

Gainesville Regional Utilities

Budget to Actual Comparison

For the Year Ended September 30, 2017



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Management's Discussion and Analysis

Budget to Actual Comparison

Gainesville Regional Utilities Budget to Actual Comparison For the Year Ended September 30, 2017

Management's Discussion and Analysis – Budget to Actual Comparison

We offer readers this analysis of the budget to actual activities of GRU for the year ended September 30, 2017.

Budget Highlights

Combined Utility Systems

- The combined systems withdrew \$4 million from rate stabilization for the period ended September 30, 2017, including budgeted transfers to and from rate stabilization.

Electric System

- Residential revenues are 1.5% below budget as MWh sales were 1.07% less than forecast for fiscal year 2017.
- Fuel adjustment revenue and fuel expense is higher than budgeted due in part to the DH2 outage which resulted in more purchased power and usage of the GREC biomass facility.
- Sales for resale were higher than budget due to \$660,000 in interchange sales through The Electric Authority (TEA).
- Other income (expense) is down due to changes in the classification of certain revenue and expense accounts that occurred with the SAP implementation. This situation exists in other Systems as well.
- Power production expense is \$1.1 million over budget primarily due to unexpected labor expense associated with Hurricane Irma.
- Transmission and distribution expenses are higher and administrative and general expenses are below budget primarily due to two factors: corporate shared services overhead costs of \$3 million budgeted under administrative and general expense are now allocated to transmission and distribution; \$2.3 million in overhead from operational areas previously treated as administrative and general are now included in transmission and distribution projects. The newly implemented SAP software allocates overhead expense at a more detailed level than the prior system that is resulting in more accurate cost allocations. This exists in the other systems also.

Water System

- Fiscal year 2017 total water sales were just over 349,000 kgals or 5.09% higher than forecast, resulting in total water sales revenues approximately \$2.4 million greater than budget. Although there was heavy rainfall in the last quarter of the fiscal year, for the balance of the year rainfall levels were lower than normal.

Gainesville Regional Utilities
Budget to Actual Comparison
For the Year Ended September 30, 2017

- Other revenues came in below budget due to lower than expected connection fees and service charges such as turn on/turn offs and late charges.

Wastewater System

- Fiscal year 2017 wastewater kgals billed were 2.70% more than forecast, resulting in wastewater billing revenues approximately \$1.3 million greater than budget.
- Collection costs are higher than budget, and administrative and general costs are lower than budget due to the change in allocation methodology associated with the SAP implementation.

Gas System

- Fiscal year 2017 therms sold were approximately 1,960,000 or 9.1% less than forecast, resulting in total gas sales revenues without fuel adjustment coming in at approximately \$645,000 below budget for FY17. Residential sales revenues were lower than budget primarily related to the mild winter, while non-residential sales which are less sensitive to weather were above budget.
- Other operating revenues were below budget in part due to lower than planned customer service revenue collections such as turn on/turn offs, late fees and miscellaneous service revenues.
- Operation and maintenance expenses are higher than budget and administrative and general costs are lower than budget due to the change in allocation methodology associated with the SAP implementation.

Telecommunications (GRUCom) System

- The budgeted transfers from the GRUCom rate stabilization fund were not made due to the balance in the fund was not sufficient to support the transfer. A loan to GRUCom was provided from another system.
- Other income (expense) is down due to changes in the classification of certain revenue and expense accounts that occurred with the SAP implementation. This situation exists in other Systems as well.
- Operation and maintenance expenses are higher than budget and administrative and general costs are lower than budget due to the change in allocation methodology associated with the SAP implementation.

Budget to Actual Statements

**Gainesville Regional Utilities
Combined Utility Systems
Budget to Actual Comparison
For the Year Ended September 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>
REVENUES:				
Electric system:				
Sales of electricity	\$ 128,778,220	\$ 126,565,968	\$ (2,212,252)	(1.7)
Fuel adjustment	153,980,032	162,490,201	8,510,169	5.5
Sales for resale	3,372,509	4,042,864	670,355	19.9
Transfer from/(to) rate stabilization	9,813,458	9,813,458	-	-
Other operating revenue	6,106,144	6,022,825	(83,319)	(1.4)
Other income (expense)	1,176,208	107,954	(1,068,254)	(90.8)
Build America Bonds	2,878,898	2,935,564	56,666	2.0
Total electric system revenues	306,105,469	311,978,834	5,873,365	1.9
Water system:				
Sales of water	32,770,764	35,307,646	2,536,882	7.7
Transfer from/(to) rate stabilization	(981,358)	(981,358)	-	-
Other operating revenue	2,988,311	2,338,143	(650,168)	(21.8)
Other income (expense)	165,520	(855,050)	(1,020,570)	(616.6)
Build America Bonds	808,701	824,619	15,918	2.0
Total water system revenues	35,751,938	36,634,000	882,062	2.5
Wastewater system:				
Sales of wastewater	38,931,665	40,105,516	1,173,851	3.0
Transfer from/(to) rate stabilization	299,041	299,041	-	-
Other operating revenue	3,701,846	3,874,344	172,498	4.7
Other income (expense)	187,649	(7,047)	(194,696)	(103.8)
Build America Bonds	915,319	933,336	18,017	2.0
Total wastewater system revenues	44,035,520	45,205,190	1,169,670	2.7
Gas system:				
Sales of gas	15,110,013	14,465,128	(644,885)	(4.3)
Fuel adjustment	7,696,897	7,025,104	(671,793)	(8.7)
Transfer from/(to) rate stabilization	(1,099,917)	(1,099,917)	-	-
Other operating revenue	1,580,135	918,597	(661,538)	(41.9)
Other income (expense)	119,792	200,585	80,793	67.4
Build America Bonds	602,817	614,682	11,865	2.0
Total gas system revenues	24,009,737	22,124,179	(1,885,558)	(7.9)
Telecommunications system:				
Sales of services	11,079,987	11,189,423	109,436	1.0
Transfer from/(to) rate stabilization	790,616	-	(790,616)	(100.0)
Other operating revenue	179,344	11,562	(167,782)	(93.6)
Other income (expense)	(620)	(462,444)	(461,824)	74,487.7
Total telecommunications system revenues	12,049,327	10,738,541	(1,310,786)	(10.9)
TOTAL REVENUES	421,951,991	426,680,744	4,728,753	1.1

**Gainesville Regional Utilities
Combined Utility Systems
Budget to Actual Comparison
For the Year Ended September 30, 2017**

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	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric system:				
Fuel expenses	153,980,032	162,490,201	8,510,169	5.5
Operation and maintenance	41,227,696	49,551,764	8,324,068	20.2
Administrative and general	29,307,698	23,828,253	(5,479,445)	(18.7)
Total Electric System Expenses	224,515,426	235,870,218	11,354,792	5.1
Water system:				
Operation and maintenance	9,970,062	9,944,066	(25,996)	(0.3)
Administrative and general	6,239,599	5,519,450	(720,149)	(11.5)
Total Water System Expenses	16,209,661	15,463,516	(746,145)	(4.6)
Wastewater system:				
Operation and maintenance	10,878,331	13,078,881	2,200,550	20.2
Administrative and general	8,077,485	5,973,307	(2,104,178)	(26.0)
Total Wastewater System Expenses	18,955,816	19,052,188	96,372	0.5
Gas system:				
Fuel expense and purchased gas	7,696,897	7,025,104	(671,793)	(8.7)
Operation and maintenance	1,935,815	2,505,904	570,089	29.4
Administrative and general	5,329,600	3,370,550	(1,959,050)	(36.8)
Total Gas System Expenses	14,962,312	12,901,558	(2,060,754)	(13.8)
Telecommunications system:				
Operation and maintenance	4,559,036	5,285,596	726,560	15.9
Administrative and general	3,193,753	1,823,125	(1,370,628)	(42.9)
Total Telecommunications System Expenses	7,752,789	7,108,721	(644,068)	(8.3)
TOTAL EXPENSES	282,396,004	290,396,201	8,000,197	2.8
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total electric system	81,590,043	76,108,616	(5,481,427)	(6.7)
Total water system	19,542,277	21,170,484	1,628,207	8.3
Total wastewater system	25,079,704	26,153,002	1,073,298	4.3
Total gas system	9,047,425	9,222,621	175,196	1.9
Total telecommunications system	4,296,538	3,629,820	(666,718)	(15.5)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	139,555,987	136,284,543	(3,271,444)	(2.3)
LESS:				
Debt service	61,883,881	62,571,817	687,936	1.1
Debt service - UPIF	(5,000,000)	(5,000,000)	-	-
UPIF contributions	46,858,096	46,858,096	-	-
Transfer to City of Gainesville General Fund	35,814,010	35,814,010	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ (3,959,380)	\$ (3,959,380)	-

**Gainesville Regional Utilities
Electric Utility System
Budget to Actual Comparison
For the Year Ended September 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>
REVENUES:				
Residential	\$ 47,968,381	\$ 47,236,704	\$ (731,677)	(1.5)
Non-residential	62,714,269	61,748,151	(966,118)	(1.5)
Fuel adjustment	153,980,032	162,490,201	8,510,169	5.5
Sales for resale	3,372,509	4,042,864	670,355	19.9
Utility surcharge	3,113,562	2,979,234	(134,328)	(4.3)
Other electric sales	14,982,008	14,601,879	(380,129)	(2.5)
Total Sales of Electricity	286,130,761	293,099,033	6,968,272	2.4
Transfer from/(to) rate stabilization	9,813,458	9,813,458	-	-
Other operating revenue	6,106,144	6,022,825	(83,319)	(1.4)
Other income (expense)	1,176,208	107,954	(1,068,254)	(90.8)
Build America Bonds	2,878,898	2,935,564	56,666	2.0
Total Revenues	306,105,469	311,978,834	5,873,365	1.9
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expenses	153,980,032	162,490,201	8,510,169	5.5
Power production	28,236,945	29,340,502	1,103,557	3.9
Transmission and distribution	12,990,751	19,232,279	6,241,528	48.0
Interchange	-	978,983	978,983	-
Administrative and general	29,307,698	23,828,253	(5,479,445)	(18.7)
Total Operation, Maintenance and Administrative Expenses	224,515,426	235,870,218	11,354,792	5.1
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	81,590,043	76,108,616	(5,481,427)	(6.7)
LESS:				
Debt service	38,449,414	38,922,412	472,998	1.2
Debt service - UPIF	(5,000,000)	(5,000,000)	-	-
UPIF contributions	27,046,177	27,046,177	-	-
Transfer to City of Gainesville General Fund	21,094,452	21,094,452	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ (5,954,425)	\$ (5,954,425)	-

**Gainesville Regional Utilities
Water Utility System
Budget to Actual Comparison
For the Year Ended September 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>
REVENUES:				
Residential	\$ 19,830,493	\$ 21,876,220	\$ 2,045,727	10.3
Non-residential	10,447,452	10,832,890	385,438	3.7
Utility surcharge	2,492,819	2,598,536	105,717	4.2
Total Sales of Water	32,770,764	35,307,646	2,536,882	7.7
Transfer from/(to) rate stabilization	(981,358)	(981,358)	-	-
Other operating revenue	2,988,311	2,338,143	(650,168)	(21.8)
Other income (expense)	165,520	(855,050)	(1,020,570)	(616.6)
Build America Bonds	808,701	824,619	15,918	2.0
Total Revenues	35,751,938	36,634,000	882,062	2.5
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Transmission and distribution	2,464,116	3,281,281	817,165	33.2
Treatment	7,505,946	6,662,785	(843,161)	(11.2)
Administrative and general	6,239,599	5,519,450	(720,149)	(11.5)
Total Operation, Maintenance and Administrative Expenses	16,209,661	15,463,516	(746,145)	(4.6)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	19,542,277	21,170,484	1,628,207	8.3
LESS:				
Debt service	6,751,417	6,863,138	111,721	1.7
UPIF contributions	7,042,712	7,042,712	-	-
Transfer to City of Gainesville General Fund	5,748,148	5,748,149	1	0.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ 1,516,485	\$ 1,516,485	-

**Gainesville Regional Utilities
Wastewater Utility System
Budget to Actual Comparison
For the Year Ended September 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>
REVENUES:				
Residential	\$ 26,273,365	\$ 27,090,198	\$ 816,833	3.1
Non-residential	9,684,735	10,157,051	472,316	4.9
Utility surcharge	2,973,565	2,858,267	(115,298)	(3.9)
Total Sales of Services	<u>38,931,665</u>	<u>40,105,516</u>	<u>1,173,851</u>	<u>3.0</u>
Transfer from/(to) rate stabilization	299,041	299,041	-	-
Other operating revenue	3,701,846	3,874,344	172,498	4.7
Other income (expense)	187,649	(7,047)	(194,696)	(103.8)
Build America Bonds	915,319	933,336	18,017	2.0
Total Revenues	<u>44,035,520</u>	<u>45,205,190</u>	<u>1,169,670</u>	<u>2.7</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	3,743,072	6,402,349	2,659,277	71.0
Treatment	7,135,259	6,676,532	(458,727)	(6.4)
Administrative and general	8,077,485	5,973,307	(2,104,178)	(26.0)
Total Operation, Maintenance and Administrative Expenses	<u>18,955,816</u>	<u>19,052,188</u>	<u>96,372</u>	<u>0.5</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>25,079,704</u>	<u>26,153,002</u>	<u>1,073,298</u>	<u>4.3</u>
LESS:				
Debt service	8,413,025	8,487,003	73,978	0.9
UPIF contributions	9,432,248	9,432,248	-	-
Transfer to City of Gainesville General Fund	7,234,431	7,234,430	(1)	(0.0)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ 999,321</u>	<u>\$ 999,321</u>	<u>-</u>

**Gainesville Regional Utilities
Gas Utility System
Budget to Actual Comparison
For the Year Ended September 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>
REVENUES:				
Residential	\$ 8,520,995	\$ 7,360,771	\$ (1,160,224)	(13.6)
Non-residential	4,738,657	5,484,284	745,627	15.7
Fuel adjustment	7,696,897	7,025,104	(671,793)	(8.7)
Utility surcharge	533,832	474,737	(59,095)	(11.1)
Other gas sales	1,316,529	1,145,336	(171,193)	(13.0)
Total Sales of Gas	22,806,910	21,490,232	(1,316,678)	(5.8)
Transfer from/(to) rate stabilization	(1,099,917)	(1,099,917)	-	-
Other operating revenue	1,580,135	918,597	(661,538)	(41.9)
Other income (expense)	119,792	200,585	80,793	67.4
Build America Bonds	602,817	614,682	11,865	2.0
Total Revenues	24,009,737	22,124,179	(1,885,558)	(7.9)
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expense - purchased gas	7,696,897	7,025,104	(671,793)	(8.7)
Operation and maintenance	1,935,815	2,505,904	570,089	29.4
Administrative and general	5,329,600	3,370,550	(1,959,050)	(36.8)
Total Operation, Maintenance and Administrative Expenses	14,962,312	12,901,558	(2,060,754)	(13.8)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	9,047,425	9,222,621	175,196	1.9
LESS:				
Debt service	4,592,767	4,570,733	(22,034)	(0.5)
UPIF contributions	3,093,726	3,093,726	-	-
Transfer to City of Gainesville General Fund	1,360,932	1,360,932	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ 197,230	\$ 197,230	-

**Gainesville Regional Utilities
Telecommunications Utility System
Budget to Actual Comparison
For the Year Ended September 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over/<Under> Budget</u>	<u>% Variance</u>
REVENUES:				
Residential	\$ -	\$ 46,884	\$ 46,884	-
Non-residential	11,079,987	11,142,539	62,552	0.6
Total Sales of Services	<u>11,079,987</u>	<u>11,189,423</u>	<u>109,436</u>	<u>1.0</u>
Transfer from/(to) rate stabilization	790,616	-	(790,616)	(100.0)
Other operating revenue	179,344	11,562	(167,782)	(93.6)
Other income (expense)	(620)	(462,444)	(461,824)	74,487.7
Total Revenues	<u>12,049,327</u>	<u>10,738,541</u>	<u>(1,310,786)</u>	<u>(10.9)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and maintenance	4,559,036	5,285,596	726,560	15.9
Administrative and general	3,193,753	1,823,125	(1,370,628)	(42.9)
Total Operation, Maintenance and Administrative Expenses	<u>7,752,789</u>	<u>7,108,721</u>	<u>(644,068)</u>	<u>(8.3)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>4,296,538</u>	<u>3,629,820</u>	<u>(666,718)</u>	<u>(15.5)</u>
LESS:				
Debt service	3,677,258	3,728,531	51,273	1.4
UPIF contributions	243,233	243,233	-	-
Transfer to City of Gainesville General Fund	376,047	376,047	-	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ (717,991)</u>	<u>\$ (717,991)</u>	<u>-</u>

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