions: 872.3 FTEs
- No funding of final year of Solar FIT
- Funding for 2 percent employee pay increase
- Collecting more fixed costs through fixed charges (ex. customer charge)
- Surcharge on connection fees reinstated and funding passed through to General Government/ ConnectFree (by City Commission action)

Electric System Recommendations

- No increase in revenue requirement
 - Use approximately half of \$10M CR3 settlement
 - Use CR3 decommissioning funds of \$850,000
 - Maintain Fuel Adjustment (FA) at 78 mills
 - Florida Gas Transmission (FGT) proposed price increase on gas transmission may necessitate an increase in the FA
- Move residential rate tiers from three to two to improve revenue at risk and move closer to the cost of service (BRFA, RUC & Cost of Service)
- Maintain the 8.9 percent differential in the cost allocation between residential and business

Gas System Recommendations

- Revenue requirement of 4.75 percent compared to 4.25 percent projected last year
- Increases driven by
 - Higher than forecast expenses in 2014 and subsequent withdrawal from RSF; and
 - Changes from capital to O&M expenses; and
 - Increase in expenses in FY16
- No change to Purchased Gas Adjustment (PGA), which was decreased in May 2015 from \$0.46 per therm to \$0.30 per therm
 - Florida Gas Transmission (FGT) proposed price increase on gas transmission could negatively impact the PGA

Water System Recommendations

- Revenue requirement of 3.75 percent (consistent with FY16 budget forecast)
- Increase driven primarily by lower than forecast sales
- Customer Charge based on meter size
- Second year of Multi-Family rate

Wastewater System Recommendations

- Revenue requirement of 4.85 percent (consistent with FY16 budget forecast)
- Increase driven primarily by increased expenses related to regulatory changes
 - Sweetwater Wetlands Park to comply with Total Maximum Daily Loads (TMDL)
 - Biosolids Dewatering and Reuse to comply with City/ County agreement

GRUCom Recommendations

- Reduce system expenses to maintain competitive pricing
- Revenue projections adjusted to market
- Revenue projections for FY16 remaining about the same as FY15

Additional Recommendations

- Change connection charge calculation to flow-based method
- Bring service fees up to cost of service
- Modify street light ordinance to use a formulaic rate to allow flexibility for the introduction of new light fixtures
- Add two additional electric rates for customers desiring higher levels of service

PROPOSED BUDGET AND FINANCIAL METRICS

Budget Overview

Combined System Total Non-Fuel O&M

Budget 2015	Projection 2015	Original Budget 2016	Revised Budget 2016
\$101,234,679	\$98,415,081	\$105,296,371	\$105,274,411

Combined System Total Capital

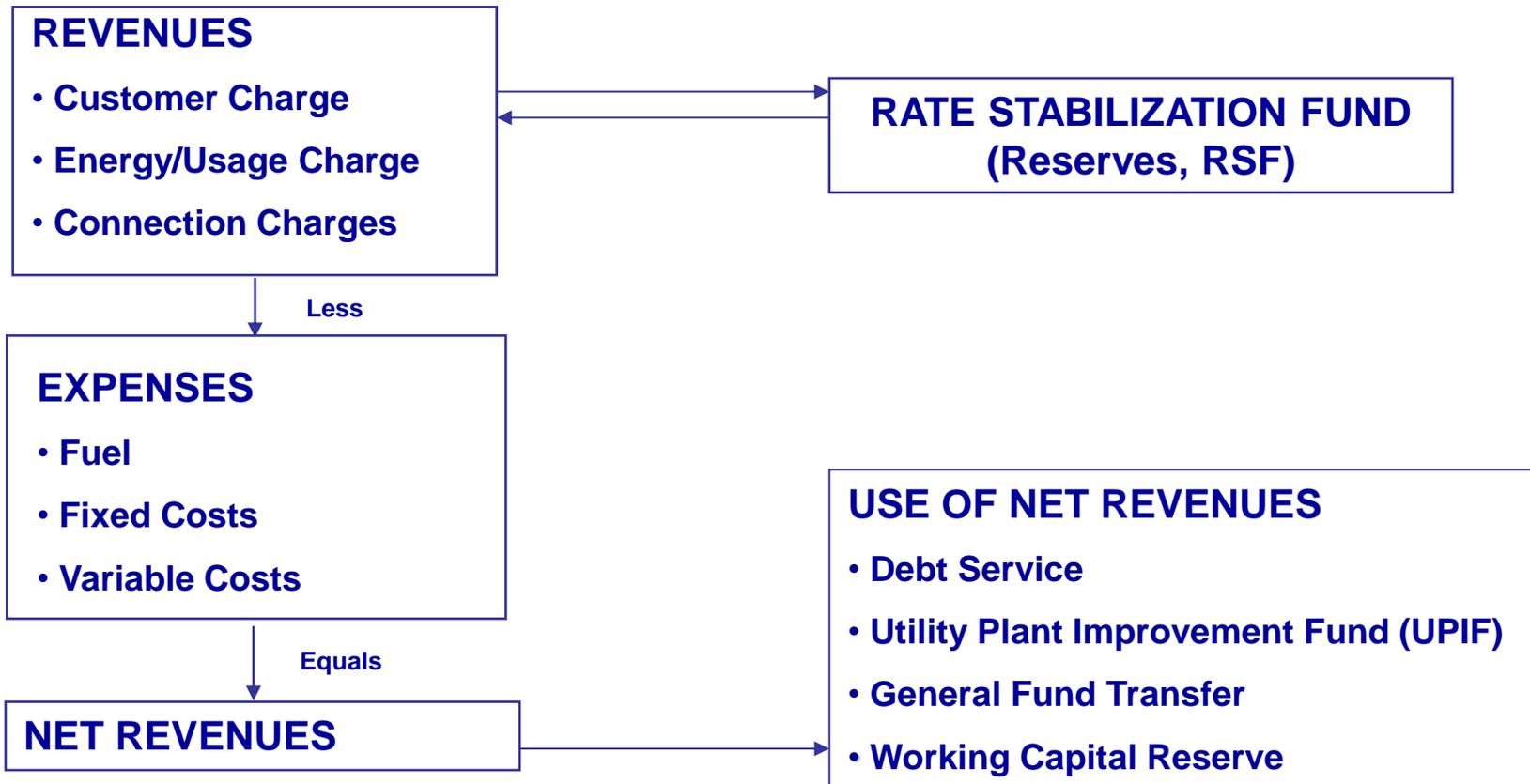
Budget 2015	Projection 2015	Original Budget 2016	Revised Budget 2016
\$104,176,232	\$87,676,321	\$83,359,306	\$93,633,910

O&M and Capital to Change Revenue Requirement for Rates

To decrease requirement by 1 percent, O&M or Capital would need to decrease by:

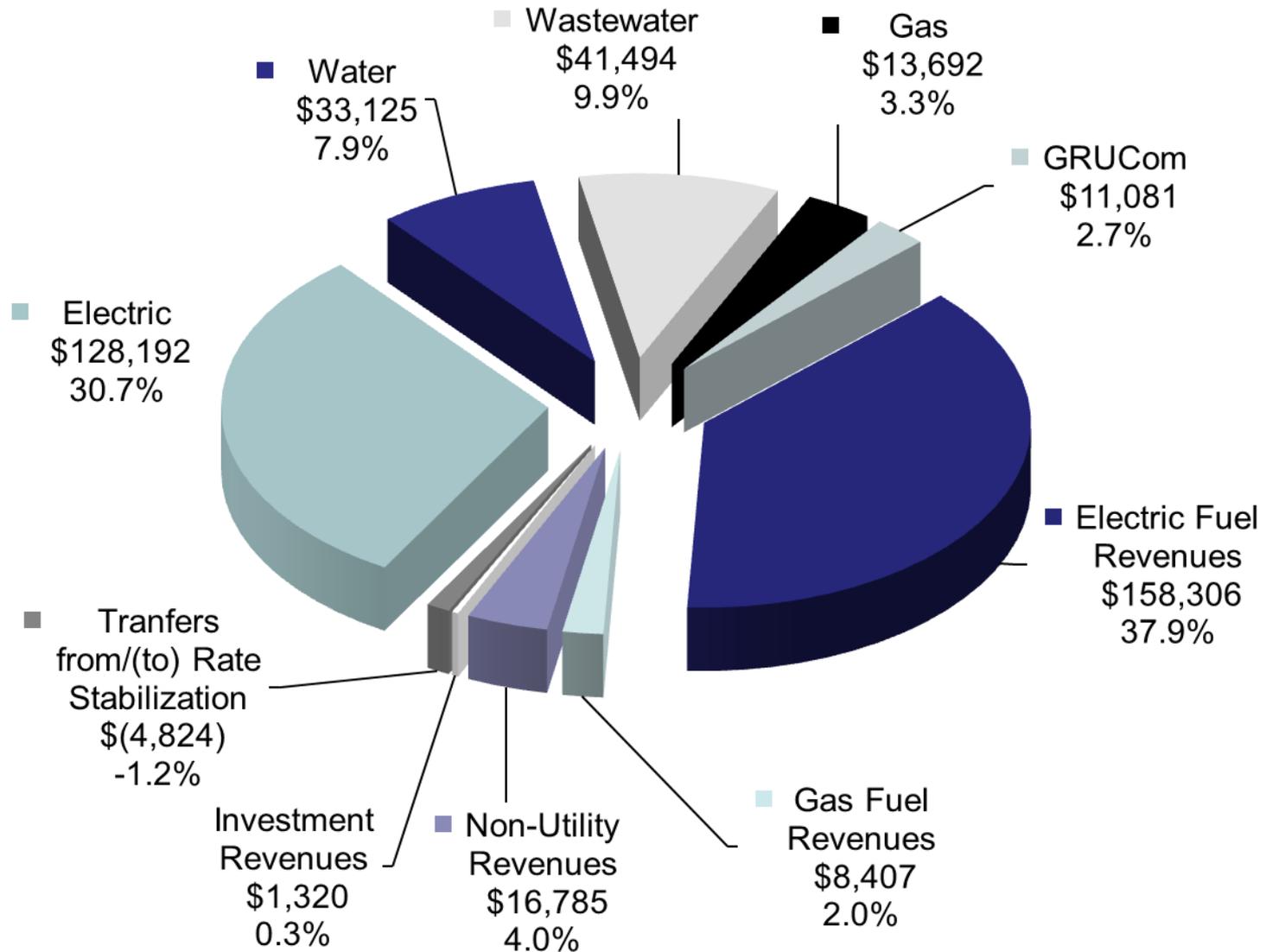
System	Electric	Gas	Water	Wastewater
O&M	1.1M	115K	270K	345K
Capital	20M	2M	5M	6M

Flow of Funds



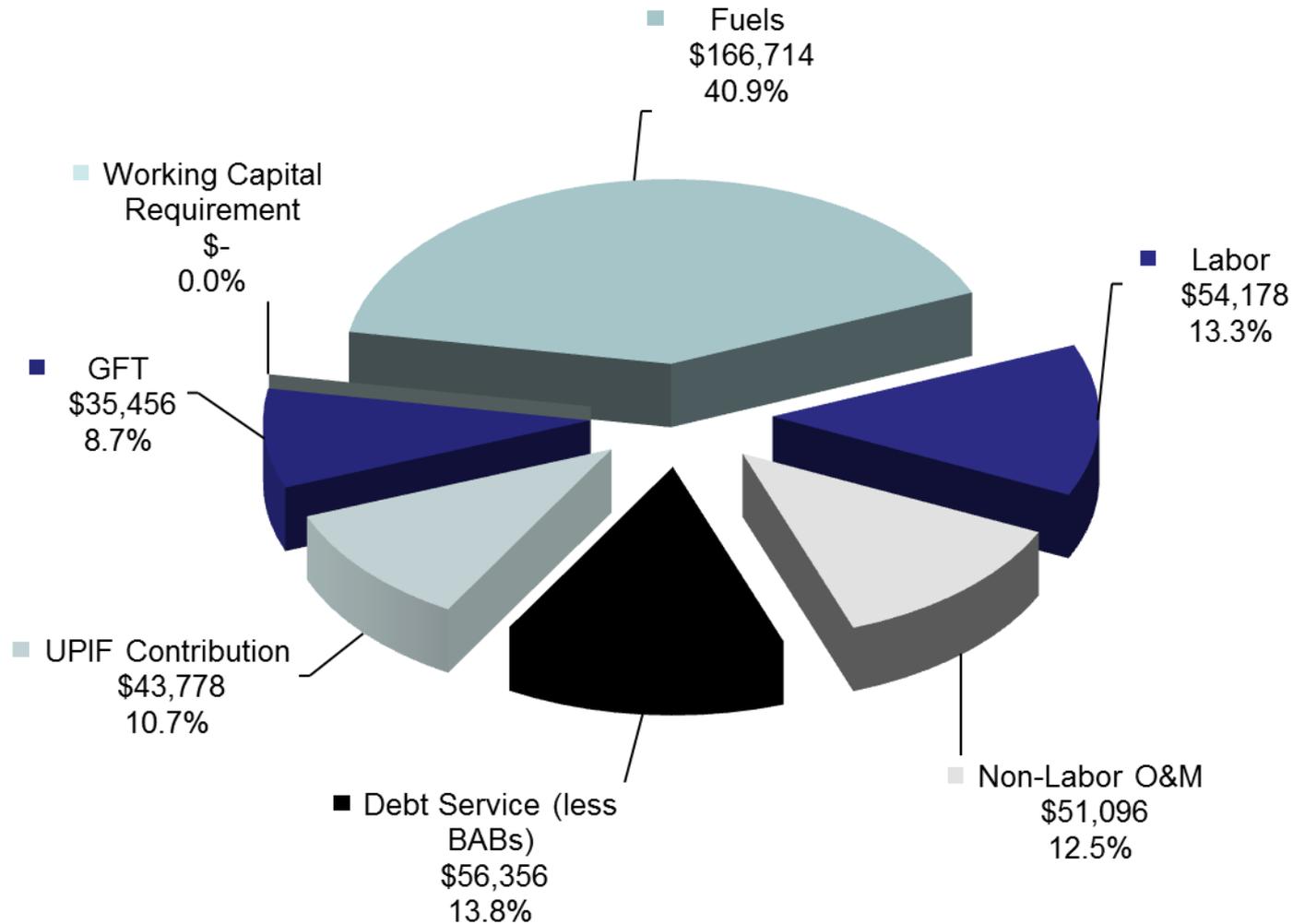
FY16 Revenue Classification

Dollars in Thousands



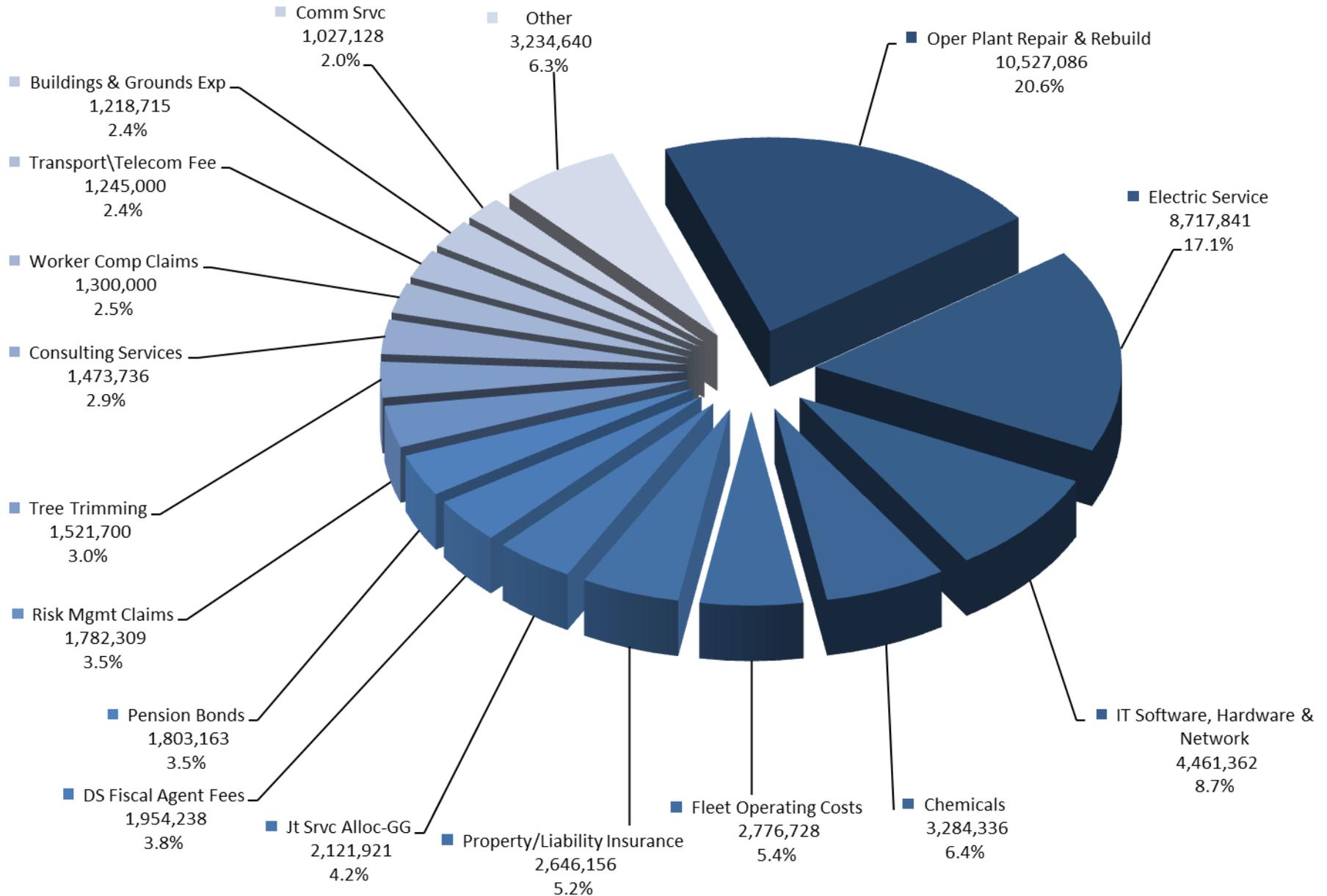
FY16 Expense Classification

Dollars in Thousands



* BABs subsidies are shown net of debt service in Projection 2015 and Revised 2016 and not as Non-Utility Revenues.

FY16 Non-Labor Expense Detail

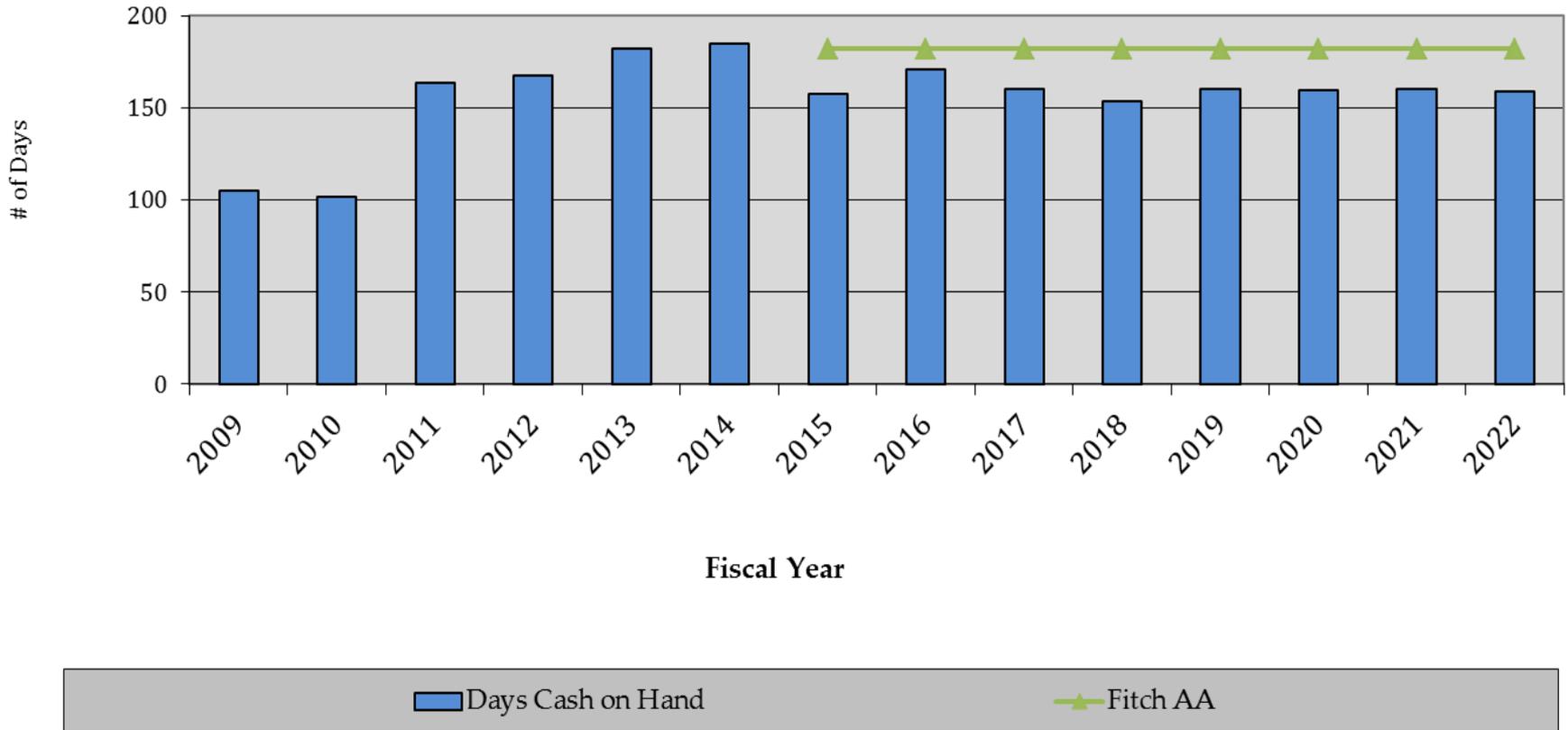


FY15 Sales Results Through May

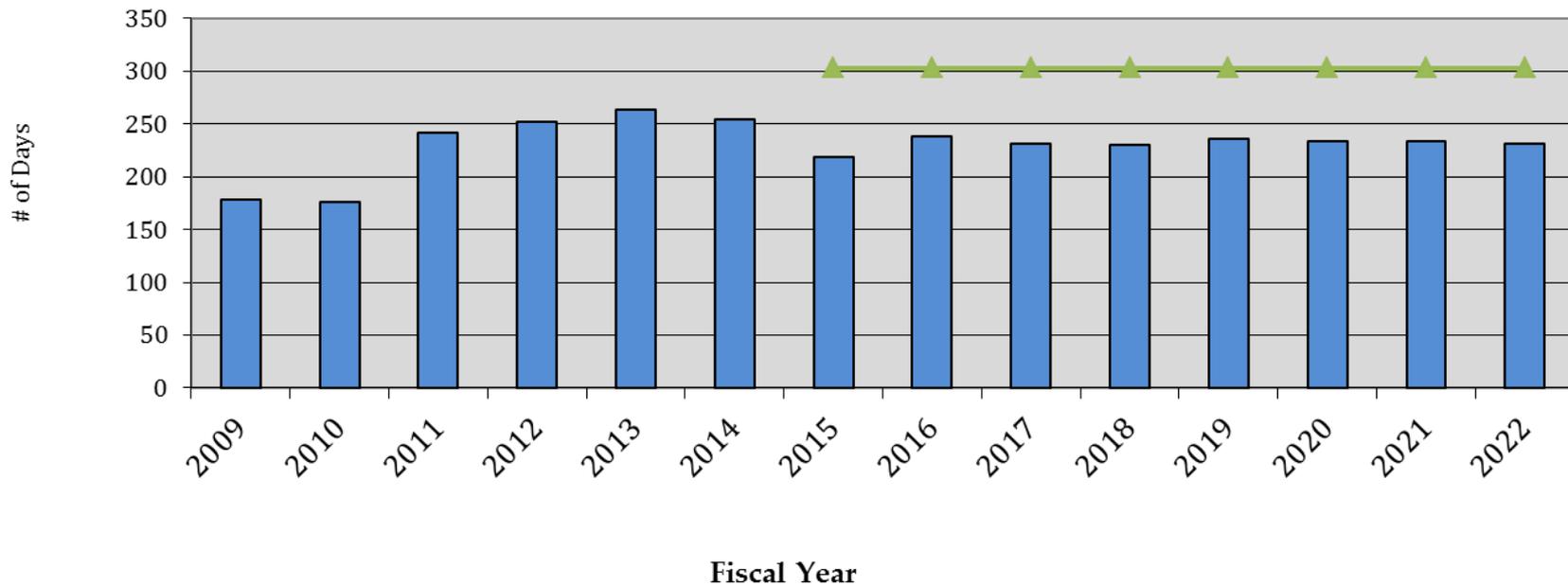
	Actual October - May	FY2015 Budget	Absolute Difference	Percentage Difference
Electric - Retail MWh	1,053,907	1,040,581	13,327	1.3%
Electric - Wholesale MWh	112,540	108,336	4,203	3.9%
Electric - Total (Native) MWh	1,166,447	1,148,917	17,530	1.5%
Electric - Retail Base Rate Revenue (\$000)	\$76,738	\$75,728	1,011	1.3%
Electric - Wholesale Base Rate Revenue (\$000)	\$2,288	\$2,230	58	2.6%
Electric - Total Base Rate Revenue (\$000)	\$79,026	\$77,957	1,069	1.4%
Natural Gas - Retail Therms	16,590,079	16,008,211	581,868	3.6%
Natural Gas - Base Rate Revenue (\$000)	\$9,651	\$9,406	\$245	2.6%
Water - Total kGal	4,366,622	4,597,506	\$(230,884)	-5.0%
Water - Total Revenue (\$000)	\$19,924	\$20,534	\$(610)	-3.0%
Wastewater - Total kGal	3,034,792	3,121,288	\$(86,496)	-2.8%
Wastewater - Total Revenue (\$000)	\$24,596	\$25,138	\$(543)	-2.2%

FINANCIAL METRICS

Days Cash on Hand



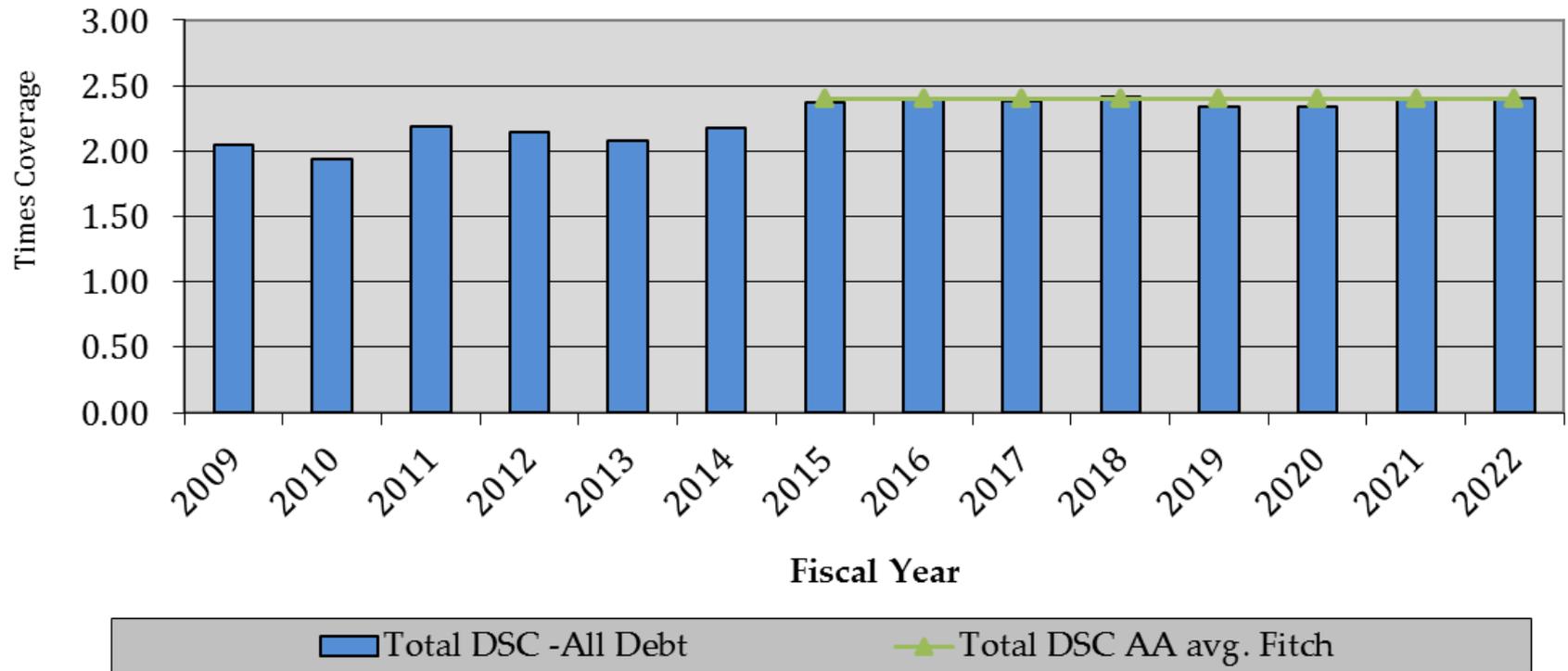
Days Liquidity on Hand



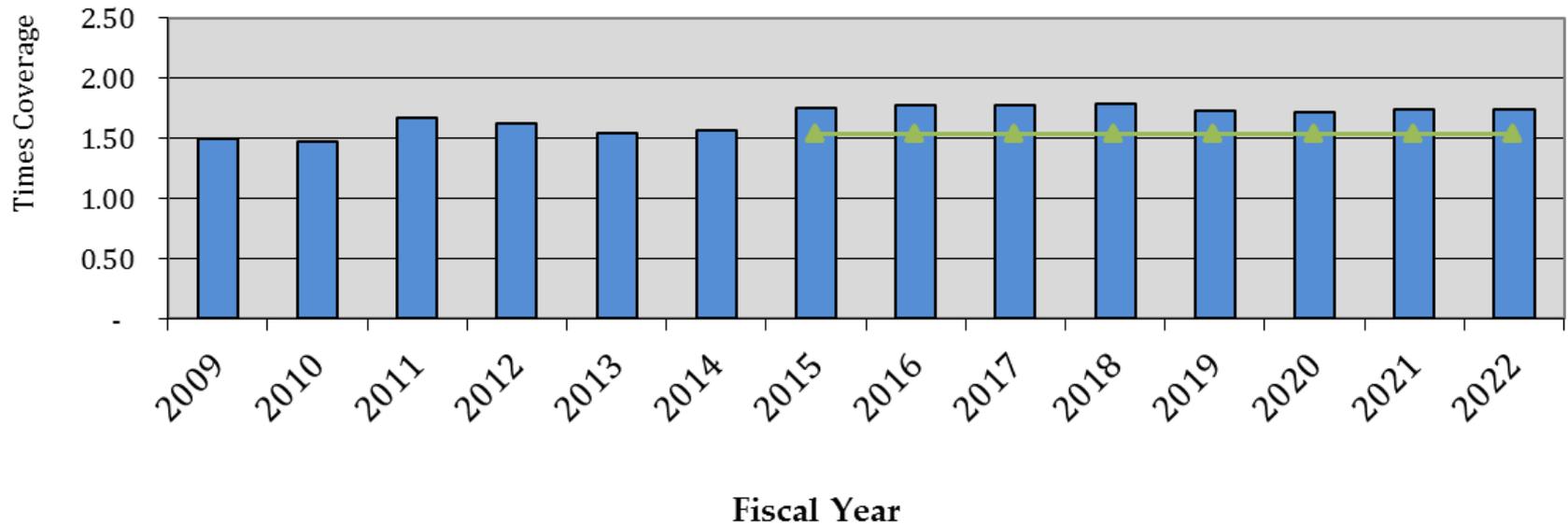
■ Liquidity on Hand: Cash/Inv. + RSF + Liquidity Available (CP)

▲ Fitch AA

Debt Service Coverage



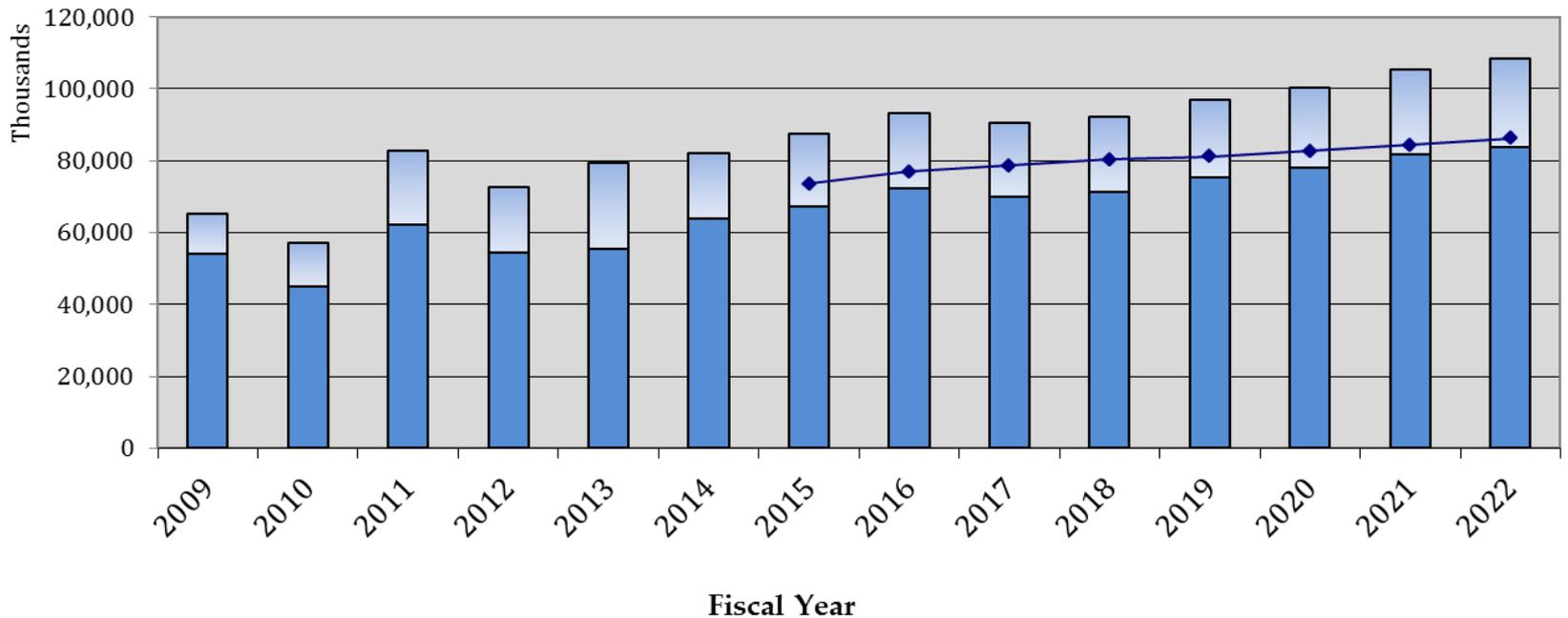
Fixed Charge Coverage



Fixed Charge Coverage

Fixed Charge Coverage AA avg. Fitch

Reserves – Combined

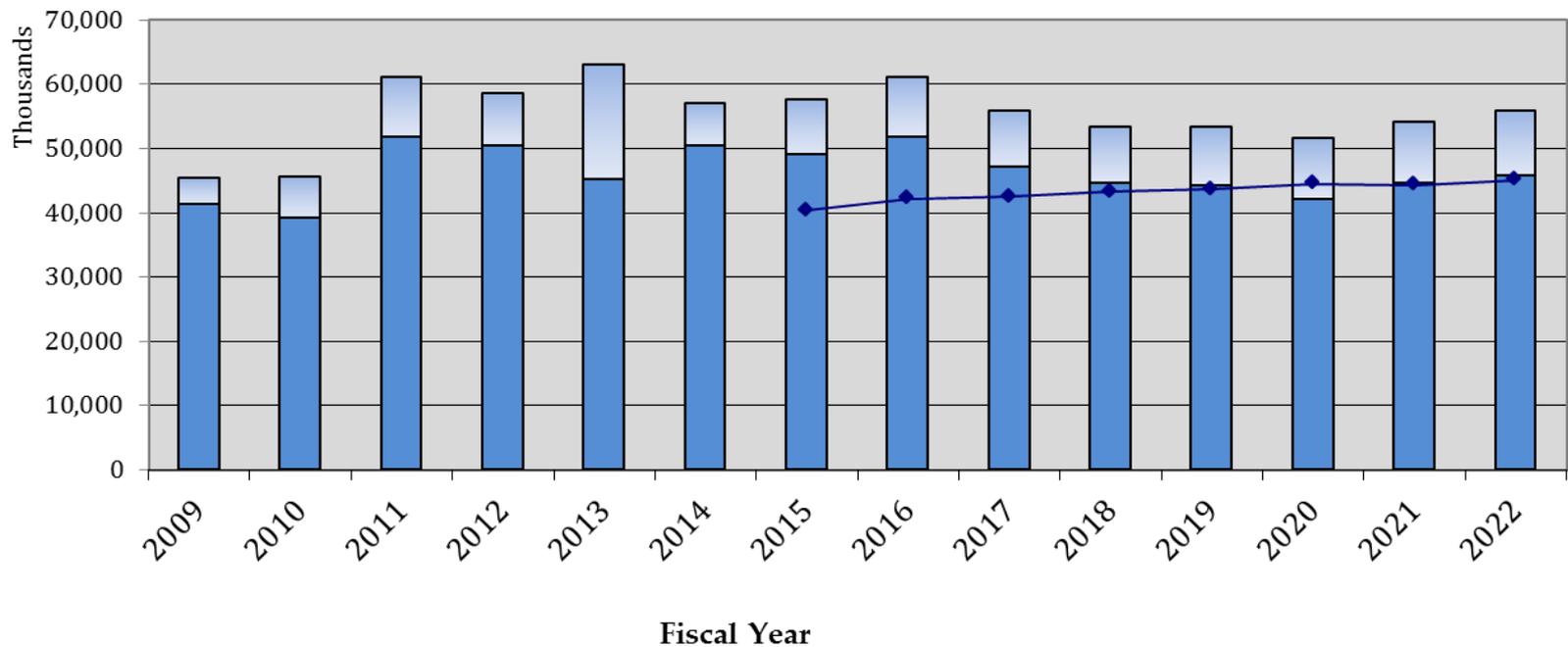


Rate Stabilization Fund

Utility Plant Improvement Fund (for Reserves)

Total Reserves Required

Reserves – Electric

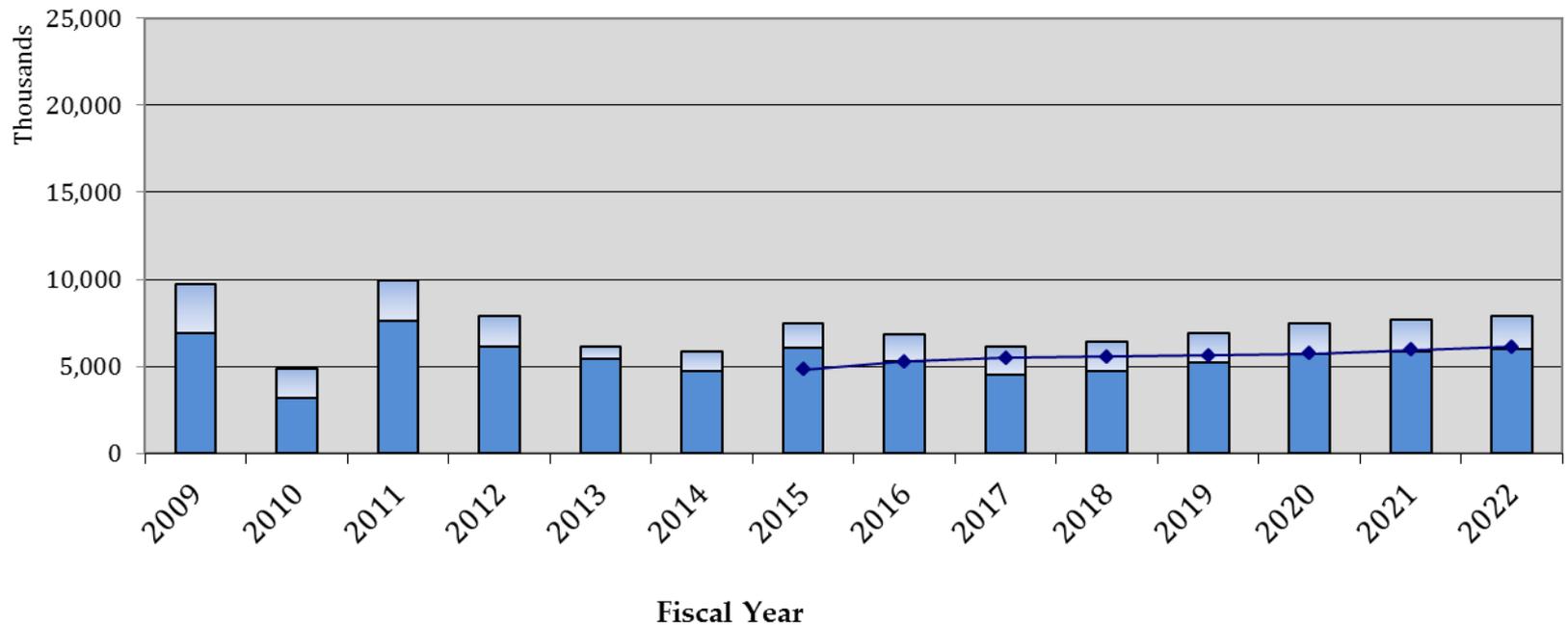


Rate Stabilization Fund

Utility Plant Improvement Fund (for Reserves)

Total Reserves Required

Reserves – Gas

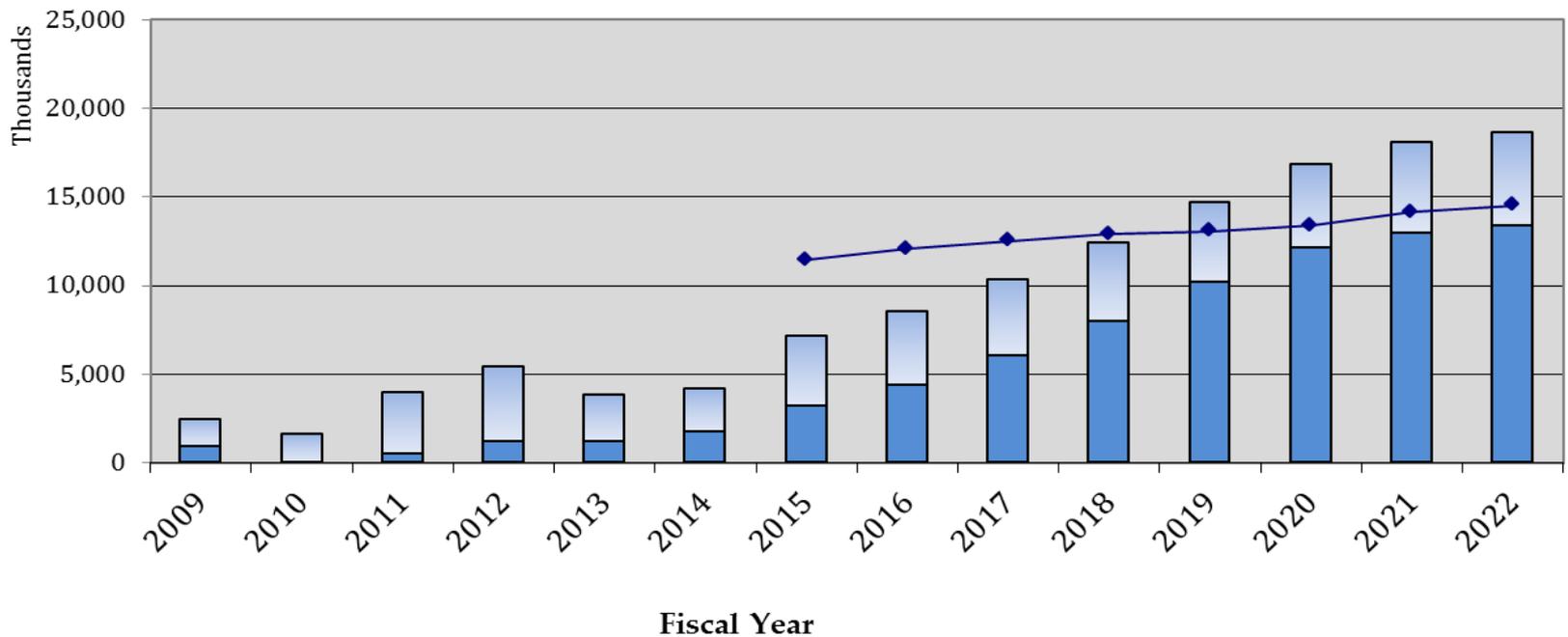


Rate Stabilization Fund

Utility Plant Improvement Fund (for Reserves)

Total Reserves Required

Reserves – Water

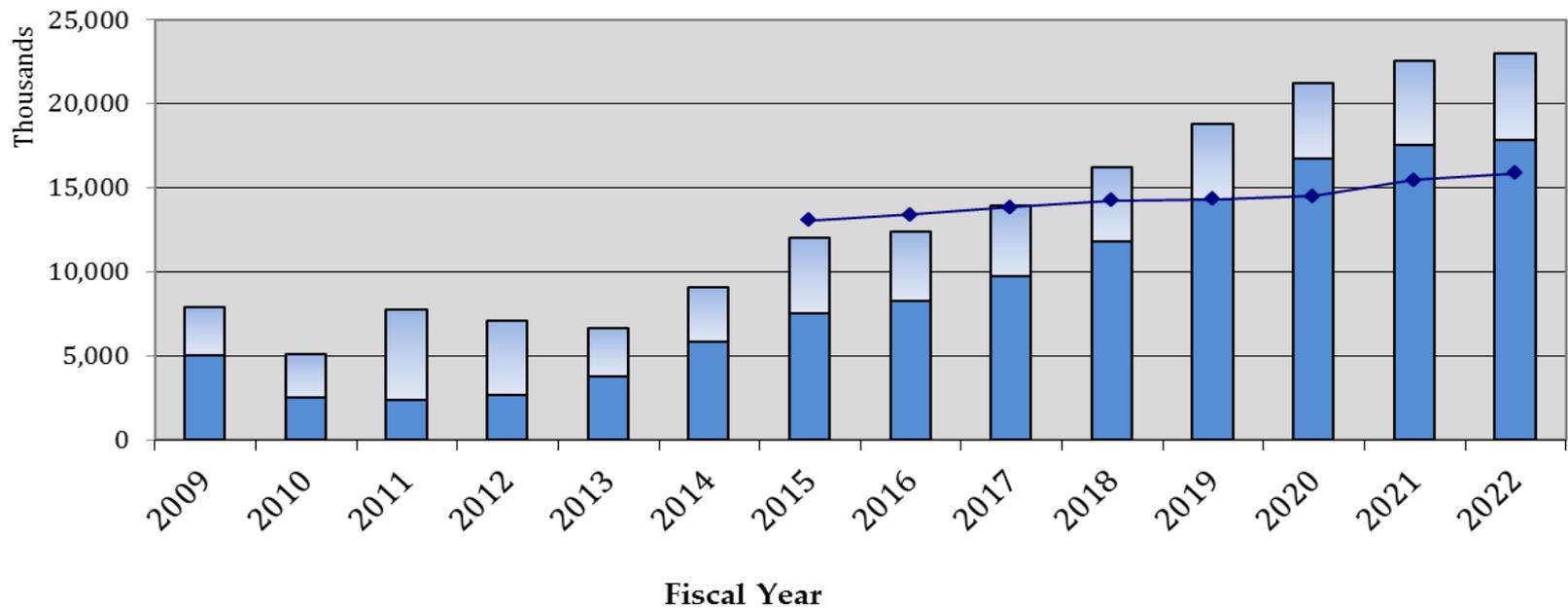


Rate Stabilization Fund

Utility Plant Improvement Fund (for Reserves)

Total Reserves Required

Reserves – Wastewater

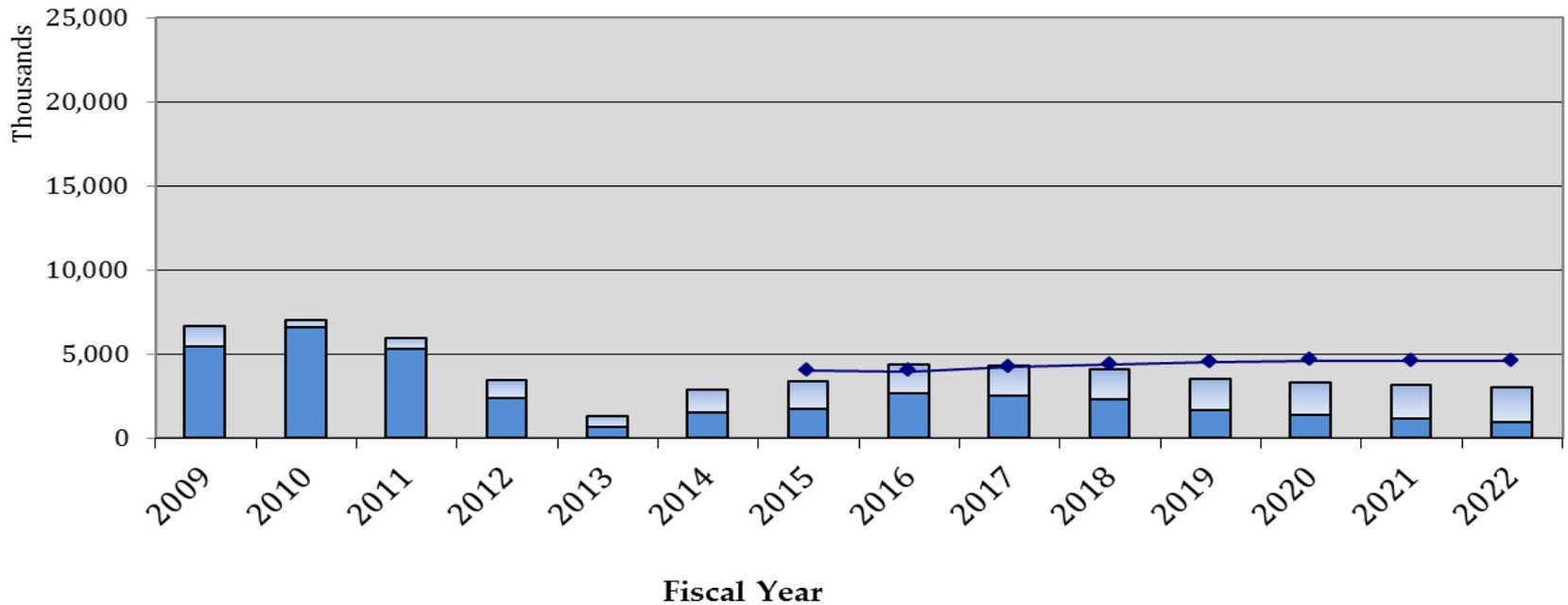


Rate Stabilization Fund

Utility Plant Improvement Fund (for Reserves)

Total Reserves Required

Reserves – GRUCom



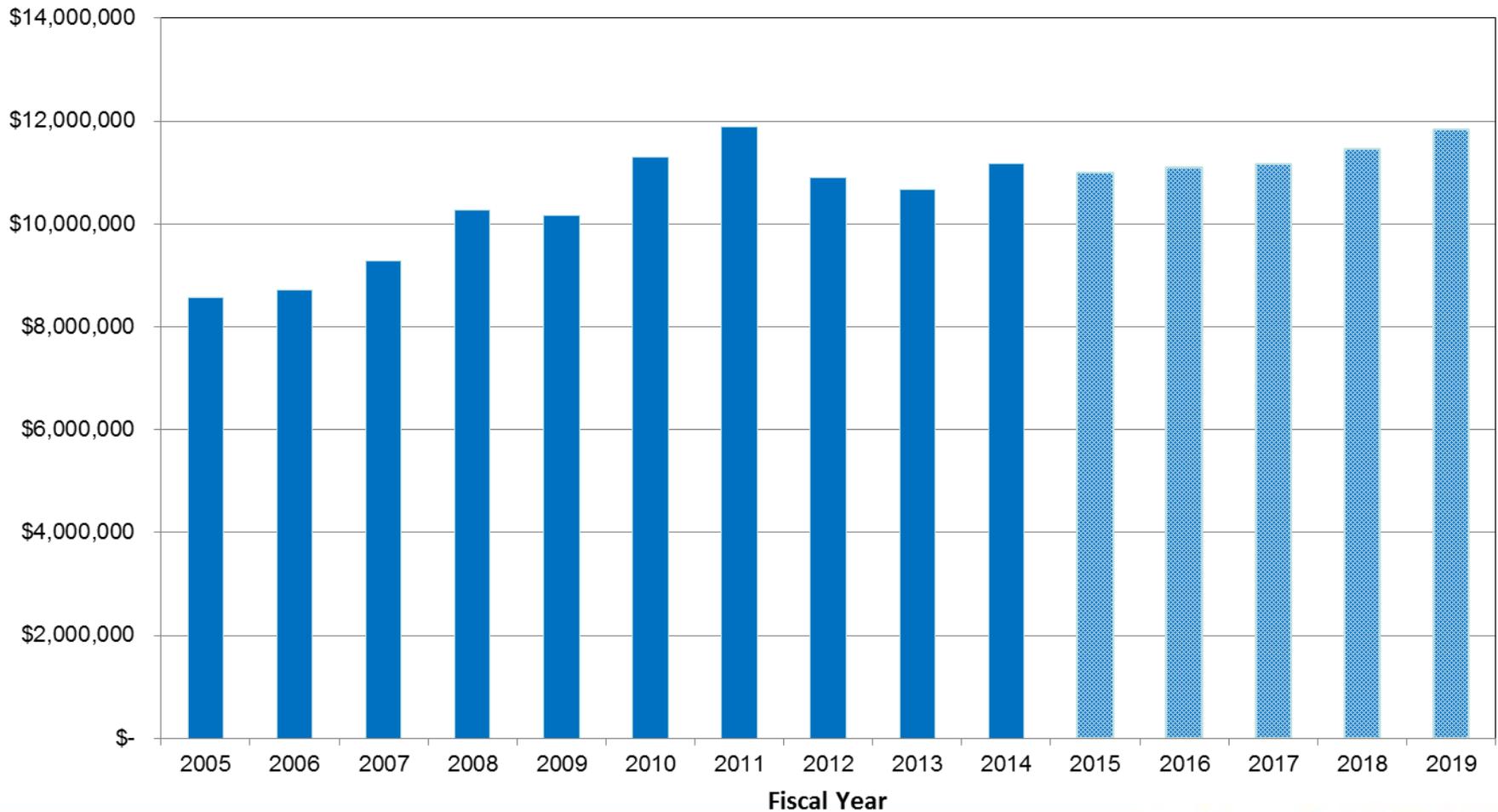
Rate Stabilization Fund

Utility Plant Improvement Fund (for Reserves)

Total Reserves Required

GRUCom Revenues

FY16 Budget History & Forecast

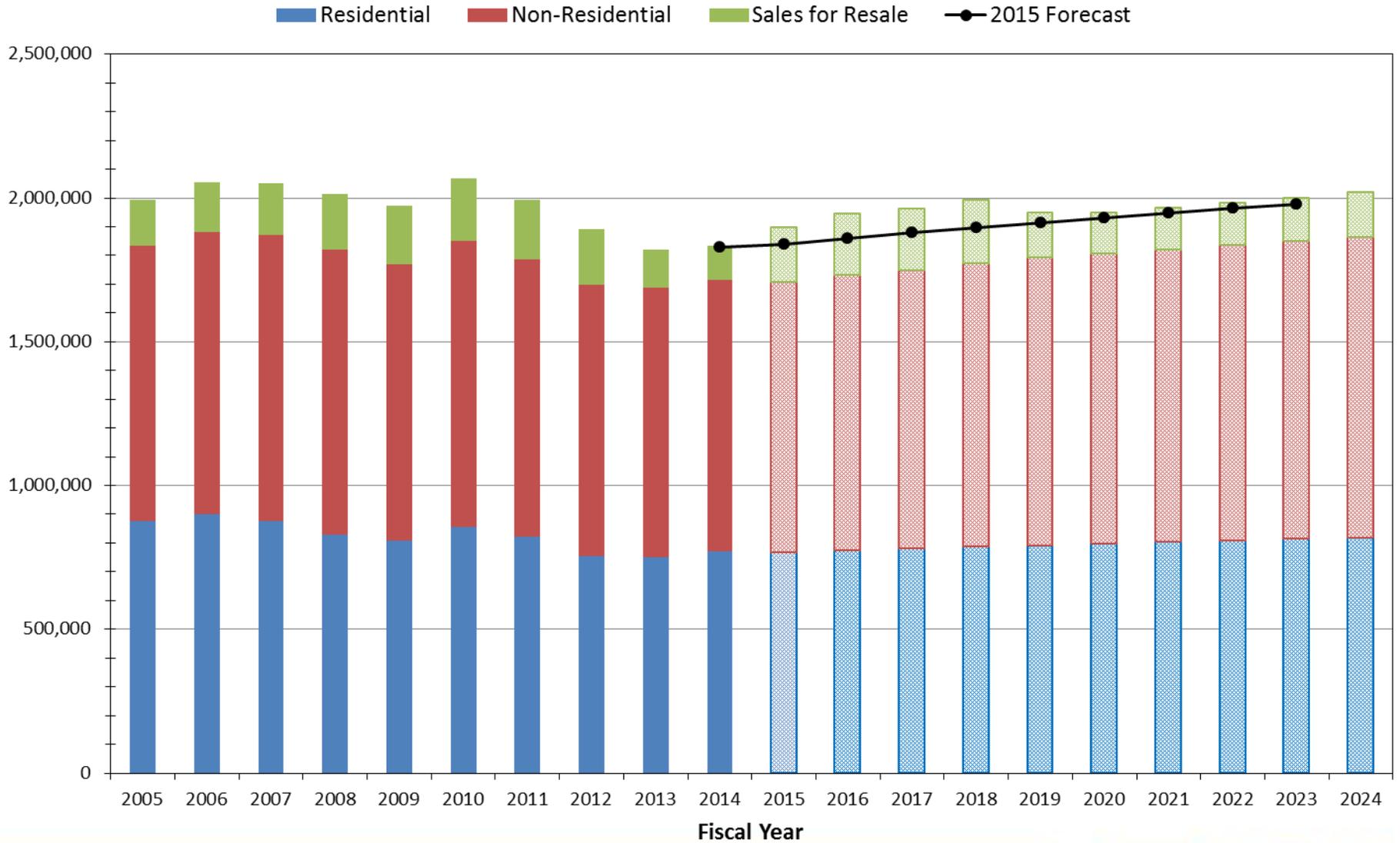


FORECASTS

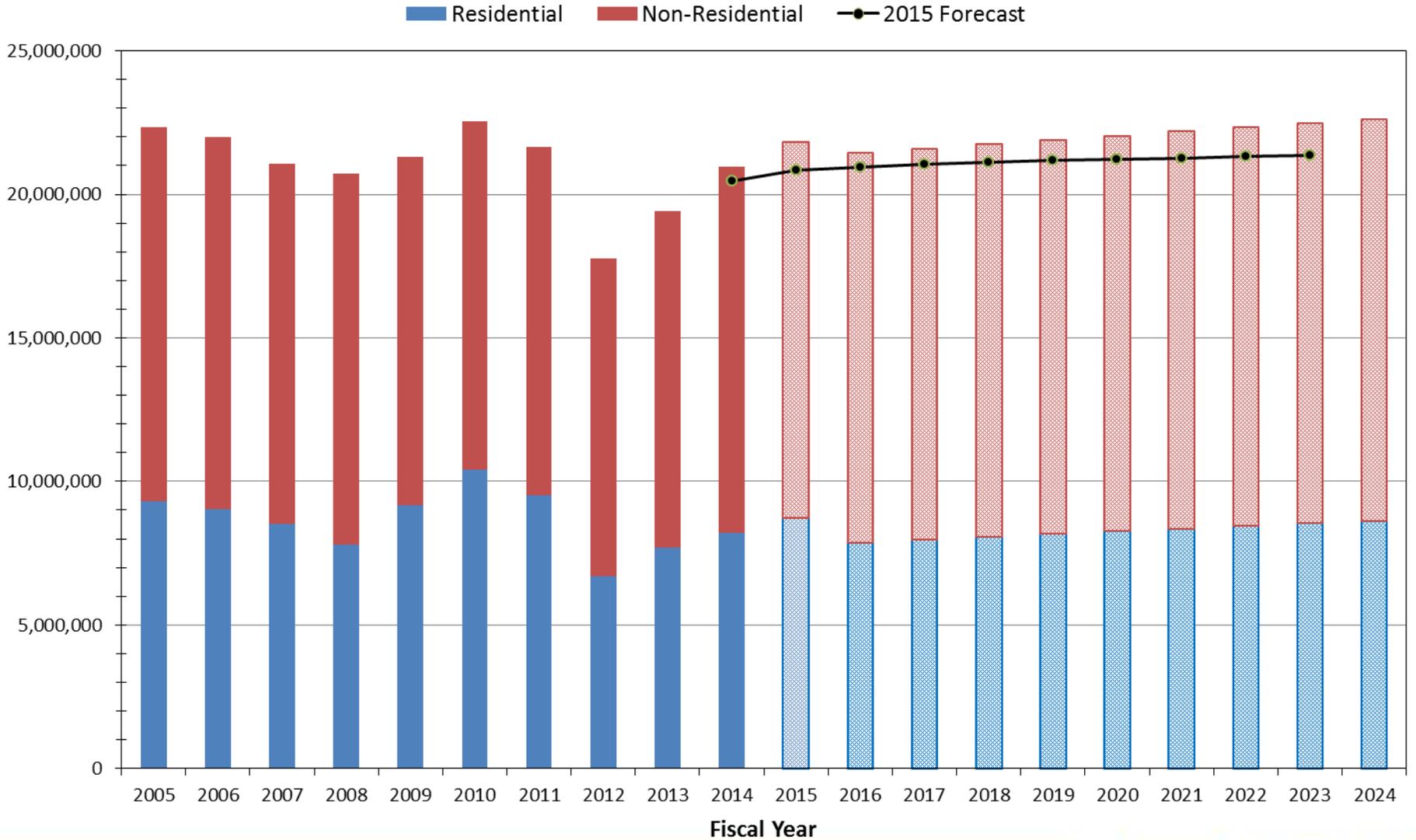
Forecast Overview

- Econometric approach used to develop projections of number of customers, unit sales, and revenues.
- GRU Billing Records and System Logs
- Demographics: Bureau of Economic and Business Research
- Economics: IHS Global Insight
- Temperatures and Rainfall: National Weather Service – Gainesville Regional Airport
- Uses of the Forecasts: Budgeting, Facilities Planning, and Regulatory Reporting

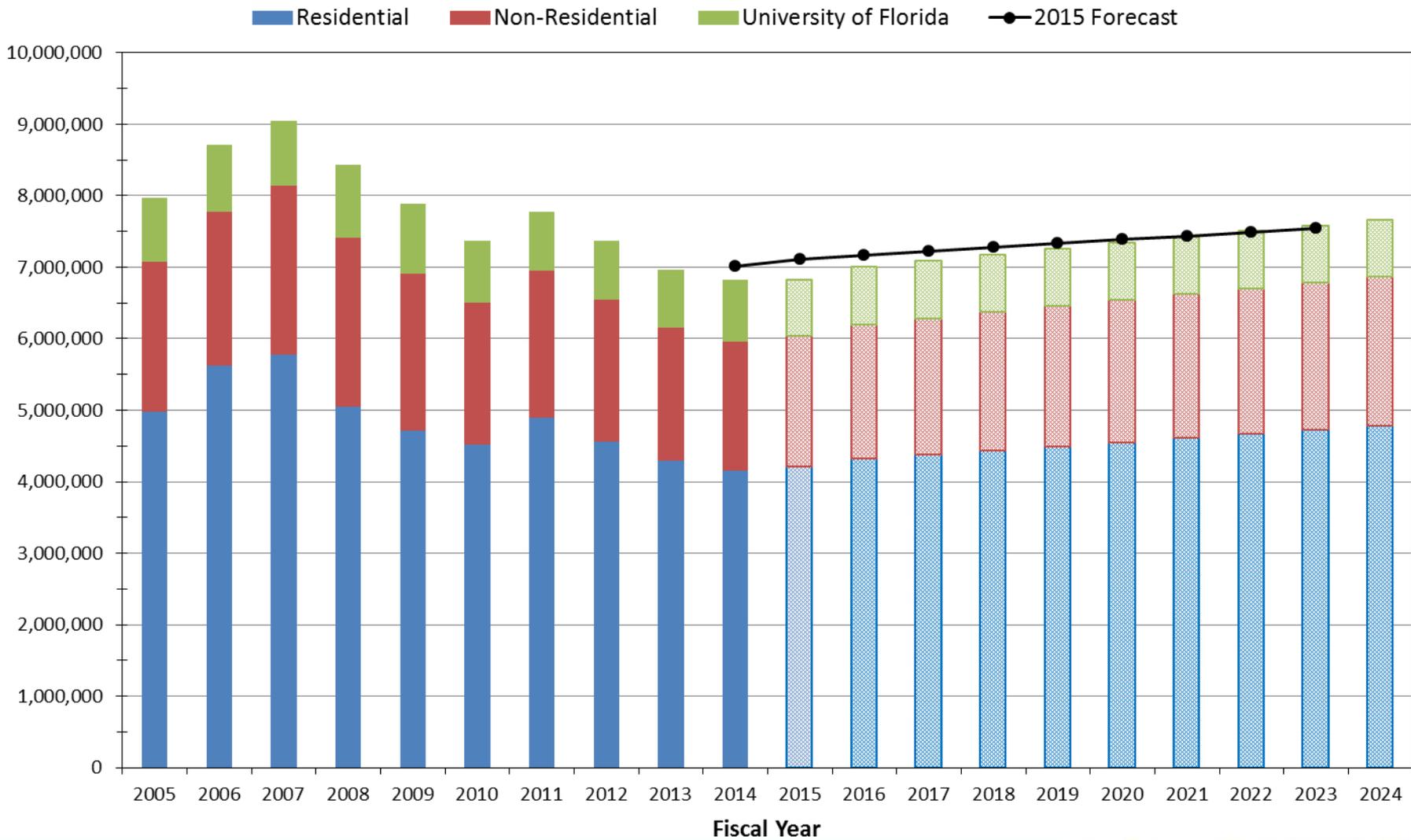
Electric Energy Sales MegaWatt-hours



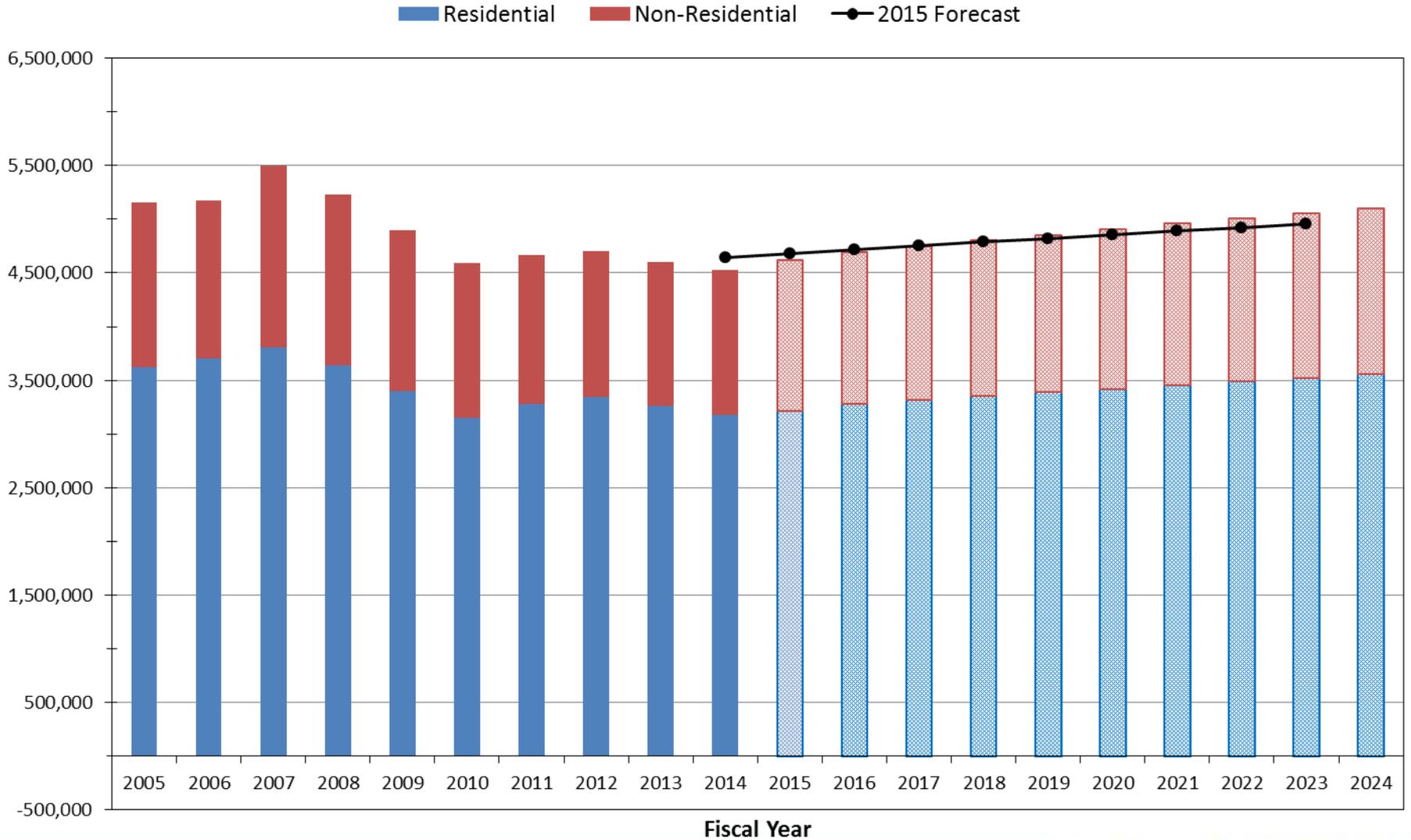
Natural Gas Energy Sales Therms



Water Sales Thousand Gallons (kgal)



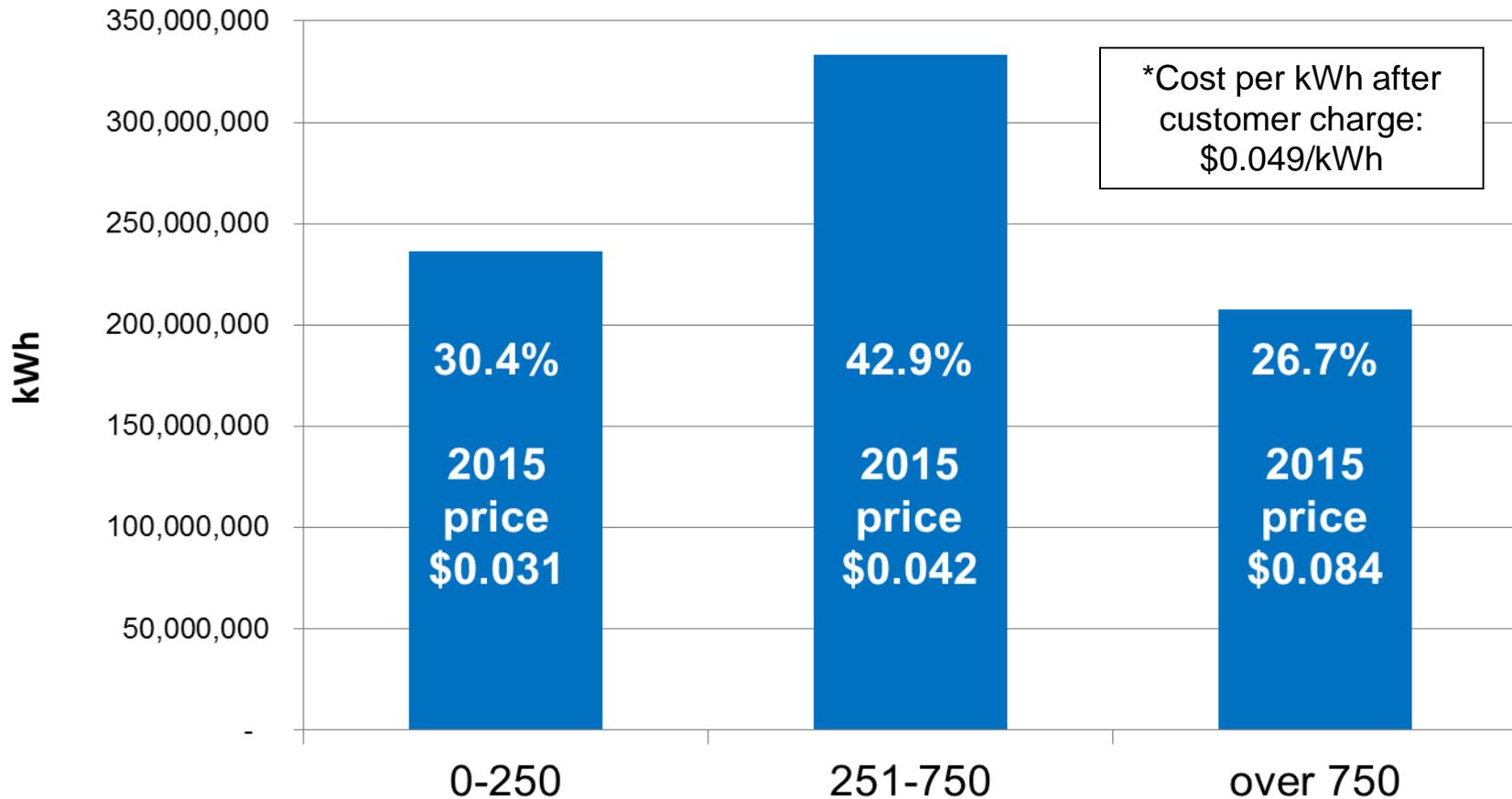
Wastewater Billings Thousand Gallons (kgal)



RATES AND CHARGES

Over 70% of Residential kWh are Below Cost

FY15 Residential Electric - Distribution of kWh Sold in Each Tier

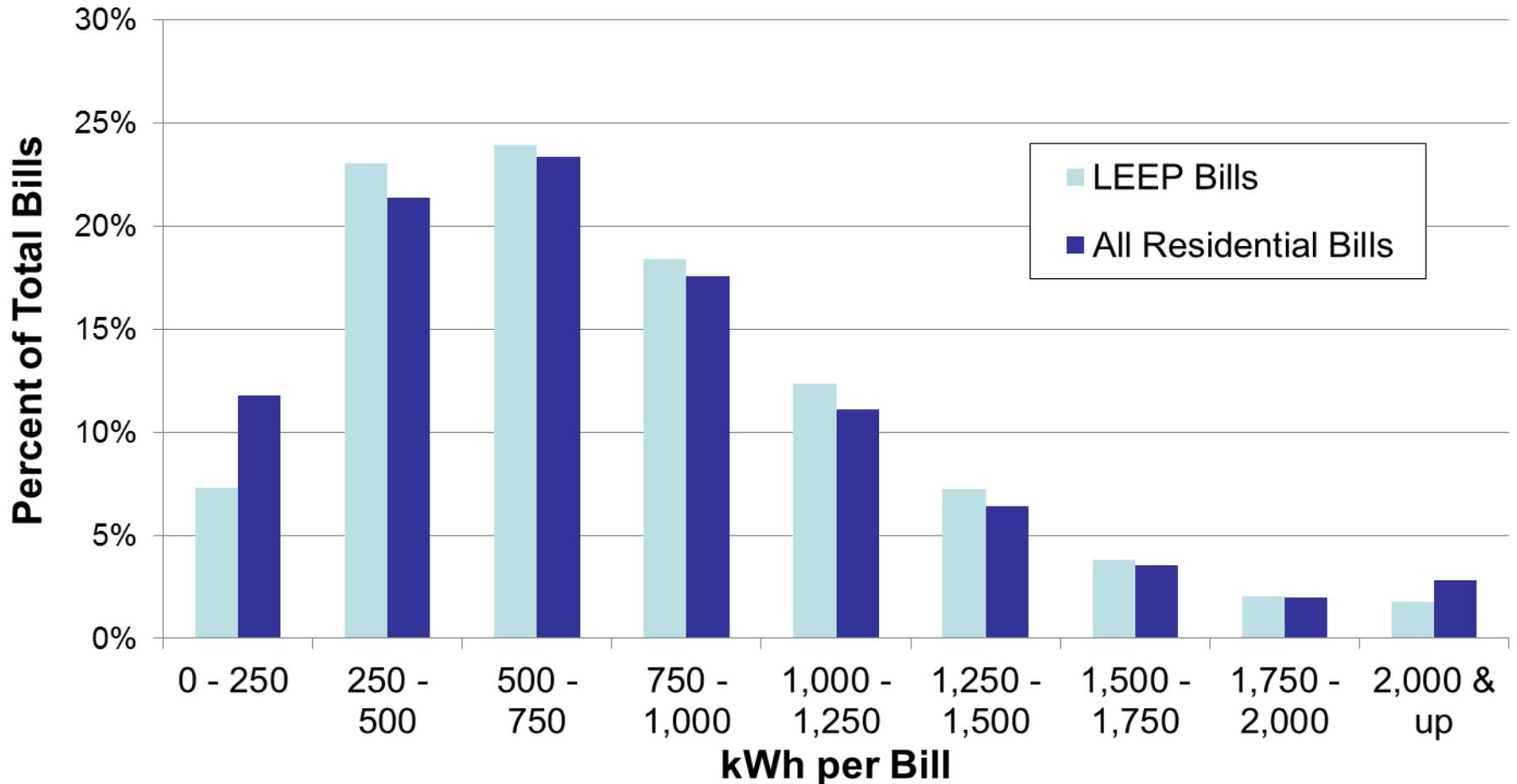


*Based on 2015 projected sales and costs

Low Income does not equal Low Consumption

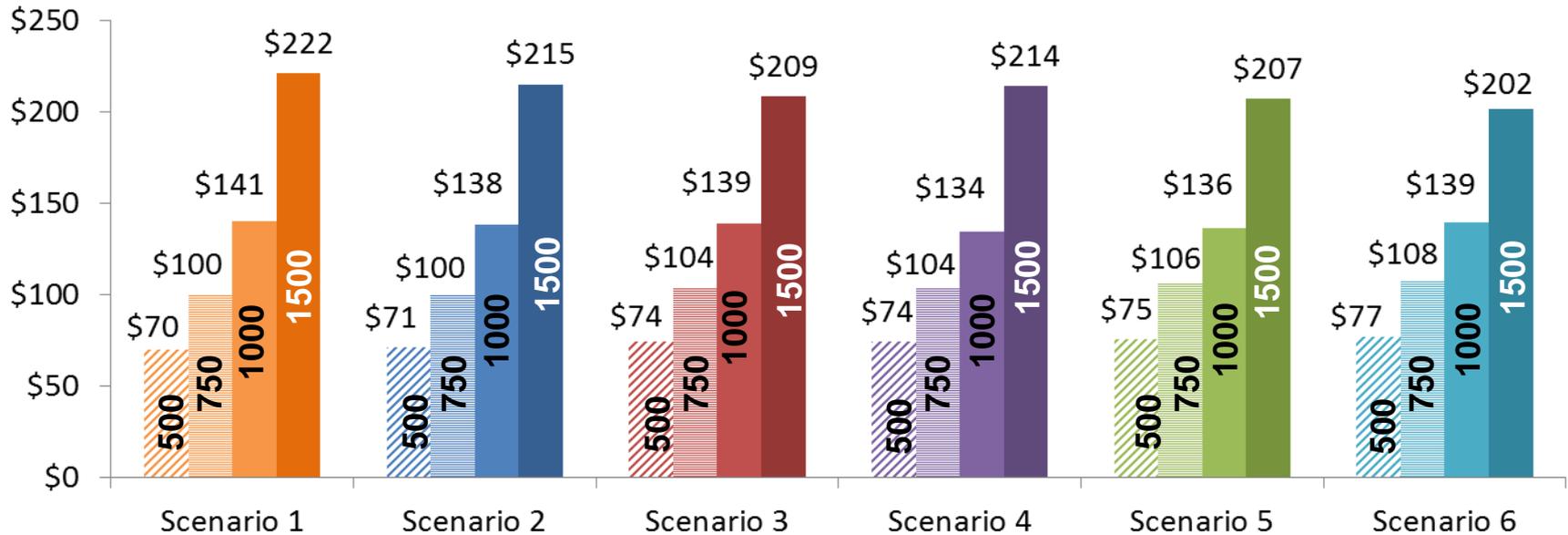
Low Income Energy Efficiency Program (LEEP) Consumption Data
(post upgrades)

May 2014 to April 2015



2016 Proposed Residential Rate Scenarios

Bill Impacts at 500, 750, 1,000, and 1,500 kWh per Month



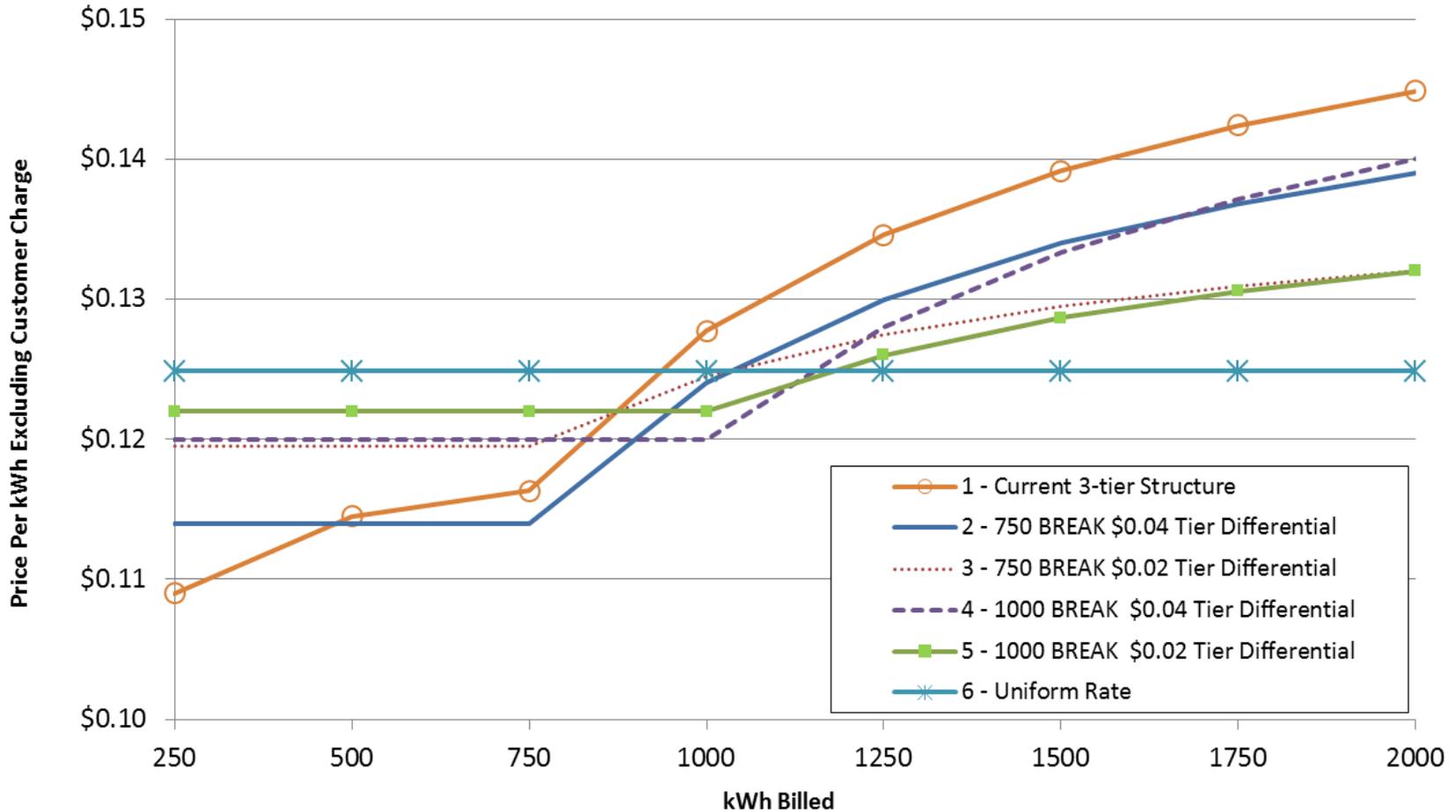
Scenario	1 Current 2015	2 750 Break 4¢ differential	3 750 Break 2¢ differential	4 1,000 Break 4¢ differential	5 1,000 Break 2¢ differential	6 Uniform Rate
Customer Charge	\$12.75	\$14.25	\$14.25	\$14.25	\$14.25	\$14.25
1 st Tier Rate	First 250 kWh \$0.0310	First 750 kWh \$0.0360	First 750 kWh \$0.0420	First 1000 kWh \$0.0420	First 1000 kWh \$0.0440	All kWh \$0.047
2 nd Tier Rate	Next 500 kWh \$0.0420	Over 750 kWh \$0.0760	Over 750 kWh \$0.0620	Over 1000 kWh \$0.0820	Over 1000 kWh \$0.0640	
3 rd Tier Rate	Over 750 kWh \$0.0840					
Fuel Adjustment	\$0.0780	\$0.0780	\$0.0780	\$0.0780	\$0.0780	\$0.0780

Residential Electric Bill Change by Usage Level and Structure

kWh	Scenario 1 2015 Current	Scenario 2 750 - 4¢	Scenario 3 750 - 2¢	Scenario 4 1000 - 4¢	Scenario 5 1000 - 2¢	Scenario 6 Uniform Rate
250	\$ 40.00	\$ 2.75	\$ 4.25	\$ 4.25	\$ 4.75	\$ 5.50
500	\$ 70.00	\$ 1.25	\$ 4.25	\$ 4.25	\$ 5.25	\$ 6.75
750	\$ 100.00	\$ (0.25)	\$ 4.25	\$ 4.25	\$ 5.75	\$ 8.00
1000	\$ 140.50	\$ (2.25)	\$ (1.25)	\$ (6.25)	\$ (4.25)	\$ (1.25)
1250	\$ 181.00	\$ (4.25)	\$ (6.75)	\$ (6.75)	\$ (9.25)	\$ (10.50)
1500	\$ 221.50	\$ (6.25)	\$ (12.25)	\$ (7.25)	\$ (14.25)	\$ (19.75)
1750	\$ 262.00	\$ (8.25)	\$ (17.75)	\$ (7.75)	\$ (19.25)	\$ (29.00)
2000	\$ 302.50	\$ (10.25)	\$ (23.25)	\$ (8.25)	\$ (24.25)	\$ (38.25)

Residential Electric

Cost per kWh Excluding Customer Charge By Bill Level at Proposed 2016 Rates



Proposed Residential Electric Rates

1,000 kWh break, \$0.02 tier differential

Billing Component	2015 Rate	Proposed Tiers	Proposed 2016
Monthly Customer Charge	\$12.75		\$14.25
Energy Charge (\$/kWh)			
Tier 1 (0-250 kWh)	\$0.031	(0-1,000 kWh)	\$0.044
Tier 2 (251-750 kWh)	\$0.042	(over 1,000 kWh)	\$0.064
Tier 3 (over 750 kWh)	\$0.084		
Fuel Adjustment (FA) (\$/kWh)	\$0.078		No Change

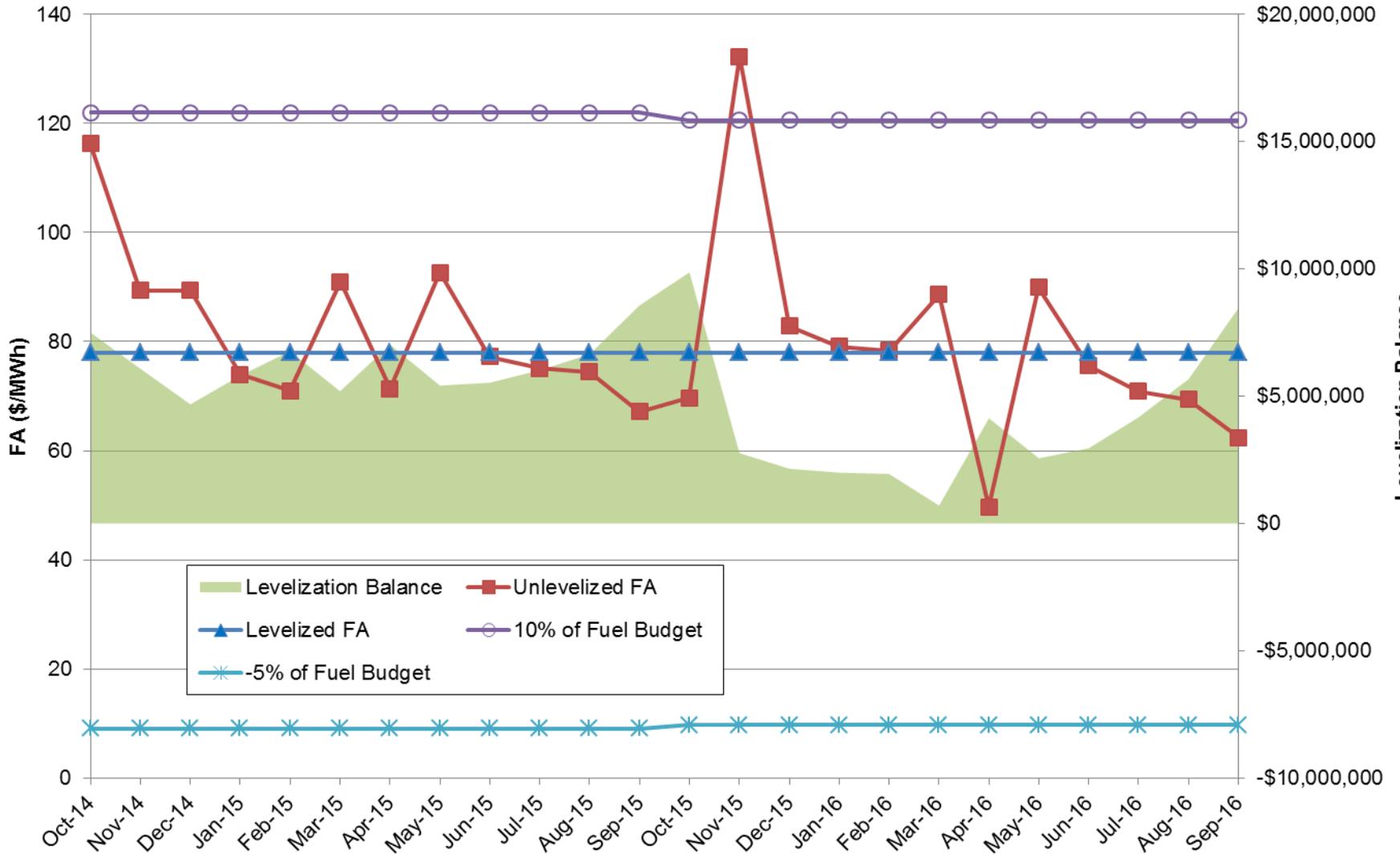
Fuel Adjustment

- Proposed FY16 fuel adjustment rate \$0.078/kWh
- Potential impact of FGT price increase \$1.8-\$2.5M
 - Resulting estimated FA for the FY \$0.079/kWh
- Levelization balance as of May 31, 2015 \$ 5.4M
- Projected balance as of September 30, 2015 \$ 8.6M
- Projected balance as of September 30, 2016 \$ 8.5M
- 10% of FY15 Electric fuel budget \$15.8M
- -5% of FY15 Electric fuel budget (\$ 7.9M)

Fuel Levelization Balance FY15 and FY16

With +10%/-5% of Annual Fuel Budget Band

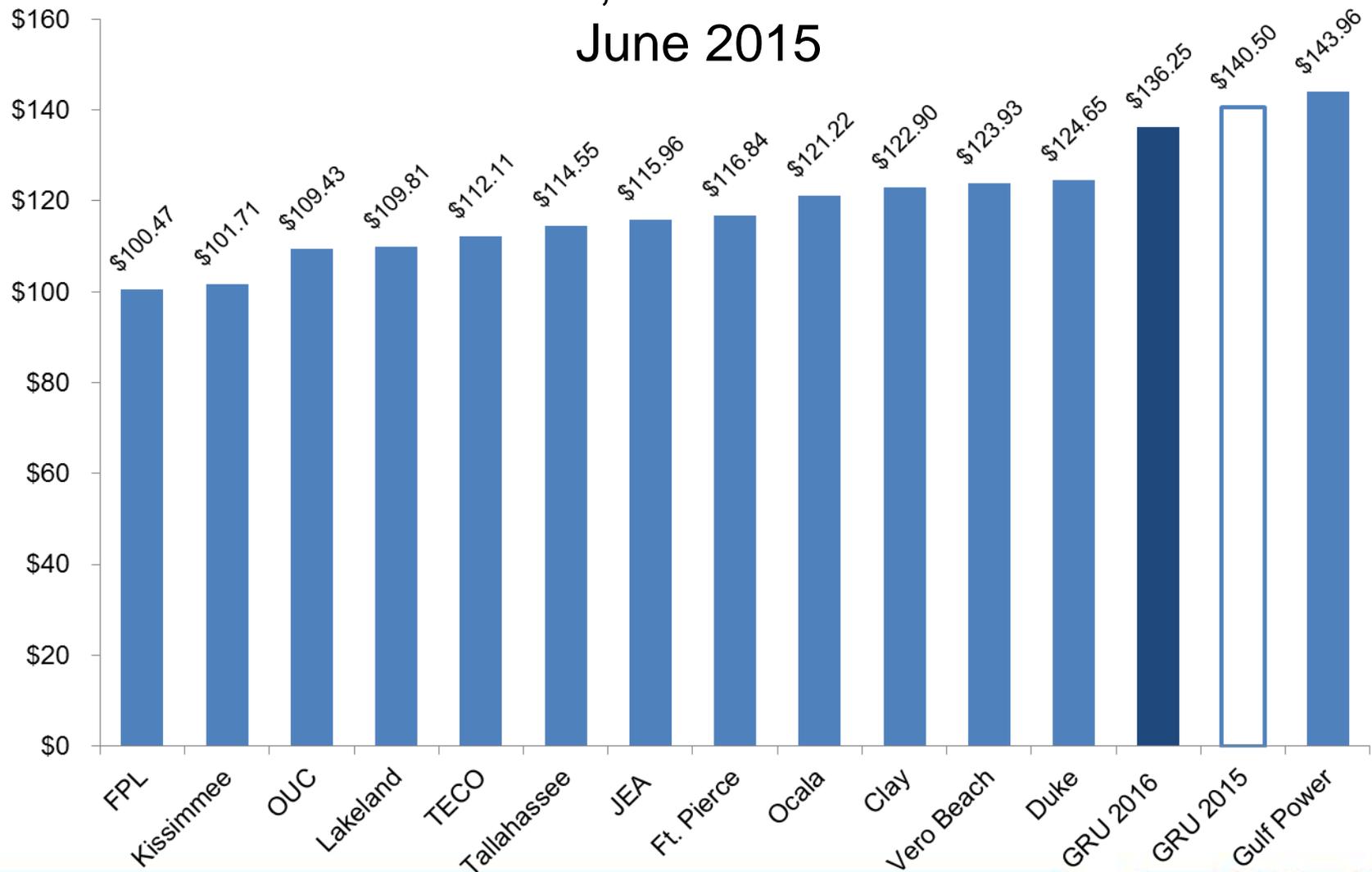
And Levelized & Unlevelized Fuel Adjustment Rate



Residential Electric Bill Comparison

1,000 KWh

June 2015



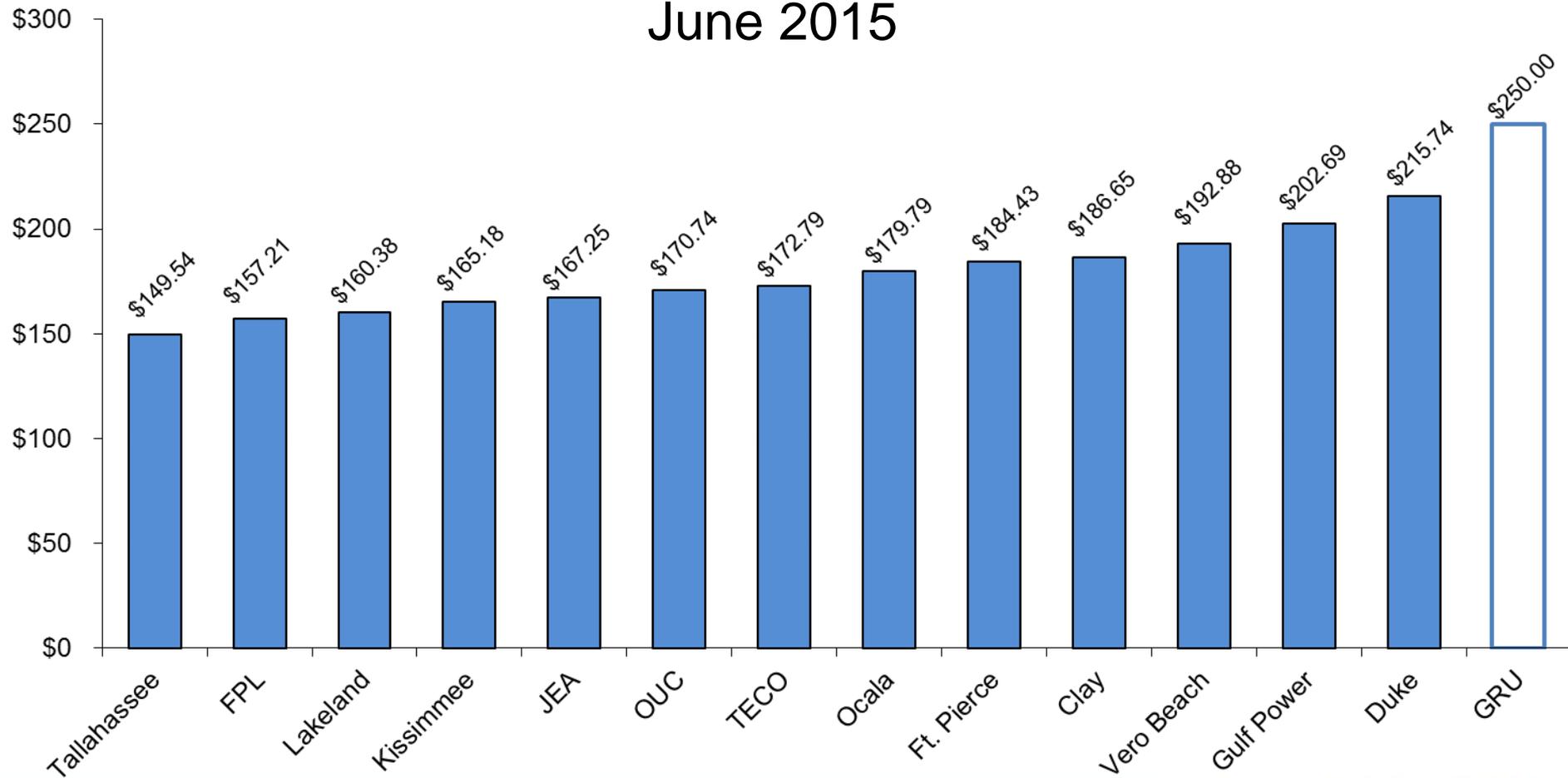
Proposed General Service Non-Demand Electric Rates

No proposed changes

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$29.50	No Change
Energy Charge (\$/kWh)		
Tier 1 (0-1,500 kWh)	\$0.069	No Change
Tier 2 (over 1,500 kWh)	\$0.100	No Change
Fuel Adjustment (FA) (\$/kWh)	\$0.078	No Change

General Service Non-Demand Electric Bill Comparison

1,500 KWh
June 2015



Proposed General Service Demand Electric Rates

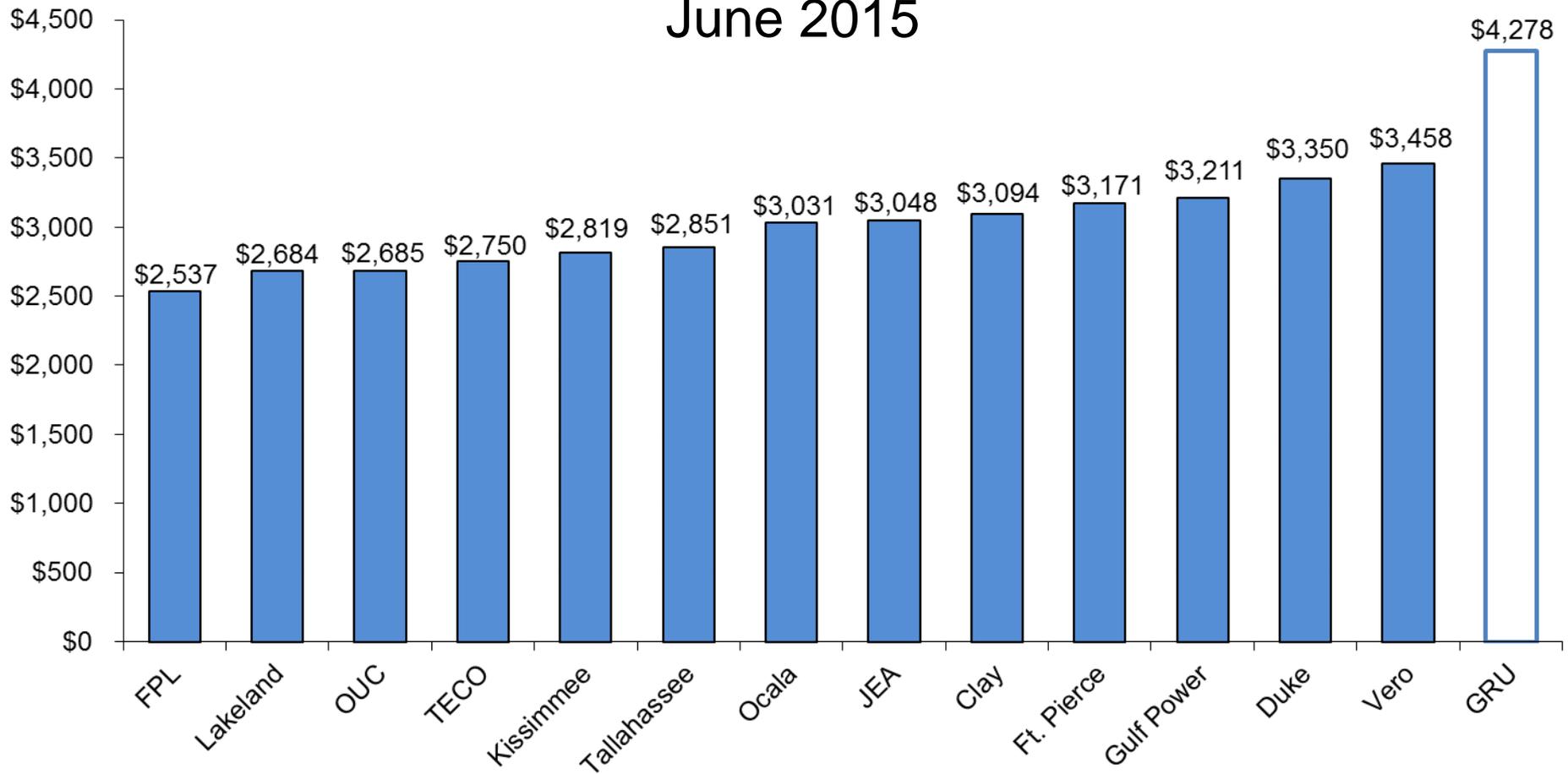
No proposed changes

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$100.00	No Change
Energy Charge (\$/kWh)	\$0.040	No Change
Demand Charge (\$/kW-mo.)	\$8.50	No Change
Fuel Adjustment (FA) (\$/kWh)	\$0.078	No Change

General Service Demand Electric Bill Comparison

30,000 KWh, 75 KW

June 2015



Proposed Large Power Electric Rates

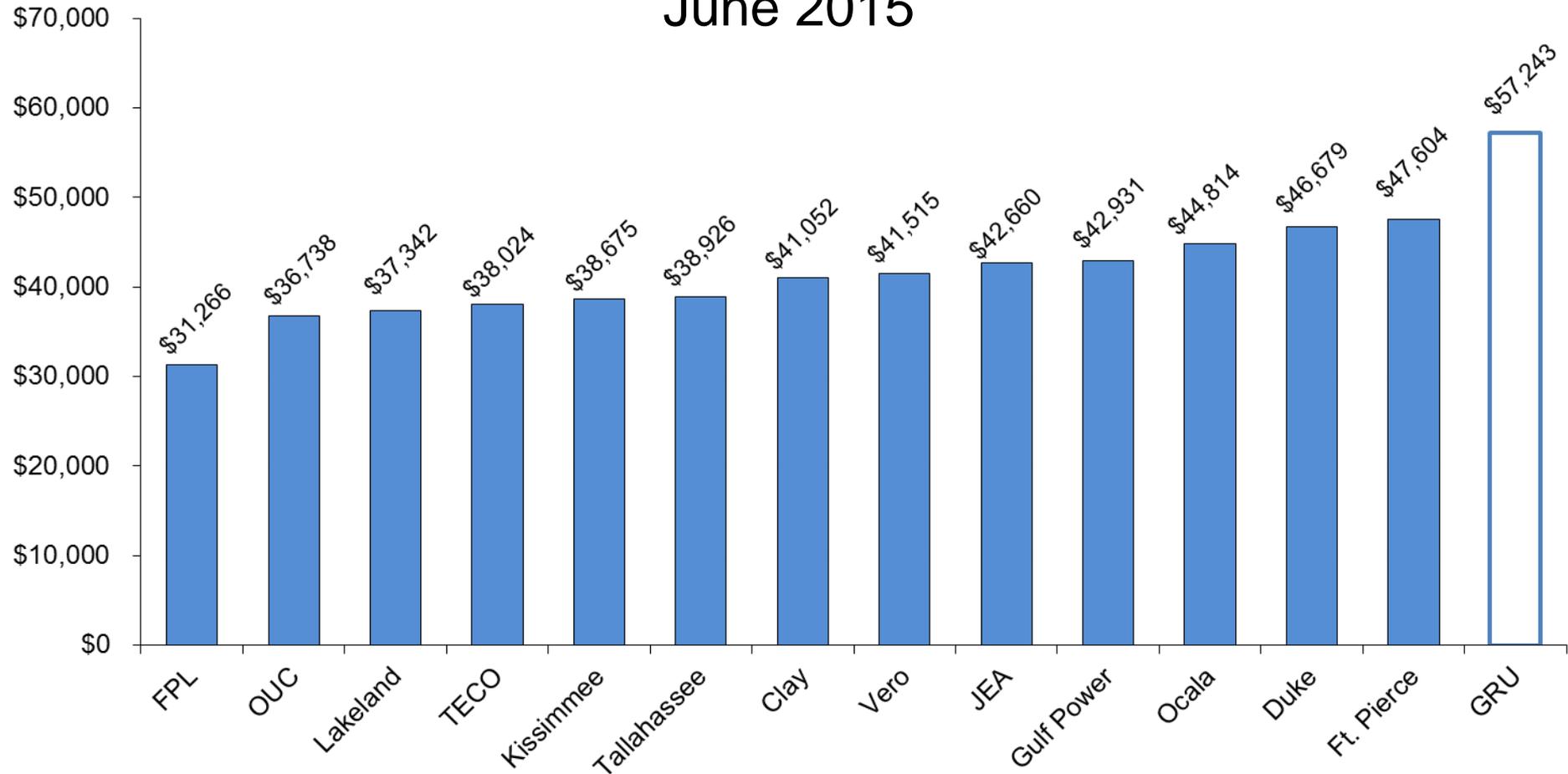
No proposed changes

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$350.00	No Change
Energy Charge (\$/kWh)	\$0.036	No Change
Demand Charge (\$/kW-mo.)	\$8.50	No Change
Fuel Adjustment (FA) (\$/kWh)	\$0.078	No Change

Large Power Electric Bill Comparison

430,000 KWh, 1,000 KW

June 2015



Proposed Residential Natural Gas Rates

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$9.75	No Change
Energy Charge (\$/therm)	\$0.502	\$0.540
MGPCRIF (Depot Park) (\$/therm)	\$0.0556	No Change
PGA (\$/therm)	\$0.30	No Change

Residential Natural Gas Bill Comparison

25 Therms

June 2015

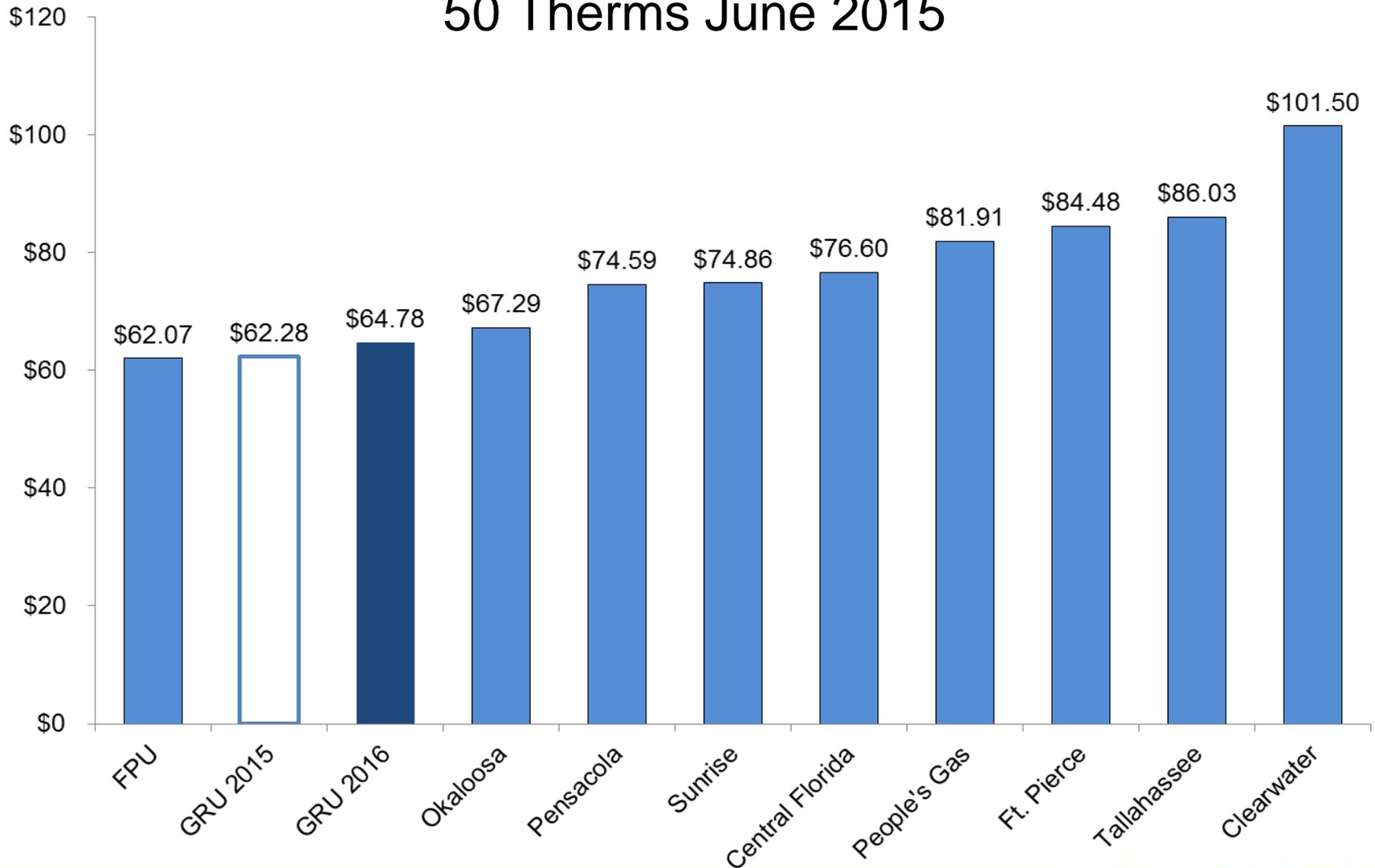


Proposed Small Commercial Natural Gas Rates

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$20.00	No Change
Energy Charge (\$/therm)	\$0.490	\$0.540
MGPCRIF (Depot Park) (\$/therm)	\$0.0556	No Change
PGA (\$/therm)	\$0.30	No Change

Small Commercial Natural Gas Bill Comparison

50 Therms June 2015



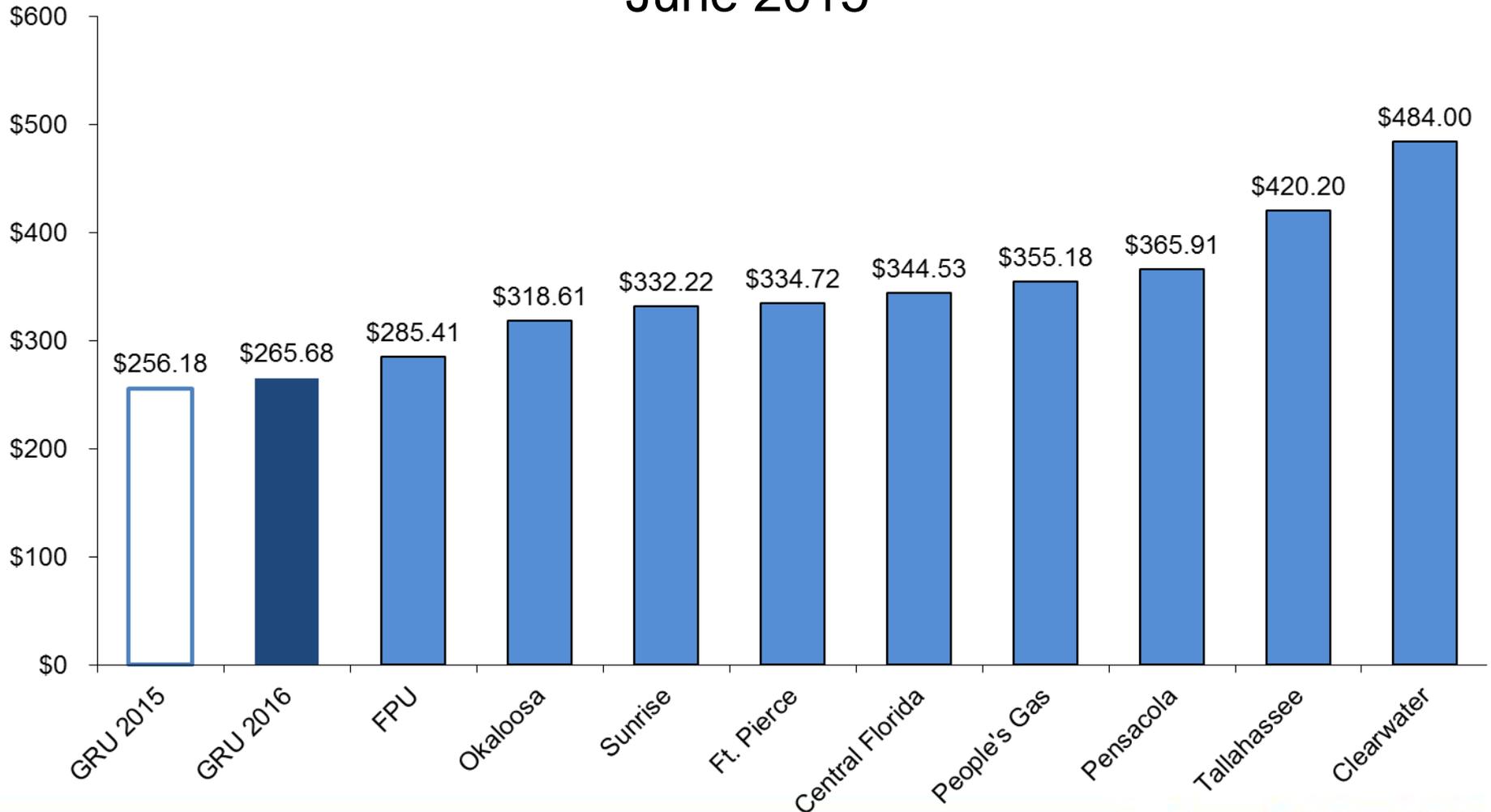
Proposed Commercial Natural Gas Rates

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$40.00	\$45.00
Energy Charge (\$/therm)	\$0.365	\$0.380
MGPCRIF (Depot Park) (\$/therm)	\$0.0556	No Change
PGA (\$/therm)	\$0.30	No Change

Commercial Natural Gas Bill Comparison

300 Therms

June 2015



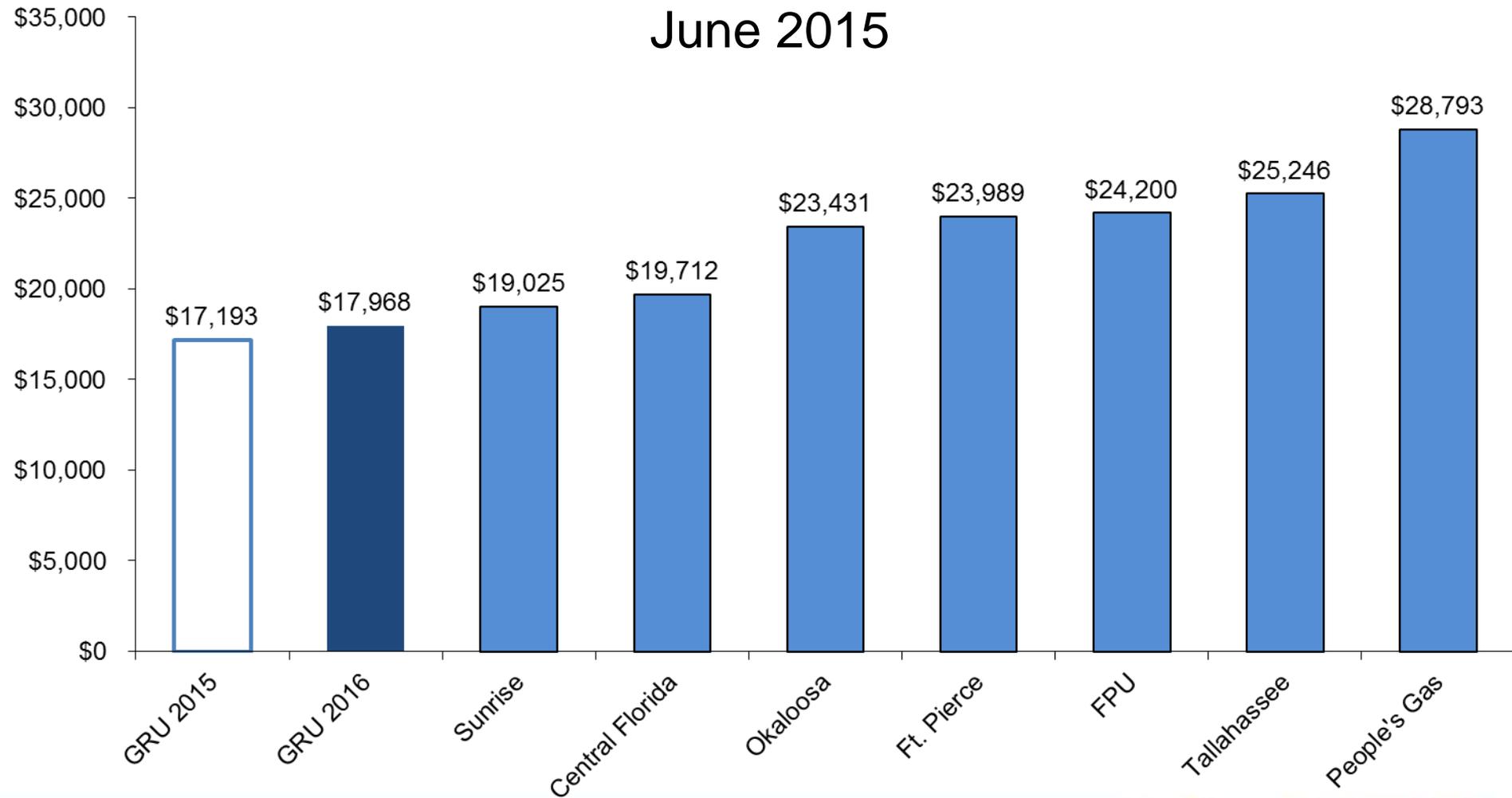
Proposed Commercial Large Volume Natural Gas Rates

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$375.00	\$400.00
Energy Charge (\$/therm)	\$0.205	\$0.230
MGPCRF (Depot Park) (\$/therm)	\$0.0556	No Change
PGA (\$/therm)	\$0.30	No Change

Large Volume Natural Gas Bill Comparison

30,000 Therms

June 2015



Proposed Water Monthly Customer Charges Based on Meter Size

Meter Size	Proposed FY16
5/8" and 3/4"	\$9.20
1"	\$9.40
1.5"	\$12.25
2"	\$19.50
3"	\$74.00
4"	\$100.00
6"	\$140.00
8"	\$200.00
10"	\$275.00

Proposed Residential Water Rates

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge (5/8" or 3/4" meter)	\$9.20	No Change
Usage Charge (\$/1,000 Gallons)		
Tier 1 (0-6,000 Gallons)	\$2.35	\$2.55
Tier 2 (7,000-20,000 Gallons)	\$3.75	\$3.90
Tier 3 (over 20,000 Gallons)	\$6.00	\$6.00

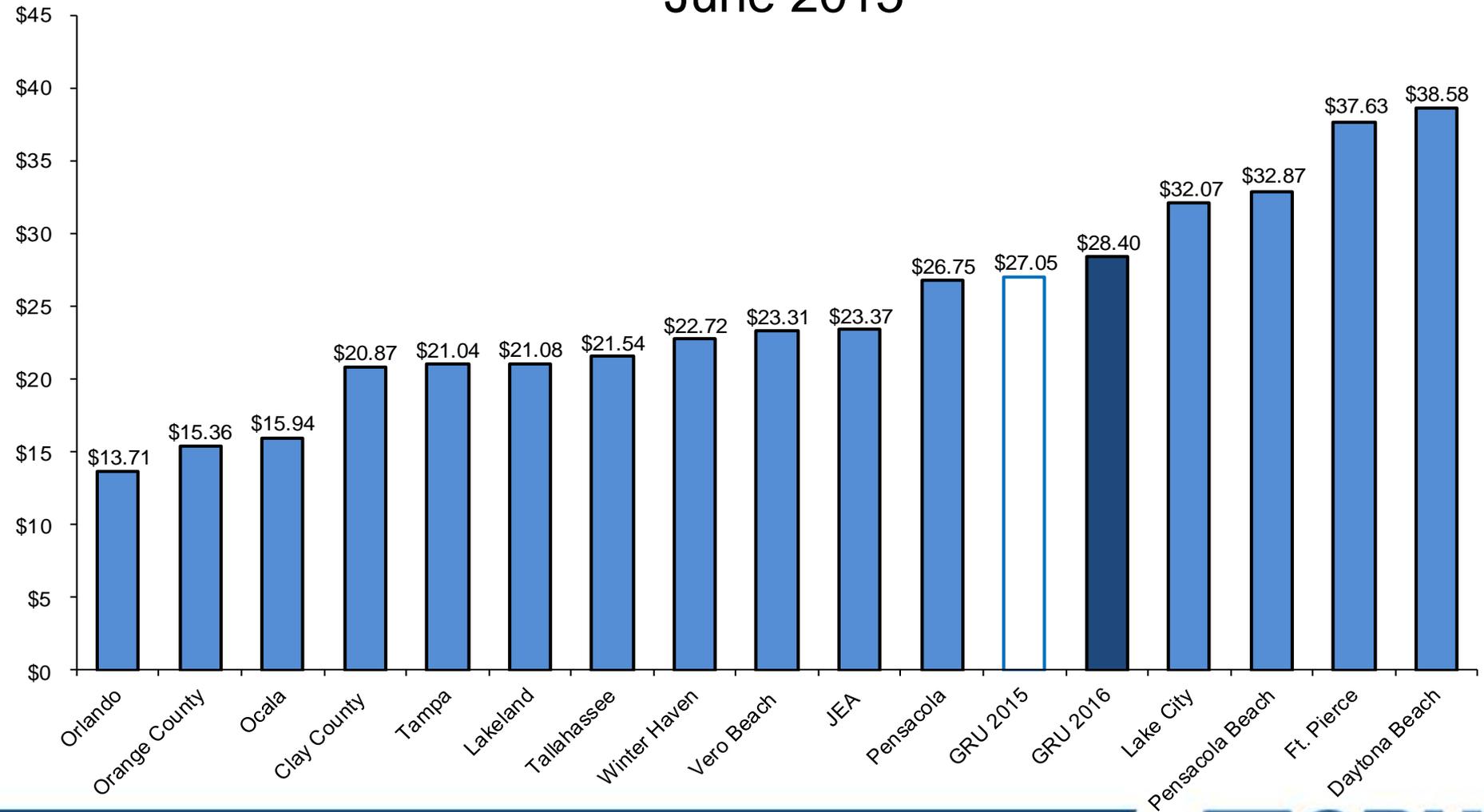
Proposed Residential Irrigation Rates

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge (5/8" or 3/4" meter)	\$9.20	No Change
Usage Charge (\$/1,000 Gallons)		
Tier 1 (0-14,000 Gallons)	\$3.75	\$3.90
Tier 2 (over 14,000 Gallons)	\$6.00	\$6.00

Residential Water Bill Comparison

7,000 gallons

June 2015



Proposed Multi-Family Water Rates

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$9.20	Based on Meter Size
Usage Charge (\$/1,000 Gallons)	\$3.05	\$3.45

Proposed Commercial Water Rates

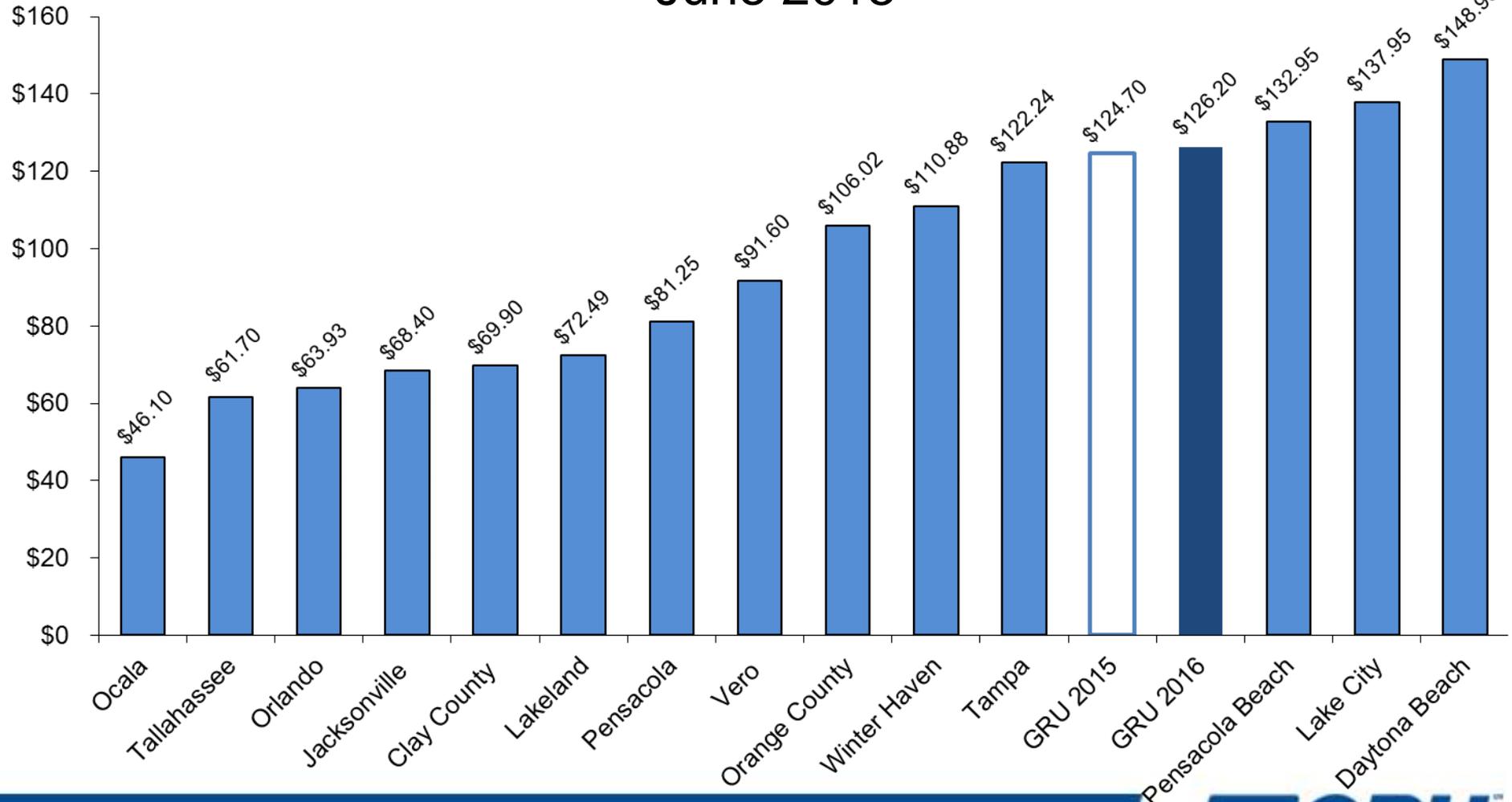
Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$9.20	Based on Meter Size
Usage Charge (\$/1,000 Gallons)	\$3.85	\$3.90

Commercial Irrigation

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$9.20	Based on Meter Size
Usage Charge (\$/1,000 Gallons)	\$4.55	\$4.60

Commercial Water Bill Comparison

30,000 gallons
June 2015



Based on 5/8" or 3/4" meter

Proposed Residential and Commercial Wastewater Rates

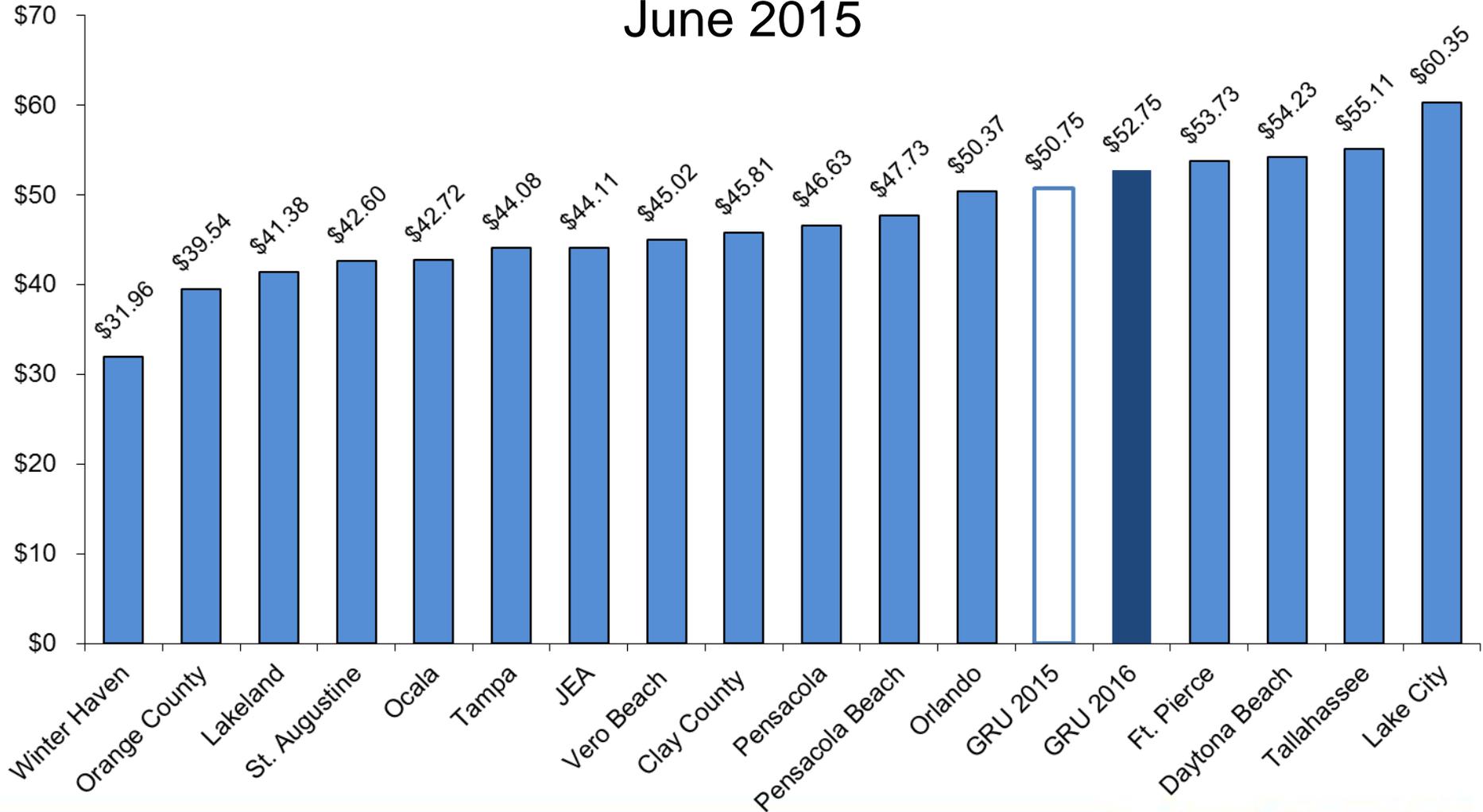
Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$8.40	\$9.00
Billing Charge (\$/1,000 Gallons)	\$6.05	\$6.20

Reclaimed Water

Billing Component	2015 Rate	Proposed 2016
Monthly Customer Charge	\$8.40	\$9.00
Billing Charge (\$/1,000 Gallons)	\$0.70	\$0.85

Residential Wastewater Bill Comparison

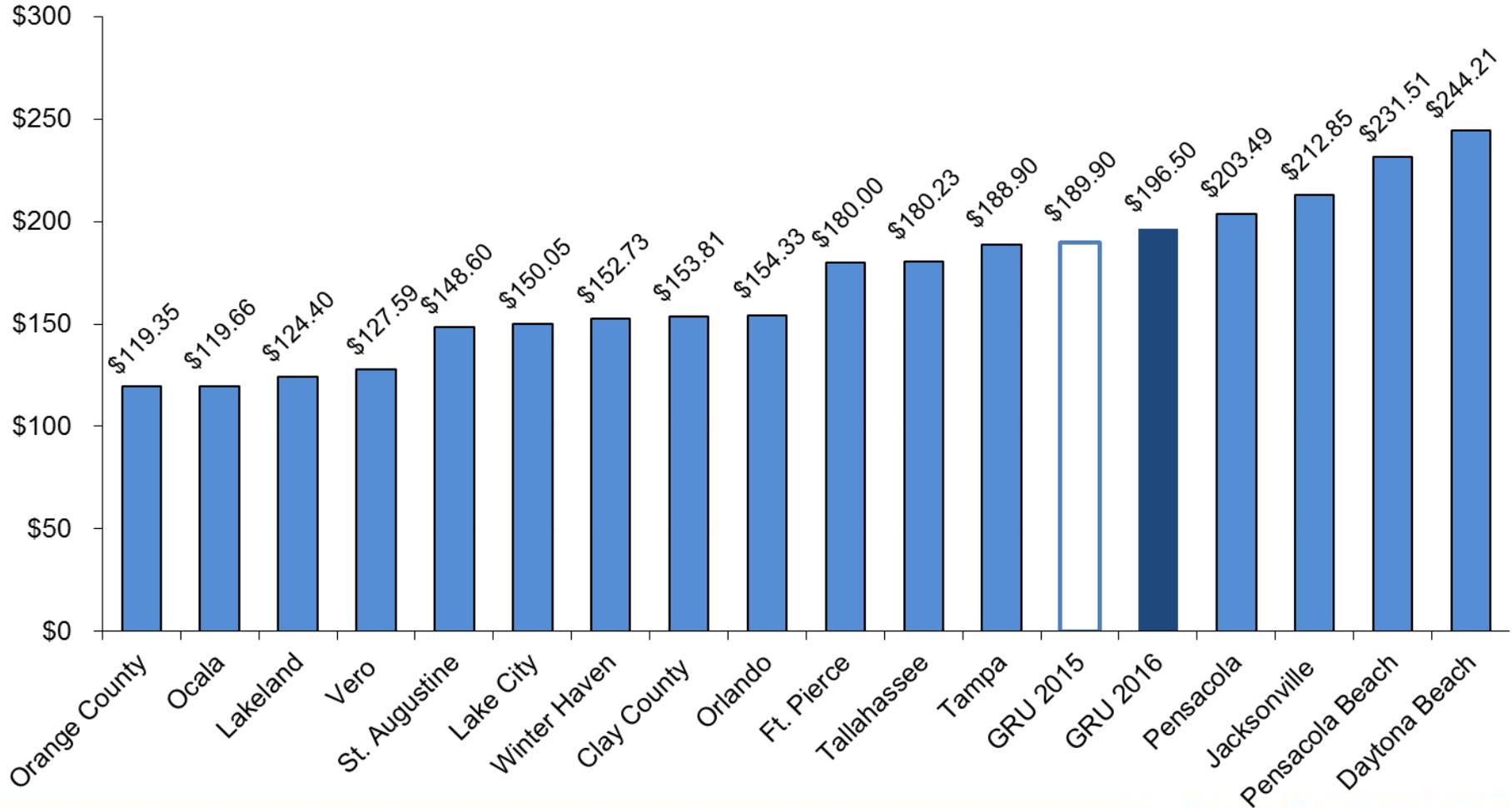
7,000 gallons
June 2015



Commercial Wastewater Bill Comparison

30,000 gallons

June 2015



WATER AND WASTEWATER CONNECTION CHARGES

Proposed Water & Wastewater Connection Charges

Residential Connections

	2015	Proposed 2016
Water Meter (installed)	\$ 510	\$ 677
Water Connect Charge	\$1,080	\$1,080
<u>Wastewater Connect Charge</u>	<u>\$3,780</u>	<u>\$3,935</u>
Total Water + WW Connect Charge	\$5,370	\$5,692

Proposed Water & Wastewater Connection Charges

Commercial Connections

	2015	Proposed 2016
≤ 2 " Meter	Based on Meter Size	Flow Based
> 2 " Meter	Flow Based	Flow Based

Proposed Water & Wastewater Connection Charges

Flow Based Connection Charges

	2015	Proposed 2016
Water + WW Charge (\$/gpd)	\$17.48	\$17.90

Plan Review Application Process

- Outcome from Chamber of Commerce Small Business Growth Task Force Item 21 – Efficiency of GRU Plan Review Process
- Provides service for assistance in utility planning & fieldwork prior to plan submittal
- Have been working with stakeholders

Plan Review Application Process

- Applicants required to pay the fixed portion of inspection fees up front before GRU initiates technical work
 - Water \$710
 - Wastewater \$1,280
- Intended to recover some of costs for fieldwork and engineering review for projects that are never built
- No impacts on projects that are constructed

SERVICE AND OTHER CHARGES

Proposed Service Charges

- Revisions to Service Charges in Electric, Water, Wastewater and Gas
- As presented to RUC in May 2015
- Detailed listing in *Proposed Annual Operating and Capital Budget, Budget 2016*
 - Section A, Pages A-12 through A-17

Streetlight & Rental Light Rate Design Template

Purpose:

1. Bring new lighting options to market with minimum lag time.
2. Develop streetlight and rental light rates quickly, effectively and consistently.
3. Obtain City Commission approval to utilize a standard Streetlight and Rental Light Rate construct to introduce new options to the market at any time in the fiscal year.

Streetlight & Rental Light Rate Design Template

Rate Construct:

1. Sum the costs associated with the light installation and develop a monthly cost based on the amortization period.
2. Sum all projected maintenance expenses for the amortization period and develop a levelized monthly cost.
3. Calculate the monthly energy cost based on current energy costs and equipment manufacturer data.
4. Sum the parts: the new rate is ready to implement.

Recommendation

- The City Commission direct the City Attorney to draft, and the Clerk of the Commission to advertise an ordinance to adopt the recommended rates, fees and charges for Electric, Water, Wastewater and Gas.