

Pathway to a balanced budget

June 10, 2021

Recital of the GRU issue:

GRU management has determined the need to increase revenues or decrease expenses by \$12.9 mm pursuant to City Commission direction to remit a \$36 mm GFT in FY 2022.

The reasons are:

- GRU can no longer debt finance replenishment of reserves which are drawn down to pay the GFT.
- The shortfall must be covered in rate increases because of low customer growth, or expense reductions.

The challenge of FY 2022:

- GRU's business model of low growth doesn't allow for foregoing electric rate increases. Every year, GRU's costs rise greater than its revenue.
- GRU withheld a necessary 3% cost of living electric rate adjustment in FY 2021 because of the pandemic.
- This year's 7% electric rate increase is basically FY 2021 rate increase of 3%, FY 2022 of 3% and another 1% for DH2 conversion which will result in lower fuel adjustment for customers.

Expense Reductions:

- GRU identified \$4.1 mm of primarily non-discretionary expenses meaning that cutting them will defer them to another year under higher risk with higher costs. In other words, deferring these costs will cost more later and can result in failures of the system.
- GRU has spent the past two years reducing expenses to only non-discretionary ones. That means we must incur them to be a sustainable utility
- \$2.3 mm of these expenses are in the electric system. The largest expenses are \$972k in lifetime assessment and inspection of DH1 and \$977k in tree-trimming. Others include reducing work scope at DHR outages, decrease Alachua reclaim water use, Cooling Tower cleaning and replacing asbestos.
- \$741 k of these expenses are in the water/wastewater, gas systems and GRUCOM and include simply reducing chemical usage, electric usage, etc. GRUCOM would cease advertising and network maintenance would be deferred.
- \$1.1 mm of these expenses are in GRU administration and are spread across all five systems. They include discontinuing customer surveys, review of customer interactions, Brighter Tomorrow Scholarship banquet, community sponsorships and employees lost thru attrition.

What would the expense reductions get us:

| Cuts per System | Reduction in Rates | System | Comments |
|------------------|--------------------|------------|---|
| 2,972,389 | 2.00% | Electric | <ul style="list-style-type: none"> • Energy Supply: Permanent deferral of necessary maintenance/entering a era of running to failure in power generation • Energy Delivery: Permanent reduction in tree trimming |
| 147,822 | 0.00% | Water | |
| 578,638 | 0.00% | Wastewater | |
| 109,532 | 0.00% | Gas | |
| 300,841 | | GRUCom | Already operating at a significant loss |
| 4,109,221 | | | |

Actions GRU recommends:

- Two year CPI adjustment in the Electric system of 7%; 5% Wastewater
- Approval of the GFT resolution to reduce the amount by \$2 million a year through 2027
- Approval of a rate ordinance through fiscal year 2027, 3% increase in Electric and 5% increase in Wastewater per year
- Exploring use of the increased utility tax revenue for low income utility bill assistance.

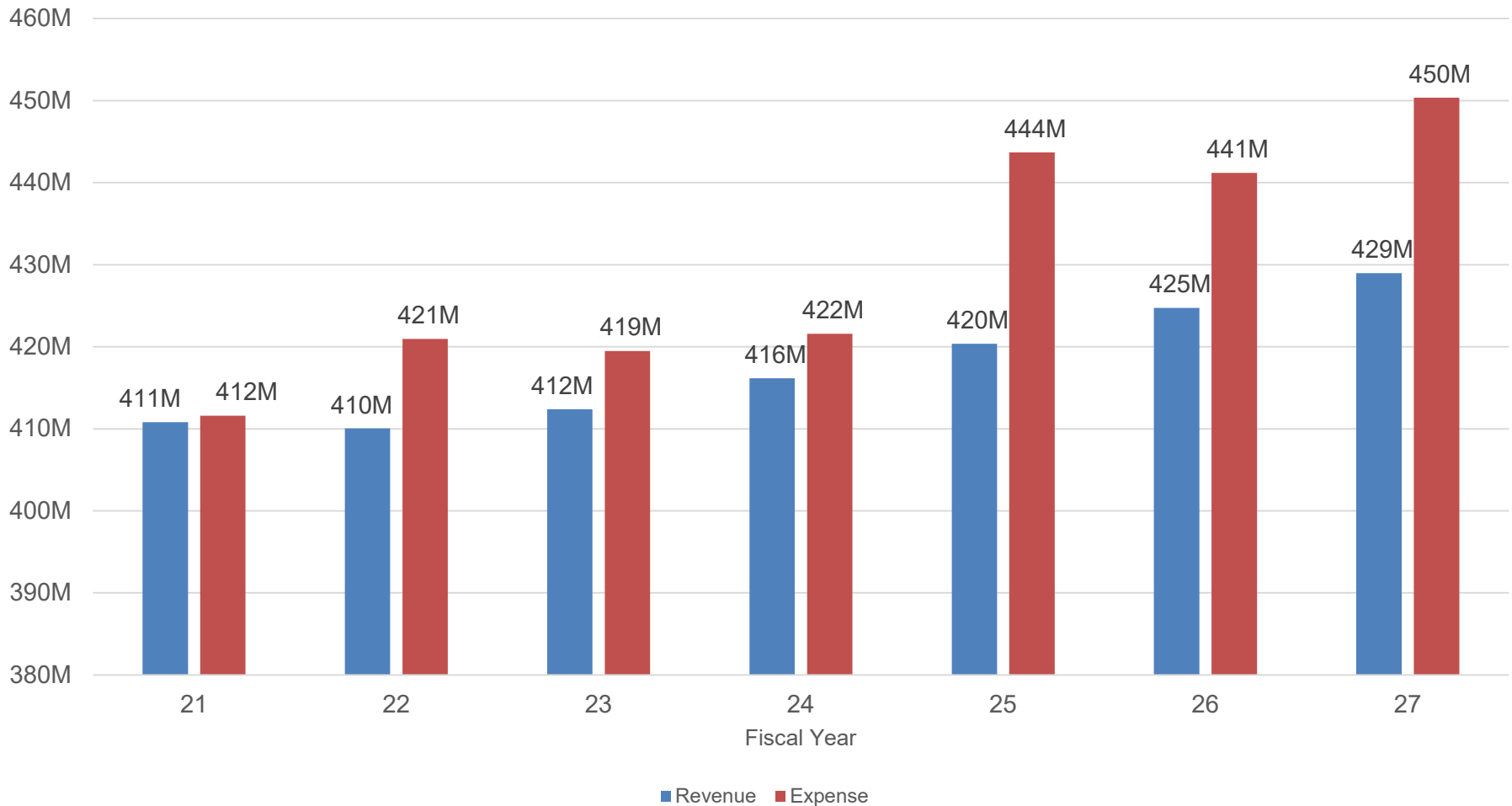
The Benefits of such action:

- A long term decision for the GFT that gets a sustainable utility.
- Less acrimonious budget process, and the Commission has more 'normalized' rate adjustments
- Potential additional revenue in the utility tax for General Government use through 2027 (can be used to fund assistance for low income households that need help with utility bills)
- Fully funds CIS and AMI
- No layoffs of employees
- Predictable CPI adjustments of 3% rate increases in Electric and infrastructure 5% rate increases in Wastewater through 2027
- Debt defeasance

REVIEW OF THE CORE ISSUE – PART 1

Organic revenues do not keep pace with rising costs
(including 2019 Transaction Savings)

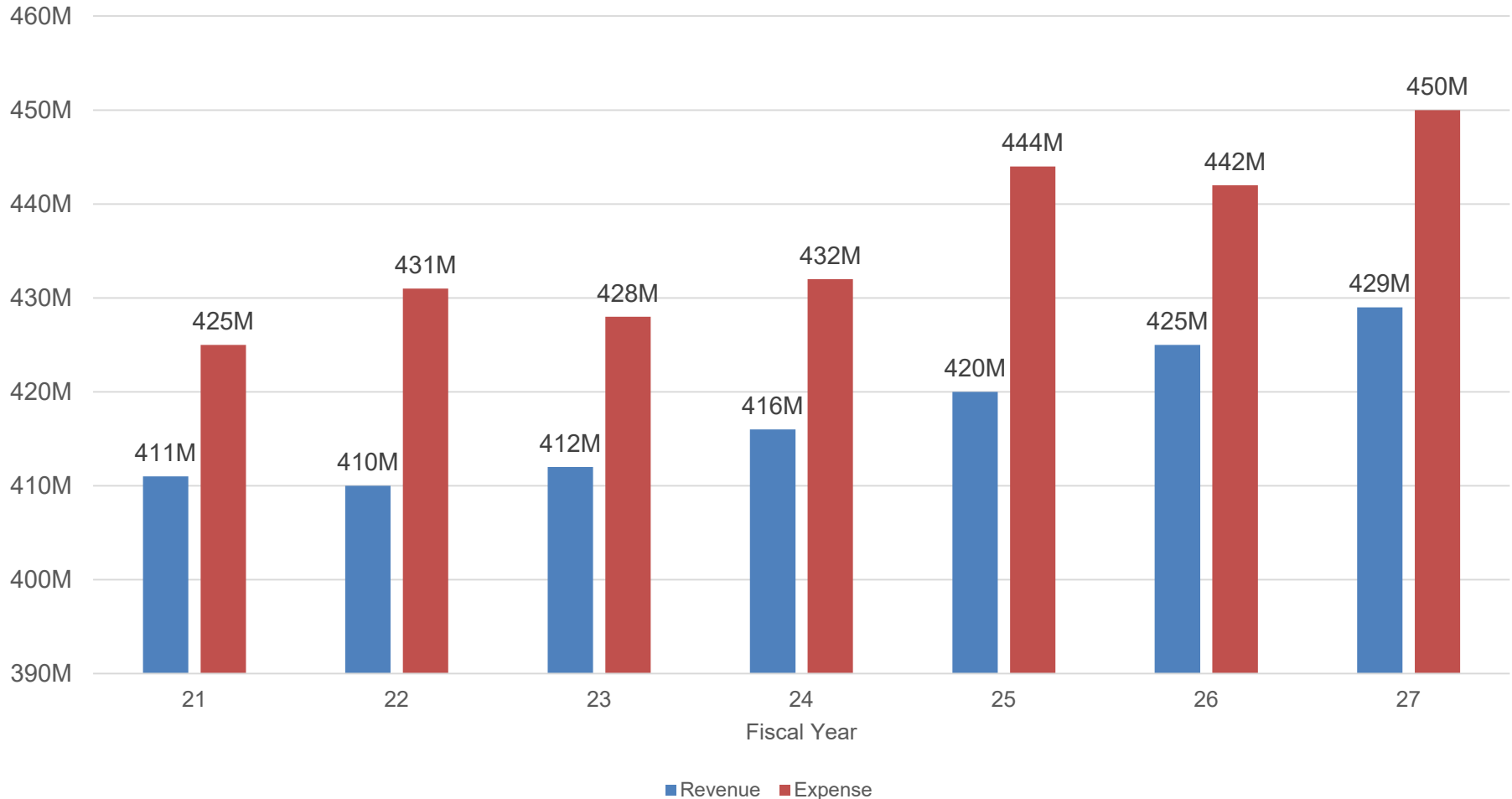
Projected Trend in Revenue & Expense
Including 2019 Transaction Savings



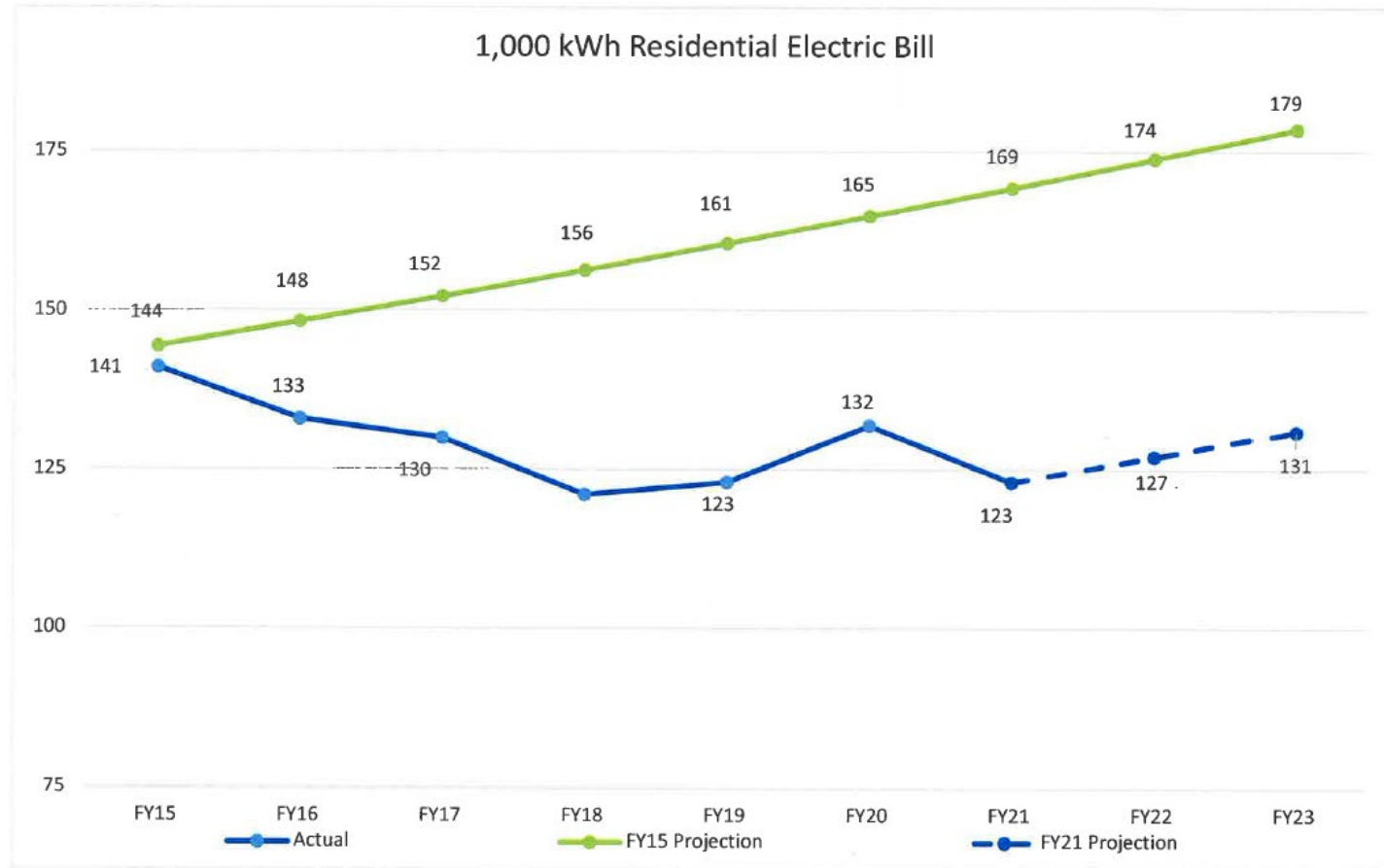
REVIEW OF THE CORE ISSUE - PART 2

Organic revenues do not keep pace with rising costs
(**not including** 2019 Transaction Savings)

Projected Trend in Revenue & Expense
Excluding 2019 Transaction Savings



Real Bill Impact Story



Rate Increases = Safety and Reliability

Without rate increases, where should GRU get the cash to pay for expenses?

GRU Recommended: Option 5**

| | |
|---|------------|
| Layoffs and deleting FTEs of 0 employees | - |
| Non-labor expenses | 2,000,000 |
| Rate increase in Electric: 7.00% | 10,900,000 |
| <hr/> | |
| | 12,900,000 |

***can implement CIS/AMI*

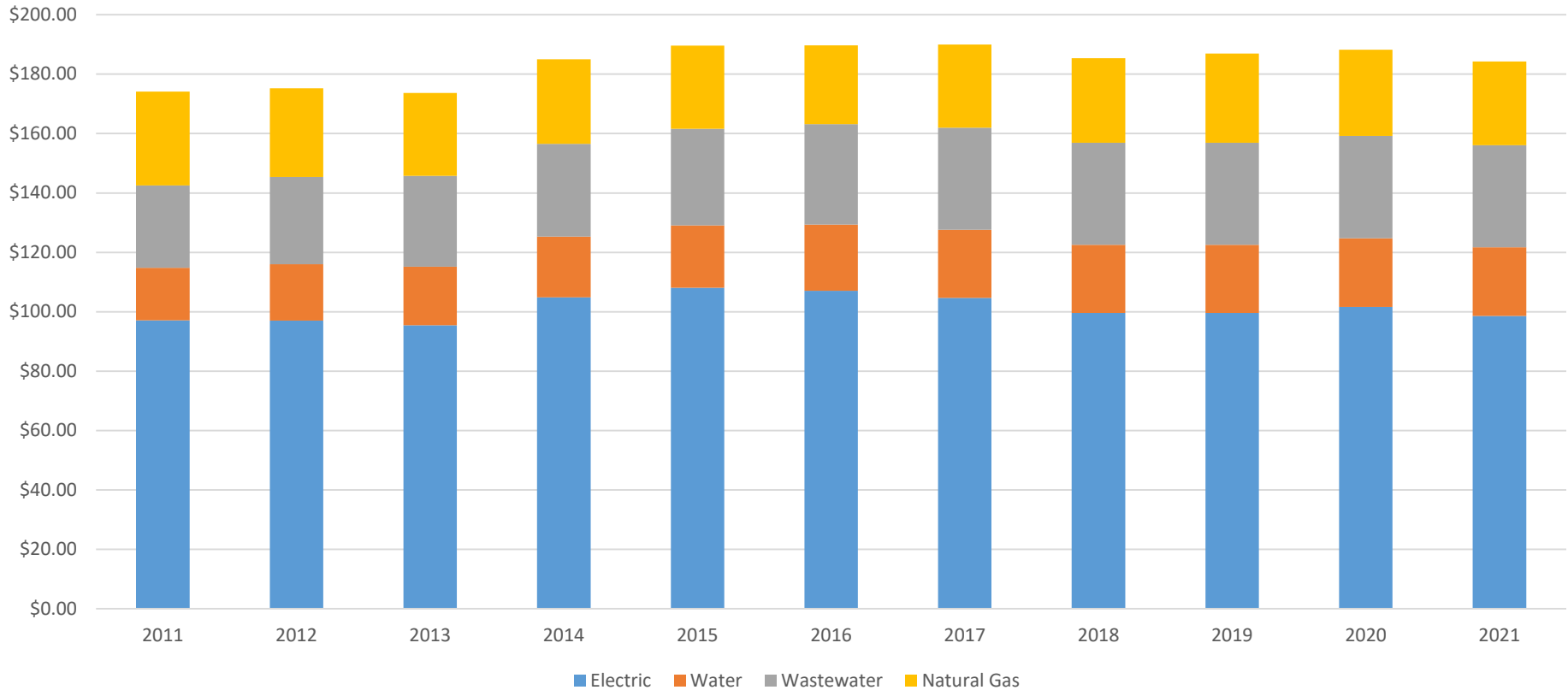
GRU's FY 2022 budgeted expenses are appropriate to maintain a power plant fleet with 5 units over 40 years of age, sole source water plant and squarely storm central territory. Cuts beyond the \$2 mm will result in a less safe, reliable and ultimately less competitively-priced utility.

Rates Projection for Rate Ordinance

| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|------------|-------|-------|-------|-------|-------|-------|
| Electric | 7.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Water | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Wastewater | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Gas | 3.00% | 1.00% | 0.00% | 0.00% | 0.00% | 0.00% |

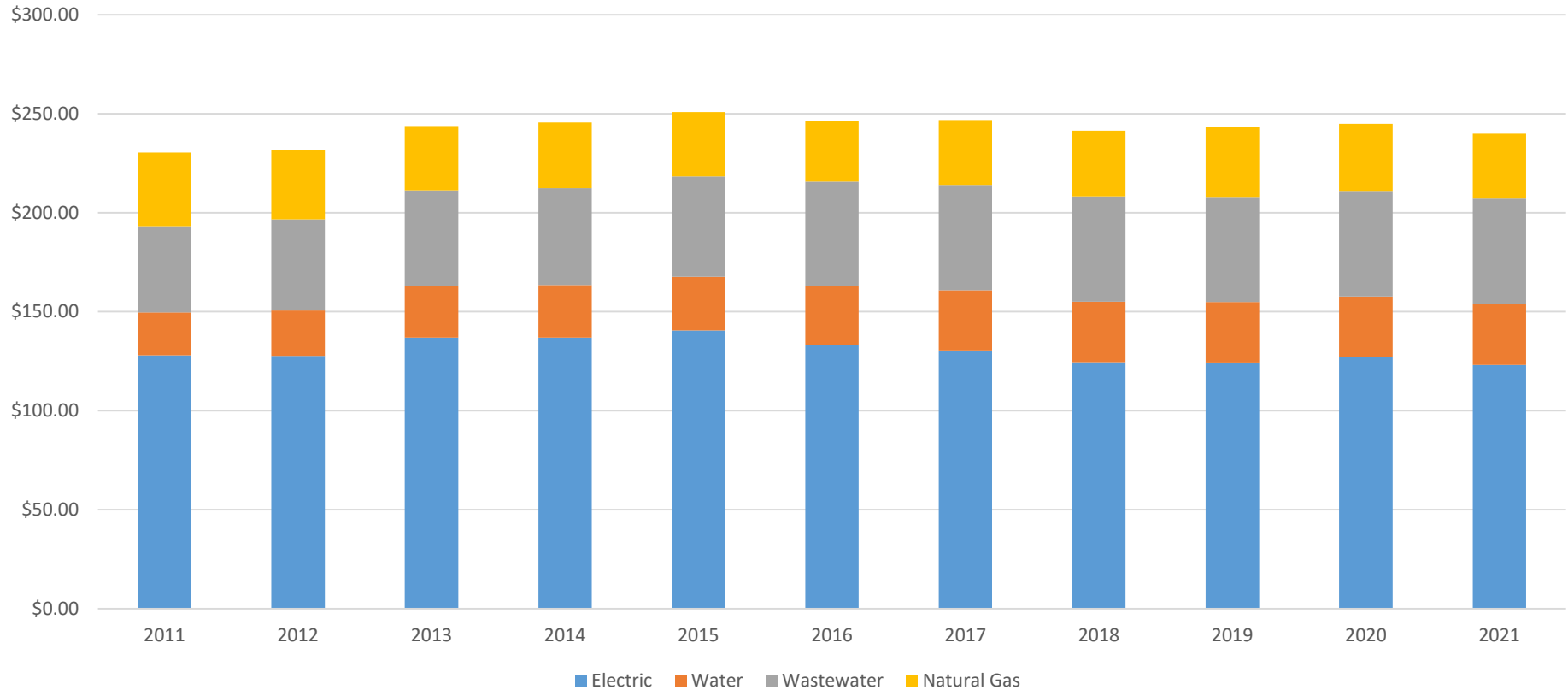
Explore use of increased utility tax revenue for low income assistance.

Trend in Residential Combined System Bill Average Consumption



| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Electric (800 kWh) | \$97.15 | \$97.07 | \$95.47 | \$104.82 | \$108.10 | \$107.05 | \$104.65 | \$99.58 | \$99.58 | \$101.67 | \$98.60 |
| Water (5 kGal) | \$17.70 | \$18.90 | \$19.70 | \$20.50 | \$20.95 | \$22.35 | \$23.00 | \$23.00 | \$23.00 | \$23.10 | \$23.10 |
| Wastewater (4 kGal) | \$27.66 | \$29.40 | \$30.60 | \$31.25 | \$32.60 | \$33.80 | \$34.30 | \$34.30 | \$34.30 | \$34.42 | \$34.42 |
| Natural Gas (20 Therms) | \$31.65 | \$29.84 | \$27.88 | \$28.47 | \$27.97 | \$26.50 | \$28.06 | \$28.46 | \$30.06 | \$29.08 | \$28.14 |
| Total | \$174.16 | \$175.21 | \$173.65 | \$185.04 | \$189.62 | \$189.70 | \$190.01 | \$185.35 | \$186.94 | \$188.26 | \$184.26 |

Trend in Residential Combined System Bill Standard Consumption



| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Electric (1,000 kWh) | \$127.95 | \$127.67 | \$136.98 | \$136.98 | \$140.50 | \$133.40 | \$130.40 | \$124.52 | \$124.33 | \$126.96 | \$123.13 |
| Water (7 kGal) | \$21.68 | \$23.00 | \$26.25 | \$26.55 | \$27.05 | \$29.85 | \$30.50 | \$30.50 | \$30.50 | \$30.64 | \$30.64 |
| Wastewater (5 kGal) | \$43.53 | \$45.90 | \$48.00 | \$48.80 | \$50.75 | \$52.40 | \$53.20 | \$53.20 | \$53.20 | \$53.41 | \$53.41 |
| Natural Gas (25 Therms) | \$37.18 | \$34.92 | \$32.48 | \$33.21 | \$32.52 | \$30.68 | \$32.64 | \$33.14 | \$35.14 | \$33.91 | \$32.74 |
| Total | \$230.34 | \$231.49 | \$243.71 | \$245.54 | \$250.82 | \$246.33 | \$246.74 | \$241.36 | \$243.17 | \$244.92 | \$239.92 |

TREND IN AVERAGE CONSUMPTION BY SYSTEM

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------|------|------|------|------|------|------|------|------|------|------|------|
| Electric (kWh) | 819 | 768 | 760 | 774 | 793 | 812 | 780 | 802 | 802 | 802 | 800 |
| Water (kGals) | 6 | 6 | 6 | 5 | 5 | 5 | 6 | 5 | 5 | 5 | 5 |
| Wastewater (kGals) | 5 | 5 | 5 | 5 | 4 | 4 | 5 | 4 | 4 | 4 | 4 |
| Natural Gas (therms) | 25 | 18 | 20 | 21 | 22 | 18 | 15 | 18 | 18 | 18 | 18 |

Staff Recommendations:

- Two year CPI adjustment in the Electric system of 7%; 5% Wastewater
- Approval of the GFT resolution to reduce the amount by \$2 million a year through 2027
- Approval of a rate ordinance through fiscal year 2027, 3% increase in Electric and 5% increase in Wastewater per year
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Customer Bill Impacts

Option 5 Standard Consumption

| | FY21 | FY22 | Increase |
|-------------|----------|----------|----------|
| Electric | \$123.13 | \$129.21 | \$6.08 |
| Water | \$30.64 | \$30.64 | \$0.00 |
| Wastewater | \$53.41 | \$56.08 | \$2.67 |
| Natural Gas | \$32.74 | \$33.46 | \$0.72 |
| Total | \$239.92 | \$249.39 | \$9.47 |

Option 5 Average Consumption

| | FY21 | FY22 | Increase |
|-------------|----------|----------|----------|
| Electric | \$98.60 | \$103.46 | \$4.86 |
| Water | \$23.10 | \$23.10 | \$0.00 |
| Wastewater | \$34.42 | \$36.14 | \$1.72 |
| Natural Gas | \$28.14 | \$28.77 | \$0.63 |
| Total | \$184.26 | \$191.47 | \$7.21 |

Standard consumption: 1,000 kWh of electricity, 7 kgal of water, 7 kgal of wastewater, and 25 therms of natural gas

Average consumption: 800 kWh of electricity, 5 kgal of water, 4 kgal of wastewater, and 20 therms of natural gas