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# **Gainesville Regional Utilities**

December 17, 2013

# Presentation Outline

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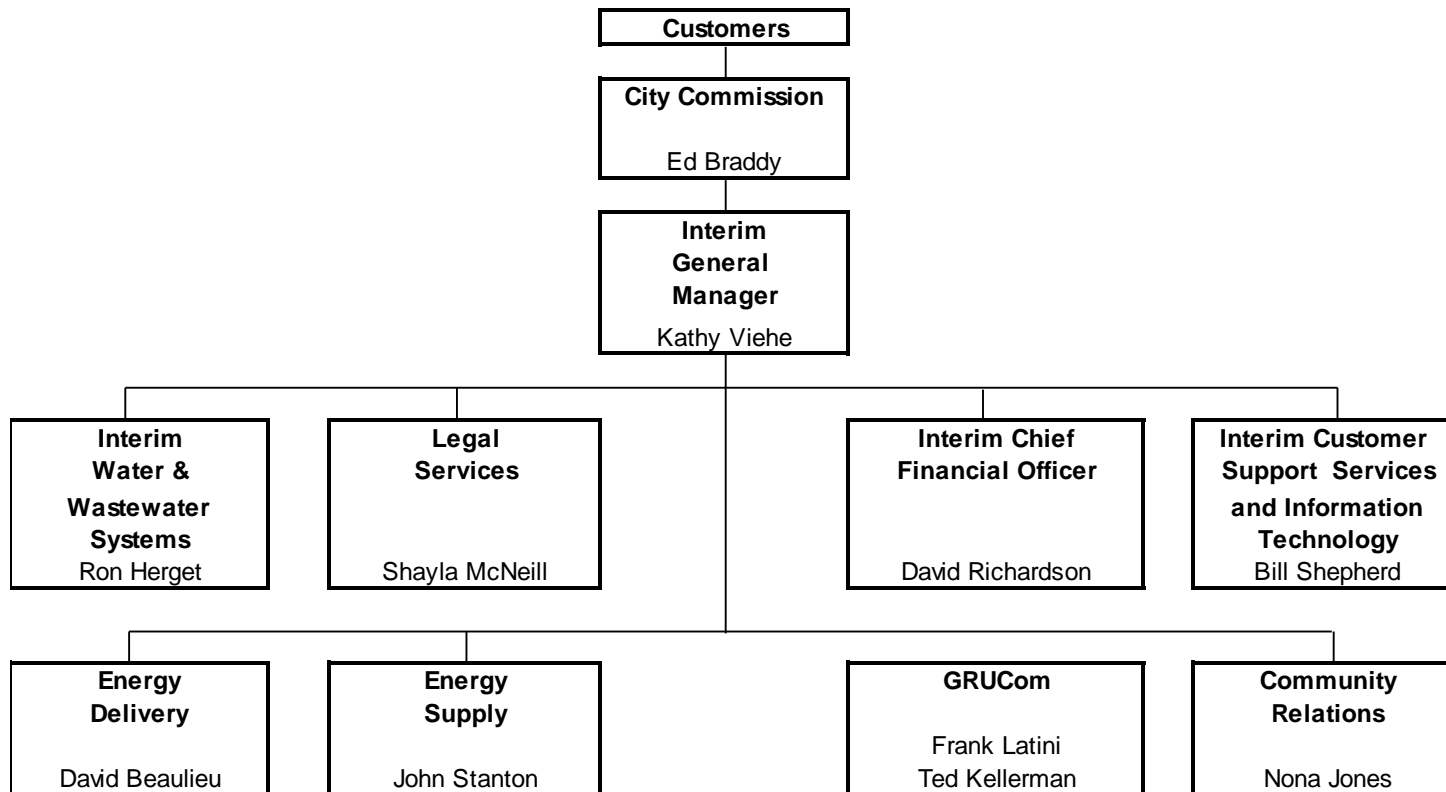
- GRU and City of Gainesville Update
- Fiscal Year 2014 Budget and Competitive Position
- Mid to Long Term Financial Outlook: Integrating Biomass Resource
- Financial Risk Management and Metrics
- Summary

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# **GRU and City of Gainesville Update**

# The Management Team has Extensive GRU and Utility Experience

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# Management Updates

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## CFO Search

- National search being conducted by Mycoff, Fry & Prouse LLC
- Short list developed and interviews will begin this month

## General Manager Search

- Selection criteria to be developed by City Commission

# Gainesville Regional Utilities

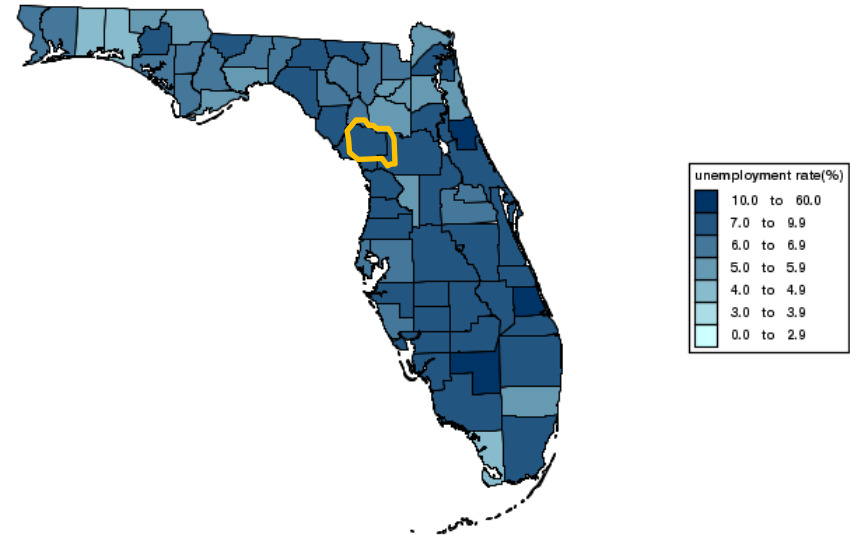
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- Municipally owned and operated
- Population of 124,391 (April 2013) for the City of Gainesville
- Stable economic base consisting of health care, education, light industrial, and commercial
- Diversified customer and revenue base
- Celebrating 100 years of providing electric service to the community

# Gainesville Has Weathered Economic Downturn Better Than Florida

- A stable economic environment and a bright spot for Florida jobs
- Gainesville's August unemployment rate was the lowest of the 17 Florida metro areas:

Unemployment rates by county, not seasonally adjusted, Florida August 2013



August 2013 Unemployment Rates	
Metro Areas	Rate
Gainesville, FL	5.40%
Tallahassee, FL	6.10%
Panama City-Lynn Haven, FL	6.30%
Pensacola-Ferry Pass-Brent, FL	6.50%
Orlando-Kissimmee, FL	6.60%
Jacksonville, FL	6.70%
Tampa-St. Petersburg-Clearwater, FL	7.00%
Punta Gorda, FL	7.10%
Deltona-Daytona Beach-Ormond Beach, FL	7.10%
Cape Coral-Fort Myers, FL	7.20%
Miami-Fort Lauderdale-Miami Beach, FL	7.30%
Naples-Marco Island, FL	7.40%
Palm Bay-Melbourne-Titusville, FL	7.50%
Ocala, FL	7.90%
Lakeland, FL	8.40%
Port St. Lucie-Fort Pierce, FL	9.20%
Sebastian-Vero Beach, FL	9.40%
Overall State of Florida	7.00%

- Gainesville unemployment is significantly lower than the Florida and U.S. unemployment rates.

# Stable Employment Composition

## Major Employers in the Gainesville Area

Name	Product/Service	Employees
University of Florida	Education	14,723
Shands Hospital/UF Health	Healthcare	12,588
Veterans Affairs Medical Center	Healthcare	4,317
Alachua County School Board	Public Education	4,299
City of Gainesville	City Government	2,200
Publix Supermarkets	Grocery	2,056
North Florida Regional Medical Center	Healthcare	1,700
Nationwide Insurance Company	Insurance	1,300
Alachua County	Government	1,120
Santa Fe College	Education	796

Source: Gainesville Council for Economic Outreach



# Strong Economic Composition

## Produces Positive Economic Trends

Category	Gainesville	Florida	U.S.
<b>Unemployment Rate</b> <sup>1</sup> August 2013	✓ 5.4%	7.0%	7.3%
<b>GDP Growth (annual)</b> <sup>2</sup> 2001-2012	✓ 4.4%	4.0%	3.9%
<b>Population Change</b> <sup>3</sup> 2000 census to 2012 (est)	✓ 34.5%	20.9%	11.1%
<b>Education</b> <sup>3</sup> % with bachelor's degree or higher 2010	✓ 43.4%	26.0%	28.2%
<b>% Personal Income from Health and Education</b> <sup>2</sup> 2012	✓ 12.9%	8.6%	10.0%
<b>% Labor force in Health and Education</b> <sup>2</sup> 2012	✓ 15.6%	13.1%	14.7%
<b>Personal Income Growth (annual)</b> <sup>2</sup> 2000-2010	✓ 4.8%	4.5%	3.7%

<sup>1</sup>. Source: Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov)

<sup>2</sup>. Source: Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov)

<sup>3</sup>. Source: US Census Bureau, <http://quickfacts.census.gov>

# Gainesville: An Innovation Economy

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- Recognized for fostering an innovative and creative business environment
  - No. 1 State for Innovation (Fast Company; May 2013)
  - No. 10 State for Starting a Business (Entrepreneur; April 2013)
  - World's Best University Biotechnology Incubator (UBI Research Group; July 2013)
- Innovation Gainesville is a community-wide initiative created to transform our local economy and become a leader in emerging technological fields
  - Named the Top Tech City in Florida
  - National Hub for Green and Health technologies
- Innovation Energy Center (serving UF Innovation Square)
  - Providing chilled water, emergency generation, data communications and reclaimed water
- MindTree Limited expanded to Gainesville
  - 400 new jobs over the next five years
  - \$2.925 million capital investment
- Mobiquity, a leading professional services firm, selected Gainesville to expand
  - 260 jobs over the next three years
- Butler Plaza expansion will offer additional 725,000 square feet of retail space
- UF Health (Shands) new tower to house cardiovascular and neuromedicine hospitals
  - 2018 Completion Date
  - 700 new jobs
  - \$400 million investment
- GRU proposing new Economic development rate rider to retain and attract business

# GRU Benefits from a Stable Governmental Framework

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- Role of the City Commission
  - Set policy
  - Determine strategic direction
  - Provide political assistance
  - Fiduciary
- Open dialogue with City Commission
- Governance
  - Chamber of Commerce recommends independent authority
  - Potential state legislative initiative

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# **FY 2014 Budget Results**

# Rate Setting Approval Process

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- Utility staff recommends budget and rates in July
- Budget hearings are held
- Rates are approved in September
- Rates could be changed in as little as one month under emergency conditions

# FY14 Budget Goals

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- Hold first year rate impact from new generation to \$0.01 per kWh, or 8 percent
- Maintain reliability in all systems
- Deliver excellent service to customers
- Ensure safety of employees and customers
- Manage environmental and regulatory issues
- Offer energy and cost savings advice to customers
- Maintain financial strength

# Cost Savings

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- OPEB Expense Reductions
  - Debt retired in 2014
  - \$3.7M savings per year beginning in 2015
- Pension Expense Reductions
  - Retirement benefits restructured
  - \$1.5M savings per year
- Departmental Cost Reductions
  - 55 Vacant positions not budgeted and/or filled
  - O&M Cuts of \$10.8M
- General Fund Transfer
  - General Government's position is lower than current GFT with lower growth rate in future, providing rate relief

# City Commission Policy Direction

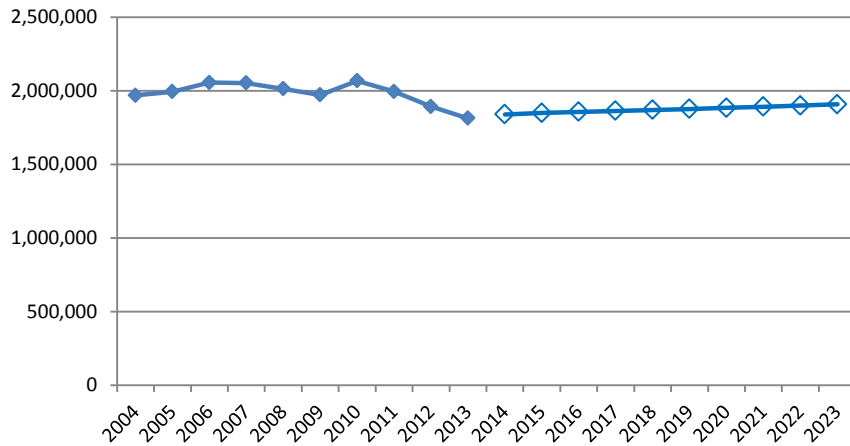
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- Demand Side Management (since 2006)
  - Energy Savings 131,617 MWh
  - Demand Savings 26.1 MW
  - Levelized Cost \$14.64/MWh
- Renewables
  - Landfill Gas 3.8 MW
  - Solar Photovoltaic 16 MW
  - Biomass (projected 2014) 102.5 MW

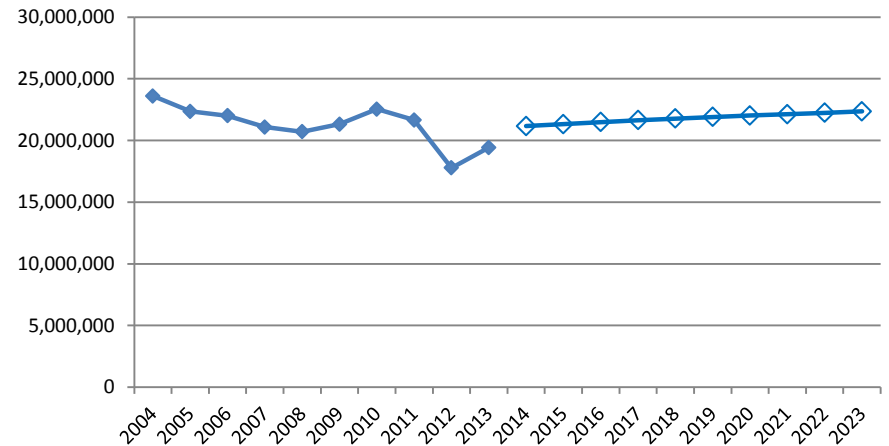


# Sales History and 2014 Forecast

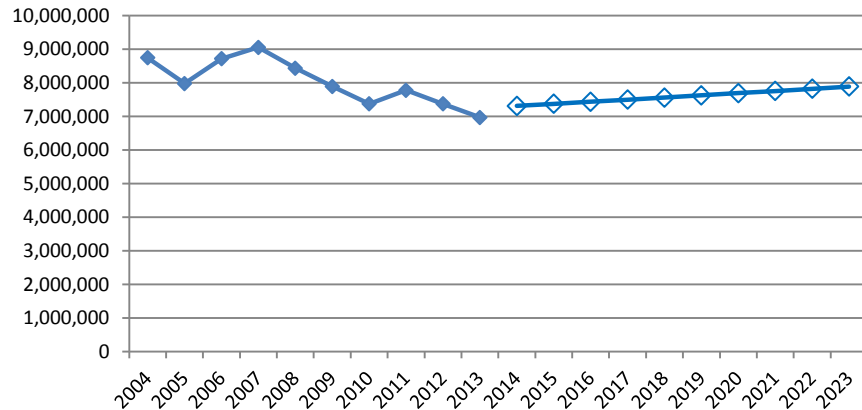
Electric Sales (MWh)



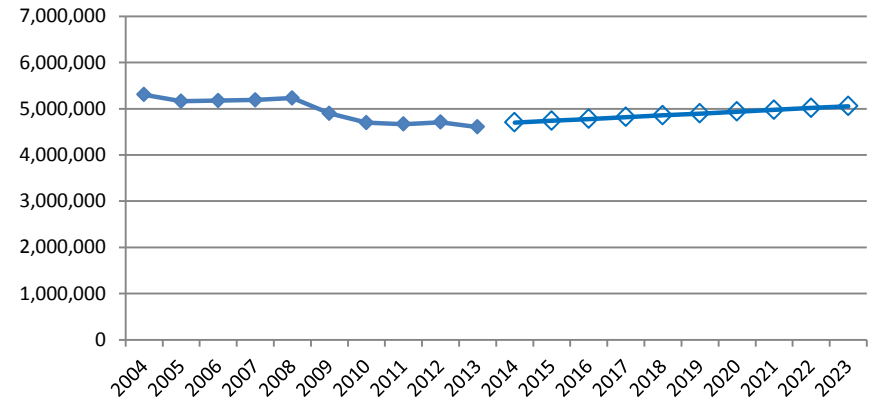
Natural Gas Sales (Therms)



Water Sales (Thousand Gallons)



Wastewater Billings (Thousand Gallons)



# A Highly Rated Diverse System with a Stable Customer Base

Customer Category	Number of Customers	FY2013	Percent of Total Revenue	Historical	Forecast
		Sales Revenues (\$000) <sup>a</sup>		Base Rate Revenue Growth Rate FY2004-FY2013 <sup>d</sup>	Base Rate Revenue Growth Rate FY2014 - FY2023 <sup>c,d</sup>
Total Electric	92,907	\$146,793	60.4%	6.0%	0.5%
Natural Gas	33,465	\$14,262	5.9%	5.1%	0.7%
Water	69,847	\$32,658	13.4%	9.9%	1.0%
Wastewater	63,001	\$38,728	15.9%	9.6%	0.9%
GRUCom	7,075 <sup>b</sup>	\$10,416	4.3%	3.7%	9.6%
<b>TOTAL</b>		<b>\$242,857</b>	<b>100.0%</b>		

a. Excludes Fuel Adjustments and Embedded Fuel Costs

b. Includes Telecomm, Internet, Tower Space Leasing, and Trunking Radio Services

c. GRUCom Revenue Forecast Horizon spans FY2014-FY2020.

d. Reflects growth in customers and unit sales at 2014 prices.

# Electric Customer 1,000 kWh Change

## June 2012 Presentation

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase	Total Bill Increase
2013	0.00%	0.00%	0.00%
2014	-3.50%	31.37%	8.22%
2015	-7.50%	5.97%	2.17%
2016	2.00%	5.63%	2.48%
2017	2.00%	1.33%	1.38%
2018	2.00%	1.32%	1.59%
2019	2.00%	0.00%	1.17%
2020	2.00%	0.00%	0.66%

## December 2013 Presentation

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase	Total Bill Increase	
2014	-5.60%	39.00%	10.60%	Approved
2015	-1.65%	17.00%	7.00%	Projected
2016	2.75%	3.60%	2.50%	
2017	2.75%	1.20%	1.80%	
2018	2.75%	0.00%	1.30%	
2019	2.75%	0.00%	1.10%	
2020	2.75%	0.00%	1.10%	

Note: Base Rate Revenue Increases represent an increase on the total base rate revenue, and does not translate directly into an overall bill increase due to the different tiers and fuel

# Gas Price Change Projections<sup>1</sup>

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase <sup>2</sup>	Total Bill Increase	
2014	0.85%	0.00%	0.61%	Approved
2015	0.85%	7.50%	1.10%	Projected
2016	0.85%	6.98%	2.62%	
2017	0.85%	4.35%	3.61%	
2018	0.85%	4.17%	1.90%	
2019	0.85%	4.00%	1.81%	
2020	0.85%	3.85%	2.68%	

1. Base Rate Revenue Increases represent an increase on the total base rate revenue, and does not translate directly into an overall bill increase due to the combination of base and fuel components.
2. Escalation based on EIA gas estimates

# Water/Wastewater Price Change Projections

	Water		Wastewater		
	Percentage Base Rate Revenue Increase	Total Bill Increase	Percentage Base Rate Revenue Increase	Total Bill Increase	
2014	3.85%	10.2%	5.25%	1.7%	Approved
2015	3.85%	2.1%	5.25%	4.6%	Projected
2016	3.85%	3.1%	5.25%	4.3%	
2017	3.85%	3.9%	5.25%	4.2%	
2018	3.85%	3.6%	5.25%	3.4%	
2019	3.85%	4.7%	5.25%	3.1%	
2020	3.85%	4.8%	5.25%	3.7%	

Note: Base Rate Revenue Increases represent an increase on the total base rate revenue, and does not translate directly into an overall bill increase due to the rate components/tiers.

# FY14 Enacted Residential Rates

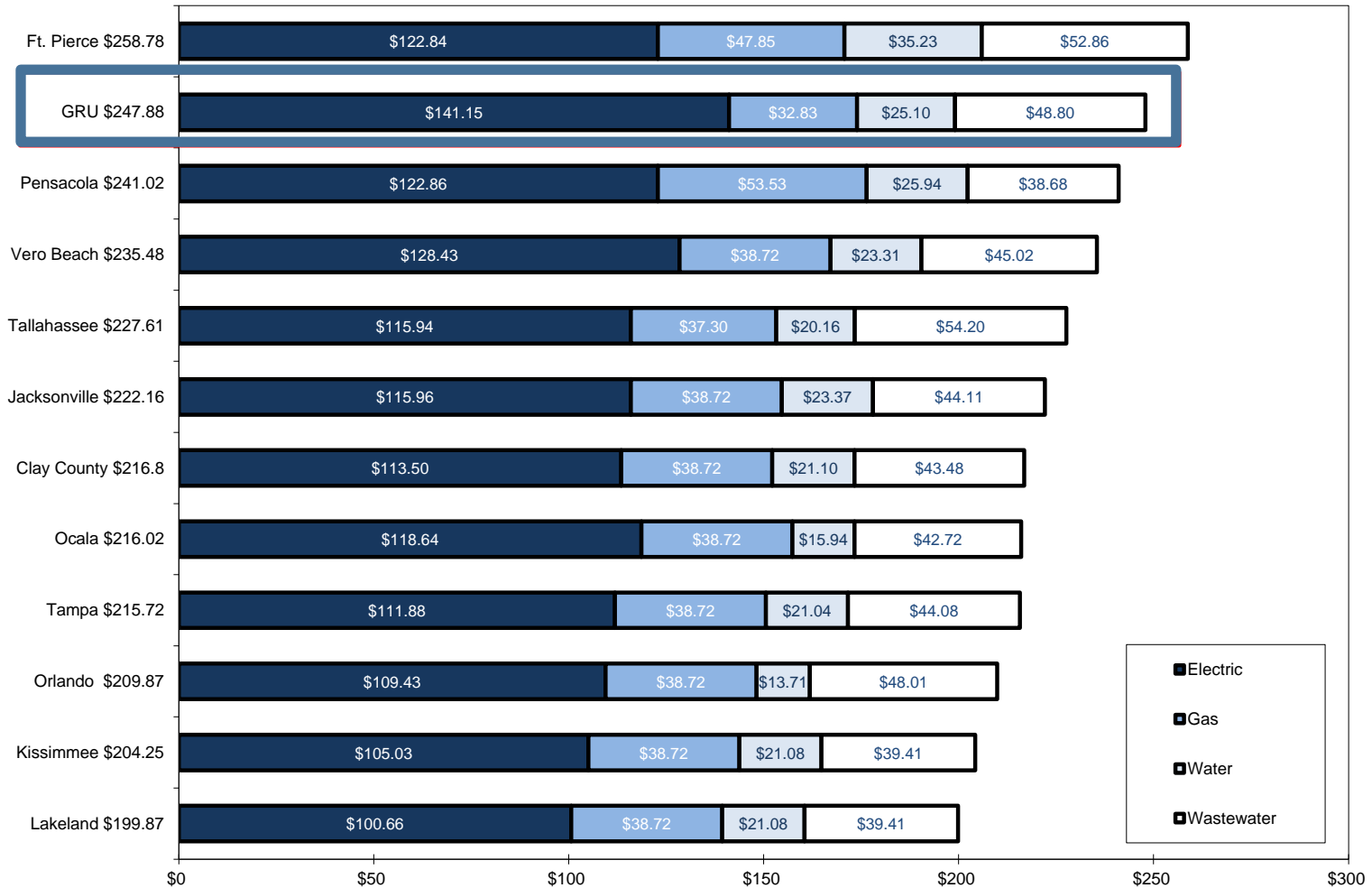
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<b>System</b>	<b>Unit</b>	<b>2014 Bill*</b>
Electricity	1000 kWh	\$141.15
Natural Gas	25 therms	\$32.83
Water	7,000 gallons	\$26.55
Wastewater	7,000 gallons	\$48.80
<b>Total</b>		<b>\$249.33</b>

\*Electricity based on the \$0.071/kwh fuel adjustment to become effective December 1, 2013

Natural Gas based on the \$0.40/therm purchased gas adjustment to become effective October 1, 2012

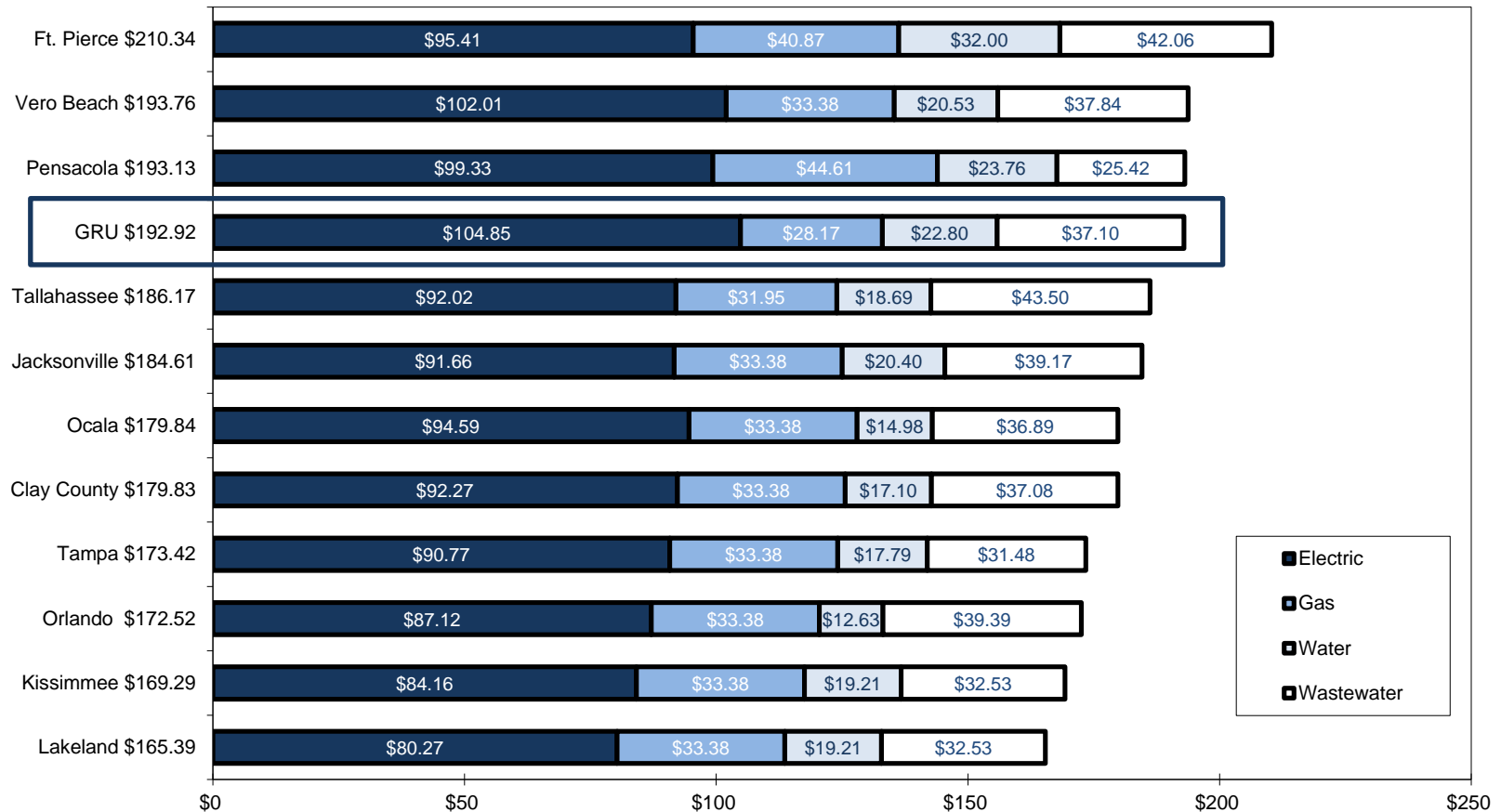
# Residential Basket of Services Standard Usage - Rates Effective 12/1/13



NOTE: Basket of services based on consumption of 1,000kWh/25 therms/7kgal/7gal of electric, gas, water/wastewater service, respectively. Pensacola and Tampa electric rates include a 6% franchise fee paid by all customers served by IOUs.

# GRU Customers Use Less in the Residential Basket of Services

Based on Rates Effective December 1, 2013 and GRU 2013 Average Use



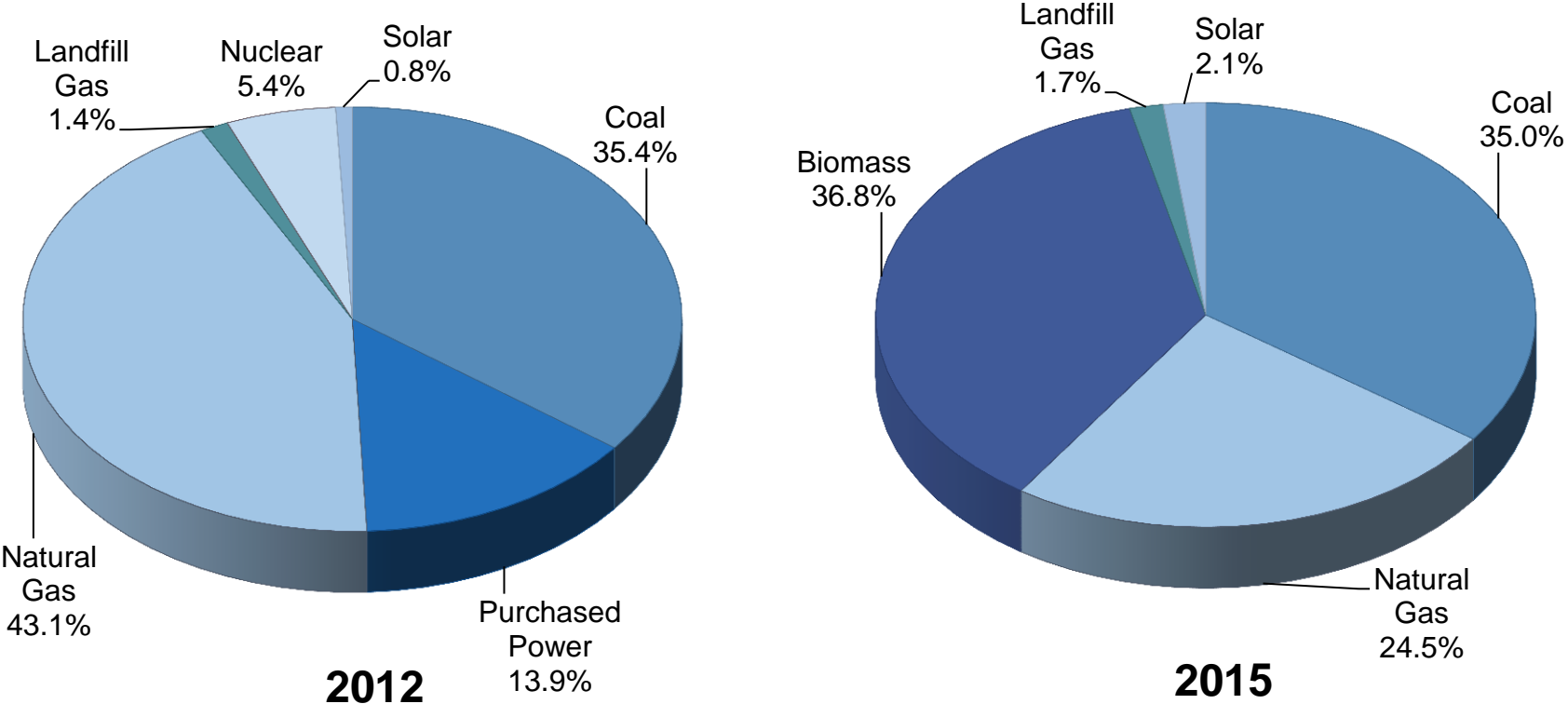
NOTE: Basket of services based on consumption of 780 kWh/20 therms/6kgal /5gal of electric, gas, water, wastewater service, respectively. Pensacola and Tampa electric rates include a 6% franchise fee paid by all customers served by IOUs.



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# **Mid to Long Term Financial Outlook: Integrating Biomass Resource**

# Increase Fuel Diversity: Portfolio Strategies Reduce Risk



Source: Schedule 6.1 (Energy Sources) – GRU 2013 Ten-Year Site Plan

# Diversified Fuel Sources: Existing Generating Facilities

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<u>Plant / Unit</u>	<u>Primary Fuel</u>	<u>Alternate Fuel</u>	<u>Net Summer Capability (MW)</u>	<u>Year In-Service</u>
J.R. Kelly Station				
Steam Unit 8	Waste Heat	—	37.0	1965/2001
Combustion Turbine 4	Natural Gas	Distillate Fuel Oil	<u>75.0</u>	2001
			112.0	
Deerhaven Generating Station				
Steam Unit 2	Bituminous Coal	—	232.0	1981
Steam Unit 1	Natural Gas	Residual Fuel Oil	75.0	1972
Combustion Turbine 3	Natural Gas	Distillate Fuel Oil	75.0	1996
Combustion Turbine 2	Natural Gas	Distillate Fuel Oil	17.5	1976
Combustion Turbine 1	Natural Gas	Distillate Fuel Oil	<u>17.5</u>	1976
			417.0	
South Energy Center				
SEC-1	Natural Gas	—	4.1	2009
System Total			533.1	

# Actual and Planned Hedging Activities

## Lock In Low Cost Gas

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- The GRU Risk Oversight Committee (ROC), a senior management level committee has ultimate responsibility for oversight and active, ongoing management of the GRU Hedging Program.
- GRU, as a member of The Energy Authority, accesses and regularly consults with gas market/trading consultants not normally available within municipal utilities.
- TEA monitors markets for pricing changes/trends in futures/option prices, monitors GRU's existing portfolio for unhedged risk, and develops recommendations to manage the GRU portfolio on an ongoing basis by adding or liquidating positions.
- GRU also employs the service of a non-affiliated, commercial natural gas brokerage and consulting firm for market analysis and hedging recommendations.
- TEA and GRU primarily seek to control volatility in pricing, establish ceilings or caps on prices while maintaining the flexibility to float down.
- To this end, GRU and TEA utilize a suite of tools including a Bollinger Band trading system to identify market lows on strip prices or changes in trends, seasonal price analysis and price forecasts.
- All recommendations are presented to and approved by the Risk Oversight Committee which ultimately approves or rejects changes in GRU's portfolio.

# Managing Uncertainty in the Regulatory Environment

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- EPA CSAPR was vacated by the U.S. Court of Appeals for the D.C. Circuit
- GRU expects to be able to meet the MATS standards by using the air pollution controls installed in 2009 on Deerhaven 2
- Current discussions support that GREC's energy will be treated as carbon neutral
- Uncertainty remains around potential federal regulation, especially with regard the President's Climate Action Plan
- GRU has been preparing for further regulation through:
  - Demand Side Management
  - Renewables:
    - Solar
    - Biomass
    - Landfill Gas to Energy

# GREC

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- Facility Description
  - 102.5 MW (net) at Deerhaven Plant (land lease)
  - 30 Year PPA, 30 year fixed price per MWh (except fuel)
  - Pay for performance, no fixed \$/kW-month
  - Meets stringent EPA Industrial Boiler Maximum Achievable Technology standards
- Project constructed and operable
- Benefits
  - Lowest dispatch order of merit after natural gas
  - 70% of next 12 month's wood fuel volume currently under contract
  - Aids portfolio in meeting capacity requirements through 2031
  - Hedges carbon and renewable portfolio standard costs

# GREC Project Status and Timeline

June	2010	FPSC Certified Need
July	2010	FDEP Recommended Site Certification
July	2010	Site Certification Appealed to Florida Supreme Court
July	2010	FDEP Issued NOI to Issue PSD Air Permit
September	2010	Administrative Hearings in Response to Intervention of Site Cert. and PSD Actions
December	2010	Governor and Cabinet Ruled in Favor of Site Certification
February	2011	All Intervention Issues Settled, All Permits and Development Orders Obtained
March	2011	Construction Commenced
June	2011	Financing Closed
<b>June</b>	<b>2013</b>	<b>First Test Burn</b>
<b>December</b>	<b>2013</b>	<b>Commence Commercial Operation</b>

# Risk Management Through GREC Billing and PPA

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- Key features of the GREC Power Purchase Agreement (PPA)
  - No fixed payments until plant is deemed Commercially Operational
  - All payments are on a cost per MWh, except property taxes
  - Property taxes a pass through, but prorated based on plant availability factor
  - Non-fuel prices set at execution, indexed to date when construction commenced
  - Seasonal availability requirements with liquidated damages
  - GRU has dispatch control over GREC within contract requirements
- If GREC is unavailable generate and produce power, GRU doesn't pay



# Risk Management Through GREC Billing and PPA

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## Fixed Costs (Beginning at COD) (a)

– Non-fuel energy charge	\$56.15	30 years fixed
– Fixed operation and maintenance	<u>23.00</u>	30 years fixed
Subtotal	\$79.15	

## Variable Costs (November Actuals)

– Variable operation and maintenance	\$ 3.42	Indexed to CPI
– Energy charge (guaranteed heat rate)	<u>35.45</u>	Actual cost adj. for risk
Subtotal	\$ 38.87	

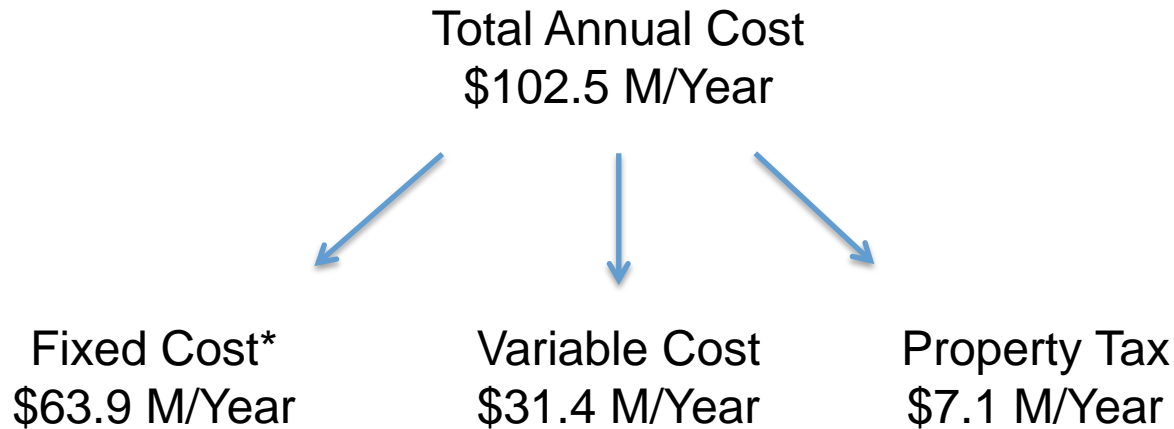
Property Taxes	8.88	(estimated)
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Total	<u>\$126.90</u>	Equals \$102.5M/year
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(a) Billed based on available energy

# Let's Translate \$/MWh to Annual Costs

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Fixed Cost =  $\$79.15/\text{MWh} \times .90 \text{ CF} \times 102.5\text{MW} \times 8760 \text{ hours/Year} = \$63,961,907/\text{Year}$   
Variable Cost =  $\$38.87/\text{MWh} \times .90 \text{ CF} \times 102.5\text{MW} \times 8760 \text{ hours/Year} = \$31,411,236/\text{Year}$   
Property Taxes =  $\$8.88/\text{MWh} \times .90 \text{ CF} \times 102.5\text{MW} \times 8760 \text{ hours/Year} = \$7,176,017/\text{Year}$   
Total Cost =  $\$126.90/\text{MWh} \times .90 \text{ CF} \times 102.5\text{MW} \times 8760 \text{ hours/Year} = \$102,549,159/\text{Year}$

\* If GREC is available and capable of 102.5 MW 90% of the time (.90 CF)

# Adapting to the Changing Landscape

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- A target of an additional \$10.56 per 1,000 kWh was established as being an expected bill impact from the biomass unit coming online
- City Commission recognized that a higher increase of \$13.48 was best for the fiscal health of the utility and approved GRU staff's proposed budget
- A number of factors have changed since the target was established in 2009
  - Natural gas fuel price continues to be below original estimates, affecting our ability to successfully market biomass output
  - Carbon regulation has stalled, creating less of a demand for renewable energy
  - Slight or no growth in consumption across the state resulted in limited interchange or wholesale power sale opportunities
  - Unlikely to sell output of the plant at the contract price
  - Renewable Portfolio Standards or Clean Energy Standards have yet to be implemented by State and/or Federal but still in discussion

# Price Mitigation

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- Changing projections require a proactive approach to determining impact of these changes on our financial condition, and to our customers
- Financial projections for FY 2014 budget were developed based on the following:
  - 1,000 kWh residential customer bill increases more than anticipated
  - Successful financial restructuring occurred in CY 2012
  - Savings/cost reimbursement from power sales or assignments of \$10 million annually previously assumed was removed from projections
  - Reduced use of UPIF for electric debt service in 2014 from \$20M to \$8.5M
  - Reduced use of UPIF for system debt service over 2014-2020 from \$67M to \$14.4M
- Any additional off system sales, assignments, or favorable policy decision changes will produce more favorable results

# Electric Customer 1,000 kWh Change

## June 2012 Presentation

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase	Total Bill Increase
2013	0.00%	0.00%	0.00%
2014	-3.50%	31.37%	8.22%
2015	-7.50%	5.97%	2.17%
2016	2.00%	5.63%	2.48%
2017	2.00%	1.33%	1.38%
2018	2.00%	1.32%	1.59%
2019	2.00%	0.00%	1.17%
2020	2.00%	0.00%	0.66%

## December 2013 Presentation

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase	Total Bill Increase	
2014	-5.60%	39.00%	10.60%	Approved
2015	-1.65%	17.00%	7.00%	Projected
2016	2.75%	3.60%	2.50%	
2017	2.75%	1.20%	1.80%	
2018	2.75%	0.00%	1.30%	
2019	2.75%	0.00%	1.10%	
2020	2.75%	0.00%	1.10%	

Note: Base Rate Revenue Increases represent an increase on the total base rate revenue, and does not translate directly into an overall bill increase due to the different tiers and fuel

# Total Residential Bill Projected Change

## June 2012 Presentation

	2013	2014	2015	2016	2017	2018	2019
Electric	\$ -	\$10.50	\$3.00	\$3.50	\$2.00	\$2.33	\$1.75
Gas	(\$1.73)	\$0.50	\$1.12	\$1.15	\$1.19	\$1.42	\$1.38
Water	\$1.10	\$0.80	\$0.70	\$0.70	\$0.55	\$0.70	\$0.60
Wastewater	\$2.10	\$0.85	\$1.05	\$1.40	\$1.80	\$2.00	\$1.95
Total	\$1.47	\$12.65	\$5.87	\$6.75	\$5.54	\$6.45	\$5.68

## December 2013 Presentation

	2014	2015	2016	2017	2018	2019	2020
Electric	\$13.48	\$9.85	\$3.75	\$2.75	\$2.00	\$1.75	\$1.75
Gas	\$0.20	\$0.36	\$0.87	\$1.23	\$0.67	\$0.65	\$0.98
Water	\$2.45	\$0.55	\$0.85	\$1.10	\$1.05	\$1.40	\$1.50
Wastewater	\$0.80	\$2.25	\$2.20	\$2.25	\$1.90	\$1.80	\$2.20
Total	\$16.93	\$13.01	\$7.67	\$7.33	\$5.62	\$5.60	\$6.43

Based on 1,000 kWh electricity, 25 therms natural gas, 7,000 gallons water and 7,000 gallons wastewater.

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# **Financial Risk Management and Metrics**

# Financial Risk Management:

## Cash Liquidity Targets

Source of Risk	FY 2014 Estimated Cash at Risk					Liquidity Targets
	Electric	Gas	Water	Wastewater	GRUCom	
Revenue CaFR <sub>97.5</sub> <sup>1</sup>	\$4,969,622	\$1,241,216	\$1,792,740	\$1,231,845	\$490,463	\$9,725,886
<b>Catastrophic Events</b>						
Uninsured (Property Loss) Exposure <sup>2</sup>	6,099,260	1,107,120	1,977,113	2,310,383	933,978	12,427,854
Fixed Non-Fuel O&M (60 Days) <sup>3</sup>	24,912,896	2,328,913	5,880,916	6,748,748	2,235,247	42,106,720
Construction Risk (5%) <sup>4</sup>	1,877,244	239,876	507,510	769,695	237,568	3,631,893
Contingent Financial Liabilities <sup>5</sup>	4,892,501	1,554,102	516,585	1,289,167	124,125	8,376,480
<b>Totals</b>	<b>\$42,751,523</b>	<b>\$6,471,227</b>	<b>\$10,674,864</b>	<b>\$12,349,838</b>	<b>\$4,021,381</b>	<b>\$76,268,833</b>

1. Cash Flow at Risk at a 97.5% Confidence Level or only a 2.5% chance that the sales shortfalls will be greater than the reserved amount

2. A percentage of the value of self insured distributed assets plus the deductible applicable to insured assets

3. Sixty days of average annual non-fuel operating expenses

4. Five percent of expected annual capital expenses

5. A portion of swap termination payment risk



# Financial Risk Management: Strong Liquidity Position Exceeds Targets

## Fiscal Years Beginning October 1 (In Thousands)

	2014	2015	2016	2017	2018	2019	2020
Liquidity Targets	\$ 76,268,834	\$ 78,412,711	\$ 78,881,154	\$ 79,925,126	\$ 81,928,114	\$ 80,950,793	\$ 82,270,225
Source of Funds:							
Rate Stabilization	\$ 69,344,756	\$ 66,273,845	\$ 62,293,334	\$ 59,167,263	\$ 58,705,666	\$ 65,414,412	\$ 83,441,302
UPIF for Reserves	\$ 16,044,633	\$ 16,059,748	\$ 16,398,373	\$ 15,370,112	\$ 15,667,302	\$ 17,526,215	\$ 17,088,775
Working Capital Reserve	\$ 18,585,157	\$ 22,150,157	\$ 25,715,157	\$ 29,280,157	\$ 32,885,157	\$ 36,490,157	\$ 40,095,157
Total Reserves	\$ 103,974,546	\$ 104,483,750	\$ 104,406,864	\$ 103,817,532	\$ 107,258,125	\$ 119,430,784	\$ 140,625,234
TECP/TCP Lines	\$ 48,000,000	\$ 48,000,000	\$ 48,000,000	\$ 48,000,000	\$ 48,000,000	\$ 48,000,000	\$ 48,000,000
Total Liquidity & Lines	\$ 151,974,546	\$ 152,483,750	\$ 152,406,864	\$ 151,817,532	\$ 155,258,125	\$ 167,430,784	\$ 188,625,234
Over/(Under) Relative to Target	\$ 75,705,712	\$ 74,071,039	\$ 73,525,710	\$ 71,892,406	\$ 73,330,011	\$ 86,479,991	\$ 106,355,009

# Financial Risk Management: Continued Equity Funding of Capital Program

## Capital Improvement Program Sources and Uses

Dollars in Thousands

	2013	2014	2015	2016	2017	2018	2019	2020	Total
<b>Cash Balance October 1,</b>	\$ 100,002	\$ 39,884	\$ 27,508	\$ 4,886	\$ 11,391	\$ 5,004	\$ 29,803	\$ 18,009	
<b>Source of Funds:</b>									
Bond Financing	-	\$ 8,813	-	\$ 34,970	-	\$ 31,534	-	-	\$ 75,318
UPIF	\$ 29,359	\$ 55,654	\$ 49,896	\$ 46,831	\$ 42,270	\$ 43,044	\$ 69,159	\$ 52,293	\$ 388,505
Interest Earnings	\$ 395	\$ 543	\$ 119	\$ (157)	\$ 146	\$ 427	\$ 525	\$ 89	\$ 2,086
<b>Total Sources*</b>	\$ 29,754	\$ 65,009	\$ 50,015	\$ 81,644	\$ 42,416	\$ 75,006	\$ 69,684	\$ 52,381	\$ 465,909
<b>Use of Funds:</b>									
<b>Construction Projects:</b>									
Electric	\$ 41,607	\$ 36,510	\$ 37,545	\$ 49,007	\$ 26,330	\$ 27,122	\$ 39,593	\$ 36,997	\$ 294,710
Gas	\$ 3,547	\$ 6,453	\$ 4,798	\$ 5,248	\$ 5,248	\$ 5,522	\$ 5,563	\$ 5,434	\$ 41,812
Water	\$ 11,174	\$ 10,608	\$ 10,150	\$ 7,636	\$ 6,234	\$ 5,540	\$ 11,075	\$ 8,371	\$ 70,788
Wastewater	\$ 26,462	\$ 17,778	\$ 15,394	\$ 7,622	\$ 5,882	\$ 6,093	\$ 19,751	\$ 11,277	\$ 110,259
GRUCom	\$ 7,081	\$ 5,861	\$ 4,751	\$ 4,926	\$ 5,109	\$ 5,298	\$ 5,496	\$ 5,270	\$ 43,793
Total Construction	\$ 89,871	\$ 77,209	\$ 72,638	\$ 74,439	\$ 48,803	\$ 49,575	\$ 81,478	\$ 67,348	\$ 561,363
Issuance Costs		\$ 176		\$ 699		\$ 631			\$ 1,506
<b>Total Uses*</b>	\$ 89,871	\$ 77,385	\$ 72,638	\$ 75,138	\$ 48,803	\$ 50,206	\$ 81,478	\$ 67,348	\$ 562,869
<b>Cash Balance, September 30,</b>	\$ 39,884	\$ 27,508	\$ 4,886	\$ 11,391	\$ 5,004	\$ 29,803	\$ 18,009	\$ 3,042	

# Projected Change in Key Metrics

## June 2012 Presentation

	2012	2013	2014	2015	2016	2017	2018	2019
<b>Forward Looking Case:</b>								
Total Debt Service Coverage	1.95	2.05	1.81	1.82	1.78	1.77	1.7	1.78
Total Debt Service Coverage Net of UPIF	1.95	2.05	2.54	2.55	2.00	1.95	1.86	1.84
Fixed Charge Coverage	1.48	1.52	1.27	1.28	1.29	1.25	1.21	1.28
Fixed Charge Coverage Net of UPIF	1.48	1.52	1.78	1.79	1.45	1.38	1.32	1.32

## December 2013 Presentation

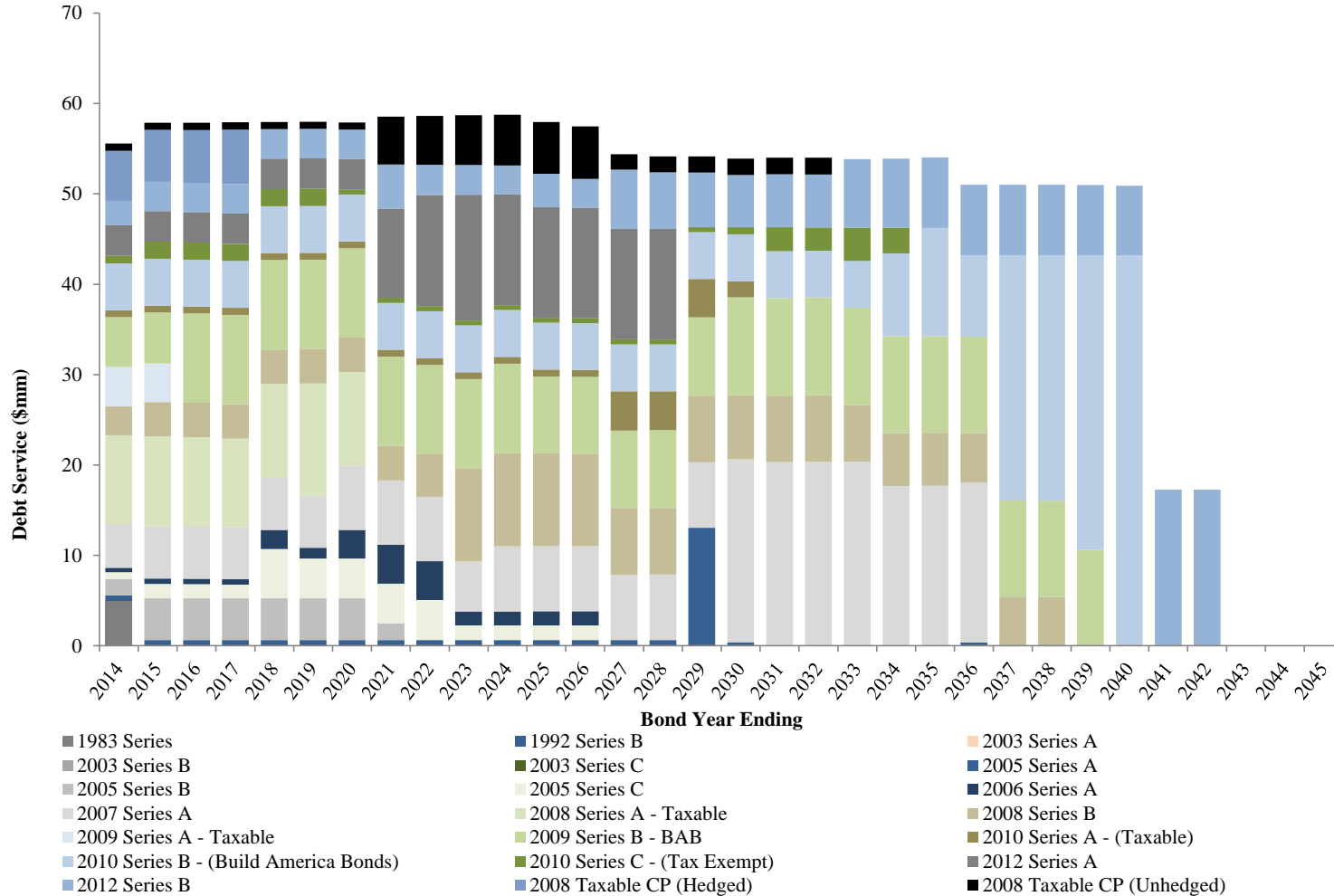
	2013	2014	2015	2016	2017	2018	2019	2020
<b>Forward Looking Case:</b>								
Total Debt Service Coverage	2.53	2.67	2.89	2.91	2.98	2.97	2.97	2.99
Total Debt Service Coverage Net of UPIF	2.53	3.30	2.97	2.98	3.02	3.00	3.00	3.02
Fixed Charge Coverage	1.87	1.91	2.17	2.21	2.27	2.25	2.22	2.22
Fixed Charge Coverage Net of UPIF	1.87	2.35	2.22	2.27	2.29	2.28	2.25	2.25

# Projected Change in Key Metrics

	2013	2014	2015	2016	2017	2018	2019	2020
<b>Traditional Debt Service Coverage:</b>								
Net Revenues*	141,578	133,283	144,386	151,793	156,244	162,141	162,314	163,509
Debt Service	55,990	49,835	49,907	52,236	52,350	54,562	54,718	54,702
Net Revenues/Debt Service	2.53	2.67	2.89	2.91	2.98	2.97	2.97	2.99
<b>Alternative Debt Service Coverage:</b>								
Net Revenues*	141,578	133,283	144,386	151,793	156,244	162,141	162,314	163,509
Debt Service	55,990	49,835	49,907	52,236	52,350	54,562	54,718	54,702
UPIF Used to Pay Debt Service		9,400	1,300	1,300	600	600	600	600
Debt Service Net of UPIF	55,990	40,435	48,607	50,936	51,750	53,962	54,118	54,102
Net Revenues/Debt Service Net of UPIF	2.53	3.30	2.97	2.98	3.02	3.00	3.00	3.02
<b>Traditional Fixed Charge Coverage:</b>								
Net Revenues*	141,578	133,283	144,386	151,793	156,244	162,141	162,314	163,509
GFT	-36,667	-38,101	-36,316	-36,146	-37,570	-39,339	-40,678	-42,047
Net Revenues less GFT	104,911	95,182	108,070	115,647	118,674	122,802	121,636	121,462
Debt Service	55,990	49,835	49,907	52,236	52,350	54,562	54,718	54,702
(Net Revenues-GFT)/Debt Service	1.87	1.91	2.17	2.21	2.27	2.25	2.22	2.22
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(Net Revenues-GFT)/Debt Service	1.87	2.35	2.22	2.27	2.29	2.28	2.25	2.25

\*Net Revenues includes transfers from the Rate Stabilization Fund to supplement revenues. It also includes transfers to the Rate Stabilization Fund for later rate stabilization purposes.

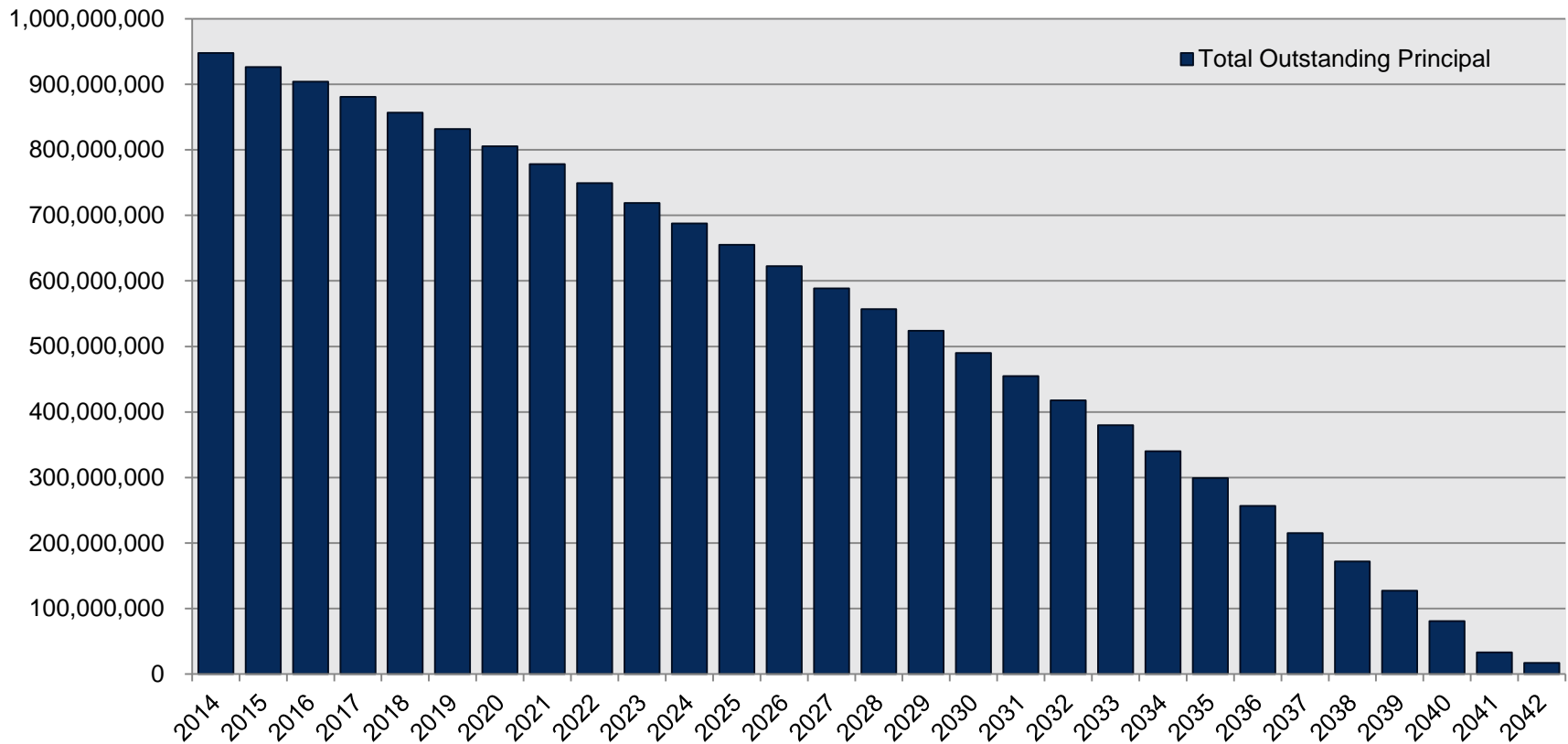
# Debt Management: Current Debt Service Structure



# Debt Management: Principal Balance Declines Steadily

Roughly 27% of presently outstanding principal amortizes in next 10 years (2014-2023), with another 36% maturing in the following 10 years (2024-2033)

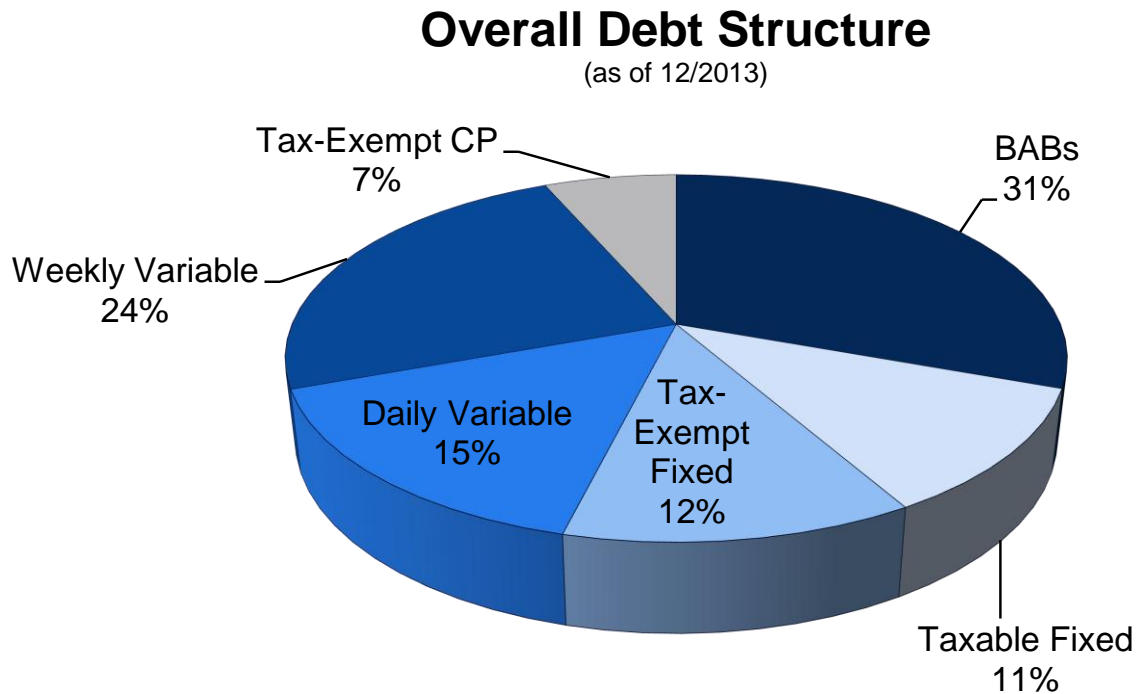
## Declining Principal Balance



# Debt Management: Low-Cost Fixed & Prudent Variable

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- GRU's overall debt structure stays rooted in a majority of fixed rate bonds



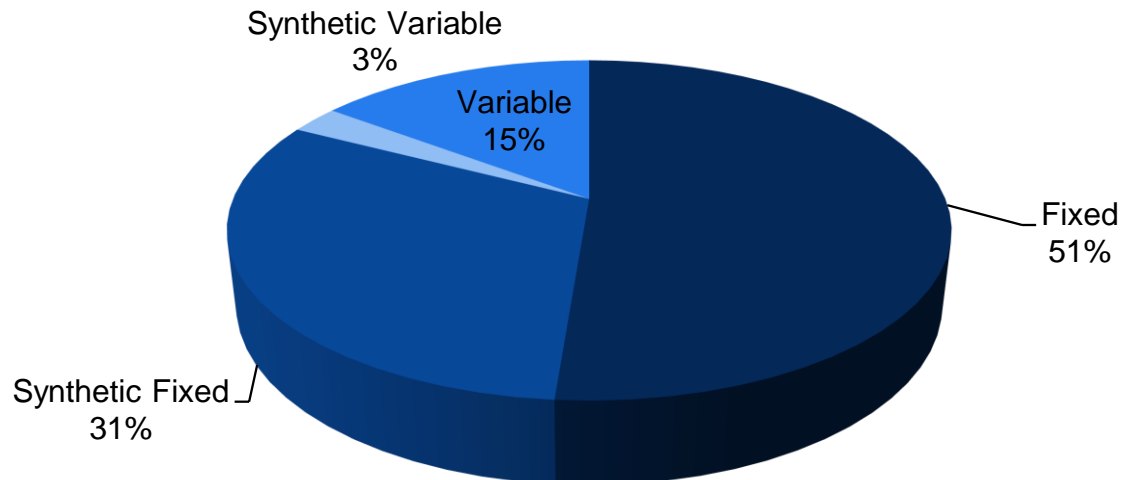
# Debt Management: Low-Cost Fixed & Prudent Variable

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- Fixed and Synthetically Fixed debt account for 82% of total debt
- Unhedged variable rate debt is less than invested balances – no net exposure
- Limited swap basis risk
  - \$389 million of swaps with SIFMA/LIBOR basis
  - 14-year average life
  - Performed and performing ahead of budget

## Net Fixed and Variable

(as of 12/2013)





# Debt Management: GRU Has Strong Counterparties and Very Favorable Bank Lines

SWAP Agreements						
Series	Through	GRU Pays		GRU Receives		Counterparty
2005 Series B	10/1/2021	Floating	SIFMA	Fixed	77.14% of 1 Mo Libor	Goldman
2005 Series C	10/1/2026	Fixed	3.20%	Floating	60.36% of 10Y LIBOR	JP Morgan
2006 Series A	10/1/2026	Fixed	3.22%	Floating	68% of 10Y LIBOR less 0.365%	Goldman
2007 Series A	10/1/2036	Fixed	3.94%	Floating	SIFMA	Goldman
2008 Series B	10/1/2038	Fixed	4.23%	Floating	SIFMA	JP Morgan
2008 Taxable CP (Hedged)	10/1/2017	Fixed	4.10%	Floating	SIFMA	Bank of America

Liquidity Facilities								
Series	Series Type	Facility	Term Date	Fee	Remarketing Agent	Par (000)	Comments	
2005 B	Taxable	<i>Swapped to VR (SIFMA)</i>					24,970	No liquidity required
2005 C	Daily VRDO	Union	12/21/2015	40 bps	JP Morgan	28,265	SBPA	
2006 A	Daily VRDO	Union	12/21/2015	40 bps	Goldman	18,410	SBPA	
2007 A*	Weekly VRDO	State Street	3/1/2014	9 bps	JP Morgan	137,875	SBPA	
2008 B*	Weekly VRDO	BofNY	5/9/2014	45 bps	Goldman	90,000	SBPA	
2008 CP (Tax-Exempt - Hedged)	Tax-Exempt CP	BLB	11/30/2015	16 bps	Goldman	22,000	LOC	
2008 CP (Tax-Exempt - Unhedged)	Tax-Exempt CP	BLB	11/30/2015	16 bps	Goldman	40,000	LOC	
2012 B	Daily VRDO	JP Morgan	12/31/2014	50 bps	JP Morgan	100,470	SBPA	
Taxable Commerical Paper	Taxable CP	Suntrust	9/11/2014	50 bps	Goldman	25,000	LOC	

\*Renewal / replacement discussions ongoing

Liquidity Provider Credit Ratings		
Counterparty	Short Term (Moody's/S&P/ Fitch)	Long Term (Moody's/S&P/ Fitch)
Bank of New York Mellon	P-1/A-1+/F1+	Aa2/AA-/AA-
Bayerische Landesbank	P-2/NR/F1+	Baa1/NR/A+
JP Morgan	P-1/A-1/F1	Aa3/A+/A+
State Street	P-1/A-1+/F1+	Aa3/AA-/A+
Suntrust	P-2/A-2/F2	A3/BBB+/BBB+
Union Bank	P1/A1/F1	A2/A+/A

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# Summary

# GRU is Proactively Managing Challenging Financial and Economic Environment

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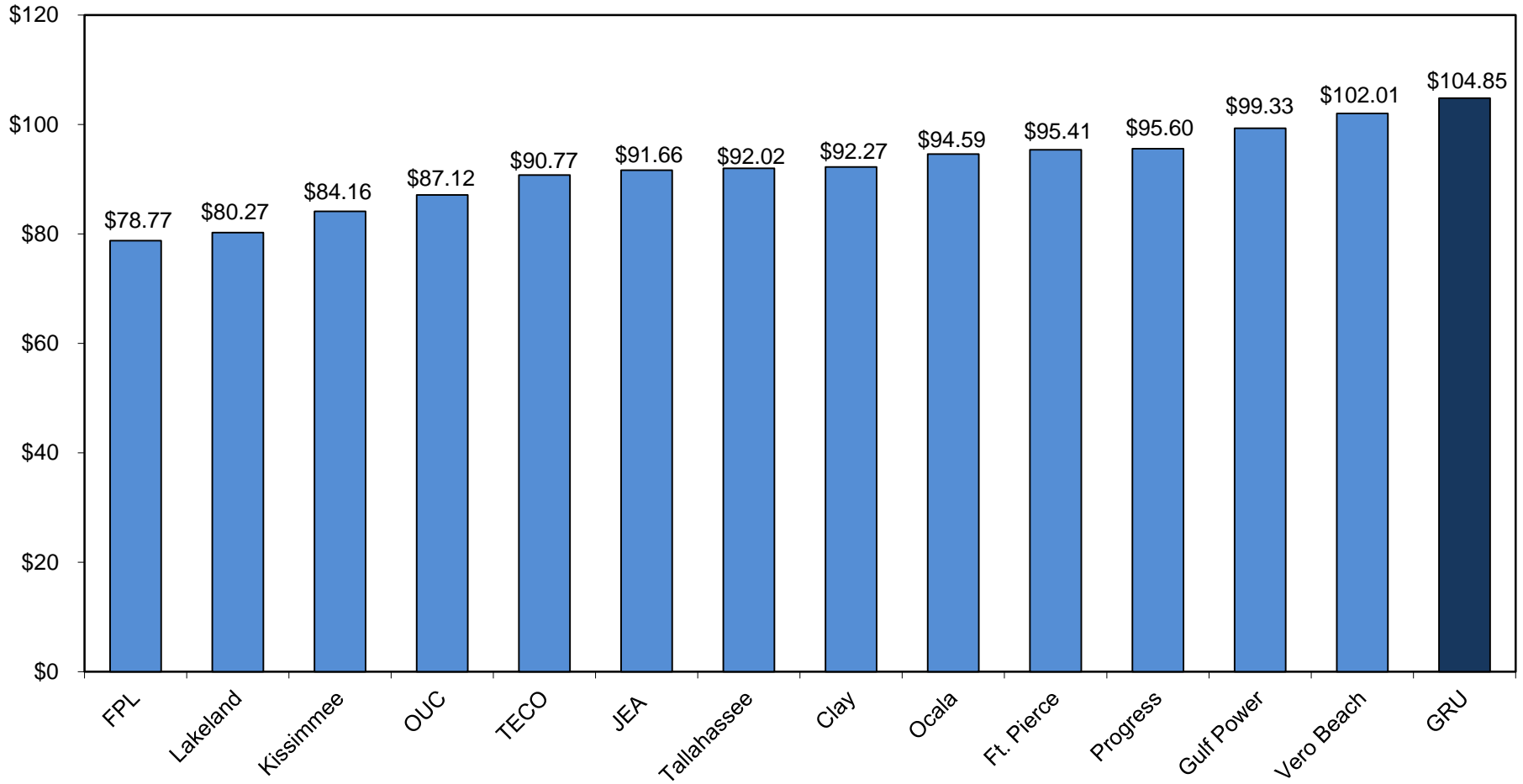
- Establishing strategic plan to address electric rate competitiveness
- Balancing customer needs with fiduciary responsibilities
- Continued equity funding of Capital Improvement Program, but not at recent levels
- 82% of debt is fixed rate or synthetically fixed rate, with minimal exposure to interest rate volatility after the transactions
- Creation of a more diverse fuel mix is at the center of our energy supply planning
  - Fuel mix is hedged against future fossil fuel price increases
- Regulatory requirements are actively monitored and planned for despite the uncertainty of national or state direction
- Coverage levels decreasing in the near term, improving over time
- Strong Liquidity position is strengthened
  - Position is Risk and Metrics Based
  - Results from Sound Financial Management Guidelines and Agreements

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# Supplemental Rate Comparisons

# Residential Electric Rate Comparison

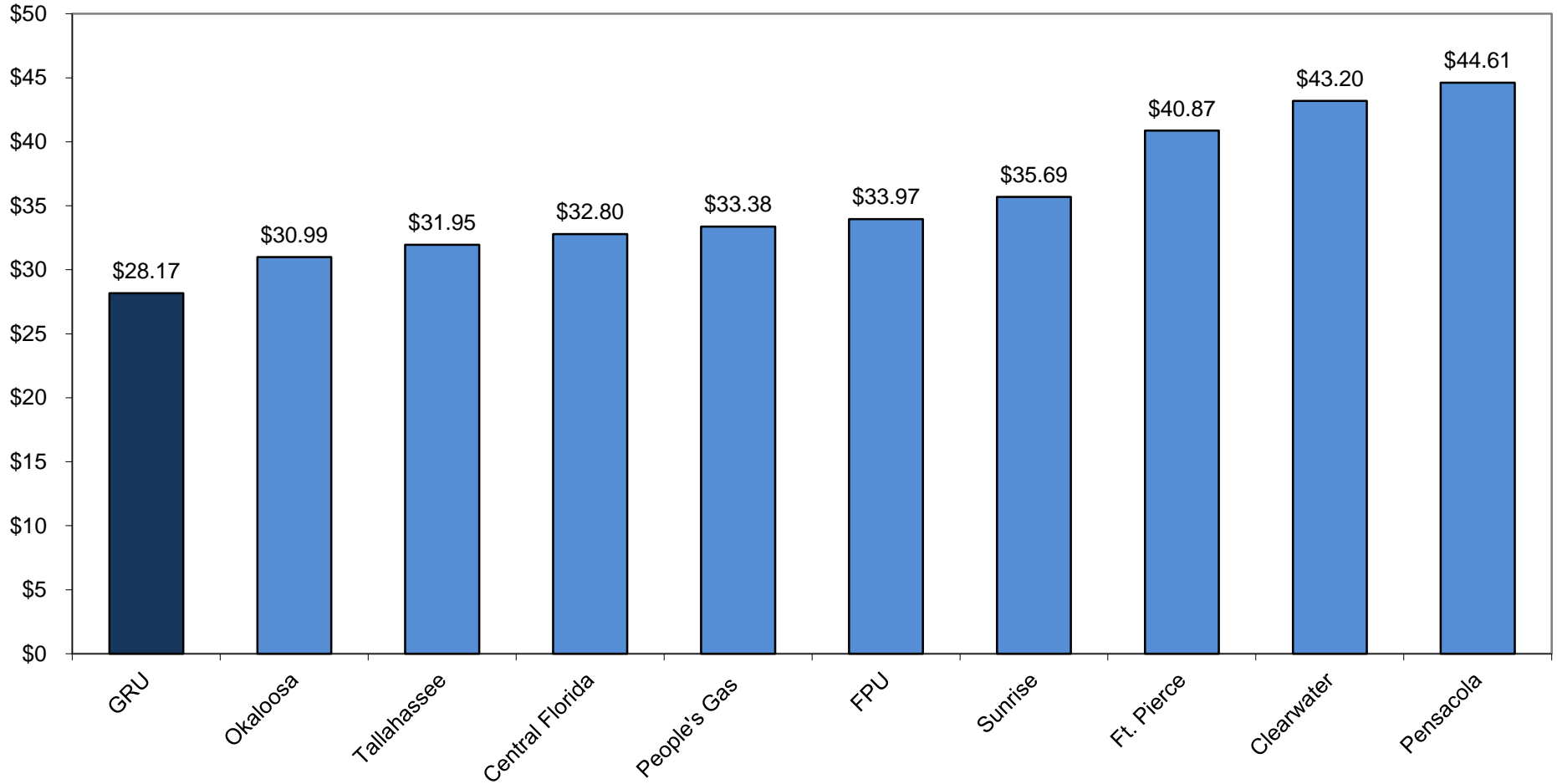
## 780 kWh Bill – December 2013



Values for FPL, TECO, Gulf Power and Progress Energy include a 6% Franchise Fee paid by all customers served by IOUs.

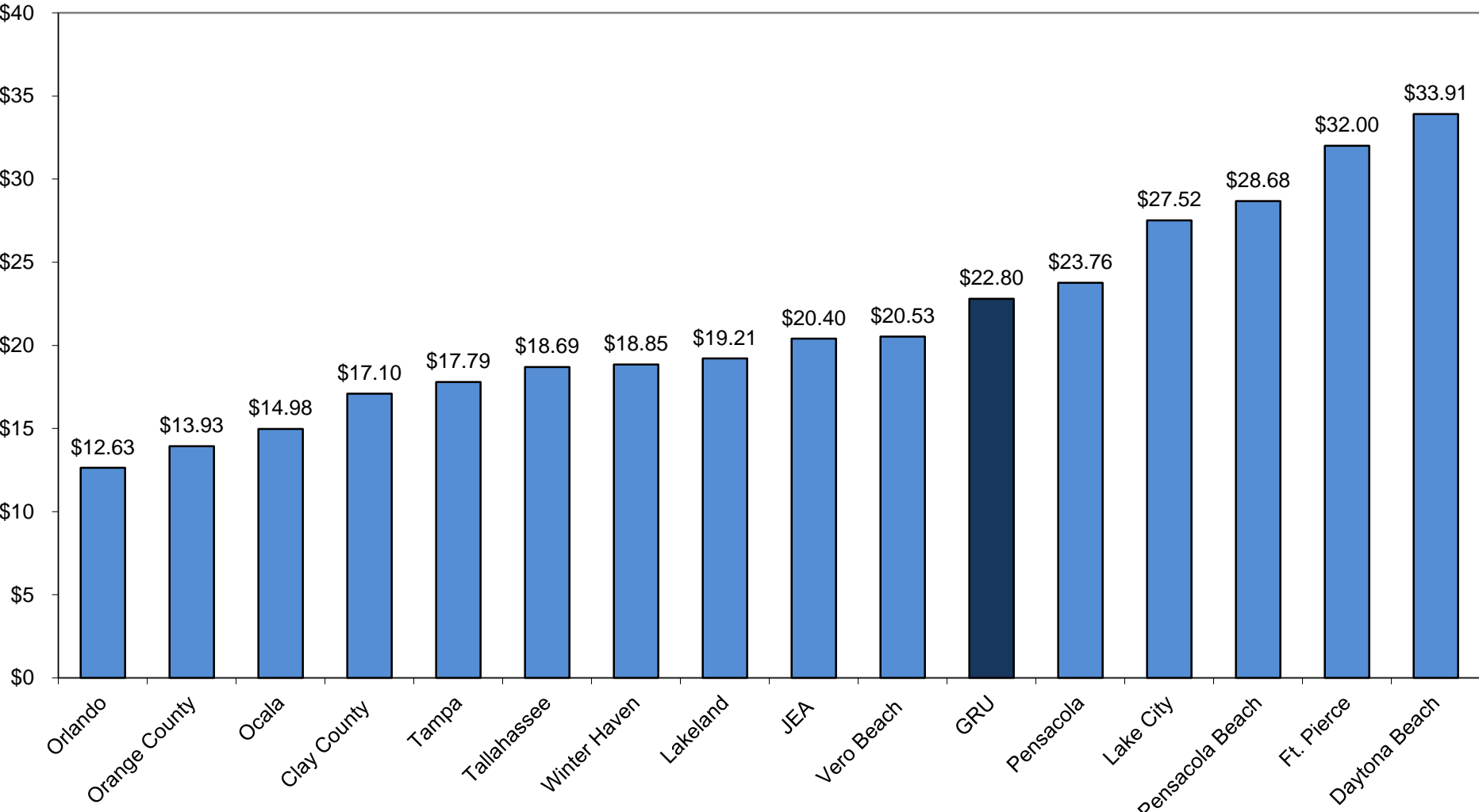
# Residential Gas Rate Comparison

## 20 Therm Bill – December 2013



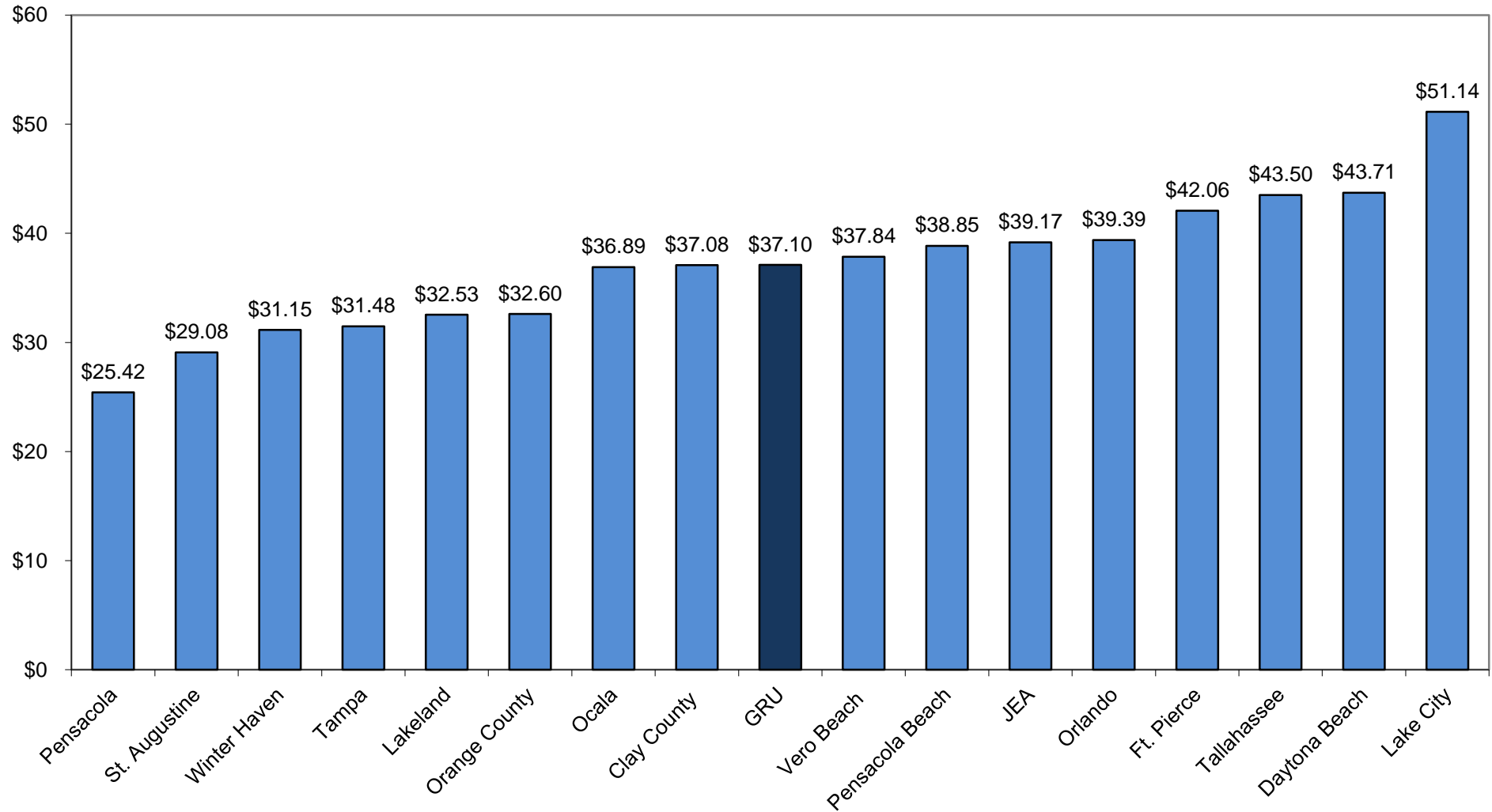
# Residential Water Rate Comparison

## 6,000 Gallon Bill – December 2013



# Residential Wastewater Rate Comparison

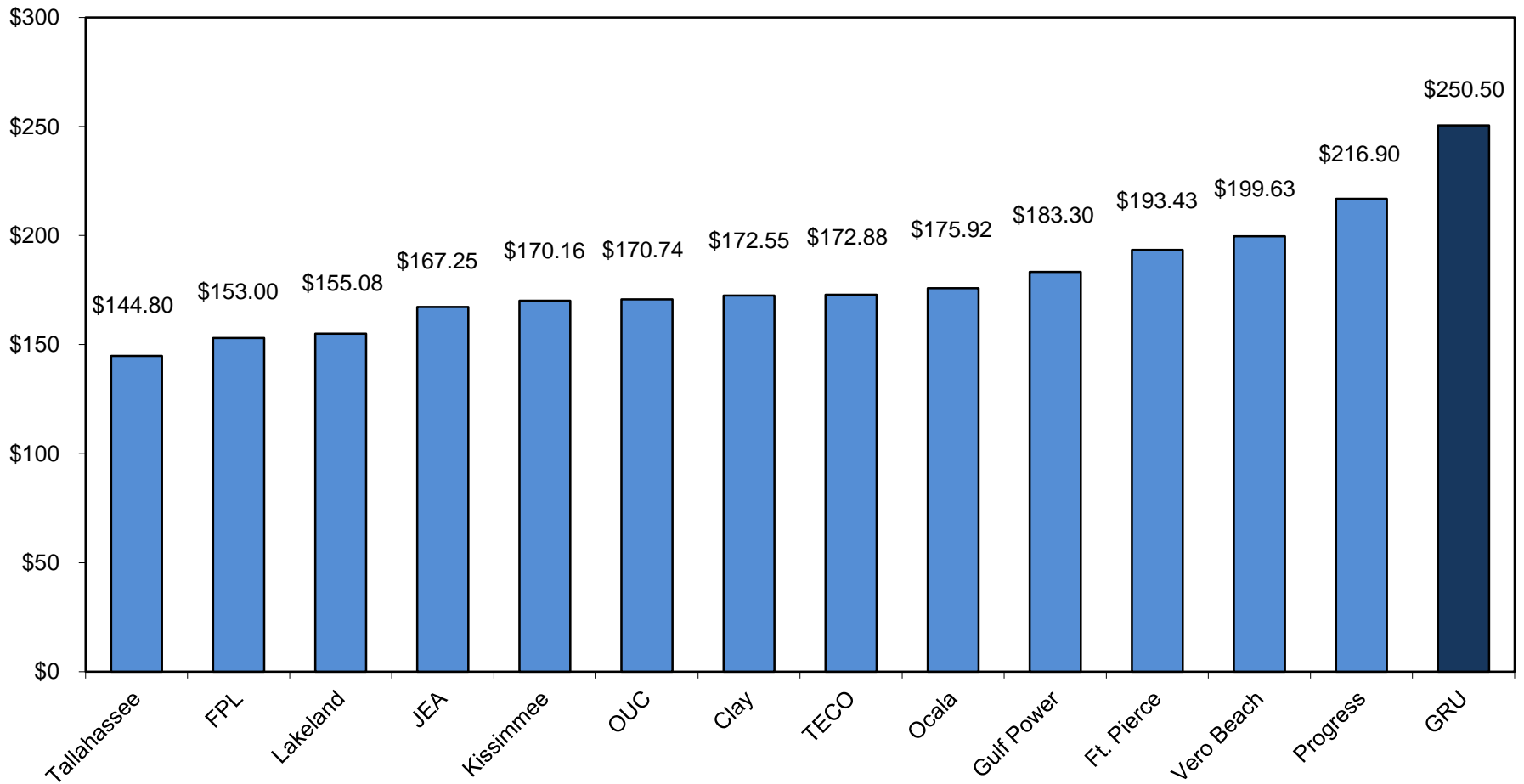
## 5,000 Gallon Bill – December 2013





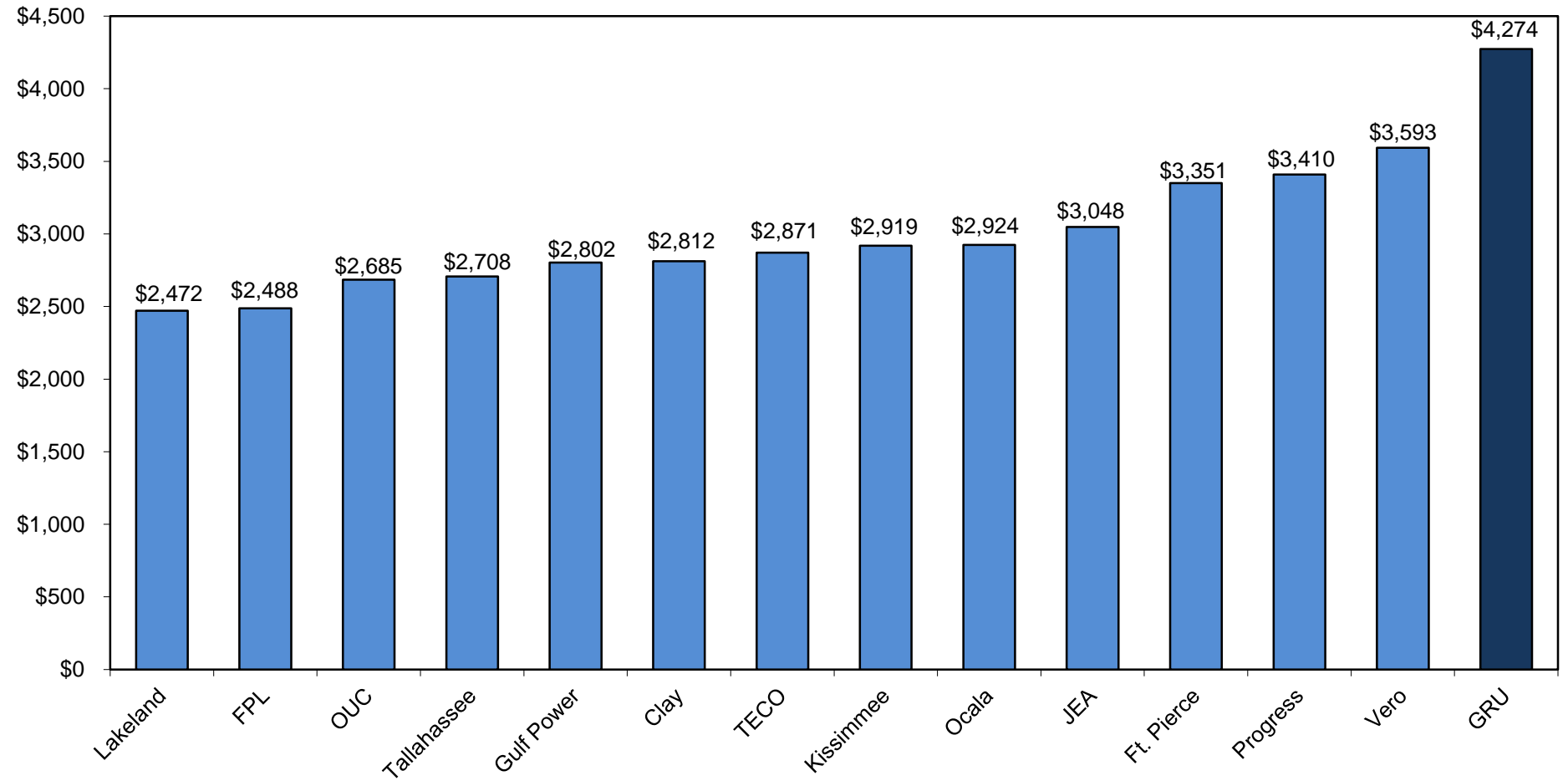
# GSN Electric Rate Comparison

## 1,500 kWh Bill – December 2013



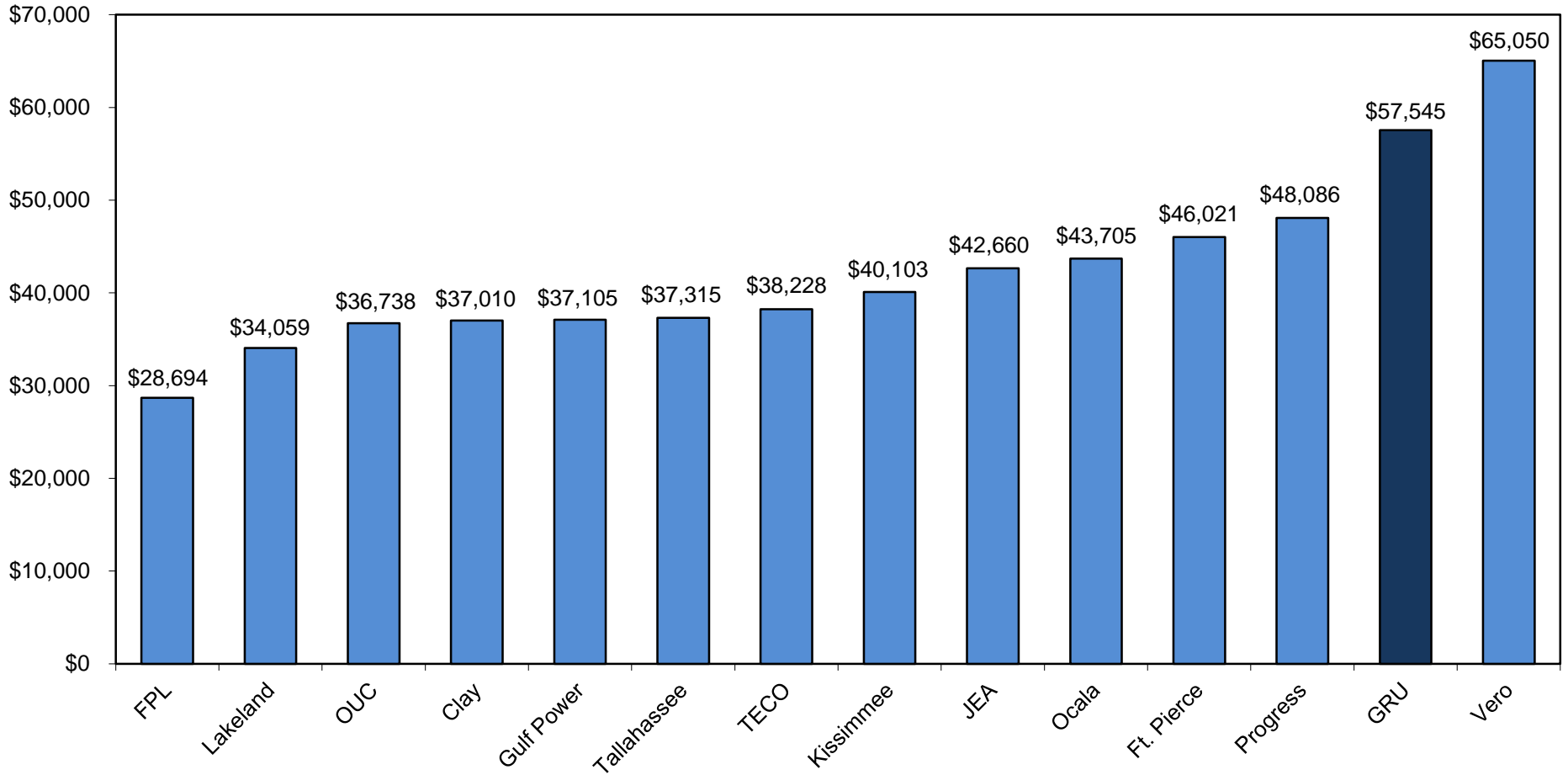
# GSD Electric Rate Comparison

## 75 kW, 30,000 kWh Bill – December 2013



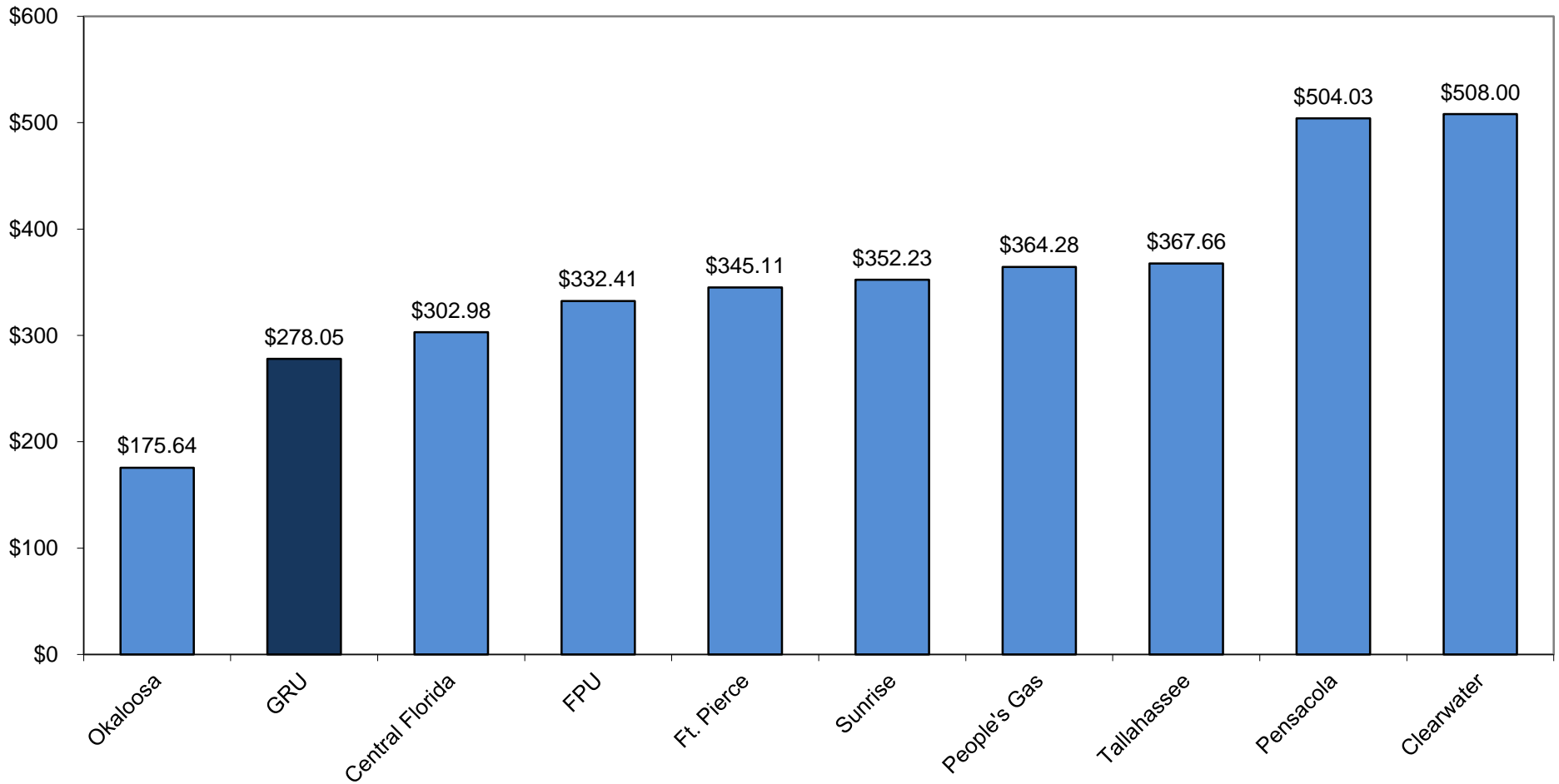
# Large Power Electric Rate Comparison

## 1,000 kW, 430,000 kWh Bill – December 2013



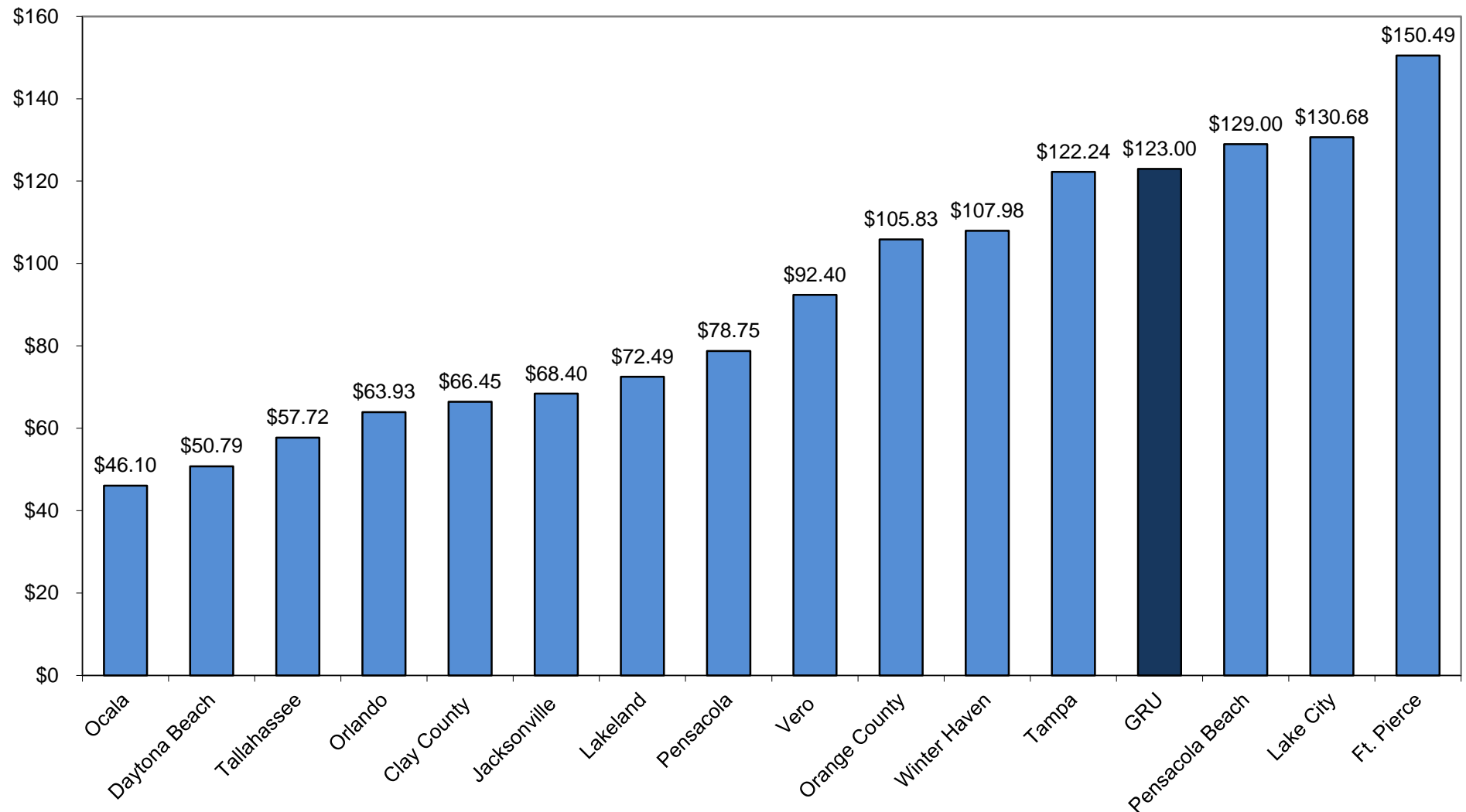
# Commercial Gas Rate Comparison

## 300 Therm Bill – December 2013



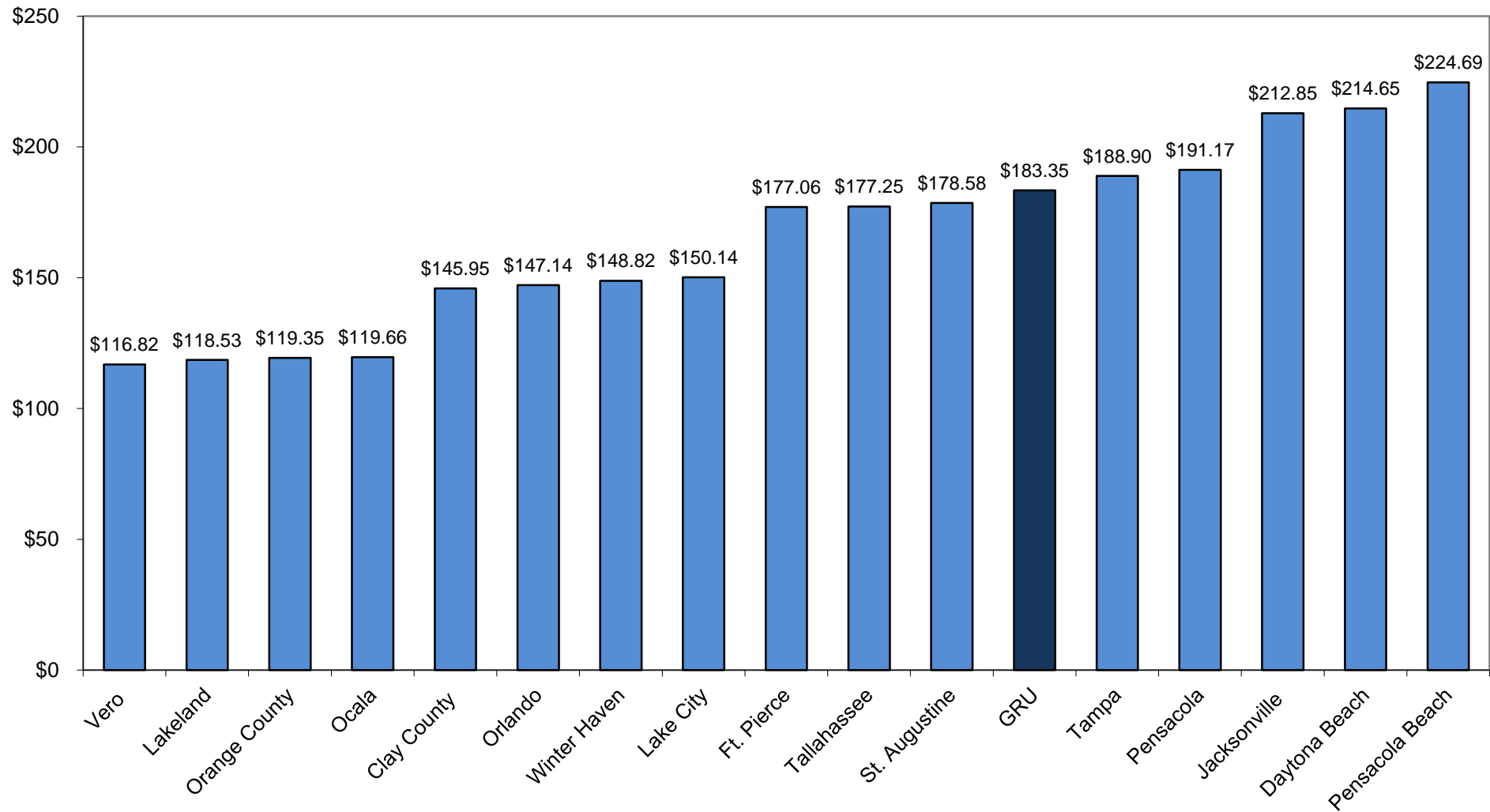
# Commercial Water Rate Comparison

## 30,000 Gallon Bill - December 2013



# Commercial Wastewater Rate Comparison

## 30,000 Gallon Bill – December 2013

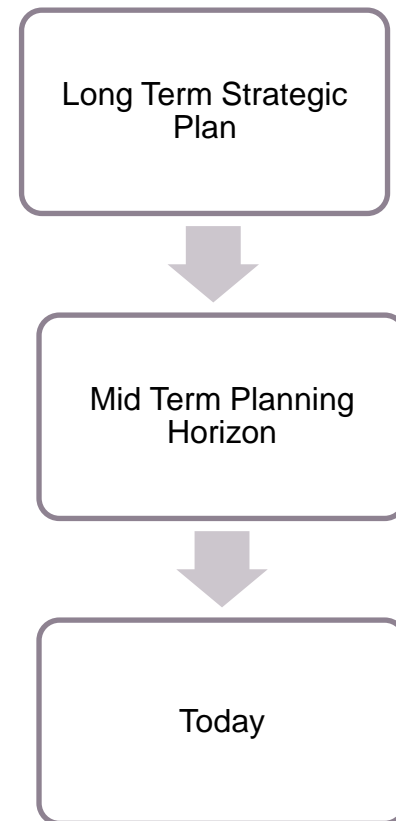


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# **Comprehensive Risk Management Leads to Stable Financial Position**

# Comprehensive and Proactive View of Risk

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# Financial Risk Management: Operating Cash Flow Risk

CATEGORY	ISSUE	RISK MITIGATION
Operating Cash Flow Risk	<u>Revenue Risk</u> -Forecast Error -Economic Conditions -Weather Sensitive Sales -Loss of Wholesale Revenue -Loss of Retail Revenue -Electric Transmission System Restructuring	-Financial Reserves -Load Retention – (Retail and Wholesale)
	<u>Generation Costs</u> -Fuel Prices -Fuel Supply	-Fuel Adjustment Policies -Fuel Levelization Fund -Fuel Diversity/Switching -Energy Marketing and Trading -Commodity Hedging Program
	<u>Inventory Issues</u> -Fuel Reserves -General Materials (ready assets)	-Fuel Inventory Management -Spare Parts Inventory Management
	<u>Accidents and Private Property Damage</u> -Vehicle Accidents -3 <sup>rd</sup> Party Liability Claims	-Insurance -Financial Reserves -Sovereign Immunity -Safety and Training Programs

# Financial Risk Management: Catastrophic Events, Construction, and Contingent Financial Liabilities Risk

CATEGORY	ISSUE	RISK MITIGATION
Catastrophic Events	<u>Plant and Equipment Failures</u> -Generation Plants -Water Treatment Plant -Wastewater Treatment Plants -Telecom – Central Plant -Telecom – Fiber System -Information Systems -Transmission Systems -Distribution Systems -Collection Systems -Severe Weather	-Generation Mutual Aid Agreements -Property Insurance -Financial Reserves -Reserve Capacity -Redundant Designs -Emergency Materials and Supplies -Business Recovery Plans -Transmission, Distribution, and Collection System Mutual Aid Agreements
Construction Risk	-Delays and Overruns	-Contingency Budgets -Liquidated Damages
Contingent Financial Liabilities	-Swap Termination Payment	-Financial Reserves
	-Liquidity Renewal Risk	-Financial Reserves -Bank Diversity
	-Variable Interest Rate Risk	-Financial Reserves -Variable rate assets

# Risk Management: Regulatory and Environmental

SYSTEM	ISSUE	RISK MITIGATION
<b>Electric</b>	Pending EPA Air Emission Requirements (Cross State Air Pollution Rule's Replacement & Mercury & Air Toxics (MATS) Rule)	Sufficient Dry Circulating Fluegas Scrubber, SCR, & Baghouse Capacity Ability to inject powdered activated carbon for mercury control
	Carbon Regulation and/or Renewable Portfolio Standards	22% Renewable by 2014 - Solar FIT & Net Metering - Biomass Power
<b>Water</b>	Contamination Upstream From Well Field (Koppers/Cabot Carbon)	Sentinel Monitoring Network Funding From Responsible Party (Beazer)
	Possible Consumptive Use Limits (Water Management Studies Underway)	Reclaimed Water System Water Conservation Programs
<b>Wastewater</b>	New Surface Water Discharge Limits - EPA Numeric Nutrient Criteria - FDEP Total Maximum Daily Load	Wetlands Treatment System
	Biosolids Disposal	Adding Dewatering to Expand Range of Reuse Options
<b>Gas</b>	Manufactured Gas Plant Remediation Site	Cost Sharing (Phase 1) MGP Recovery Charge

# Risk Management: Financial

SYSTEM	ISSUE	RISK MITIGATION
<b>Strong Financial Metrics and Projections</b>	Debt Service Coverage trending downward towards bond resolution requirement of 1.40	Increase net revenues by continuing to deposit funds into the working capital reserve
	Fixed Charge Coverage	<ul style="list-style-type: none"> <li>– Increase net revenues by continue depositing funds into the working capital reserve</li> <li>– Begin dialogue on new General Fund Transfer formula</li> </ul>
	Debt to Equity	Continue to contribute equity to the capital improvement program as planned for Gas, Water and Wastewater. Begin Electric contributions as soon as possible.
<b>Counterparty Risk</b>	Changed counterparty landscape	Continue to function under tight document structures with current agreements. Monitor counterparty ratings and performance.
<b>Cost Effective Financial Structure</b>	Debt Service Structure	Follow internal policies dictating a declining debt service structure to the extent possible
	Overall Capital Cost	Current capital cost under 4.11%. Continue to make decisions that result in low capital cost.
<b>Liquidity</b>	Meeting or exceeding liquidity targets	Continue to use the risk based approach to determining appropriate levels, and wholly funding at those levels.