

# GRU Five-Year Forecast

## City Commission & UAB

March 23, 2017



# Forecast Overview

- Primarily based on data and assumptions from FY17 budget
- Forecast will be updated for FY18 budget presentation in July
- Capital needs determined by each system based on safety, reliability, regulatory requirements and value to customer
- No consideration for GREC purchase

# Forecast Overview

- Striving for competitive utility rates
- Ongoing regulatory pressure in all systems
- Desire to maintain/improve system reliability and safety
- Excellence in customer value/customer service
- Maintain financial strength
- Continue to improve employee engagement

# Forecast Assumptions

- FY17 approximates approved budget
- FY18 detailed forecast submitted by departments during FY17 budget cycle
- FY18 assumed 2% raise for labor
- Years FY19-FY22 assume a 2% fuel increase and a 3% O&M increase across the board

# REVENUE FORECAST

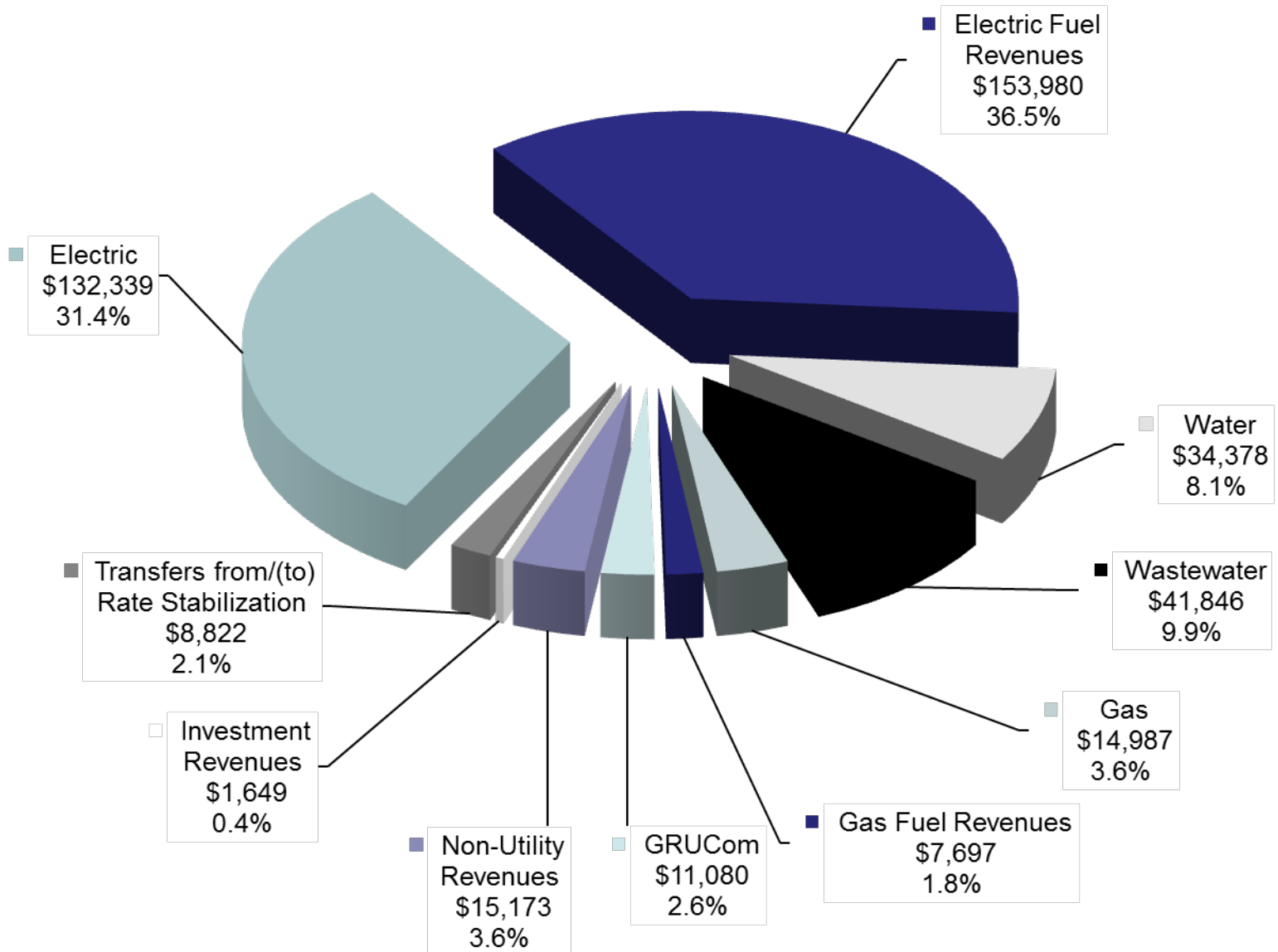


# Sales Forecast Methodology

- 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, Infrastructure Planning, and Regulatory Reporting

# FY17 Revenue Classification

Dollars in Thousands (\$421.9 million total)

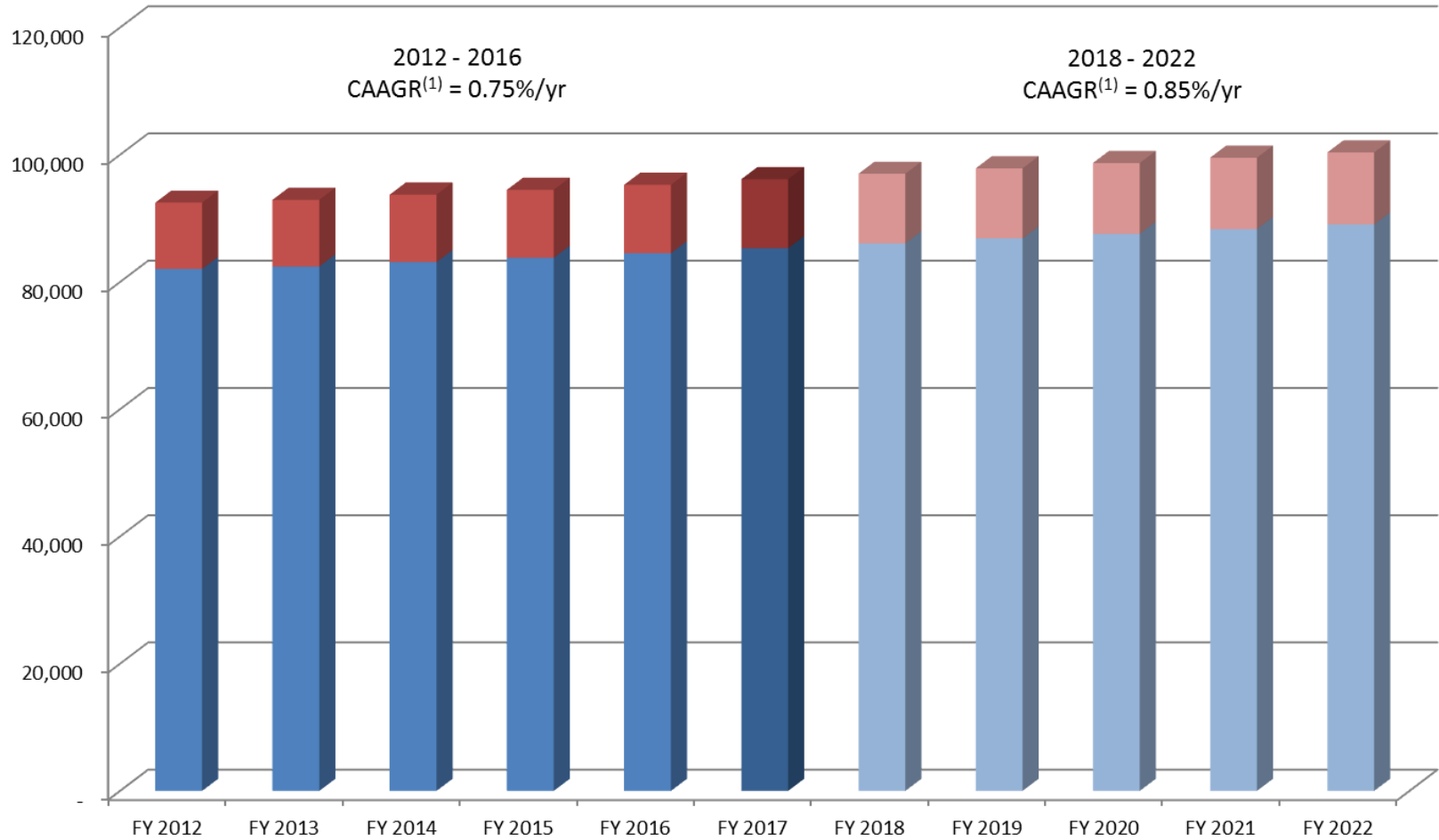


# Electric System

- SEC Phase 2 to be complete FY18
- Winter Park contract into 1<sup>st</sup> Qtr. FY19
- Potential additional wholesale customers
- Ongoing savings with Joint Dispatch program
- ERP adding rate pressure O&M and Capital
- Possible purchase of GREC plant
- New development projects in Butler Plaza expanding Energy Delivery system in both electric and gas

## Electric Customers

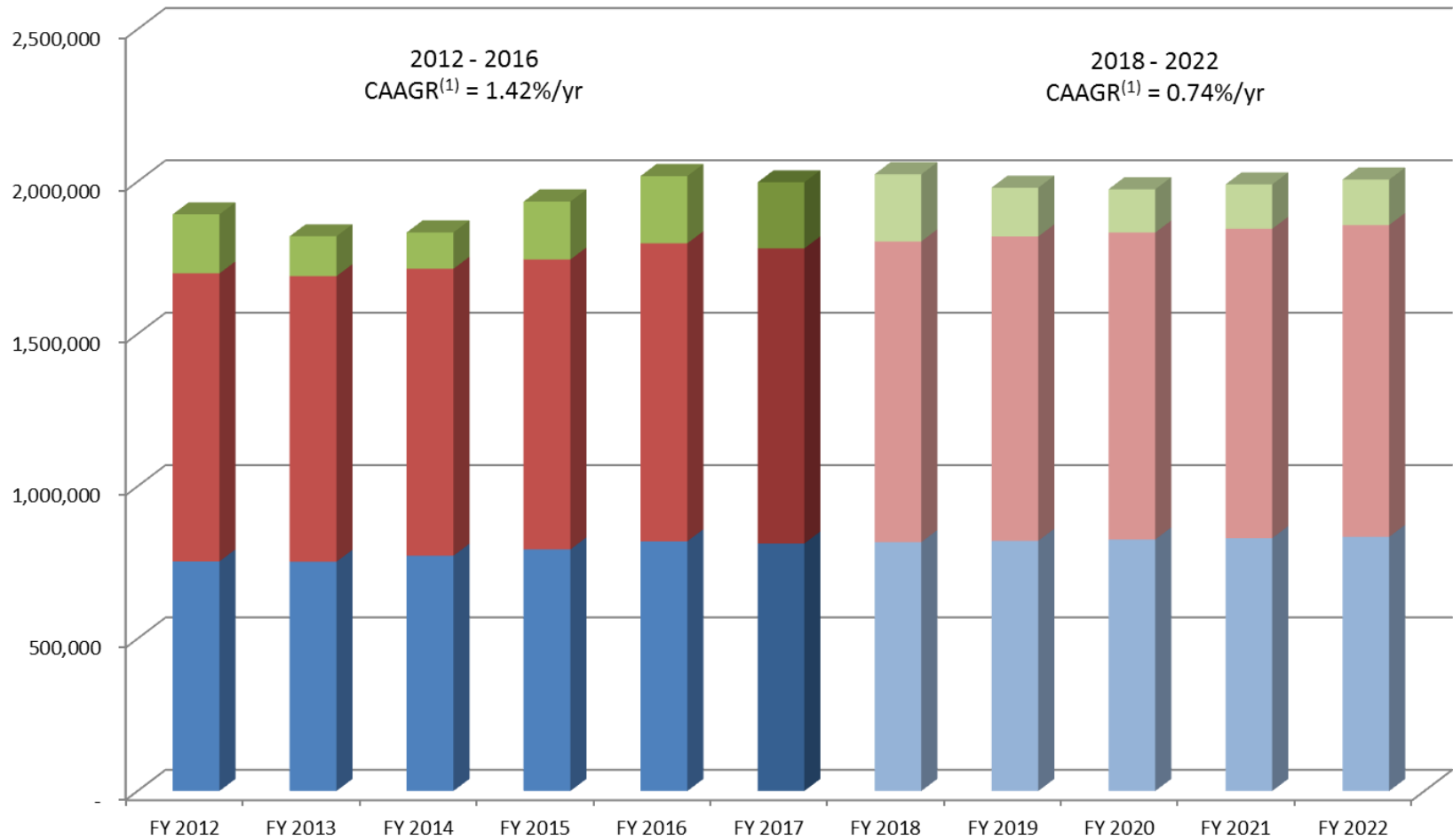
■ Residential ■ Non-Residential



(1) Compound Average Annual Growth Rate

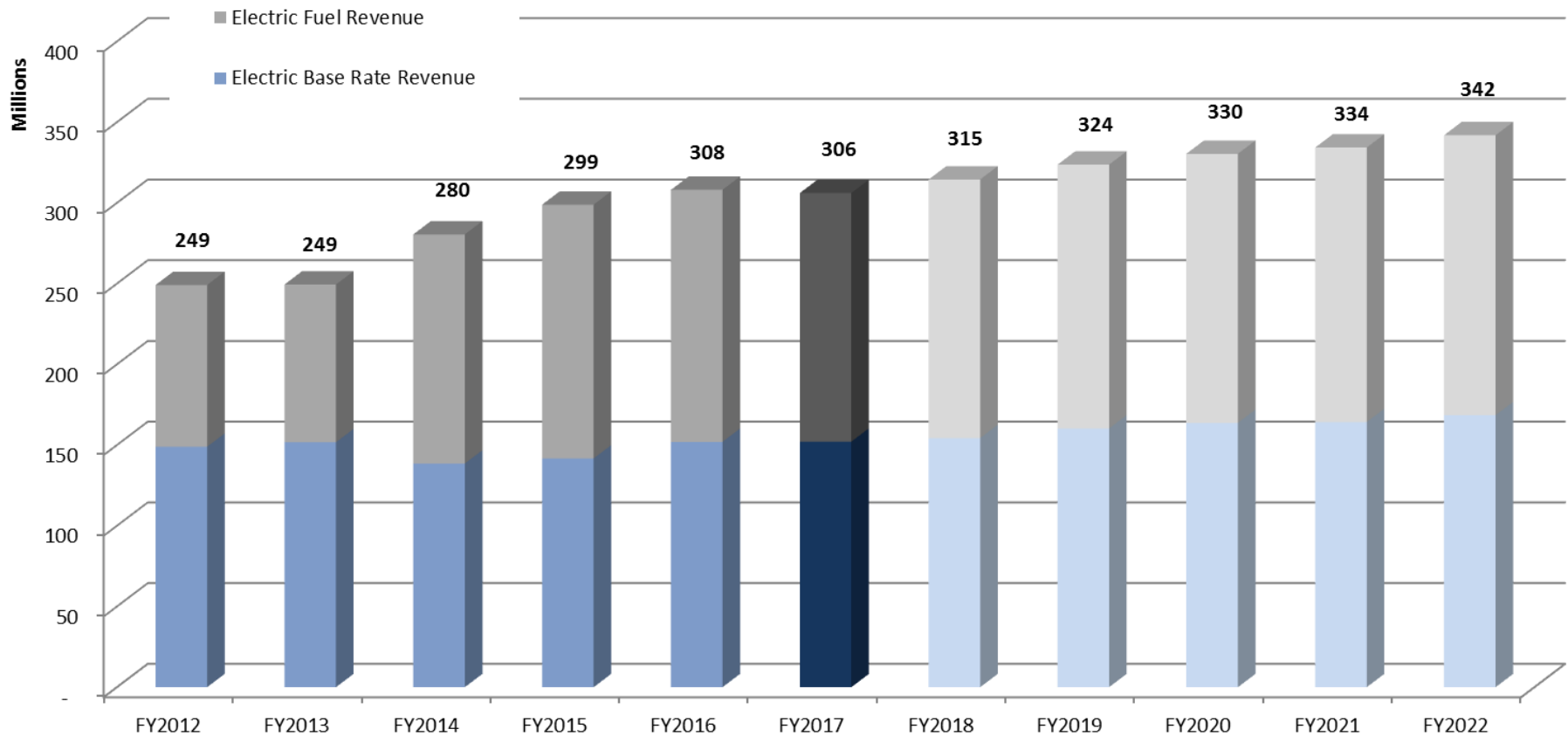
## Electric Energy Sales MegaWatt-hours

■ Residential ■ Non-Residential ■ Sales for Resale



(1) Retail Sales - Compound Average Annual Growth Rate

## Electric Revenue

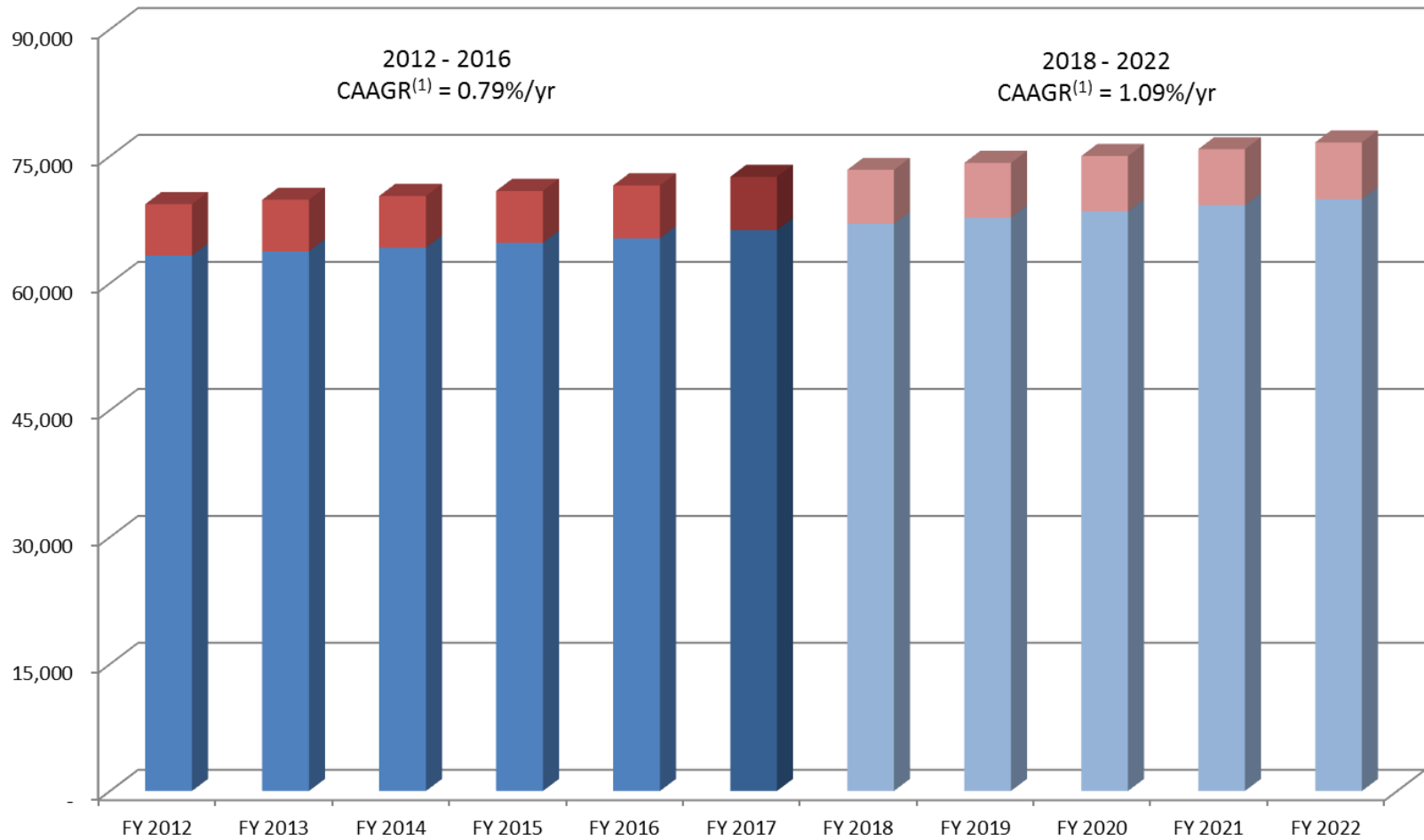


# Water System

- Investing in aging infrastructure by rehabilitation or replacement including major Electrical upgrade to Murphree
- Implement succession plan for water and wastewater systems addressing retirements and turnover
- Hiring or promoting employees to get the right people/skills in the right positions
- ERP adding rate pressure to O&M and Capital
- Collaboration with developers on new system expansion in both W & WW

## Water Customers

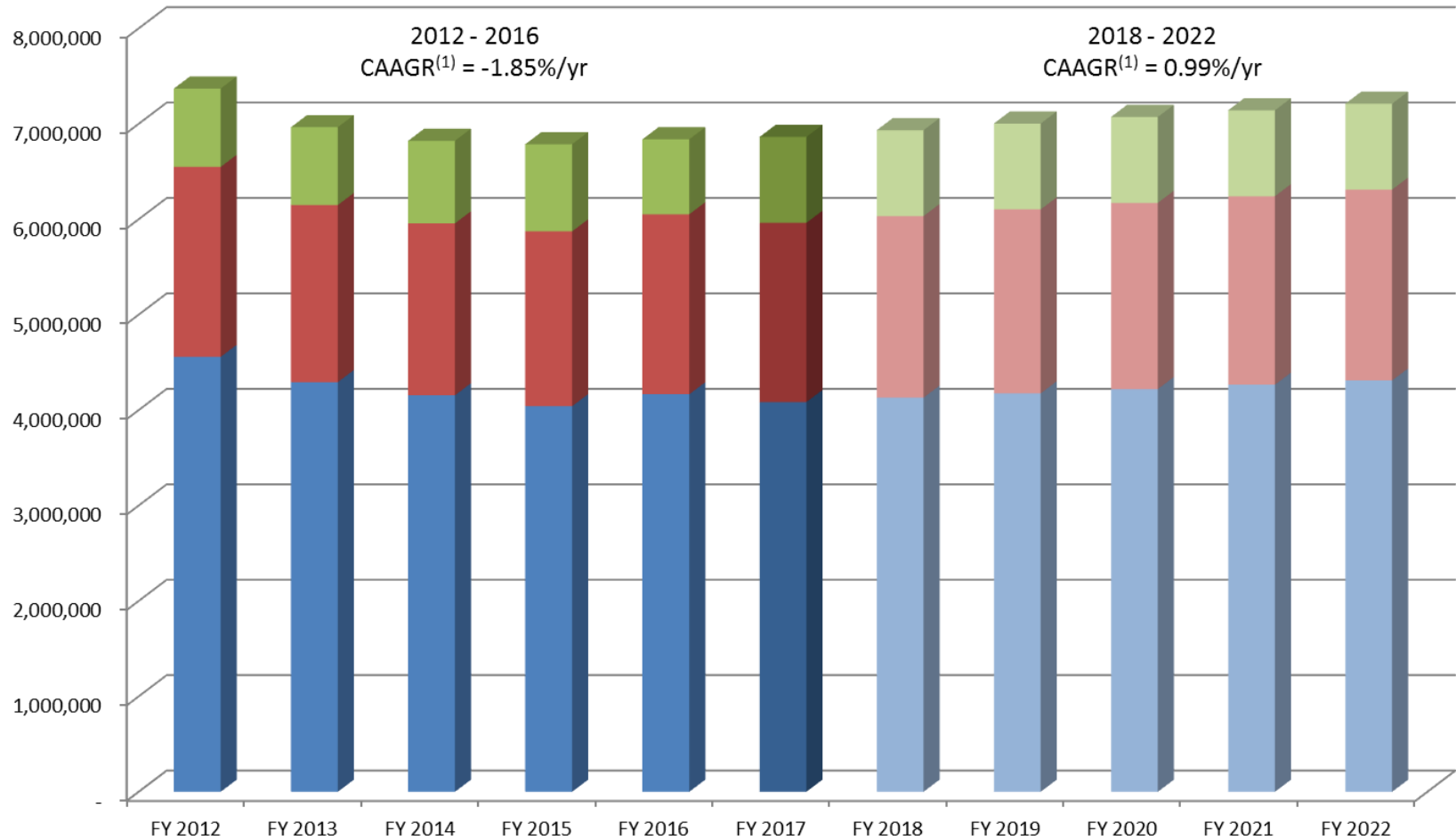
■ Residential ■ Non-Residential



(1) Compound Average Annual Growth Rate

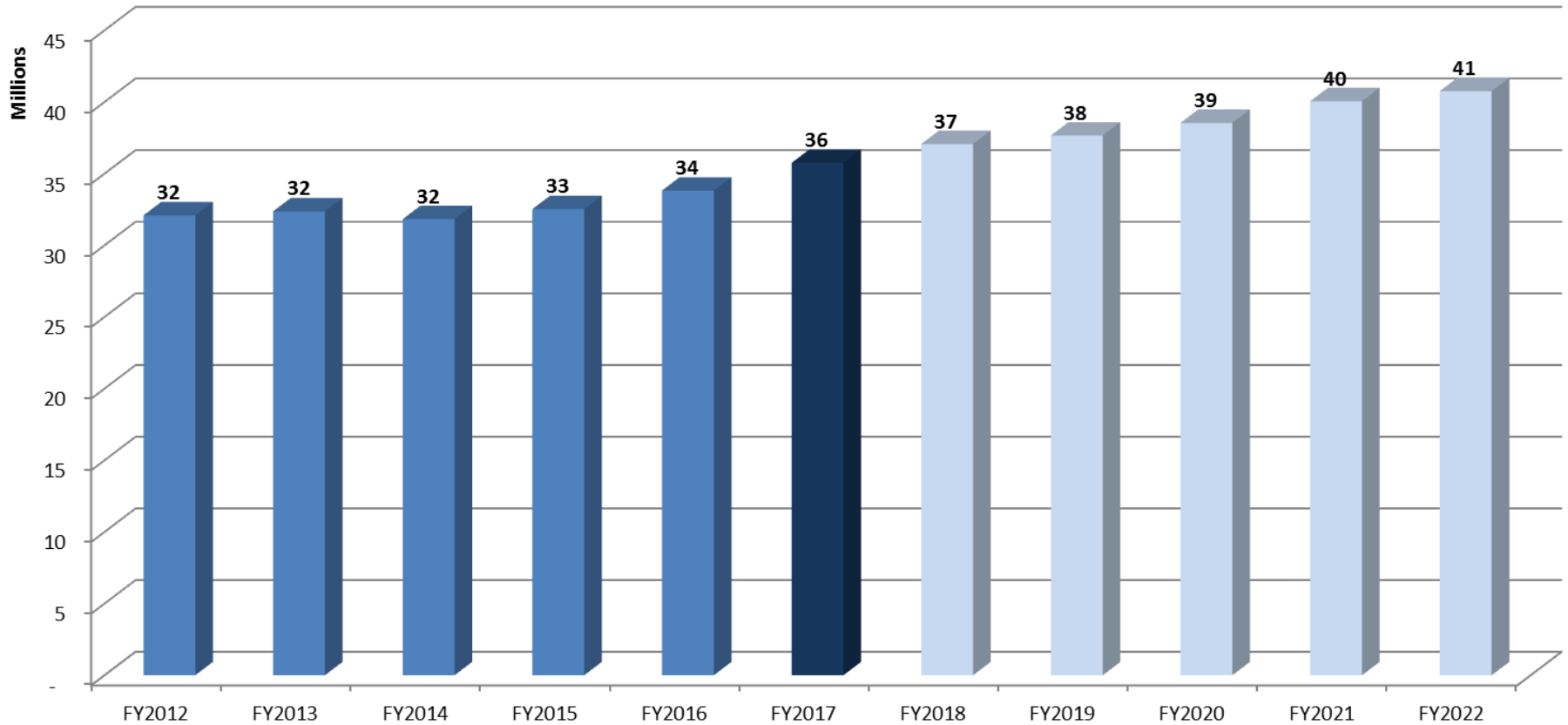
## Water Sales Thousand Gallons (kgal)

■ Residential   ■ Non-Residential   ■ University of Florida



(1) Compound Average Annual Growth Rate

## Water Revenue

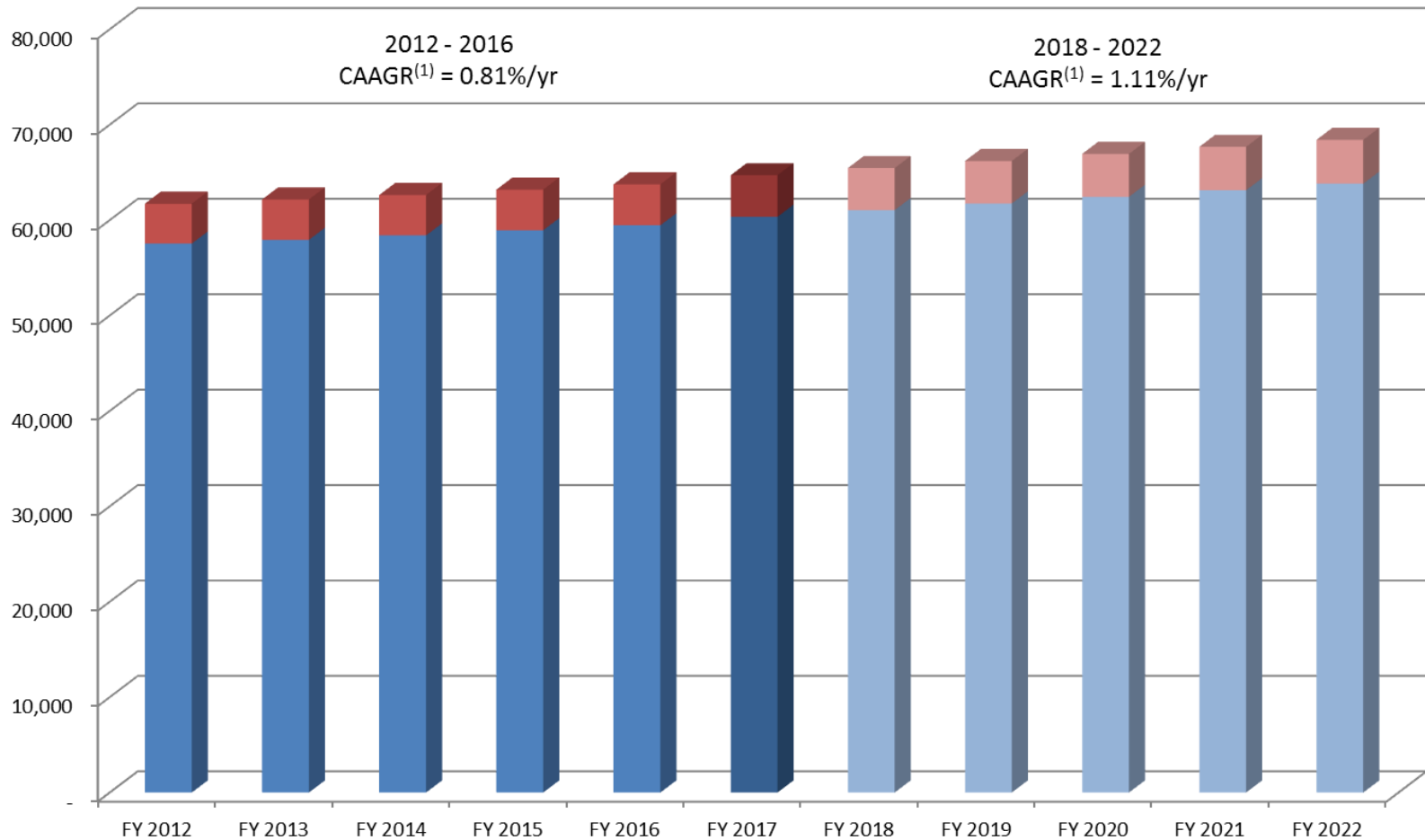


# Wastewater System

- Mainstreet WRF “East Train” plant upgrade
- Dewatering project now complete and fully operational
- Implement succession plan for water and wastewater systems addressing retirements and turnover
- Hiring or promoting employees to get the right people/skills in the right positions
- ERP adding rate pressure to O&M and Capital
- Collaboration with developers on new system expansion in both W & WW

## Wastewater Customers

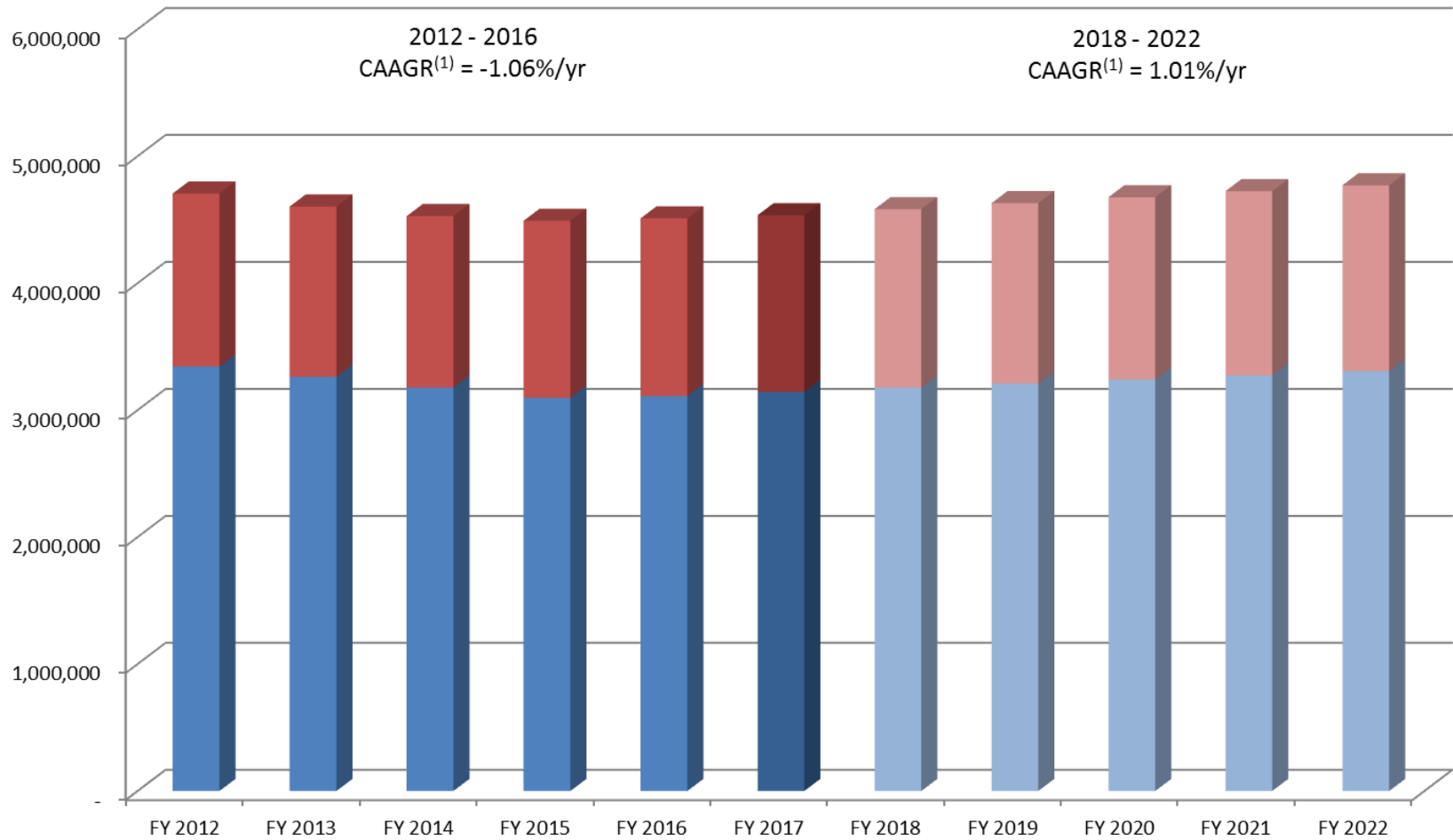
■ Residential ■ Non-Residential



(1) Compound Average Annual Growth Rate

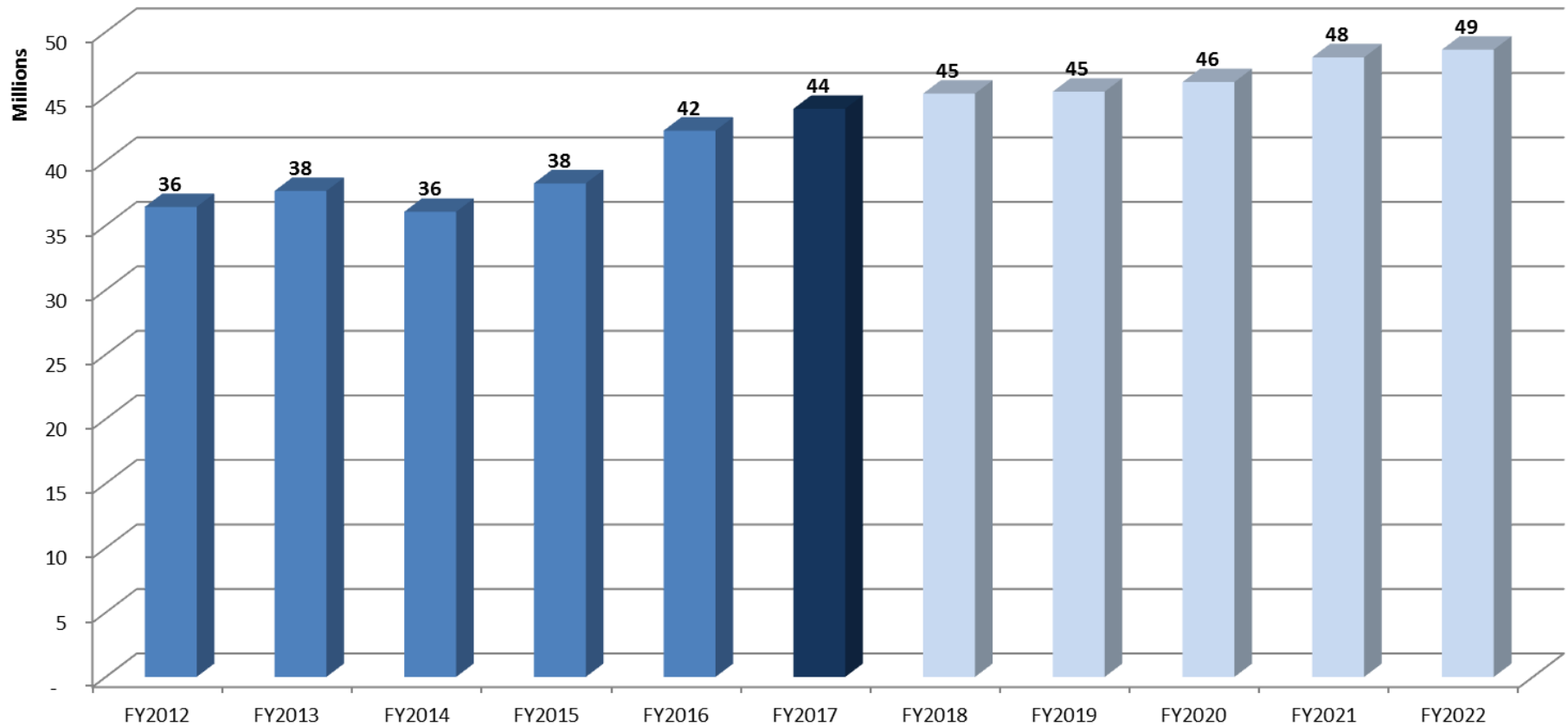
## Wastewater Billings Thousand Gallons (kgal)

■ Residential ■ Non-Residential



(1) Compound Average Annual Growth Rate

## Wastewater Revenue

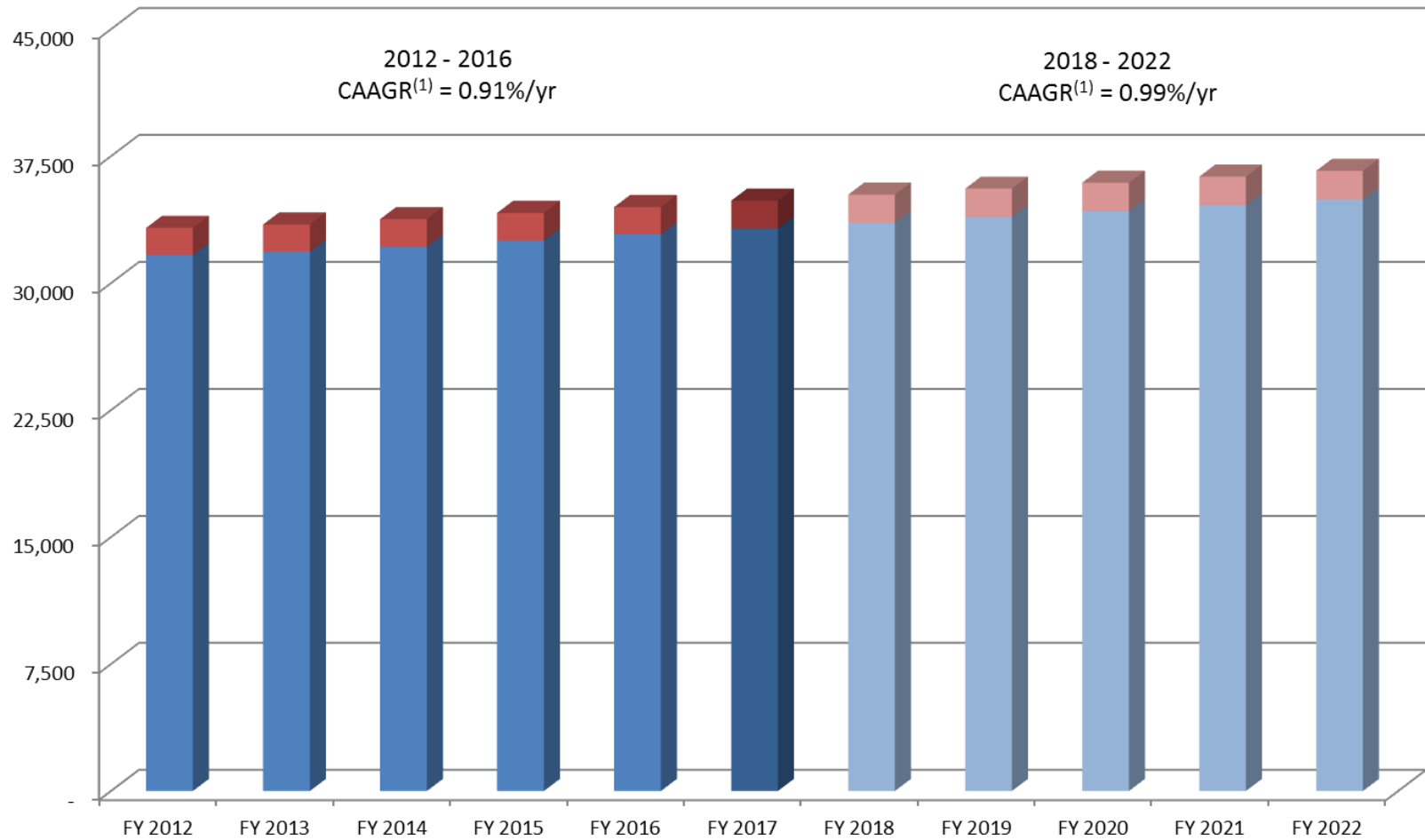


# Gas System

- Rates near the lowest in the Florida
- ERP adding rate pressure to O&M and Capital
- New development projects in Butler Plaza expanding Energy Delivery system in both electric and gas

## Natural Gas Customers

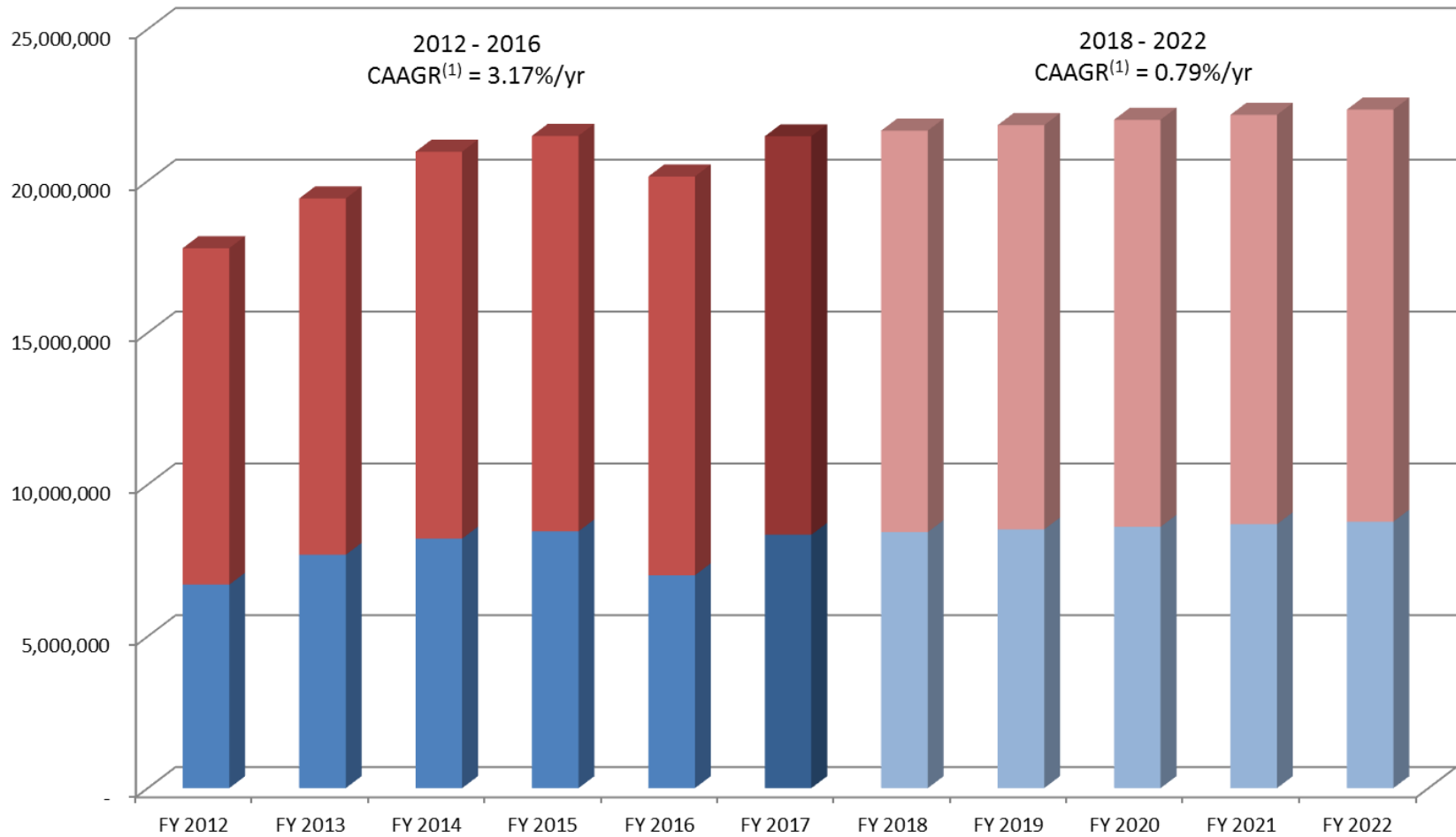
■ Residential ■ Non-Residential



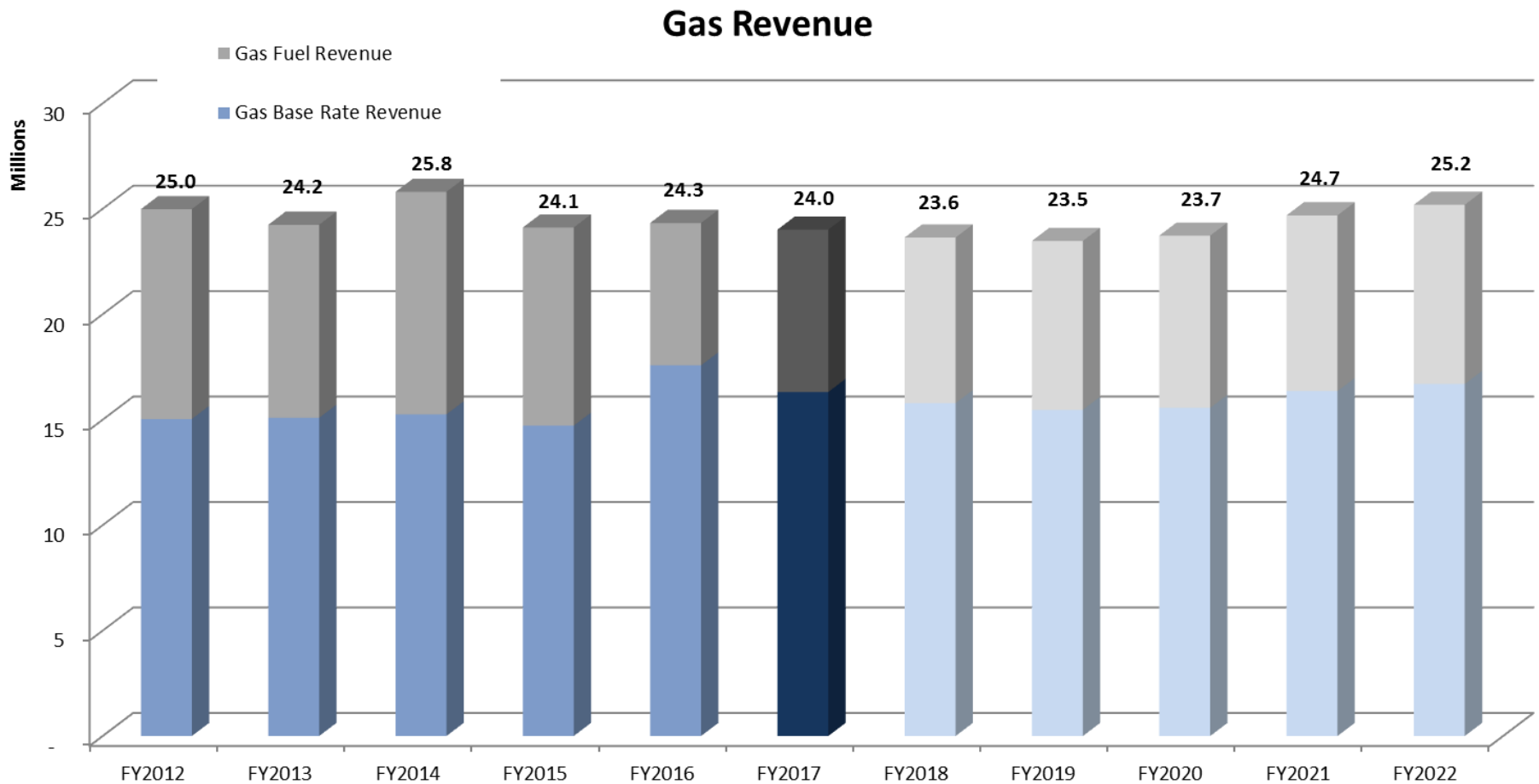
(1) Compound Average Annual Growth Rate

## Natural Gas Energy Sales Therms

■ Residential ■ Non-Residential



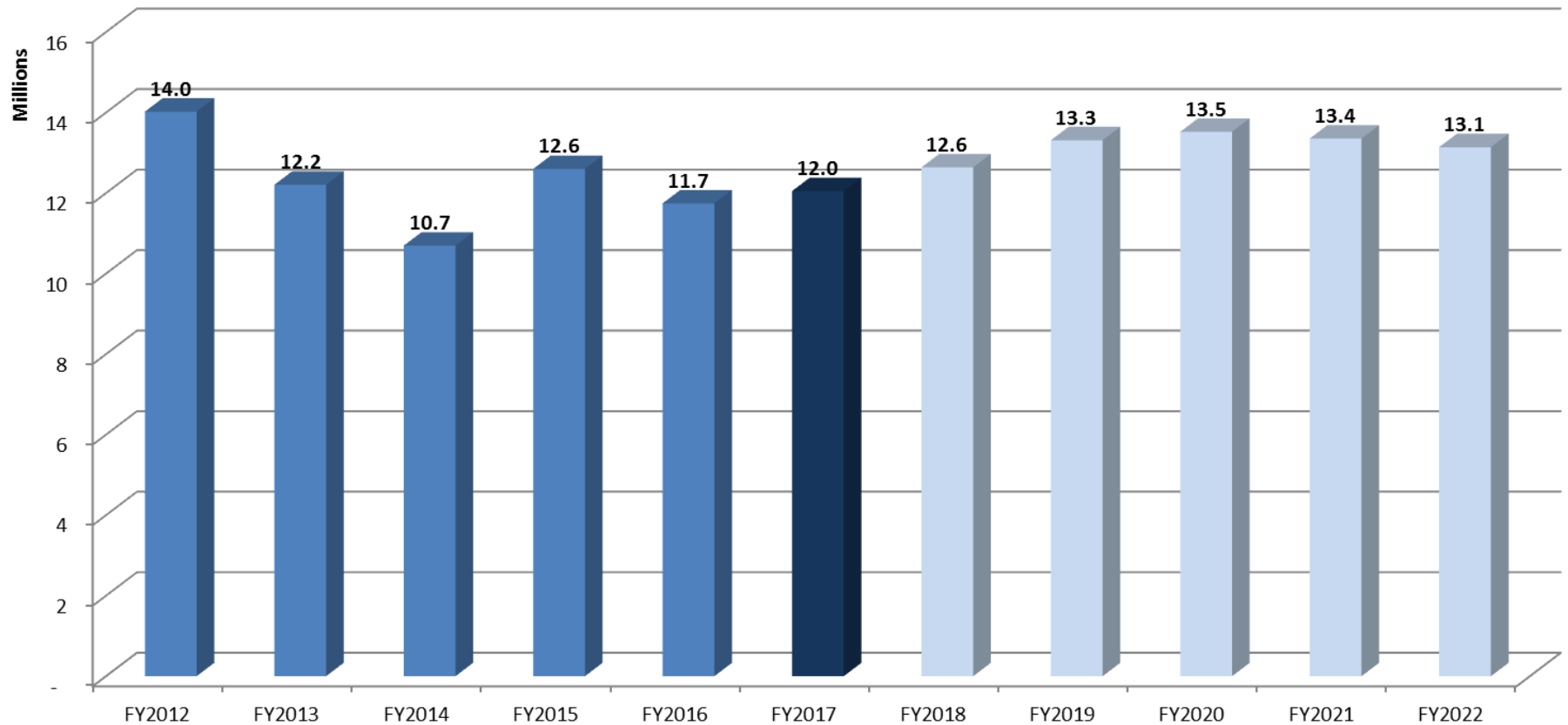
(1) Compound Average Annual Growth Rate



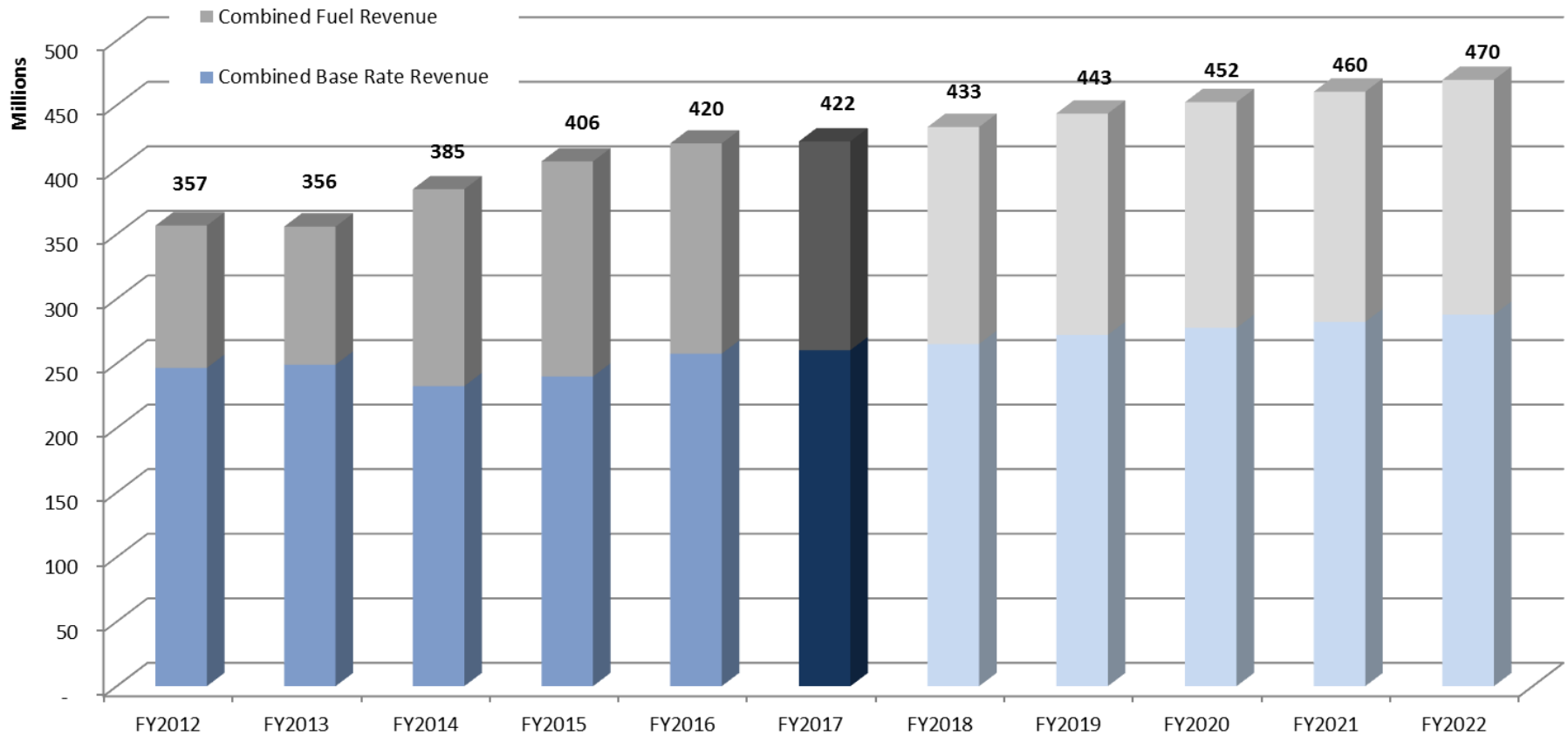
# GRUCom

- SBAC Fiber Optic System Expansion
- Negotiating expansion and upgrade of TRS (Trunking Radio System)
- Taking opportunities to consolidate positions through attrition to lower O&M expenses
- Developing new products and services to sell deeper into existing base and expand into different tiers of business

## GRUCom Revenue



## Combined Revenue

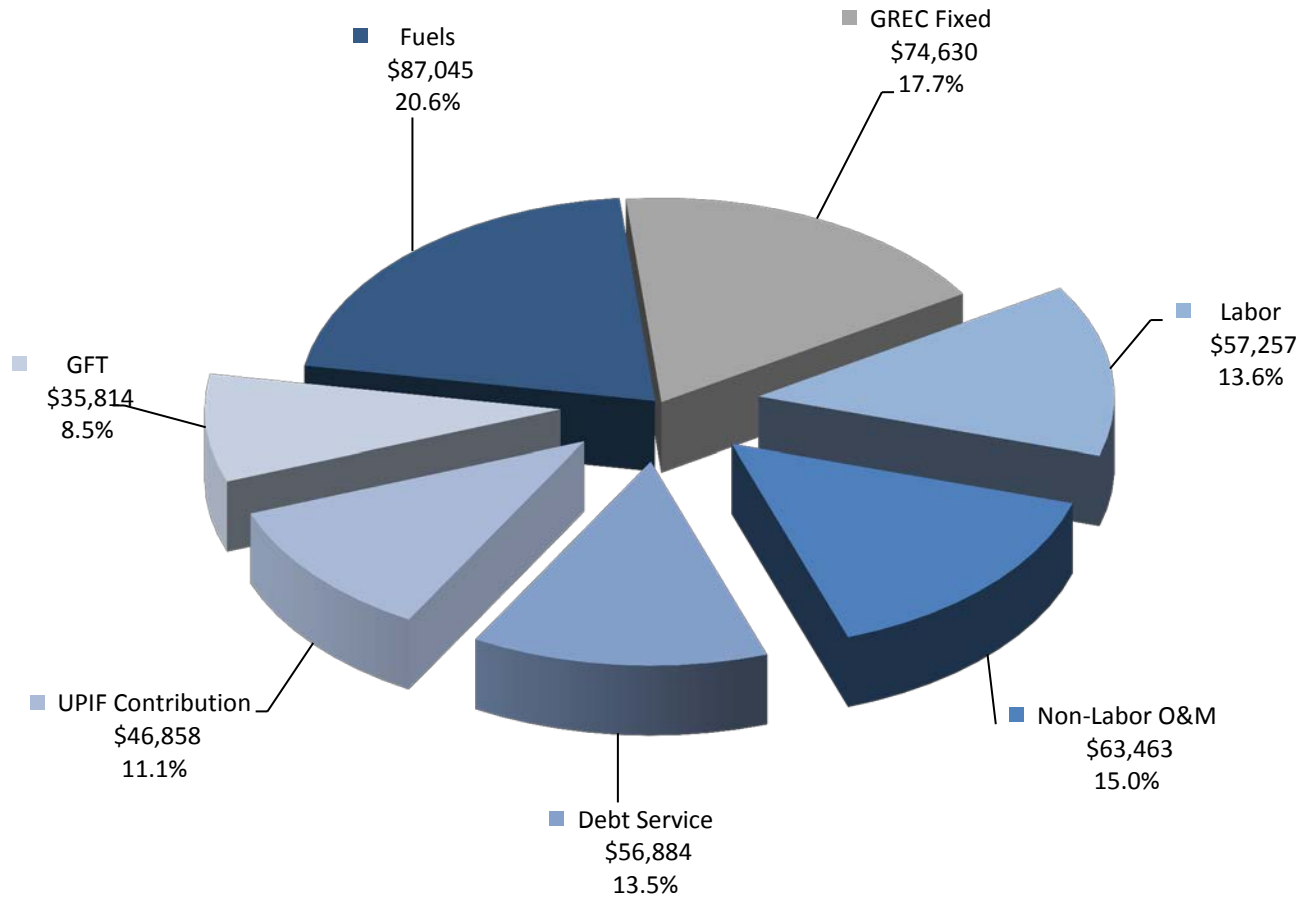


# EXPENSE FORECAST



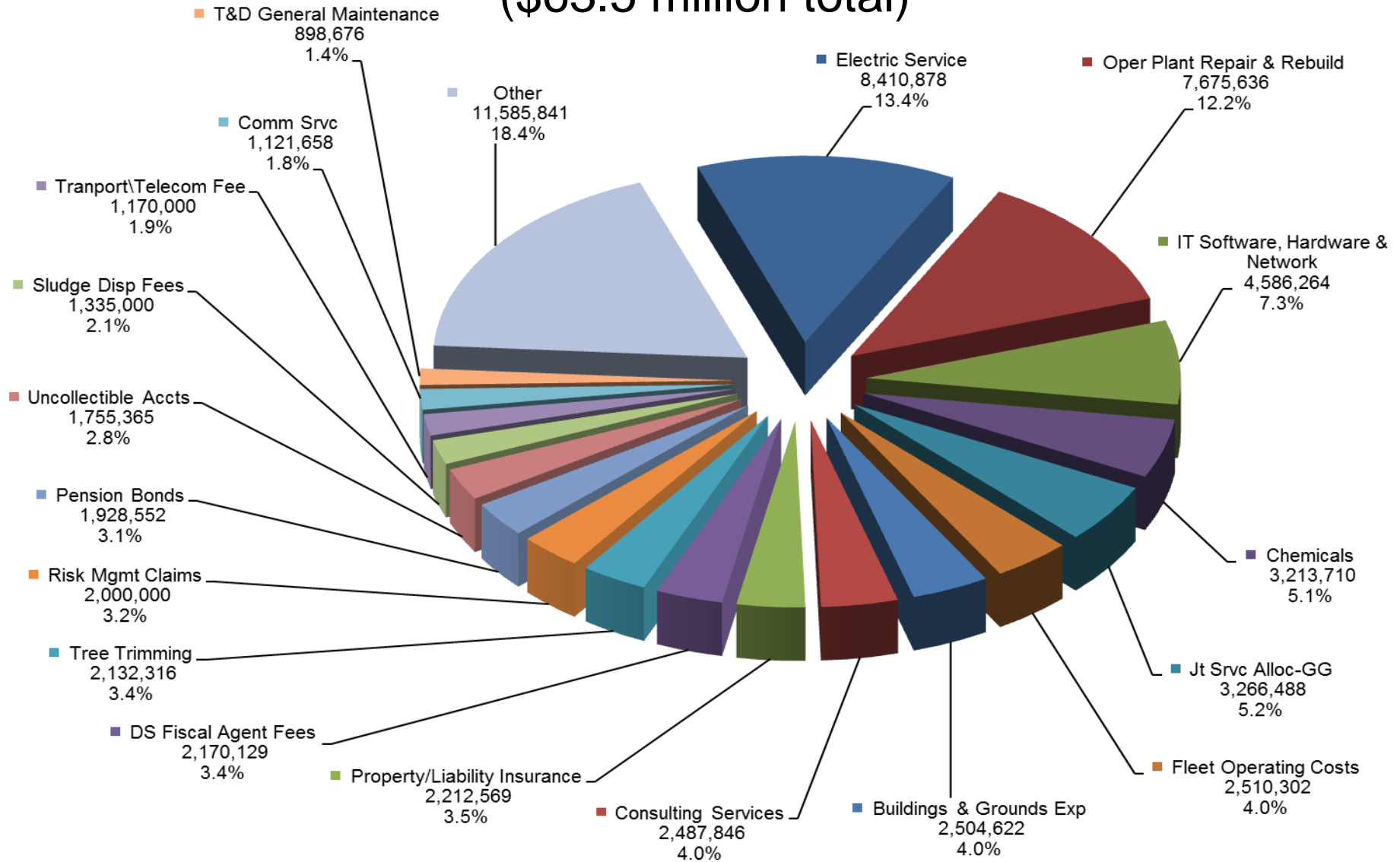
# FY17 Expense Classification

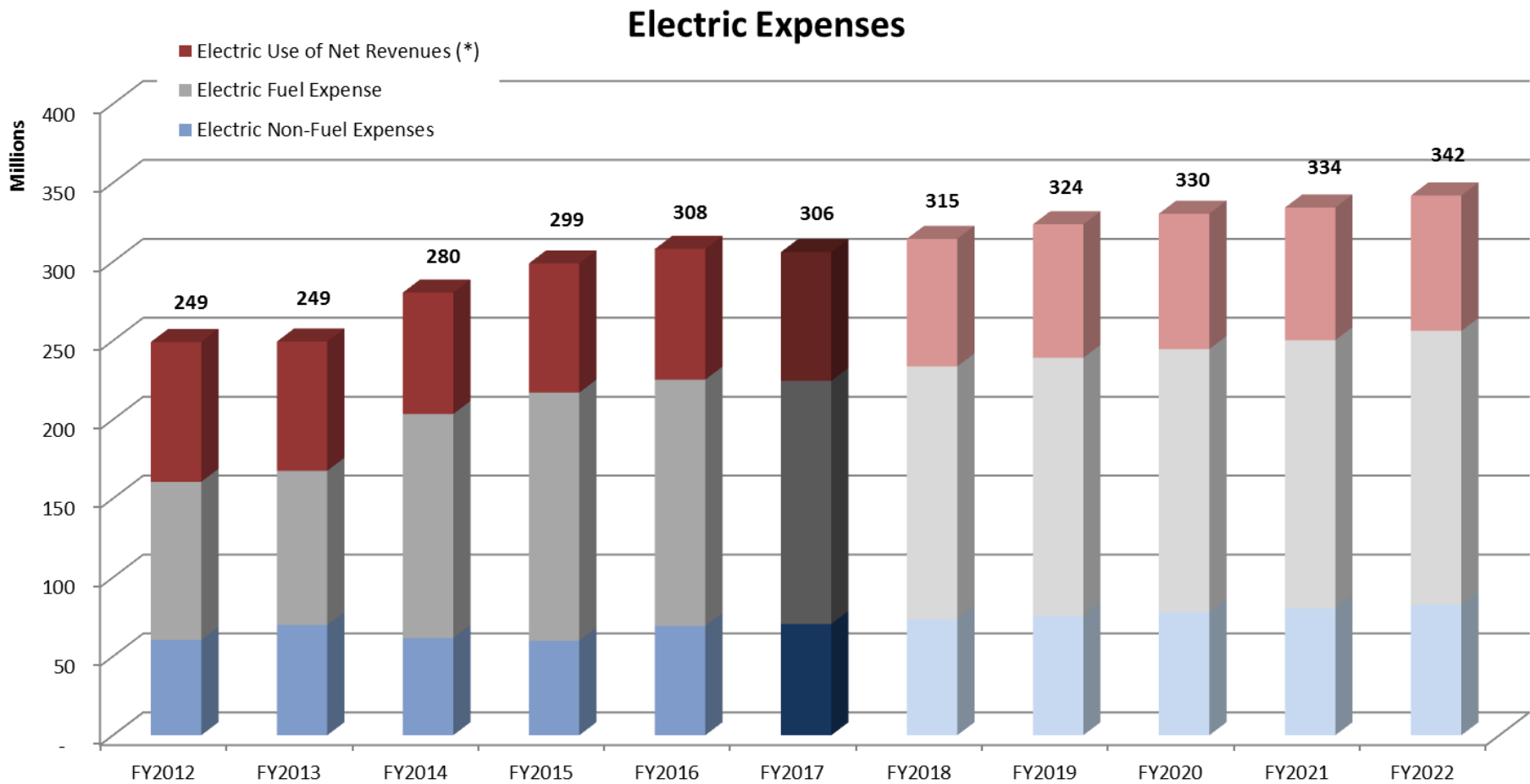
Dollars in Thousands (\$421.9 million total)



# FY17 Non-Labor Expense Detail

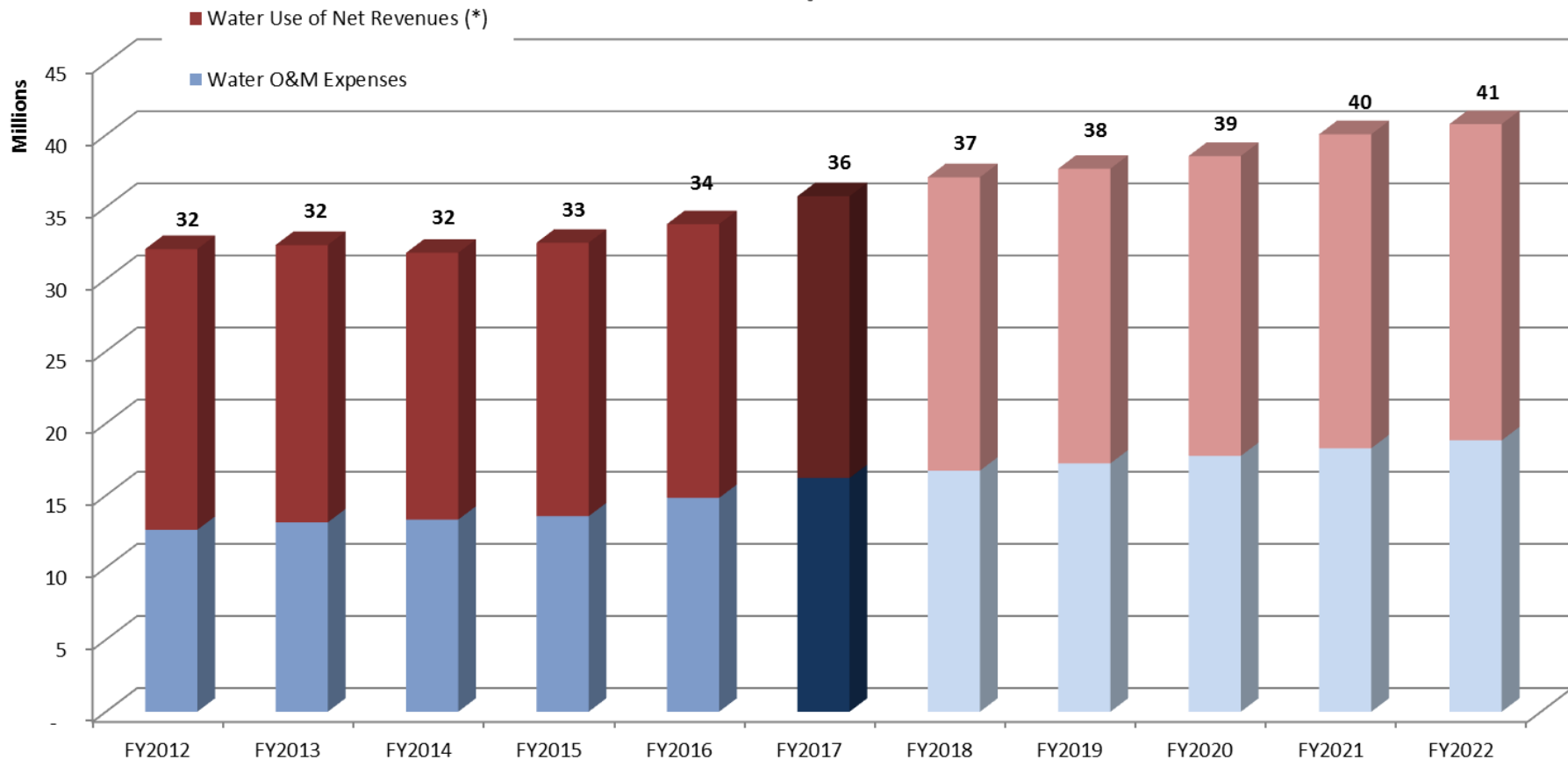
## (\$63.5 million total)





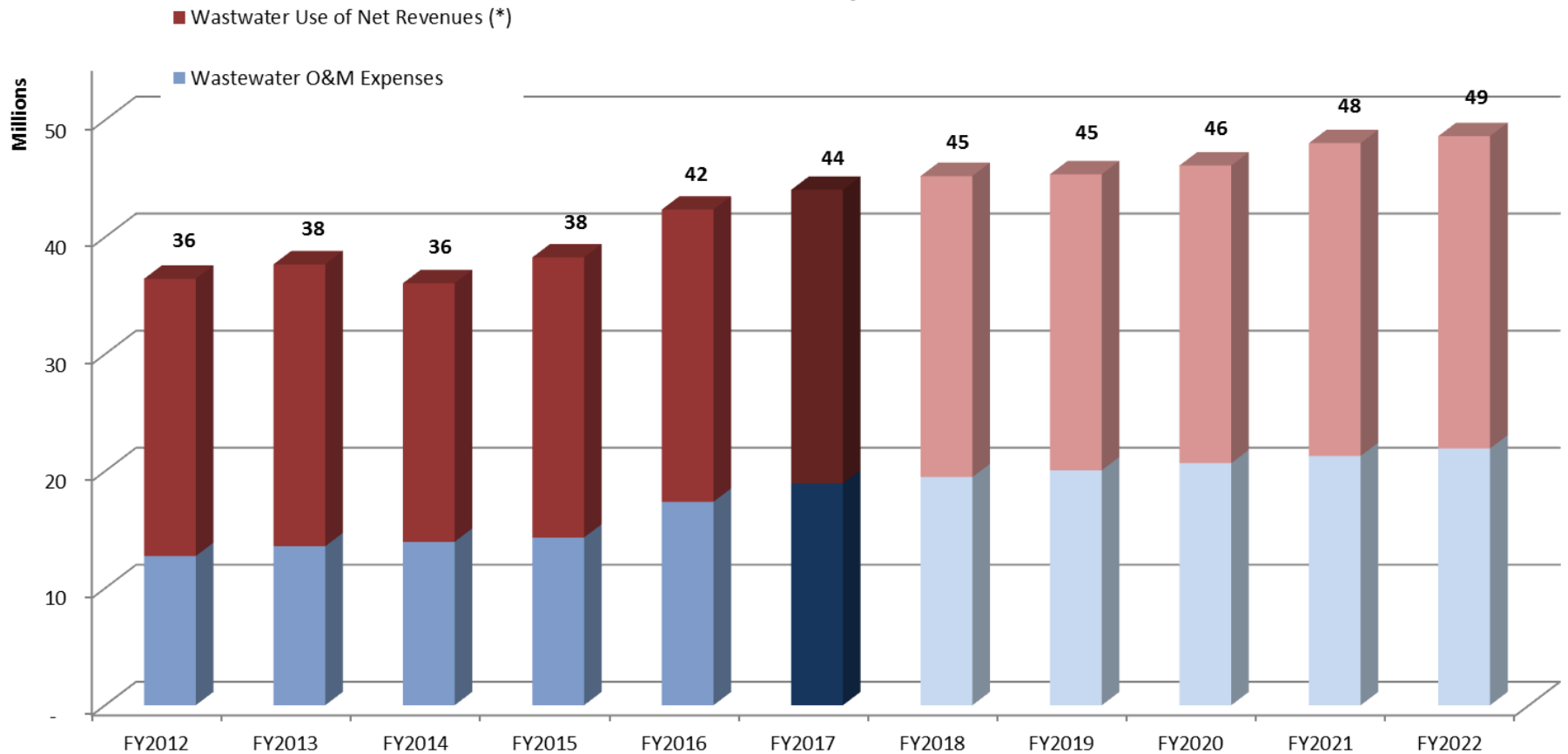
\* (Debt Service, UPIF and GFT)

## Water Expenses

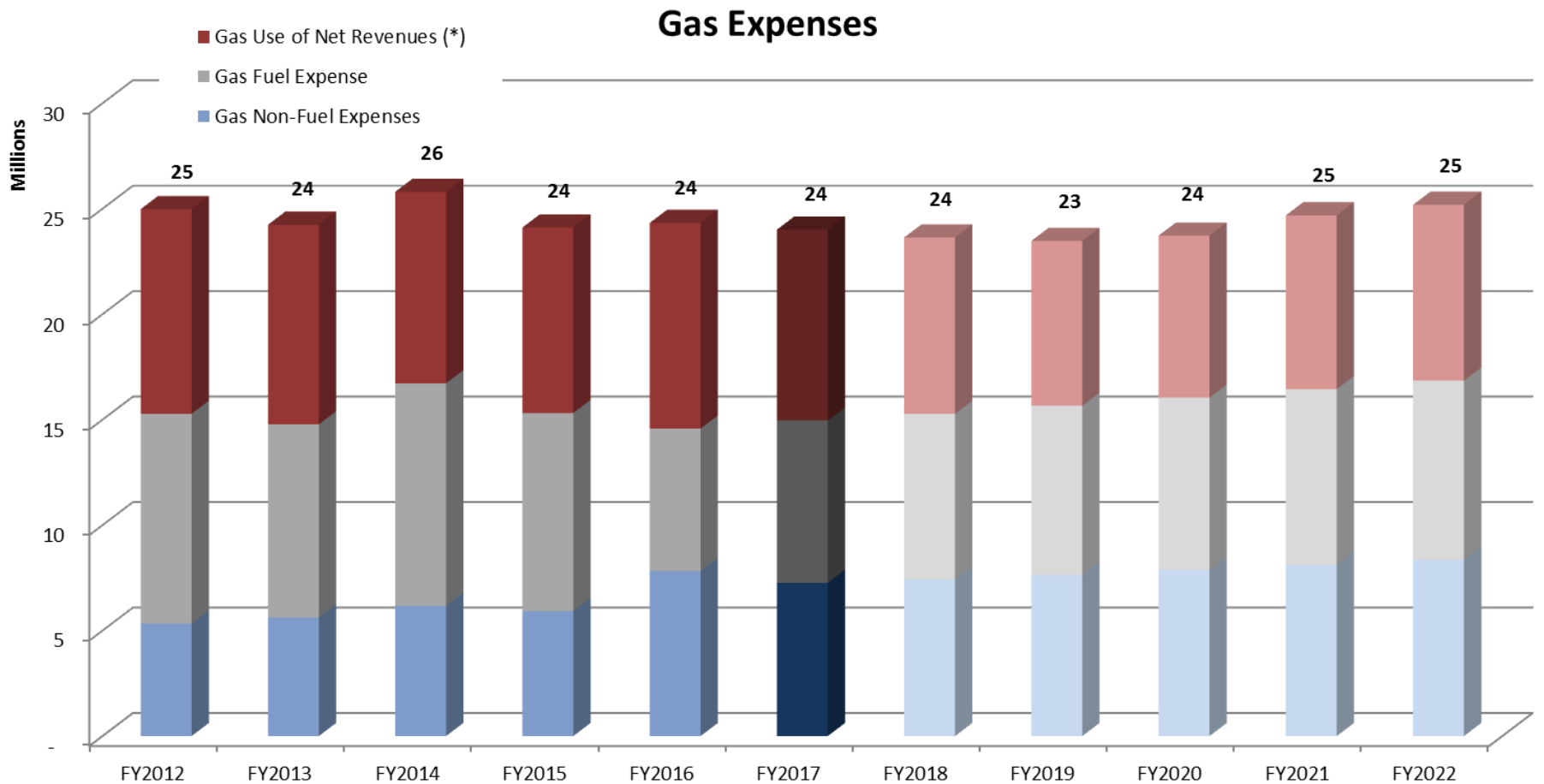


\* (Debt Service, UPIF and GFT)

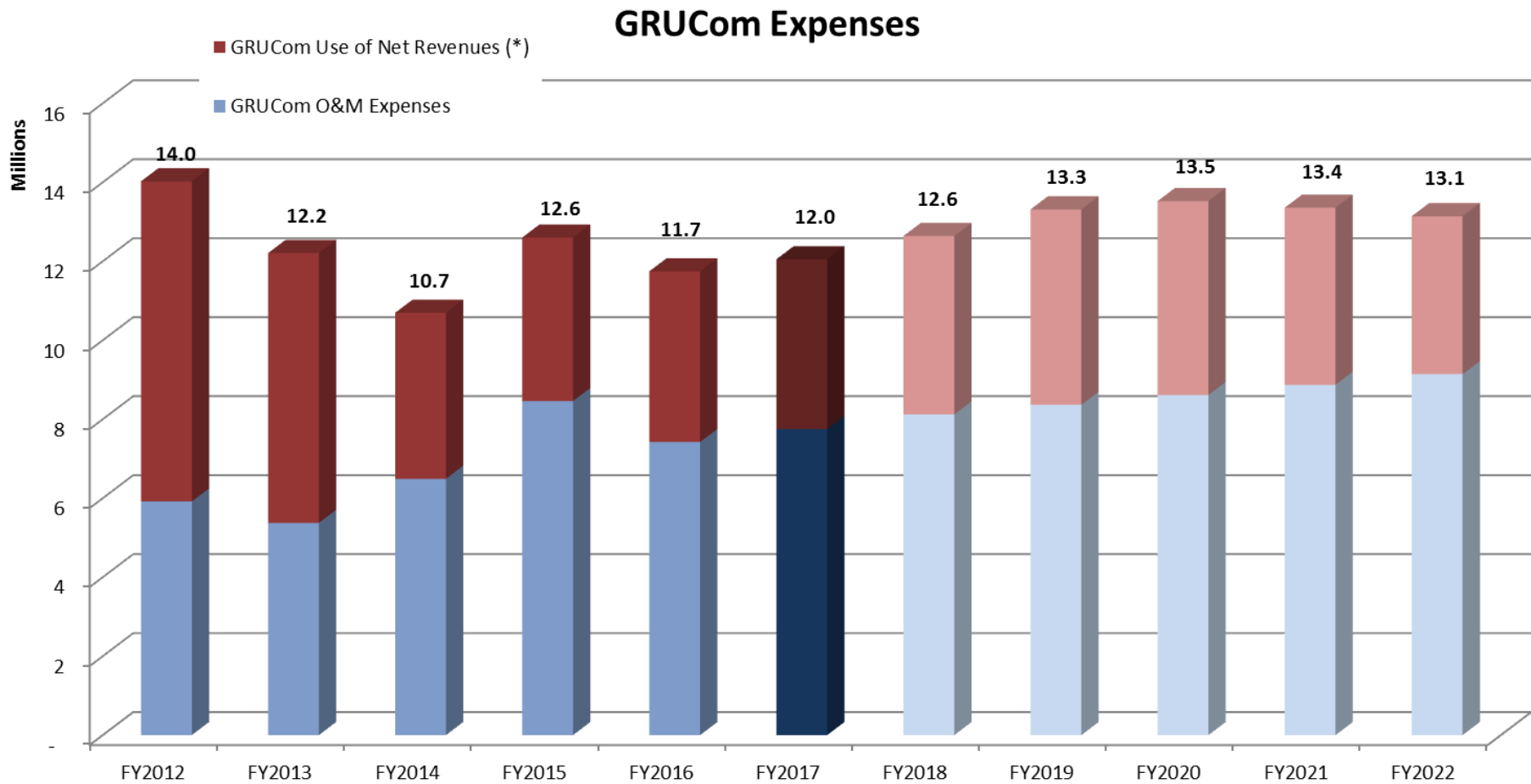
## Wastewater Expenses



\* (Debt Service, UPIF and GFT)

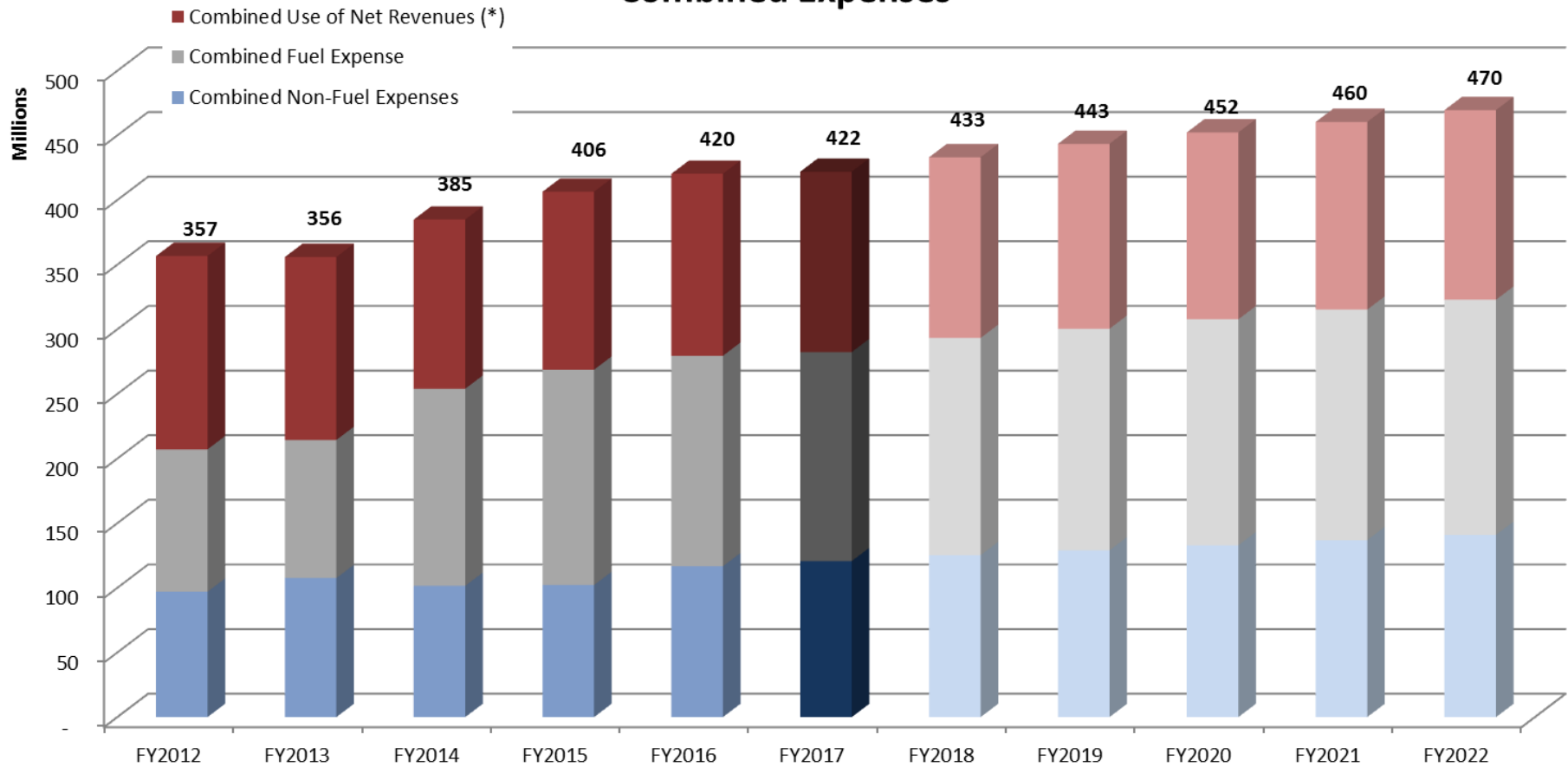


\* (Debt Service, UPIF and GFT)



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## Combined Expenses

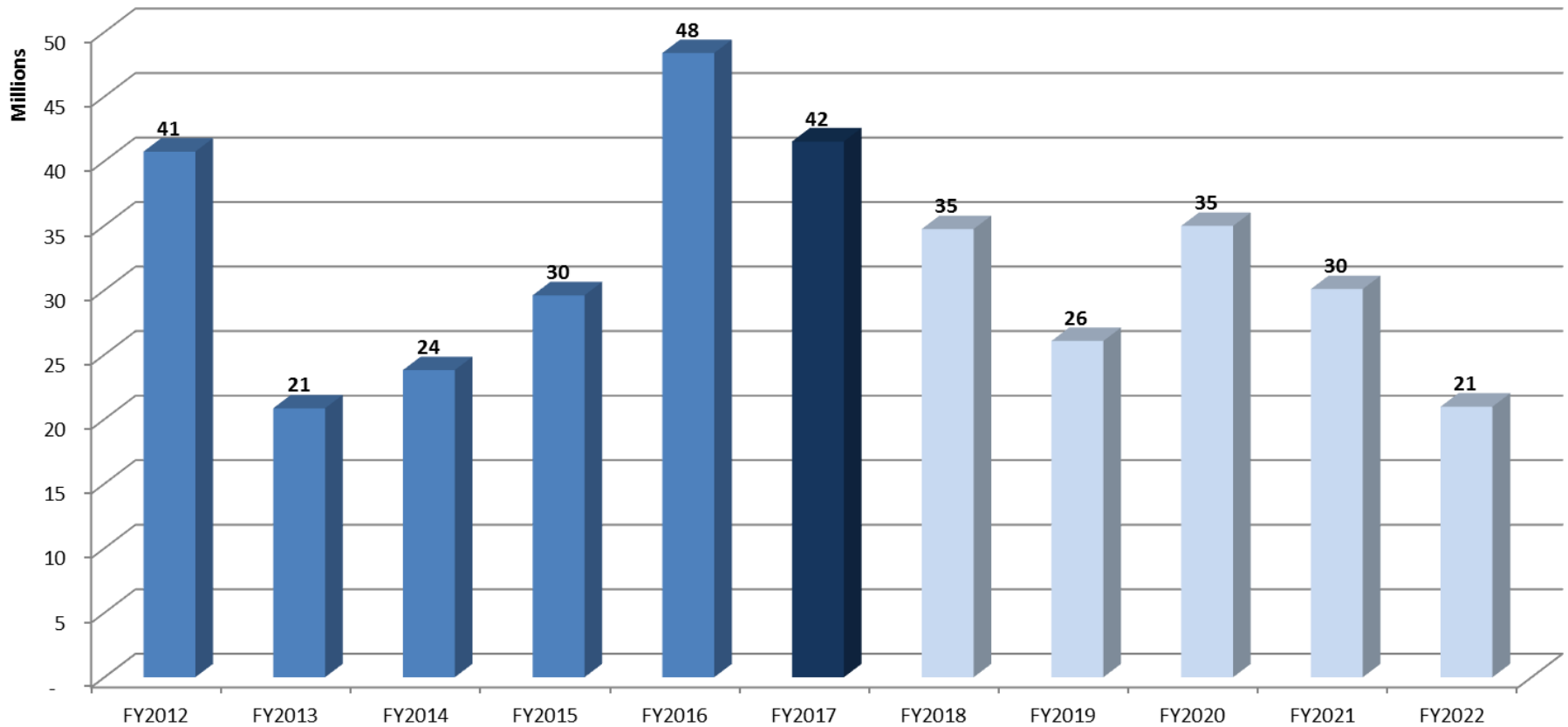


\* (Debt Service, UPIF and GFT)

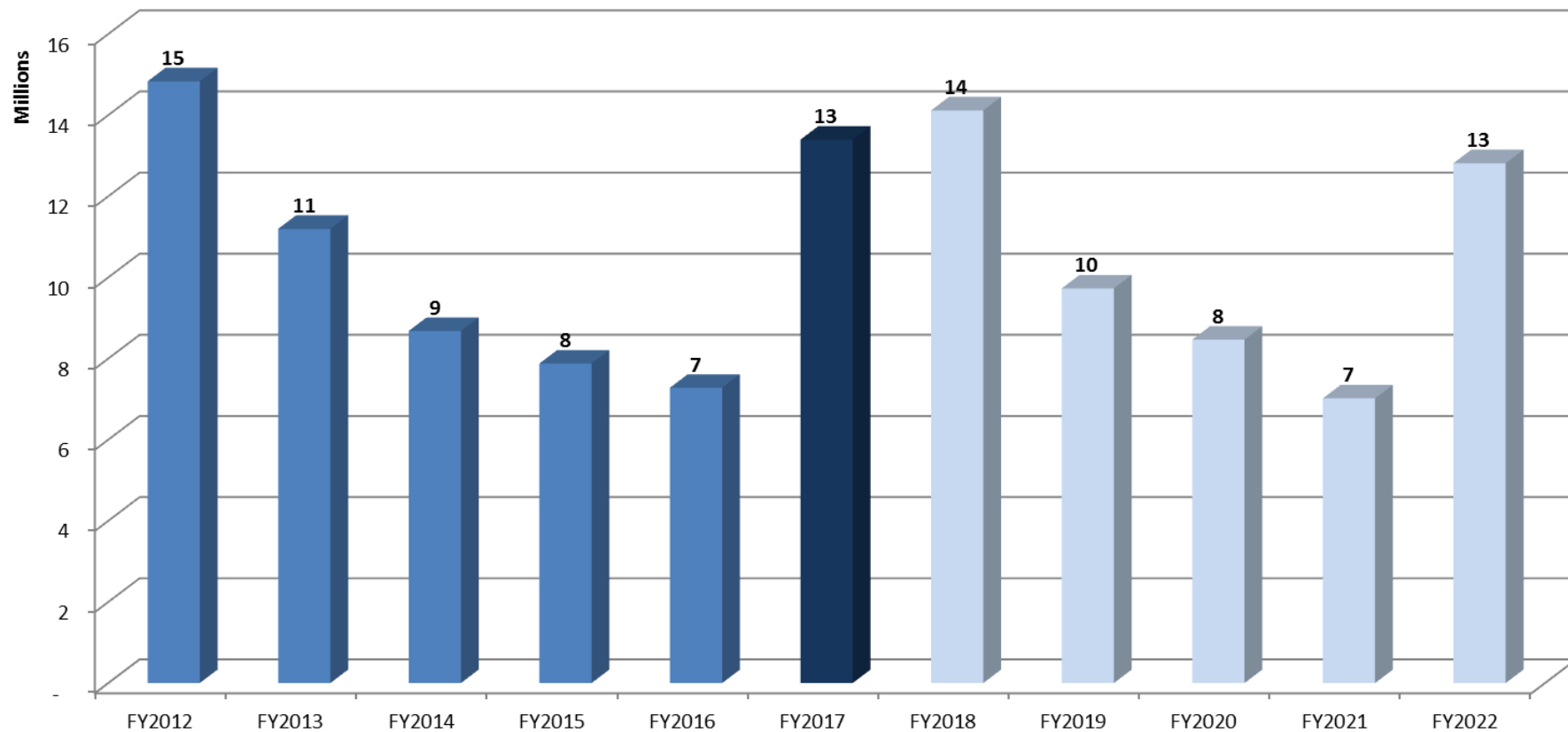
# CAPITAL IMPROVEMENT PLAN



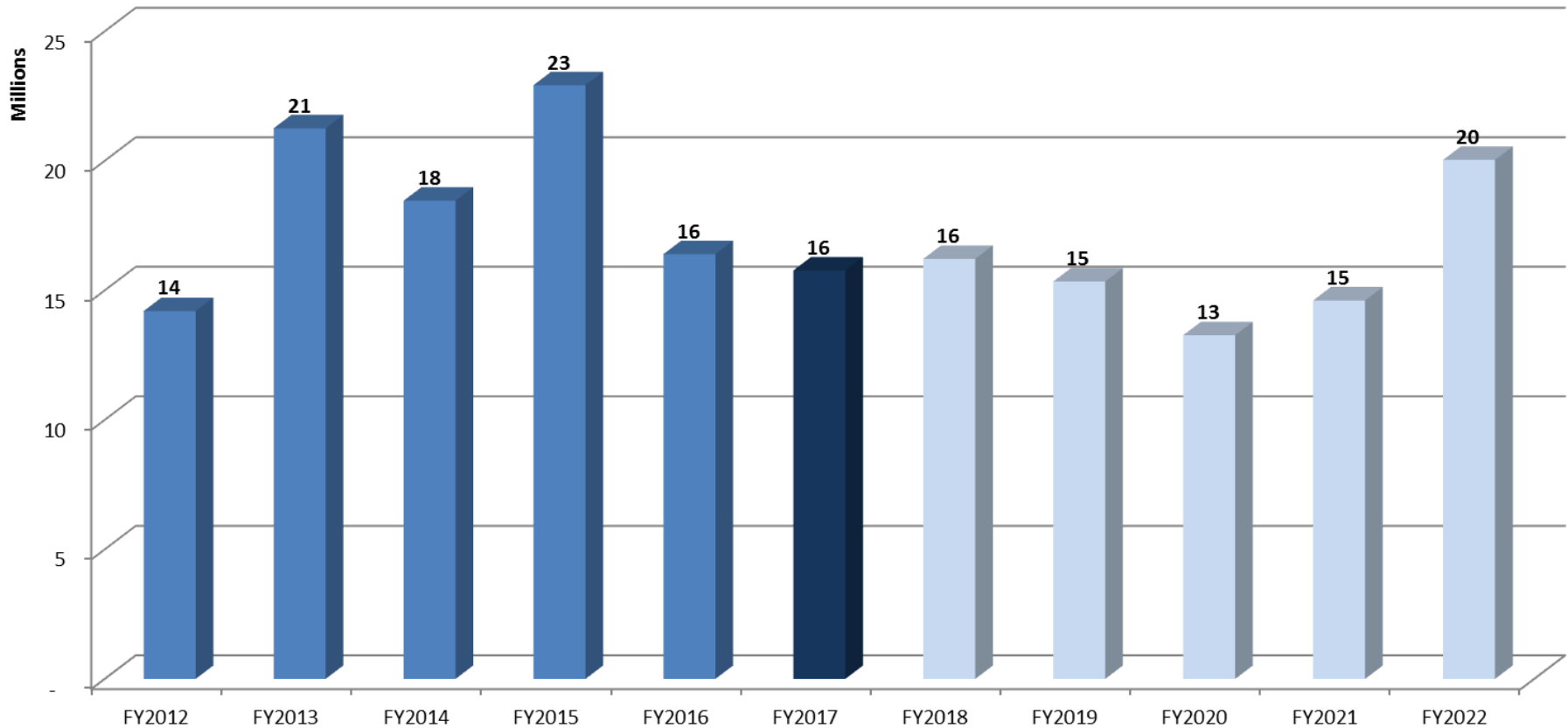
## Electric Capital Improvement Program



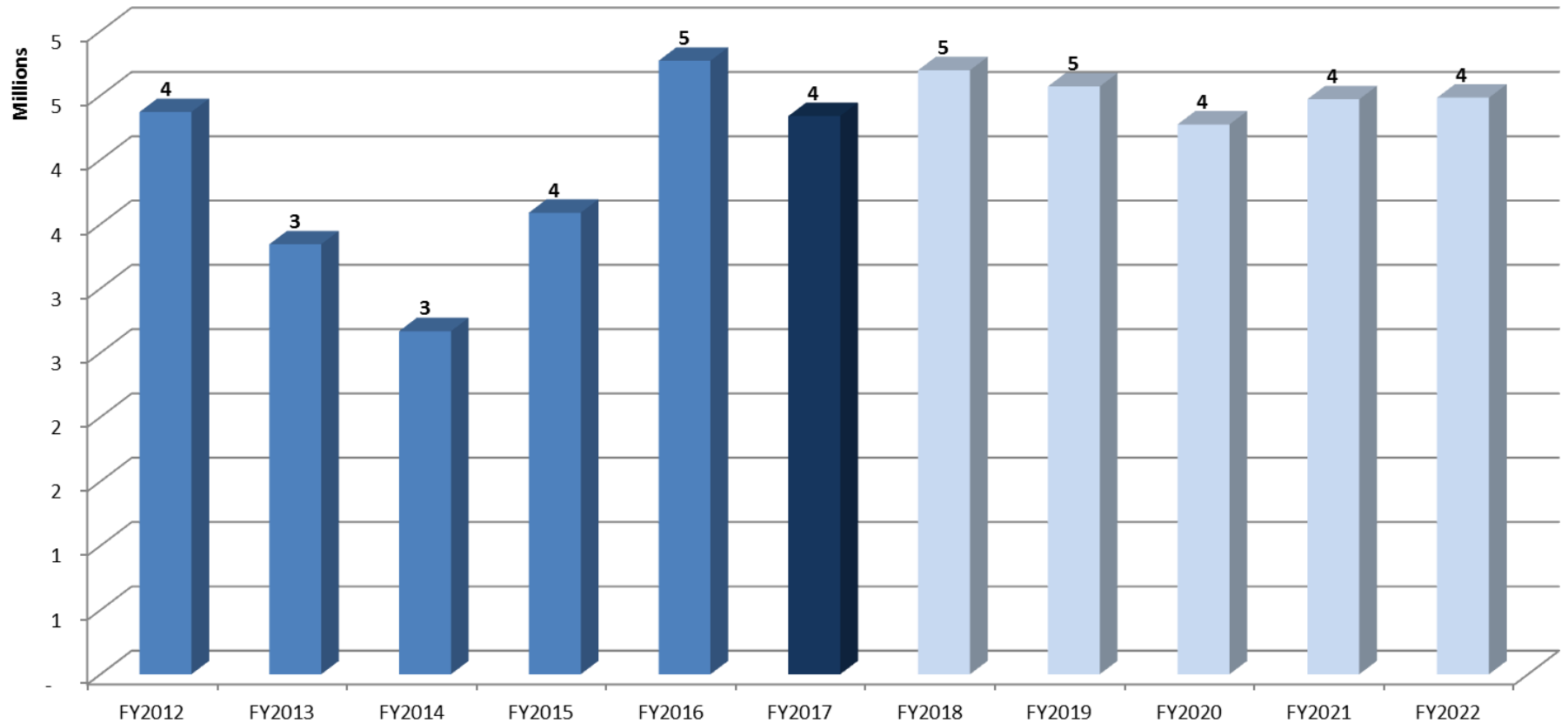
## Water Capital Improvement Program



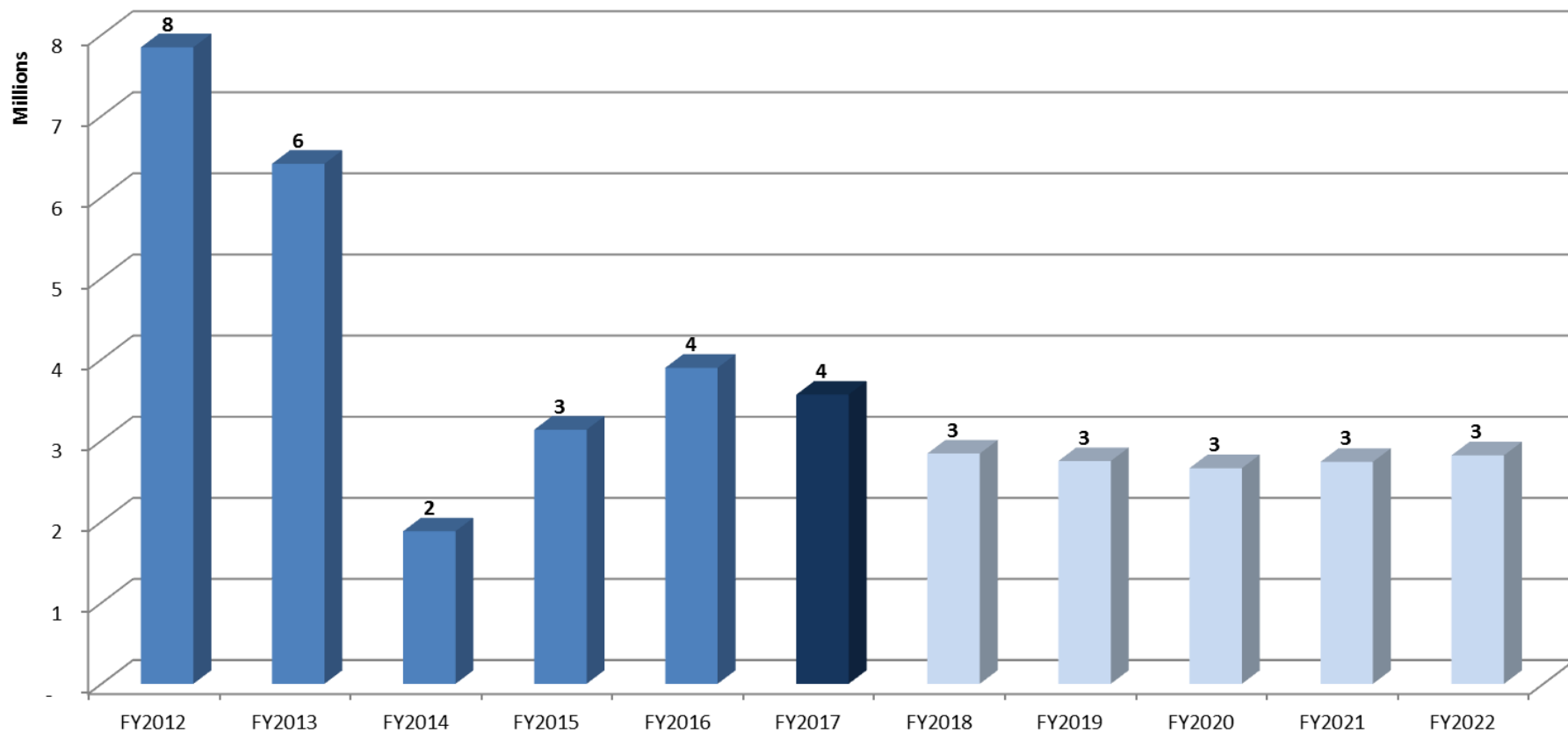
## Wastewater Capital Improvement Program



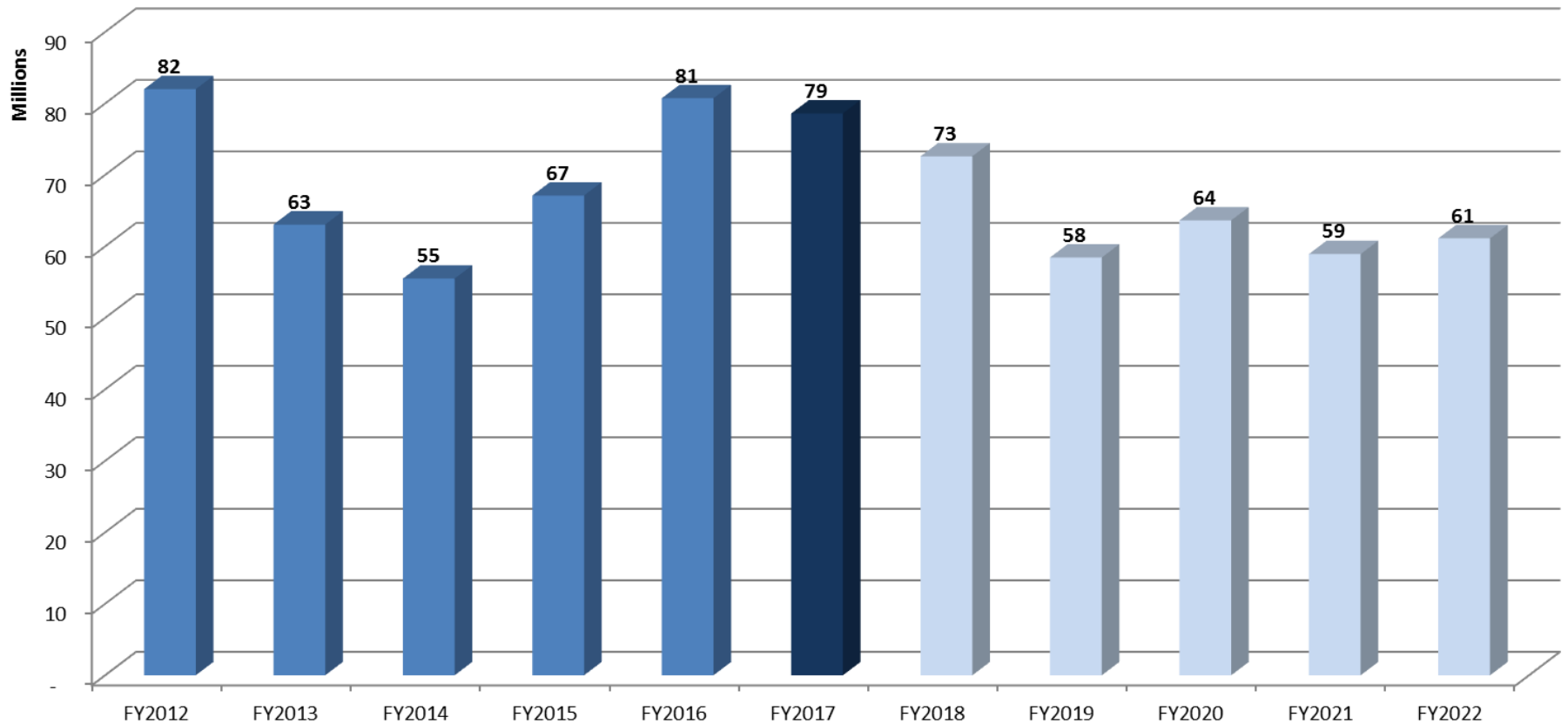
## Gas Capital Improvement Program



## GRUCom Capital Improvement Program



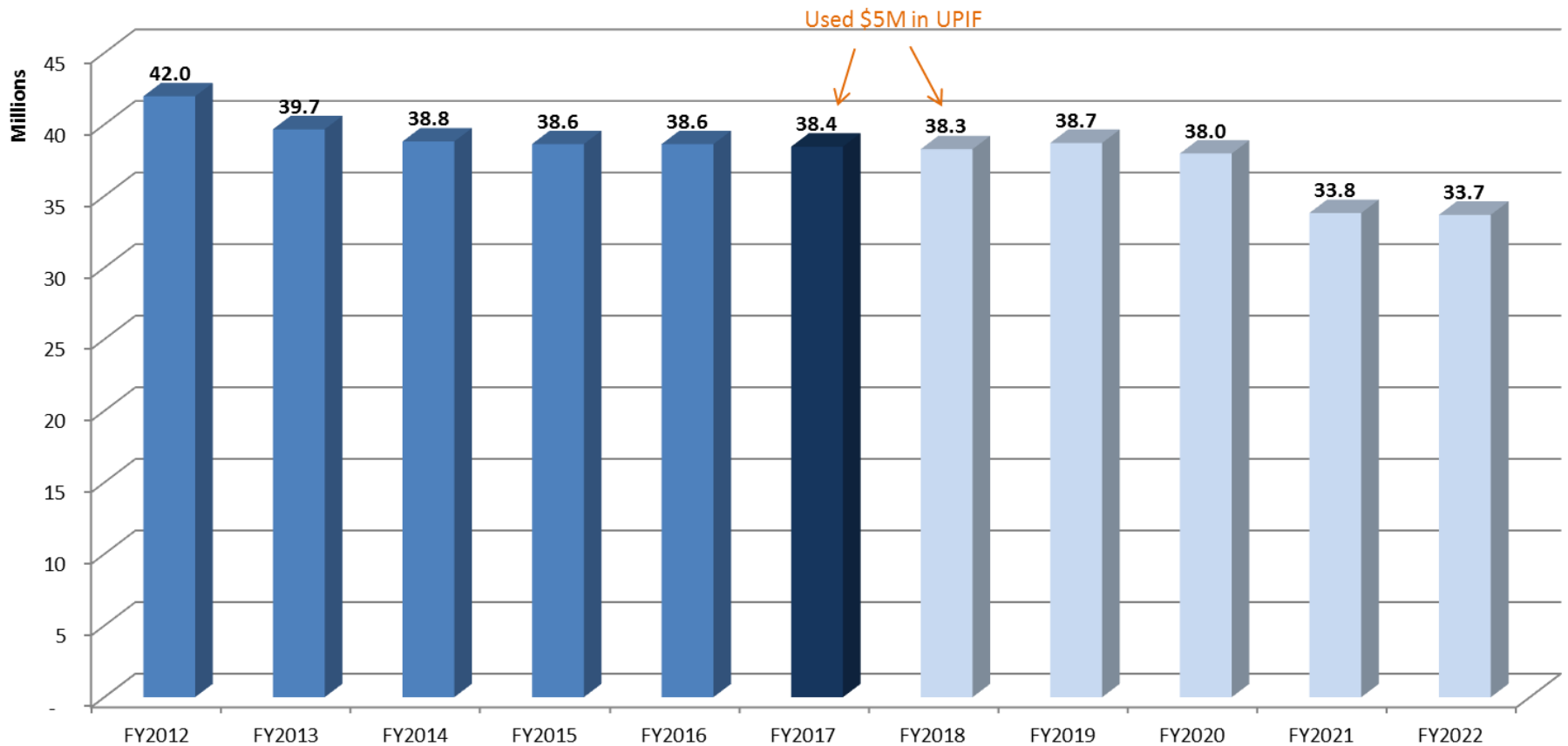
## Combined Capital Improvement Program



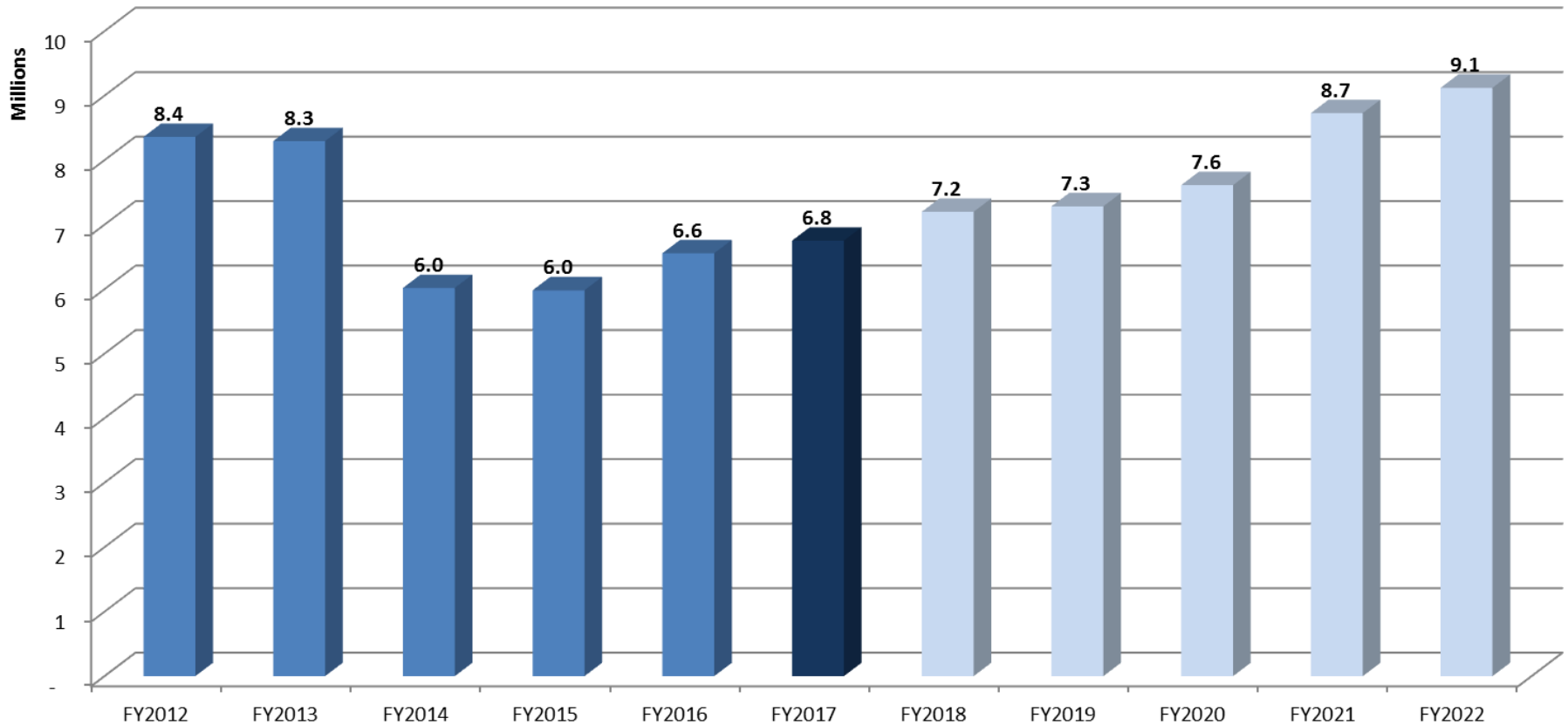
# SUPPLEMENTAL INFORMATION



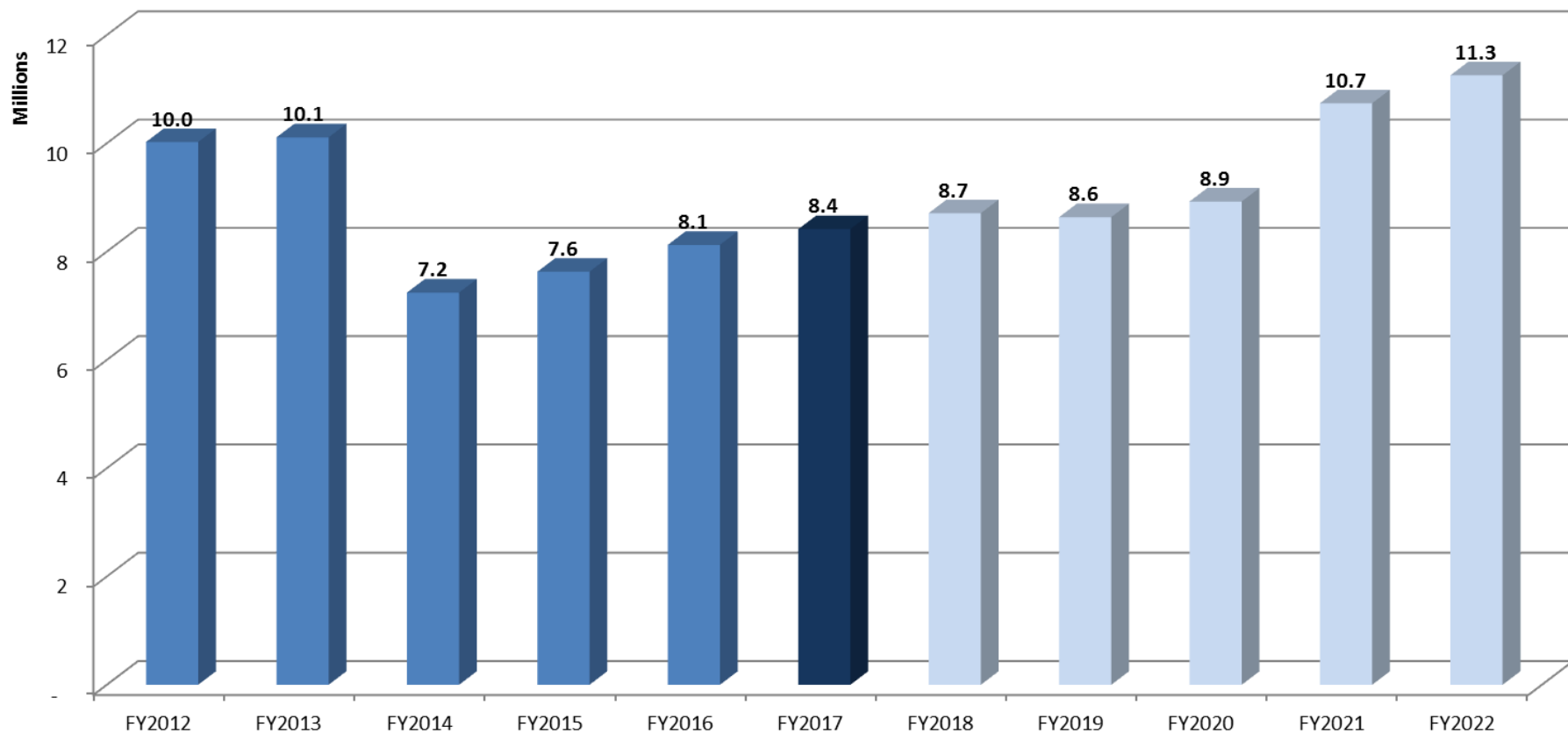
## Electric Debt Service



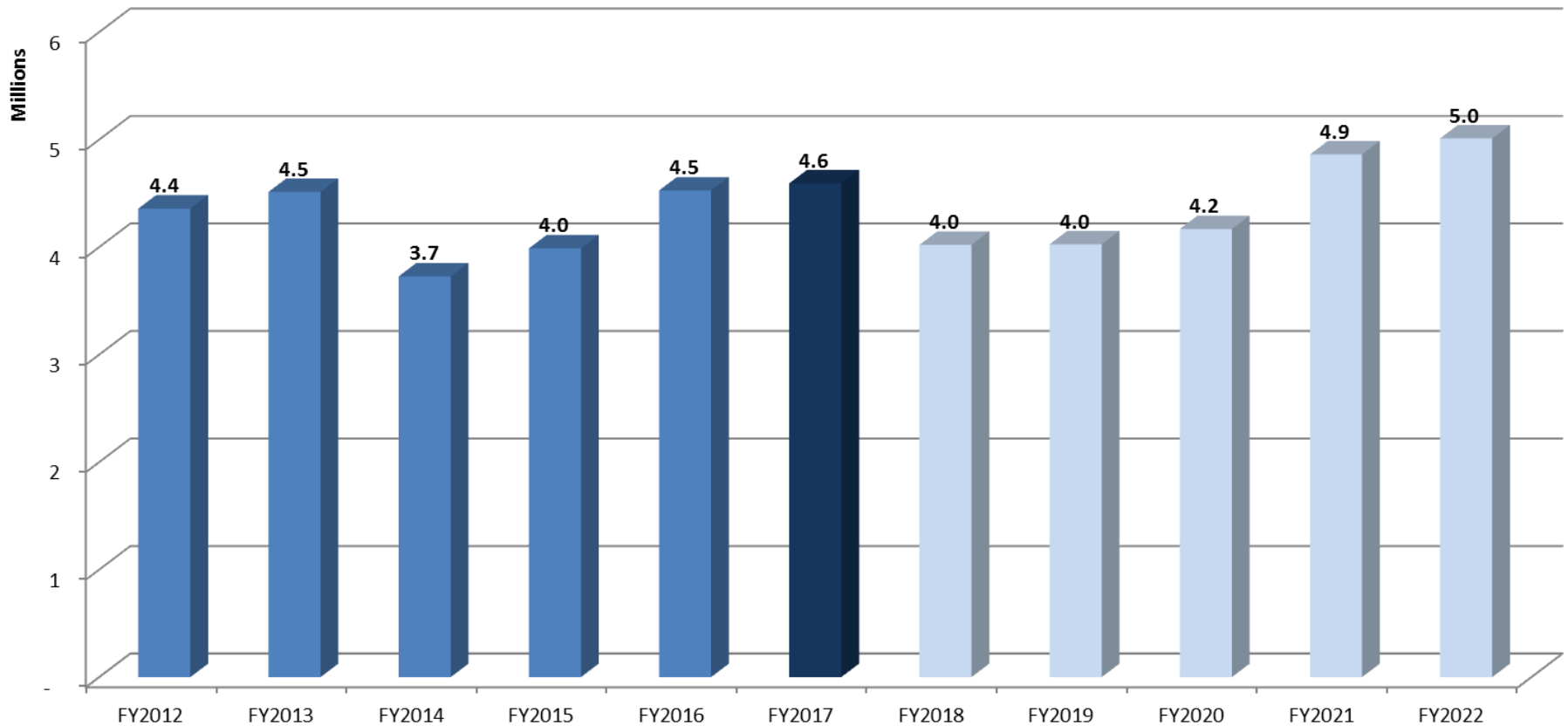
## Water Debt Service



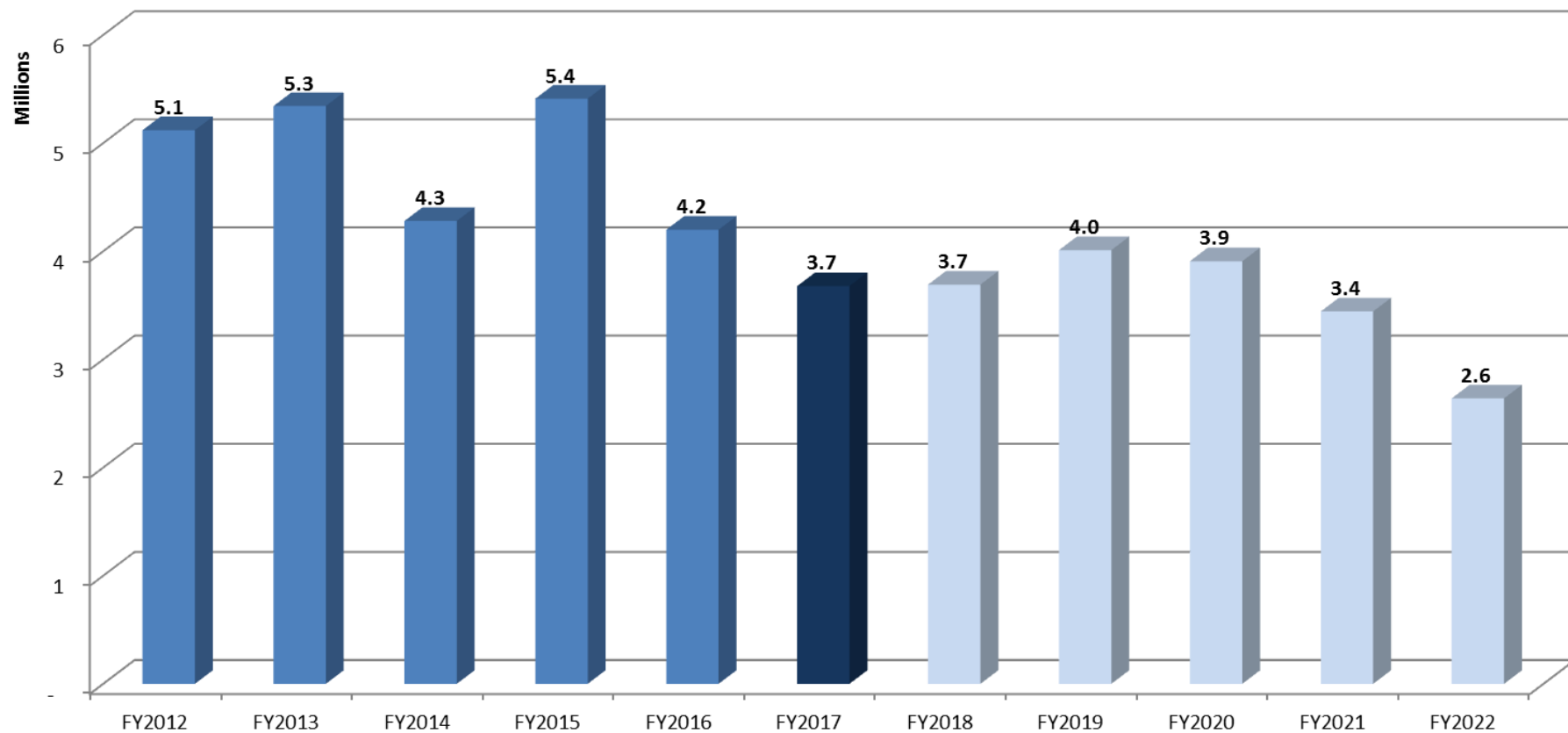
## Wastewater Debt Service



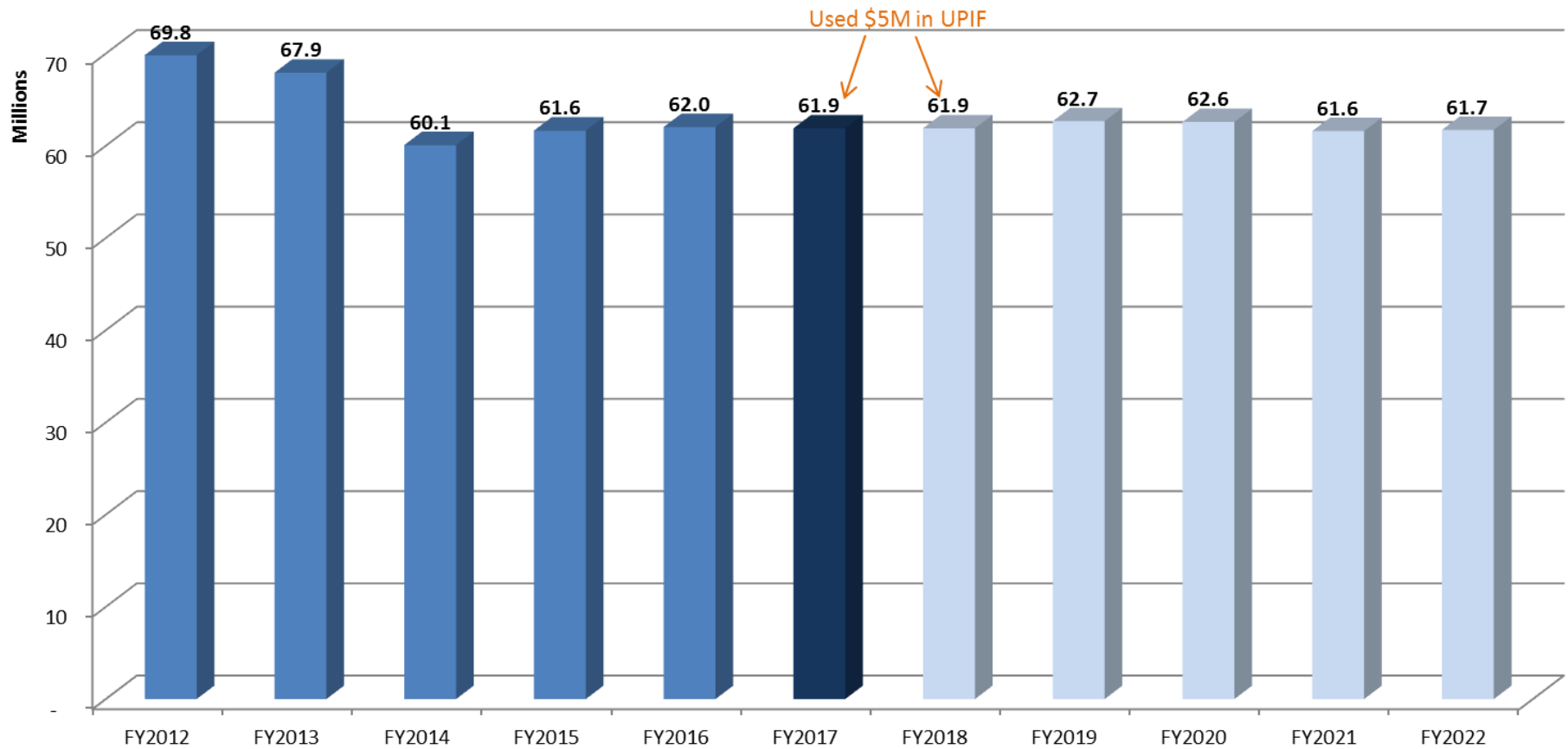
## Gas Debt Service



## GRUCom Debt Service



## Combined Debt Service



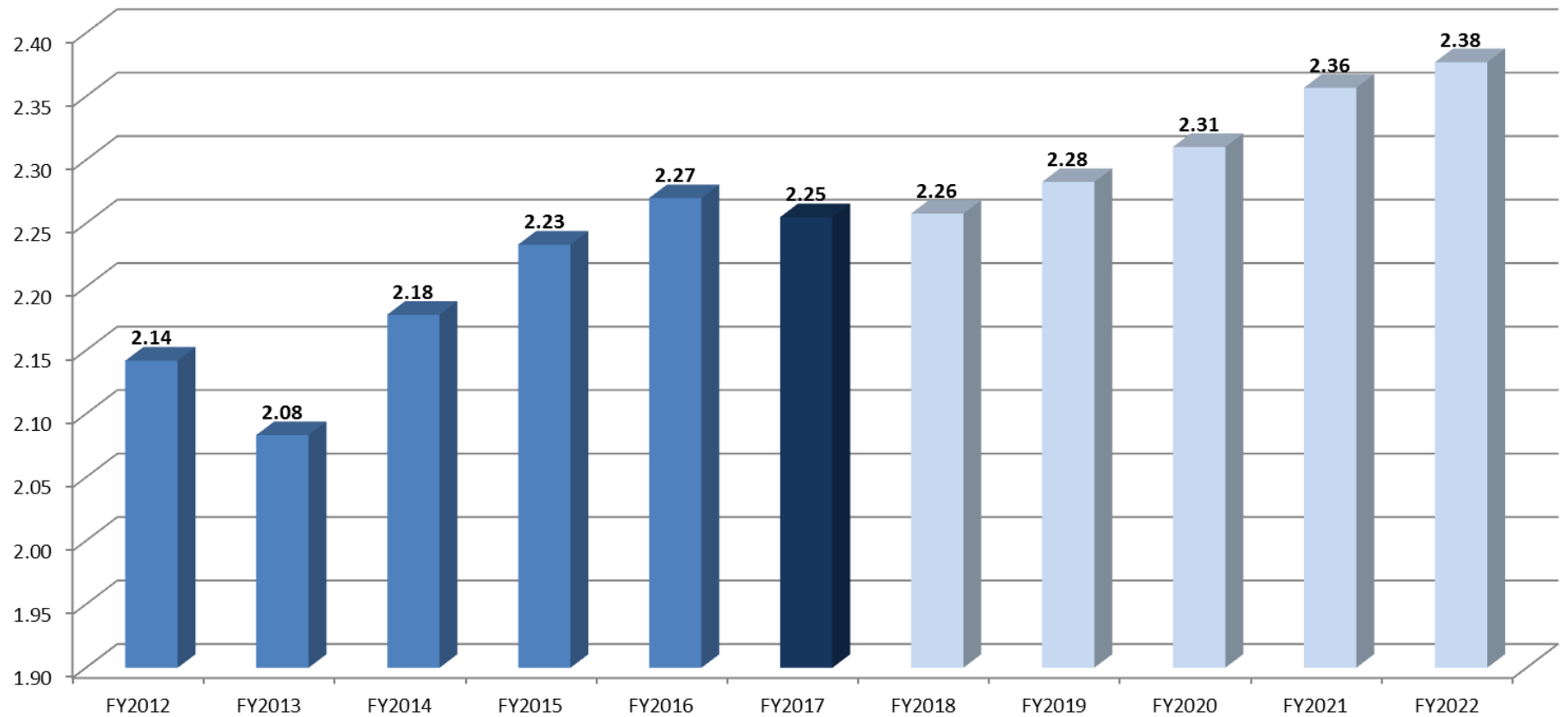
# Historical & Forecast Revenue Requirement Increases

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Electric	1.72%	0.0%	-5.6%	-8.5%	0.0%	0.0%	2.0%	2.0%	2.0%	3.0%	3.0%
Water	8.41%	3.5%	3.85%	3.75%	3.75%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Waste-water	4.4%	3.0%	2.4%	4.85%	4.85%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%
Gas	0.0%	0.0%	0.85%	4.25%	4.75%	9.0%	3.0%	3.0%	5.0%	5.0%	5.0%

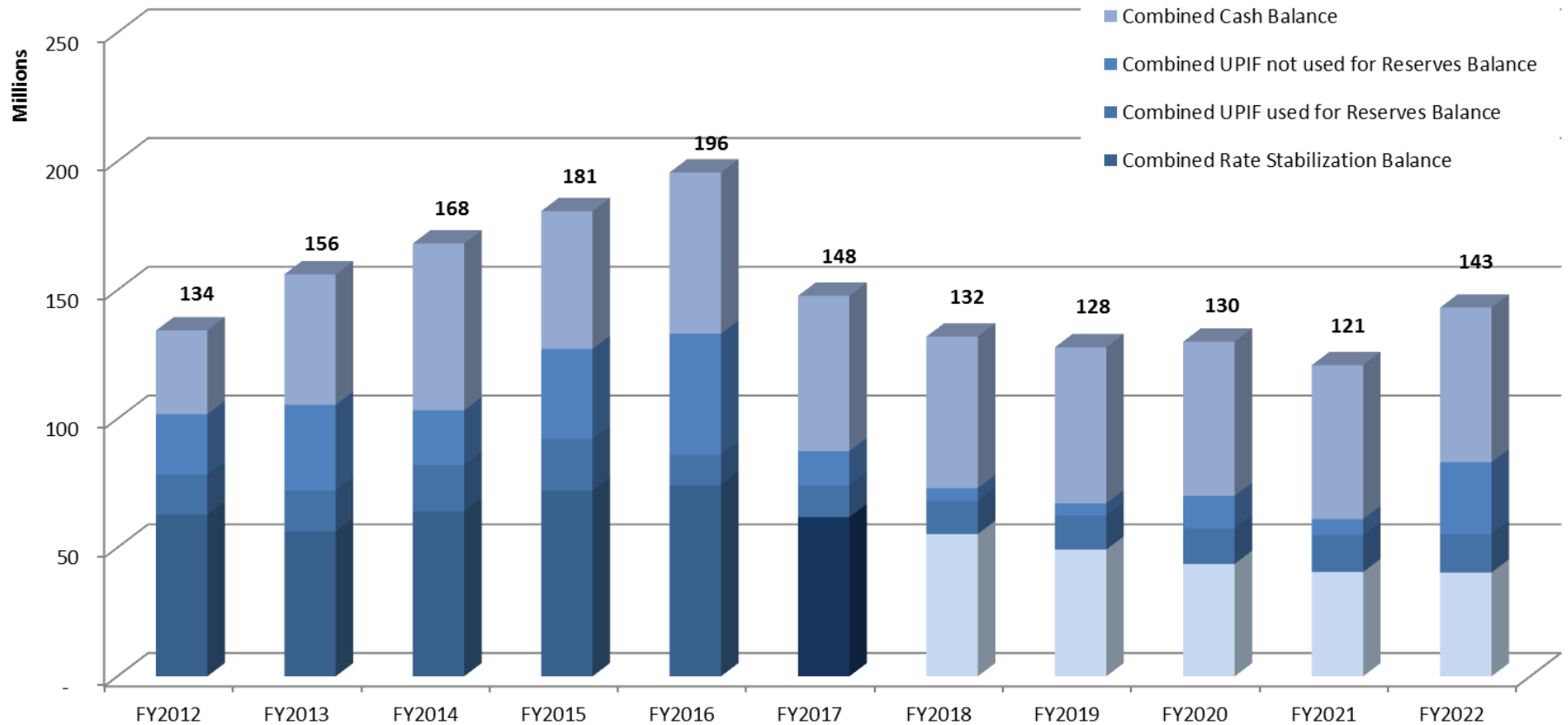
# Combined Forecast Summary

	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>
<u>REVENUES</u>											
Electric	249,154,477	249,410,519	280,481,843	298,914,259	308,070,163	306,093,219	314,509,786	323,663,076	330,414,505	334,271,352	341,895,940
Water	32,086,852	32,367,487	31,826,334	32,523,601	33,818,317	35,751,938	37,069,497	37,662,334	38,542,519	40,051,775	40,760,138
Wastewater	36,433,332	37,666,733	36,052,216	38,260,878	42,346,378	44,035,520	45,214,109	45,368,357	46,111,672	48,026,483	48,623,068
Gas	24,982,921	24,240,641	25,801,036	24,110,555	24,325,028	24,009,737	23,636,415	23,476,297	23,726,102	24,687,255	25,188,672
GRUCom	14,023,066	12,205,530	10,693,955	12,599,738	11,744,484	12,049,327	12,638,453	13,312,775	13,523,031	13,354,001	13,140,294
TOTAL REVENUES	356,680,648	355,890,910	384,855,384	406,409,031	420,304,370	421,939,741	433,068,260	443,482,840	452,317,828	460,390,867	469,608,112
<u>EXPENSES</u>											
Electric	160,569,910	167,523,936	203,505,584	217,081,923	225,290,559	224,515,426	233,715,742	239,125,338	244,665,184	250,338,547	256,148,779
Water	12,614,269	13,131,884	13,320,768	13,558,600	14,827,157	16,209,661	16,723,331	17,225,031	17,741,782	18,274,035	18,822,256
Wastewater	12,749,480	13,583,608	13,968,004	14,333,699	17,388,151	18,955,816	19,494,007	20,078,827	20,681,192	21,301,628	21,940,677
Gas	15,280,880	14,778,665	16,726,280	15,317,883	14,577,042	14,962,312	15,276,700	15,656,493	16,046,109	16,445,812	16,855,873
GRUCom	5,916,230	5,373,636	6,492,219	8,459,863	7,422,290	7,752,789	8,120,583	8,364,200	8,615,127	8,873,580	9,139,788
TOTAL EXPENSES	207,130,769	214,391,729	254,012,855	268,751,968	279,505,199	282,396,004	293,330,363	300,449,889	307,749,393	315,233,602	322,907,372
TOTAL NET REVENUES	149,549,879	141,499,181	130,842,529	137,657,063	140,799,171	139,543,737	139,737,898	143,032,951	144,568,435	145,157,265	146,700,740
TOTAL DEBT SERVICE	69,821,628	67,921,059	60,072,294	61,638,702	62,027,441	61,883,881	61,892,725	62,662,883	62,578,505	61,589,699	61,718,404
DEBT SERVICE COVERAGE RATIO	2.14	2.08	2.18	2.23	2.27	2.25	2.26	2.28	2.31	2.36	2.38

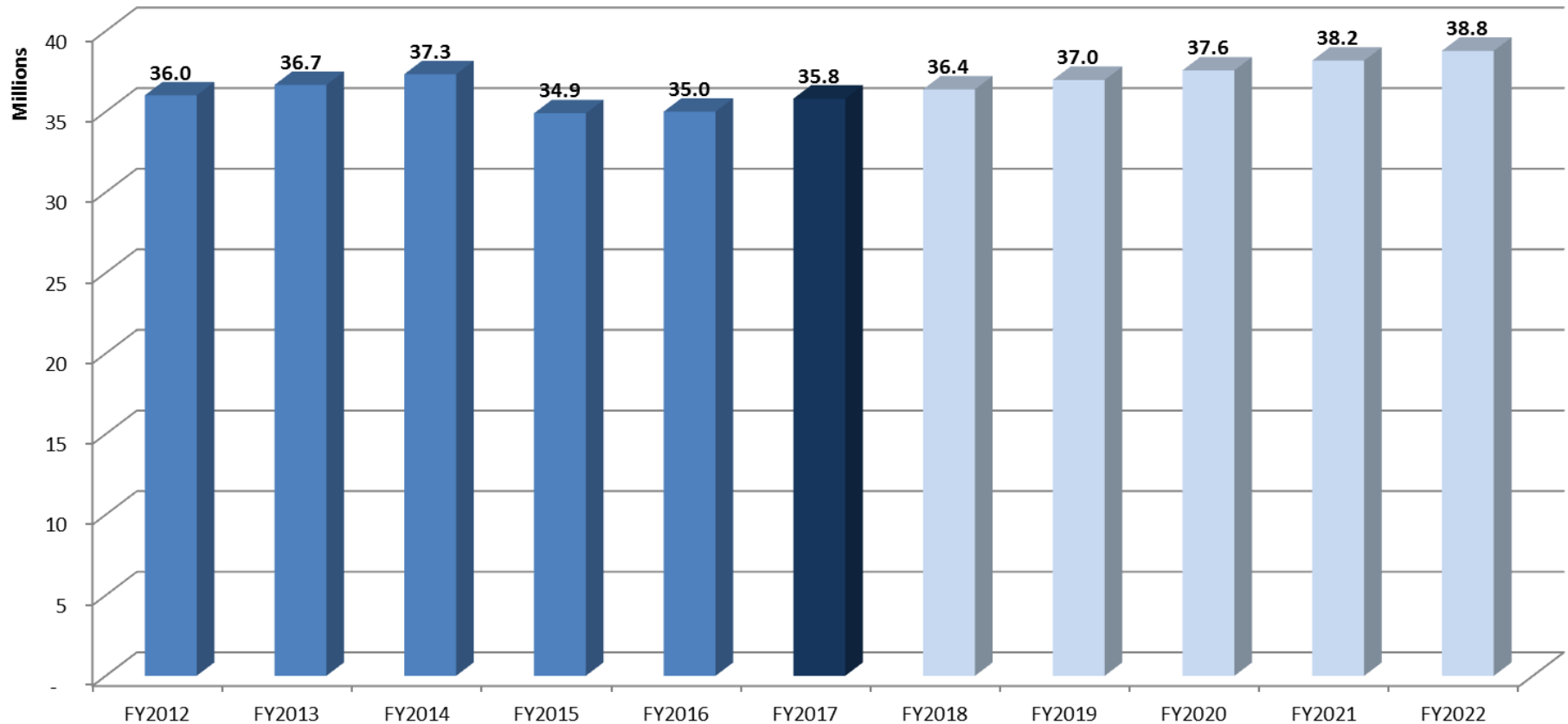
## Debt Service Coverage Ratio



## Combined Reserves



## Combined General Fund Transfer



\* (Beyond FY19 uses assumptions of current agreement)



**QUESTIONS?**