

# Proposed Annual Operating Budget Fiscal Years 2015 & 2016

July 14, 2014



# Agenda

- The Challenges
- Budget Highlights
  - Overview and Assumptions
  - Administrative and General
  - Energy Supply
  - Energy Delivery
  - Water/ Wastewater
- Proposed Budget and Financials
- Forecasts and Rates
- Staff Recommendations

# THE CHALLENGES

# Challenges

- Electric rates are not competitive
  - Projected increase of over \$9 for a residential customer using 1,000 kWh
  - Established a goal to reduce the proposed FY15 rate increase by half, or close a gap of \$12 million
- Ongoing regulatory pressure in all systems
- Desire to maintain/improve system reliability
- Excellent customer value/customer service
- Maintain financial strength
- Need to improve employee morale

# FY14 Sales Results Through June

|   | Actual<br>October - June | FY2014<br>Budget | Absolute<br>Difference | Percentage<br>Difference |
|---|--------------------------|------------------|------------------------|--------------------------|
| <b>Electric - Retail MWh</b>                          | 1,194,870                | 1,195,285        | -415                   | 0.0%                     |
| <b>Electric - Wholesale MWh</b>                       | 83,814                   | 87,033           | -3,219                 | -3.7%                    |
| <b>Electric - Total (Native) MWh</b>                  | 1,278,685                | 1,282,318        | -3,634                 | -0.3%                    |
| <b>Electric - Retail Base Rate Revenue (\$000)</b>    | \$94,994                 | \$95,471         | -\$477                 | -0.5%                    |
| <b>Electric - Wholesale Base Rate Revenue (\$000)</b> | \$2,120                  | \$2,136          | -\$16                  | -0.7%                    |
| <b>Electric - Total Base Rate Revenue (\$000)</b>     | \$97,115                 | \$97,607         | -\$493                 | -0.5%                    |
|   |                          |                  |                        |                          |
| <b>Natural Gas - Retail Therms</b>                    | 17,426,140               | 17,642,114       | -215,974               | -1.2%                    |
| <b>Natural Gas - Base Rate Revenue (\$000)</b>        | \$10,087                 | \$10,186         | -\$99                  | -1.0%                    |
|   |                          |                  |                        |                          |
| <b>Water - Total kGal</b>                             | 5,031,836                | 5,440,172        | -408,336               | -7.5%                    |
| <b>Water - Total Revenue (\$000)</b>                  | \$22,114                 | \$23,478         | -\$1,364               | -5.8%                    |
|   |                          |                  |                        |                          |
| <b>Wastewater - Total kGal</b>                        | 3,425,174                | 3,539,400        | -114,226               | -3.2%                    |
| <b>Wastewater - Total Revenue (\$000)</b>             | \$26,596                 | \$27,377         | -\$781                 | -2.9%                    |

# Impact of O&M and Capital on Rates

| System     | Electric       | Gas         | Water       | Wastewater  |
|------------|----------------|-------------|-------------|-------------|
| 1% O&M     | \$1.1 Million  | \$110,000   | \$280,000   | \$350,000   |
| 1% Capital | \$20.5 Million | \$2 Million | \$5 Million | \$6 Million |

# BUDGET HIGHLIGHTS

# OVERVIEW AND ASSUMPTIONS



# Budget Assumptions

- No funding of Solar FIT for budget reduction of \$929,000
- Includes \$6 million for upgrade and reimplementation of financial management system
- Additional \$250,000 in surcharge on connection fees would be absorbed by General Government if it is eliminated
- Does not include costs to move infrastructure should 1 percent transportation system surtax be approved
- Two-year phase in of new multi-family water rate

# Budget Highlights

- Reduced O&M from proposed FY15 budget \$10.6 million
- Reduced fuel expenses from proposed FY15 budget \$11.4 million
- Increased capital spending from proposed FY15 budget \$31.6 million
- Reduction in General Fund Transfer from proposed budget \$1.2 million
- Swap changes (2) \$ 900,000

# Budget Highlights (Personnel)

- Eliminated 2% employee pay increase \$800,000
- Unfunded 59 positions (52 regular/7 overfills) \$3.4 million
- Reduction in pension \$2.1 million

# Budget Highlights

## Revenue Increase

- Sale of Electric System Control building \$1.46 million
- Wholesale sales (Winter Park) \$ 495,000
- Union County property sale \$ 73,000

# Other Savings Examples

- Purchasing review
  - Adjustment to contracts and purchases resulting in \$318,000 savings
- [GR8ideas@gru.com](mailto:GR8ideas@gru.com) (employee suggestions)
  - Take home vehicles reviewed and adjustments under review
  - Evaluating changes to various rates
  - Performed analysis of lease/sale of downtown Administration Building
    - Recommendation to lease part of building
    - Zoning change underway

# Proposed FY15 Residential Rates

| System            | Usage Level   | July 2014 Bill | Base Rate Change | Fuel Change | Total Change to Bill | Proposed FY15 Bill |
|-------------------|---------------|----------------|------------------|-------------|----------------------|--------------------|
| <b>Electric</b>   | 1,000 kWh     | \$139.15       | (\$6.75)         | \$ 9.00     | \$ 2.25              | \$141.40           |
| <b>Water*</b>     | 7,000 gallons | \$ 26.55       | \$ 0.50          |             | \$ 0.50              | \$ 27.05           |
| <b>Water</b>      | 7,000 gallons | \$ 26.55       | \$1.00           |             | \$ 1.00              | \$ 27.55           |
| <b>Wastewater</b> | 7,000 gallons | \$ 48.80       | \$ 1.95          |             | \$1.95               | \$ 50.75           |
| <b>Gas</b>        | 25 therms     | \$ 32.83       | \$ 0.86          | \$ 1.50     | \$ 2.36              | \$ 35.19           |

\*Assumes recommended Multi-family Water Rate adopted

July 2014 Electric and Gas Bills based on FA of \$0.069/kWh and PGA of \$0.40/therm.

Proposed FY15 Electric and Gas Bills based on FA of \$0.078/kWh and PGA of \$0.46/therm

# Proposed FY15 Business Rate Changes

| System/Class                          | Usage Level           | Change to Bill |
|---------------------------------------|-----------------------|----------------|
| Electric - General Service Non-Demand | 1,500 kWh             | 1.2%           |
| Electric - General Service Demand     | 30,000 kWh, 75 kW     | 2.3%           |
| Electric - Large Power                | 430,000 kWh, 1,000 kW | 2.9%           |
| Water                                 | 30,000 gallons        | *1.38% / 2.72% |
| Wastewater                            | 30,000 gallons        | 3.57%          |
| Gas - Small Commercial                | 50 therms             | 6.8%           |
| Gas - Commercial                      | 300 therms            | 9.4%           |
| Gas - Large Volume                    | 30,000 therms         | 9.9%           |

\*Assumes Multi-family Water Rate adopted

# ADMINISTRATION



# General Manager's Office

- O&M Increase of \$527,000
  - Elimination of Department 930 and transfer of dues and memberships expenses
  - Added
    - General Manager search \$55,000
    - General Manager salary \$69,558
    - City Commission travel/training \$3,000
    - Support for City Commission Governance Study Committee \$24,000

# Community Relations

- Elimination of discretionary sponsorships \$ 5,973
- Elimination of community relations intern \$10,400
- Reprioritization of community engagement programs
  - Usage reduction
  - Information sharing

# CUSTOMER SUPPORT SERVICES

# Customer Support Services FY15 Budget Reduction Summary

|               |            |
|---------------|------------|
| Non-Labor O&M | \$ 367,761 |
| Labor         | \$ 302,594 |

# Customer Support Services FY15 Non-Labor O&M Reductions

|                            |                  |
|----------------------------|------------------|
| Conservation Services      | \$118,816        |
| Facilities & Maintenance   | \$149,919        |
| Postage and Mailing        | \$ 40,728        |
| Administration             | \$ 20,929        |
| Marketing & Communications | \$ 20,470        |
| Miscellaneous              | <u>\$ 16,899</u> |
| Total                      | \$367,761        |

# Customer Support Services FY15 Unfunded Positions

|   |            |
|---|------------|
| Marketing and Communications Specialist, Sr.  | 1.0        |
| Utilities Materials Specialist, Sr.           | 1.0        |
| Analyst, Sr.                                  | 1.0        |
| Customer Account Rep.                         | 2.0        |
| Account Clerk 2                               | 1.0        |
| Customer Service Rep 2 (2 FT, 2 PT positions) | <u>3.0</u> |
| Total FTEs Unfunded                           | 9.0        |

# INFORMATION TECHNOLOGY

# Information Technology FY15 Budget Reduction Summary

|               |            |
|---------------|------------|
| Non-Labor O&M | \$ 484,340 |
| Labor         | \$ 437,907 |
| Capital       | \$ 495,000 |



# Information Technology FY15 Non-Labor O&M Reductions

|                                      |                  |
|--------------------------------------|------------------|
| Training and education               | \$ 230,000       |
| Deferred maintenance                 | \$ 100,000       |
| Systems/infrastructure consolidation | \$ 50,000        |
| Outside services                     | \$ 50,000        |
| Other miscellaneous                  | <u>\$ 54,340</u> |
| Total                                | \$ 484,340       |

# Information Technology FY15 Unfunded Positions

|   |            |
|---|------------|
| CIO/IT Director                                   | 1.0        |
| Staff Specialist                                  | 1.0        |
| IT Infrastructure Design &<br>Administrator, Lead | 1.0        |
| Computer Systems Analyst                          | <u>1.0</u> |
| Total FTEs Unfunded                               | 4.0        |

# Information Technology CIO and Temp Positions

- Budget proposal does not include Chief Information Officer Position. Estimated (non-burdened) cost to fill this position is \$135,000
- Budget proposal eliminates one temporary position from the User Support area, which will prevent complete coverage of combined GG/GRU regular office hours. Estimated cost to keep the position is \$30,000

# Information Technology FY15 Capital Reductions

Servers, data storage,  
and network hardware                      \$ 495,000

# FINANCE

# Finance FY15 Budget Reduction Summary

|               |           |
|---------------|-----------|
| Non-Labor O&M | \$ 63,858 |
| Labor         | \$243,620 |

# Finance FY15

## Non-Labor O&M Reductions

|   |                 |
|---|-----------------|
| Reductions to annual external audit     | \$ 60,000       |
| Reductions (travel, training, supplies) | <u>\$ 3,858</u> |
| Total                                   | \$ 63,858       |

# Finance FY15 Unfunded Positions

|                              |            |
|------------------------------|------------|
| Finance Director             | 1.0        |
| Accounting Supervisor        | 1.0        |
| Account Clerk, Sr. (Partial) | <u>0.5</u> |
| Total FTEs Unfunded          | 2.5        |



# Finance FY15

## Non-Labor O&M Additions

|                               |                  |
|-------------------------------|------------------|
| Cost of Service study         | \$150,000        |
| External investigative review | \$250,000        |
| Tax application/bill review   | <u>\$100,000</u> |
| Total                         | \$500,000        |

# ENERGY SUPPLY

# Energy Supply FY15 Budget Reduction Summary

|               |              |
|---------------|--------------|
| Non-Labor O&M | \$ 1,114,693 |
| Labor         | \$ 786,875   |
| Capital       | \$ 3,740,300 |

# Energy Supply FY15 Non-Labor O&M Reductions

|                                    |                  |
|------------------------------------|------------------|
| DH CT1 outage deferred             | \$405,000        |
| DH repair/maintenance of equipment | \$328,000        |
| DH materials and supplies          | \$231,693        |
| Other (includes contract services) | <u>\$150,000</u> |
| Total                              | \$1,114,693      |

# Energy Supply FY15 Unfunded Positions

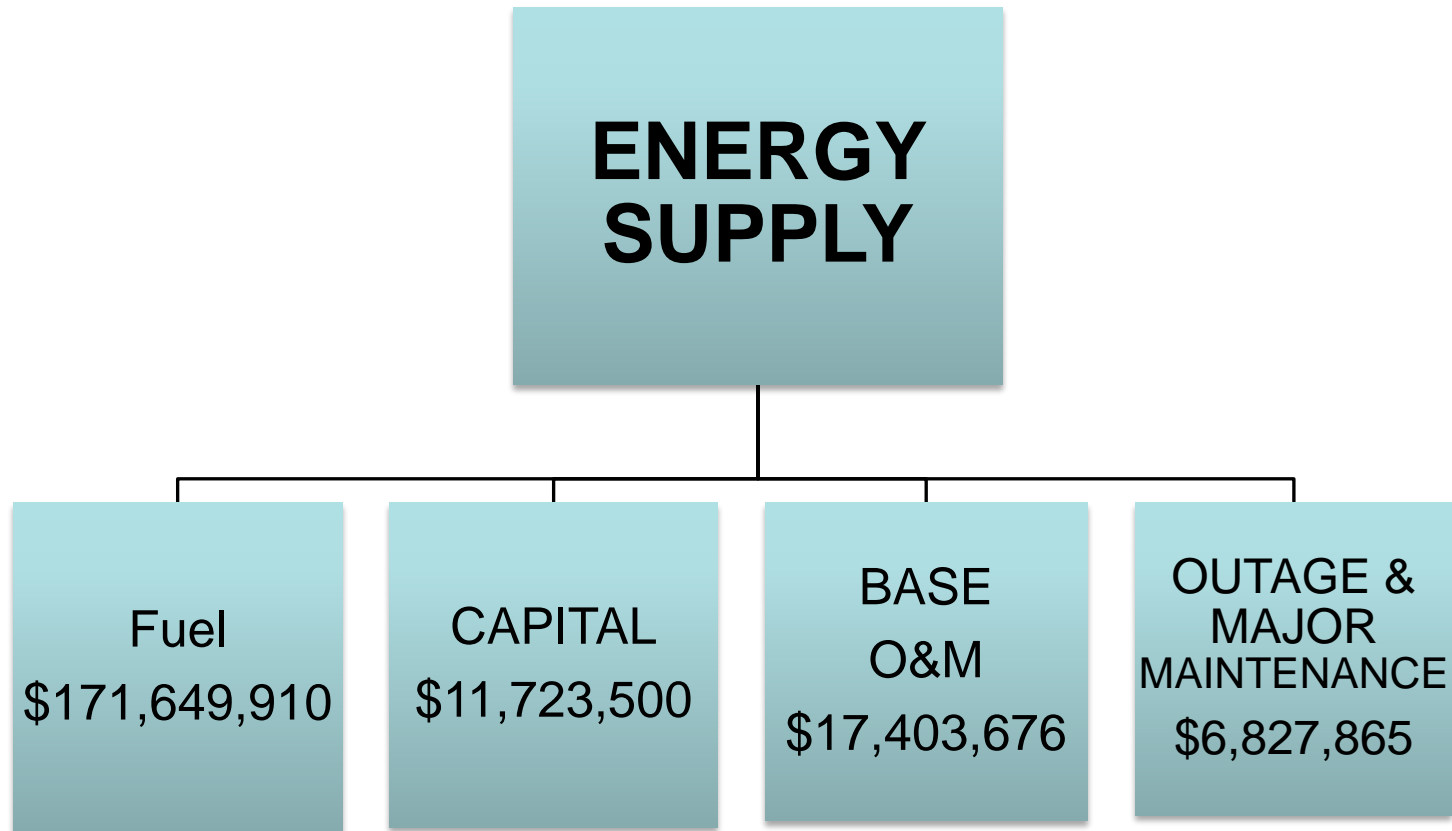
|                             |            |
|-----------------------------|------------|
| Staff Assistant             | 1.0        |
| Staff Specialist            | 1.0        |
| System Planning Director    | 1.0        |
| Production Technician       | 7.0        |
| Coal/Ash Equipment Operator | 1.0        |
| Process Plant Operator II   | 1.0        |
| Principal Engineer          | 1.0        |
| Power Plant Lab Technician  | <u>1.0</u> |
| Total FTEs Unfunded         | 14.0       |

- Elimination of Temp Professional

# Energy Supply FY15 Capital Reductions

|                              |                 |
|------------------------------|-----------------|
| Crystal River 3 improvements | \$ 1.75 million |
| CR3 nuclear fuel             | \$ 1 million    |
| New generation project       | \$ 1 million    |

# Energy Supply FY15 Major Budget Areas



# Change from Previous Forecast

|                                 | \$/Unit            | Volume               | Difference (\$)     |
|---------------------------------|--------------------|----------------------|---------------------|
| <b>GREC Fuel + VOM</b>          | ↑ \$1.05 MW-h (3%) | ↑ 26,544 MW-h (5%)   | 1,486,510           |
| <b>GREC NFEC + FOM</b>          | \$79.15            | ↓ 77,490 MW-h (10%)  | (6,659,048)         |
| <b>GREC Ad Valorem Taxes</b>    | N/A                | N/A                  | 544,892             |
| <b>Gas for Generation</b>       | ↑ \$.17 (3%)       | ↓ 238,148 MW-h (58%) | (11,405,378)        |
| <b>Coal for Generation</b>      | ↓ \$.45 (11%)      | ↑ 296,826 MW-h (36%) | 9,626,626           |
| <b>Solar FIT</b>                | ↑ \$6.20 (2.5%)    | ↓ 13,859 MW-h (35%)  | (3,275,715)         |
| <b>Winter Park</b>              | N/A                | ↑ 65,700 MW-h        | 2,411,101           |
| <b>Non-firm Power Purchases</b> | Varies             | ↓ 95,372 MW-h (58%)  | (3,704,356)         |
| <b>Other</b>                    |                    |                      | (452,082)           |
| <b>Total</b>                    |                    |                      | <b>(11,427,450)</b> |



# Energy Supply FY15

## Outage & Major Maintenance O&M Cost

- Planned outage: when a unit is removed from service for a specified period of time for reliability maintenance.
- Planned Outage Labor and Non-Labor cost covers:
  - Preventative/predictive maintenance items
  - Replacement of selected equipment/components at end of Remaining useful life (RUL) or refurbishments to extend RUL
  - Corrective maintenance of failures that occurred between outages requiring an outage period to correct
  - Equipment/component inspections
  - Testing of required protective devices
- Major maintenance: similar work that does not require the unit to be out of service

# Outage O&M Cost by Unit and Major Maintenance Base

- |                                |                     |
|--------------------------------|---------------------|
| • Deerhaven Unit #1            | \$ 1,407,000        |
| • Deerhaven Unit #2            | \$ 2,335,900        |
| • Deerhaven Process Plant      | \$ 203,336          |
| • Kelly Unit #1 Combined Cycle | \$ 791,950          |
| • Major Maintenance Base       | <u>\$ 2,089,679</u> |
| Total                          | \$ 6,827,865        |
- 
- Breakdown of total between Labor and Non-Labor:
    - Labor \$ 2,988,115
    - Non-Labor\* \$ 3,839,750
- \* Includes material/supplies and contract services

# Capital Spares/Replacement of Components

- Deerhaven CT3 spares \$ 2,150,000
- Deerhaven 2 airheater baskets \$ 300,000
- Kelly CC1 controls hardware \$ 350,000

## One-time Life Extension of Components Reaching Remaining Useful Life of Unit

- Deerhaven 2 high temperature superheat replacement \$ 1,000,000
- Deerhaven 2 & JRK8 cooling towers work \$ 850,000
- Deerhaven 2 air dampers \$ 375,000

## Budgeted Improvements

- Decrease cycling costs \$ 1,200,000
- Unit 8 steam turbine controls \$ 410,000

## Regulatory Requirement/Responsibility

- Mercury air toxics standards compliance \$ 1,000,000
- Air quality control system
  - Catalyst and bags \$ 700,000
- Decommissioned JRK Unit 7
  - Cooling tower and asbestos assessment \$ 200,000

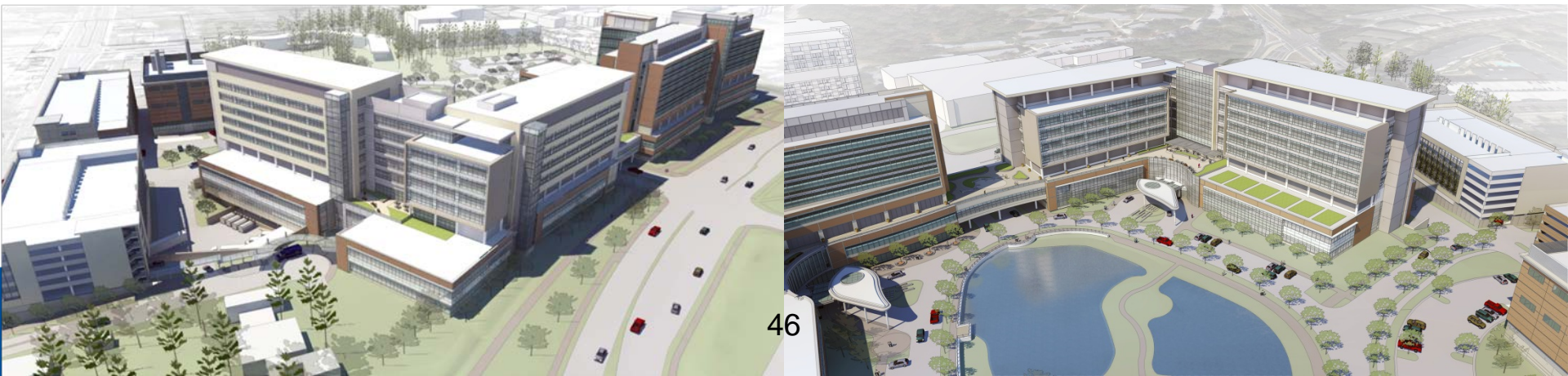
# District Energy

FY15 Capital Expenditures \$19,886,892

Unfunded Analyst, Senior \$56,404

# South Energy Center Expansion

- UF Health slated to build new neurosurgery and cardiovascular tower
  - \$420 million project
  - 800 new jobs
- Tower will be served utilities (normal power, emergency power, chilled water, hot water, and medical gas infrastructure) from the SEC
- Contractual obligation for UF Health to connect to SEC and for GRU to serve UF Health
- SEC will need to double on-site power generation, emergency power generation, chillers, cooling towers, and utility infrastructure



# South Energy Center Expansion

## Capital Investment

- Capital cost estimates range from \$17 million to \$25 million, dependent upon technology and design

## Return on Investment

- Internal rate of return ~11%

# South Energy Center Expansion

## Timeline

- 9/14 – City Commission agenda item for SEC expansion; will be pending final hospital approval by UF Health board of directors
- 10/14 – UF Health board vote on new hospital tower
- 11/14 – UF Health begins construction
- 9/16 – GRU begins chilled water service
- 12/17 – New tower opens



# ENERGY DELIVERY - ELECTRIC

# Energy Delivery FY15 Electric System Budget Reduction Summary

|               |           |
|---------------|-----------|
| Non-Labor O&M | \$ 85,684 |
| Labor         | \$196,541 |

# Energy Delivery FY15 Electric System Unfunded Positions

## Electric T&D

|                      |            |
|----------------------|------------|
| Lead Lineworker      | 2.0        |
| Lineworker           | 1.0        |
| Streetlight Worker   | 1.0        |
| Operations Assistant | <u>1.0</u> |
| Total FTEs Unfunded  | 5.0        |

# Energy Delivery FY15 Electric System Non-Labor O&M Reductions

|  |                 |
|--|-----------------|
| Fleet costs (fuel & repairs)   | \$21,000        |
| Maintenance materials & supplies,<br>equipment & grounds maintenance | \$43,400        |
| Training, software purchases, etc.                                   | <u>\$21,464</u> |
| Total  | \$85,684        |

# Energy Delivery FY 15 Electric System Capital Project Additions

|                     |               |
|---------------------|---------------|
| Energy Mgmt System  | \$791,000     |
| Transmission System | \$225,000     |
| Distribution System | \$230,000     |
| Overheads           | \$1.5 million |

# Energy Delivery FY 15 Electric System Customer Focused Initiatives

Included in FY15 Recommendation

- LED lighting

RUC referral requested for later implementation

- Redundant/Back-up system capacity rate

# LED Lighting Public Street Lights – Utility Funded

| Light Type *                                       | Proposed Monthly Rate * |
|--|-------------------------|
| Light Type 38 – LED Roadway (100 W HPS Equivalent) | \$19.62                 |
| Light Type 39 – LED Roadway (150 W HPS Equivalent) | \$20.83                 |
| Light Type 40 – LED Roadway (250 W HPS Equivalent) | \$24.01                 |
| Light Type 41 – LED Roadway (400 W HPS Equivalent) | \$28.72                 |

\* GRU Standard LED streetlight fixtures

\*\*In addition to monthly rate shown, the applicable retail fuel adjustment will be applied to all energy (kWh) billed.

# LED Lighting

## Public Street Lights - Agency Funded

| Light Type *                                       | Proposed Monthly Rate ** |
|--|--------------------------|
| Light Type 38 – LED Roadway (100 W HPS Equivalent) | \$1.07                   |
| Light Type 39 – LED Roadway (150 W HPS Equivalent) | \$1.07                   |
| Light Type 40 – LED Roadway (250 W HPS Equivalent) | \$3.01                   |
| Light Type 41 – LED Roadway (400 W HPS Equivalent) | \$5.71                   |

\* GRU Standard LED streetlight fixtures

\*\*In addition to monthly rate shown, the applicable retail fuel adjustment will be applied to all energy (kWh) billed.



# ENERGY DELIVERY GAS

# Energy Delivery FY15 Gas System Unfunded Positions

## Gas T&D

|                 |     |
|-----------------|-----|
| Gas Worker Lead | 2.0 |
|-----------------|-----|

## Field Services (distributed)

|         |            |
|---------|------------|
| Analyst | <u>1.0</u> |
|---------|------------|

|                     |     |
|---------------------|-----|
| Total FTEs Unfunded | 3.0 |
|---------------------|-----|

# Energy Delivery FY15 Gas System Budget Increase Summary

|               |           |
|---------------|-----------|
| Non-Labor O&M | \$45,640  |
| Labor         | \$362,928 |

# Energy Delivery FY15 Gas System Non-Labor O&M Increases

|                |                  |
|----------------|------------------|
| Gas rebates    | \$50,000         |
| Misc. expenses | <u>(\$4,360)</u> |
| Total          | \$45,640         |

# Energy Delivery FY15 Gas System Labor O&M Increases

|                                   |           |
|-----------------------------------|-----------|
| Field Service allocation          | \$327,000 |
| Metering & Measurement allocation | \$58,000  |

# Energy Delivery FY 15 Gas System Capital Project Additions

|                          |           |
|--------------------------|-----------|
| Gate/regulating stations | \$66,000  |
| Distribution mains       | \$57,000  |
| Overheads                | \$445,000 |

# Energy Delivery FY 15 Gas System Customer Focused Initiatives

- Archer franchise
- Hawthorne franchise
- Compressed natural gas

# ENERGY DELIVERY

## GRUCom



# Energy Delivery FY15 GRUCom Unfunded Position

## Operations

|                                  |     |
|----------------------------------|-----|
| Telecommunications Specialist II | 1.0 |
|----------------------------------|-----|

# Energy Delivery FY15 GRUCom Budget Reduction Summary

|               |           |
|---------------|-----------|
| Non-Labor O&M | \$294,921 |
| Labor         | \$622,980 |

# Energy Delivery FY15 GRUCom Non-Labor O&M Reductions

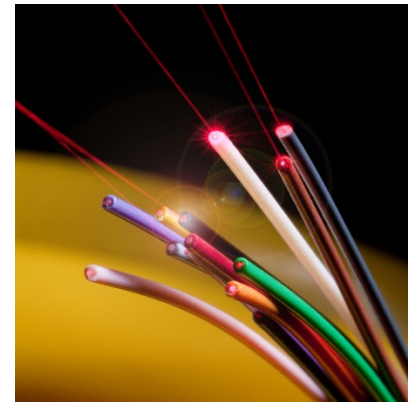
|                               |                  |
|-------------------------------|------------------|
| Transport fees                | \$181,000        |
| Professional services         | \$ 36,658        |
| Materials, supplies and tools | \$ 21,554        |
| Software purchases            | \$ 13,000        |
| Fleet, dues, uniforms, other  | <u>\$ 42,709</u> |
| Total                         | \$278,474        |

# Energy Delivery FY15 GRUCom Capital Project Additions

|                       |             |
|-----------------------|-------------|
| Trunking radio system | \$1,000,000 |
| Overheads             | \$ 247,000  |

# Energy Delivery FY15 GRUCom Customer Focused Initiatives

- Superior broadband services



WATER

# Water FY15 Budget Reduction Summary

|               |            |
|---------------|------------|
| Non-Labor O&M | \$ 200,035 |
| Labor         | \$ 405,303 |

# Water FY15 Non-Labor O&M Reductions

|  |                  |
|--|------------------|
| Ground storage tank facilities   | \$ 50,000        |
| All other O&M items<br>(travel/training, transportation, tools/equipment, parts) | <u>\$150,035</u> |
| Total  | \$200,035        |



# Water FY15 Unfunded Positions

|                               |            |
|-------------------------------|------------|
| Plant Operator/Mechanic       | 2.0        |
| Distribution Service Operator | 1.0        |
| Distribution Crew Leader      | 2.0        |
| Technical Support Specialist  | <u>0.5</u> |
| Total FTEs unfunded           | 5.5        |

# WASTEWATER

# Wastewater FY15 Budget Reduction Summary

|               |            |
|---------------|------------|
| Non-Labor O&M | \$ 342,940 |
| Labor         | \$ 128,523 |

# Wastewater FY15 Non-Labor O&M Reductions

|  |                  |
|--|------------------|
| Odor control   | \$ 60,900        |
| All other O&M items<br>(travel/training, transportation, tools/equipment, parts) | <u>\$282,040</u> |
| Total  | \$342,940        |

# Wastewater FY15 Unfunded Positions

|                              |            |
|------------------------------|------------|
| ICE Technician               | 1.0        |
| Plant Supervisor             | 1.0        |
| Collections Service Operator | 4.0        |
| Staff Specialist             | 1.5        |
| Technical Support Specialist | <u>0.5</u> |
| Total FTEs unfunded          | 8.0        |

# Wastewater FY15

## Major Projects and Budget Drivers

- Repair/replace aging infrastructure
- Regulatory compliance
  - Consumptive use permit (CUP) and minimum flows & levels (MFLs)
  - Biosolids dewatering projects
  - Roadway utility relocations

# Water & Wastewater FY15

## Repair/Replace Aging Infrastructure

- Targeted investment in rehabilitating and replacing aging infrastructure
- Water and Wastewater treatment plant facilities
  - 40 to 80 years old
- Piping infrastructure
  - 1900 miles of water & wastewater pipe (Up to 100 years old)
  - 170 Lift stations
  - 4 Elevated and ground storage water tanks



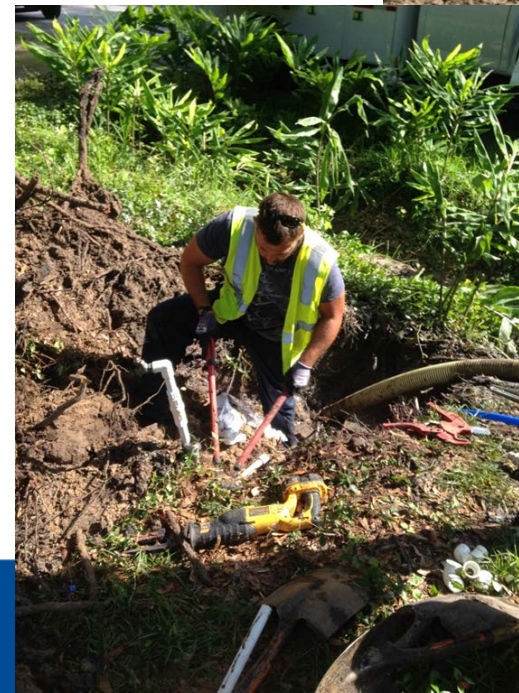


# Water FY15

## Repair/Replace Aging Infrastructure

### Water Projects

- Renewal and replacement of water mains
  - Service lines to home
  - Larger mains
- Renewal and replacement of plant facilities
  - Production wells & equipment
  - High service pumps
  - Electrical building and motor control centers





# Wastewater FY15

## Repair/Replace Aging Infrastructure

### Wastewater Projects

- Renewal and replacement of sewer mains & manholes
  - Sliplining gravity mains
  - Lining or replacing manholes
  - Valve assessment program
- Renewal and replacement of plant facilities
  - Plant mechanical equipment
  - Lift stations



# Wastewater Collection R/R





# Water & Wastewater FY15 Regulatory Compliance

- Regulatory compliance requires significant investments in new infrastructure
  - CUP and MFLs
  - Biosolids dewatering
  - Roadway relocations

# CUP & MFLs

- 20 year – 30 mgd CUP requirements:
  - Water conservation
  - Expansion of reclaimed water system
  - New recharge wetlands
  - Investigate hydrologic benefits of recharge wells
  - Participate in prevention/recovery plan for Lower Santa Fe River and Lake Geneva
- Uncertain future obligations to meet Lower Santa Fe River & Lake Geneva MFL requirements

# Wastewater FY15 Biosolids Dewatering

- Constructing dewatering facility and other associated treatment plant improvements
  - ~\$23,000,000
- Issuing RFP for future reuse of biosolids
  - Increase in O&M budget



# Roadway Utility Relocations

- Utility relocations 15% to 25% of roadway improvement costs
- 1% Transportation System Surtax



CONNECTFREE

# Water & Wastewater FY15

## ConnectFree Revenue and Expenditures to Date

|                    |             |
|--------------------|-------------|
| Total revenue*     | \$1,848,469 |
| Total spent        | \$ 551,000  |
| <hr/>              |             |
| Total fund balance | \$1,297,469 |

\*Surcharge collection started in 2002. Allocation of ½ of surcharge revenue to ConnectFree started in 2004. Revenue shown here is from 2004 through 2014.



# Water & Wastewater FY15 ConnectFree Current Status

- 64 Customers served to date
  - All 64 received water, 2 received WW service
- 10 additional customers being evaluated

# 2014 & Projected 2015 ConnectFree Balances

|   |                   |
|---|-------------------|
| Total fund balance                          | \$1,297,469       |
| Empowerment Homeless Center                 | (\$ 625,000)      |
| Arbour Valley Affordable Housing Project    | (\$ 46,000)       |
| Reichert House                              | (\$ 10,000)       |
| <hr/>                                       |                   |
| <b>2014 Net available balance</b>           | <b>\$ 616,469</b> |
| <br>  |                   |
| Allocation of ½ of 2014 W/WW surcharge rev  | \$ 125,000        |
| Other ConnectFree projects (approximate)    | (\$ 100,000)      |
| <hr/>                                       |                   |
| <b>Projected 2015 net available balance</b> | <b>\$ 641,469</b> |

# Water & Wastewater FY15

## ConnectFree Alternatives Moving Forward

1. Continue program as-is
2. Expand program
  - County residents
  - Non-profits
  - Commercial customers

# Water & Wastewater FY15 ConnectFree Alternatives Moving Forward

3. Use existing available balance and/or future revenues to mitigate 2015 GRU W/WW rates
4. Use 2014 available balance to mitigate GRU W/WW rates, and use future revenues for General Government designated programs

# Water & Wastewater FY15

## ConnectFree Alternatives Moving Forward

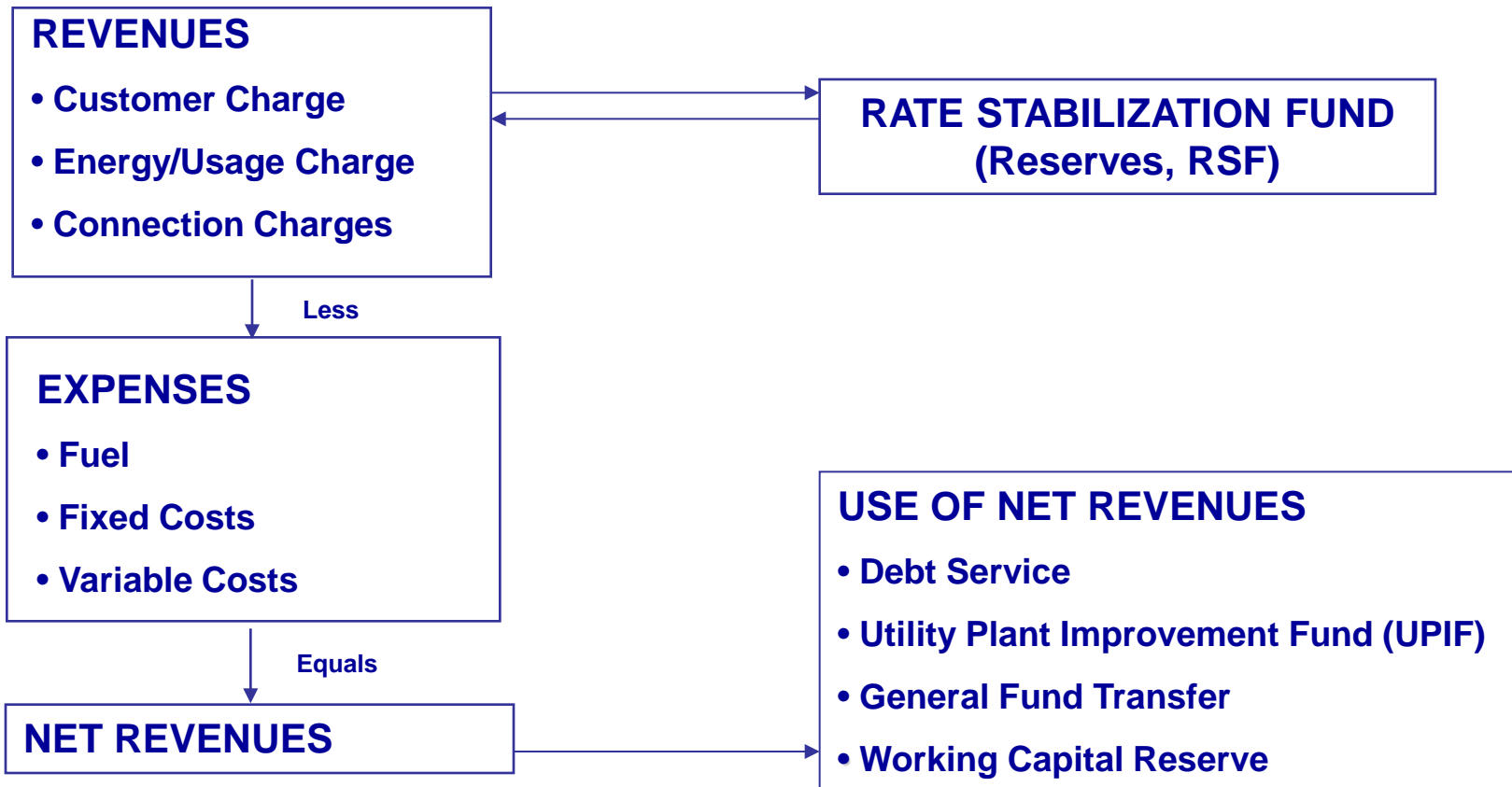
5. Sunset program, reduce or stop collecting surcharge, and cut GFT by \$250,000
6. Sunset program, reduce or stop collecting surcharge, and not cut GFT
  - \$250,000 revenue reduction to GRU

# Recommendation

5. Sunset program, stop collecting surcharge, & cut GFT by \$250,000
  - Allocate \$125,000 of available fund balance to General Gov't
  - Use remaining available balance (approximately \$516,000) to reduce 2015 water & wastewater rate increases

# PROPOSED BUDGETS & FINANCIALS

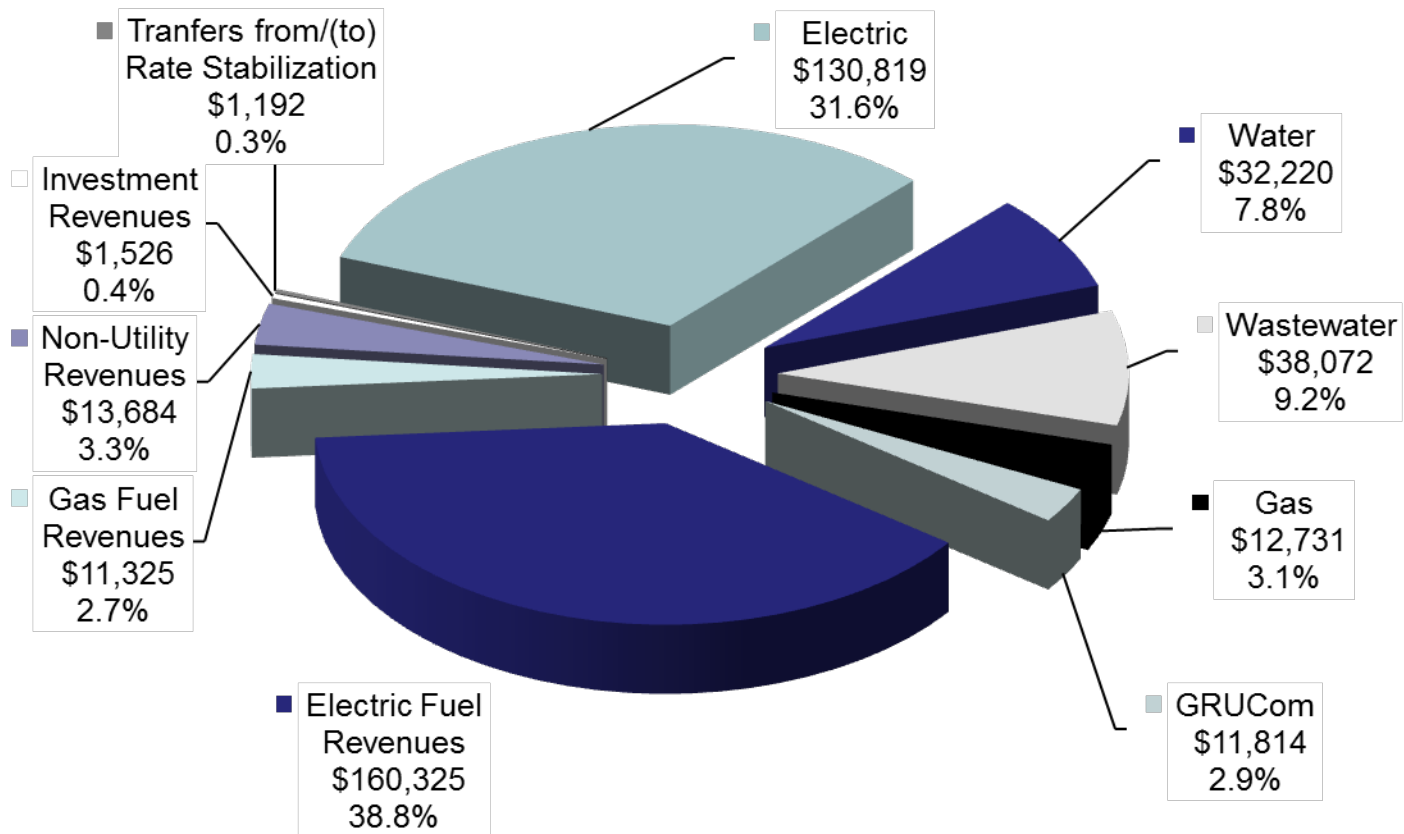
# Flow of Funds





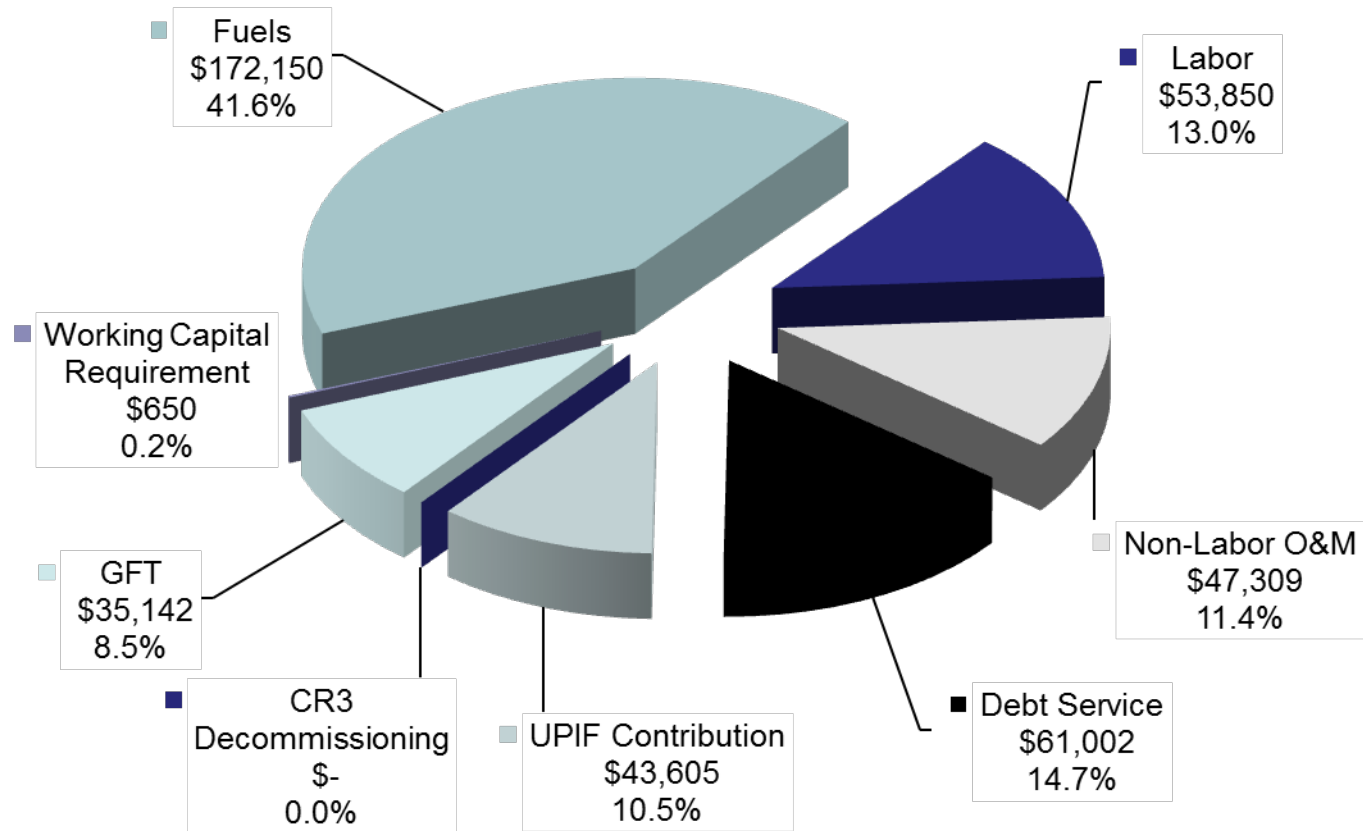
# FY15 Revenue Classification

## Dollars in Thousands

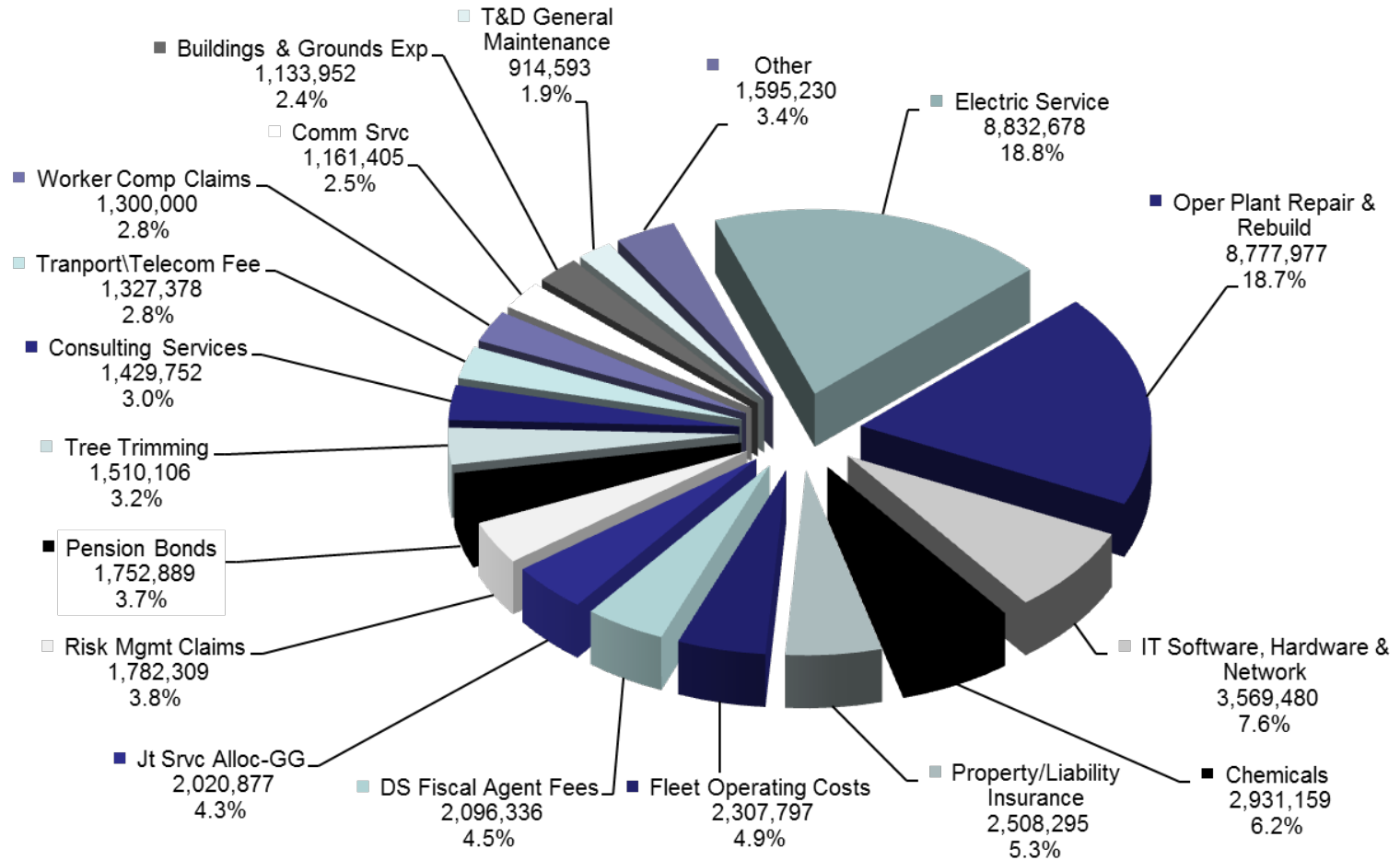


# FY15 Expense Classification

## Dollars in Thousands



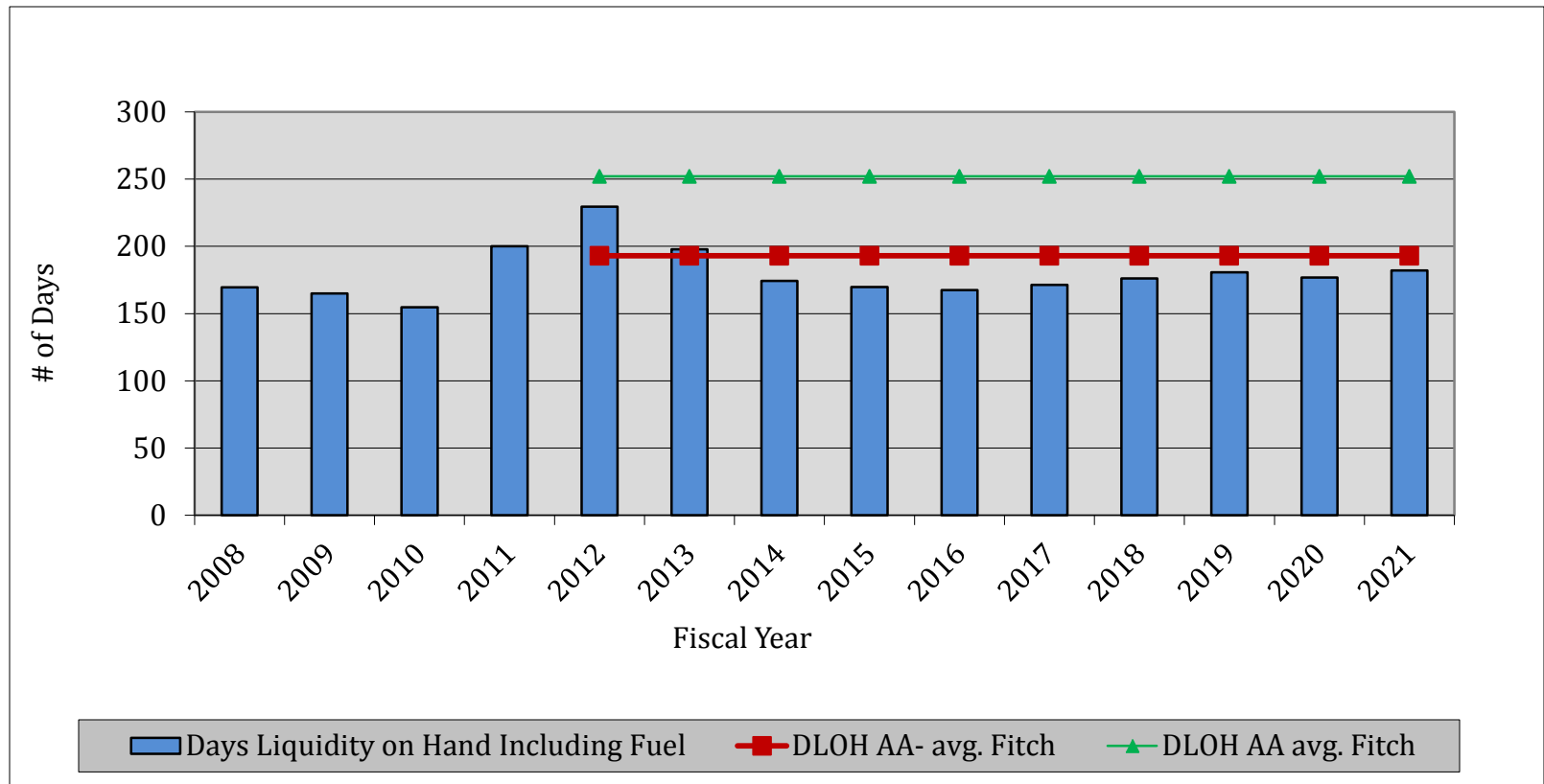
# FY15 Non-Labor Expense Detail



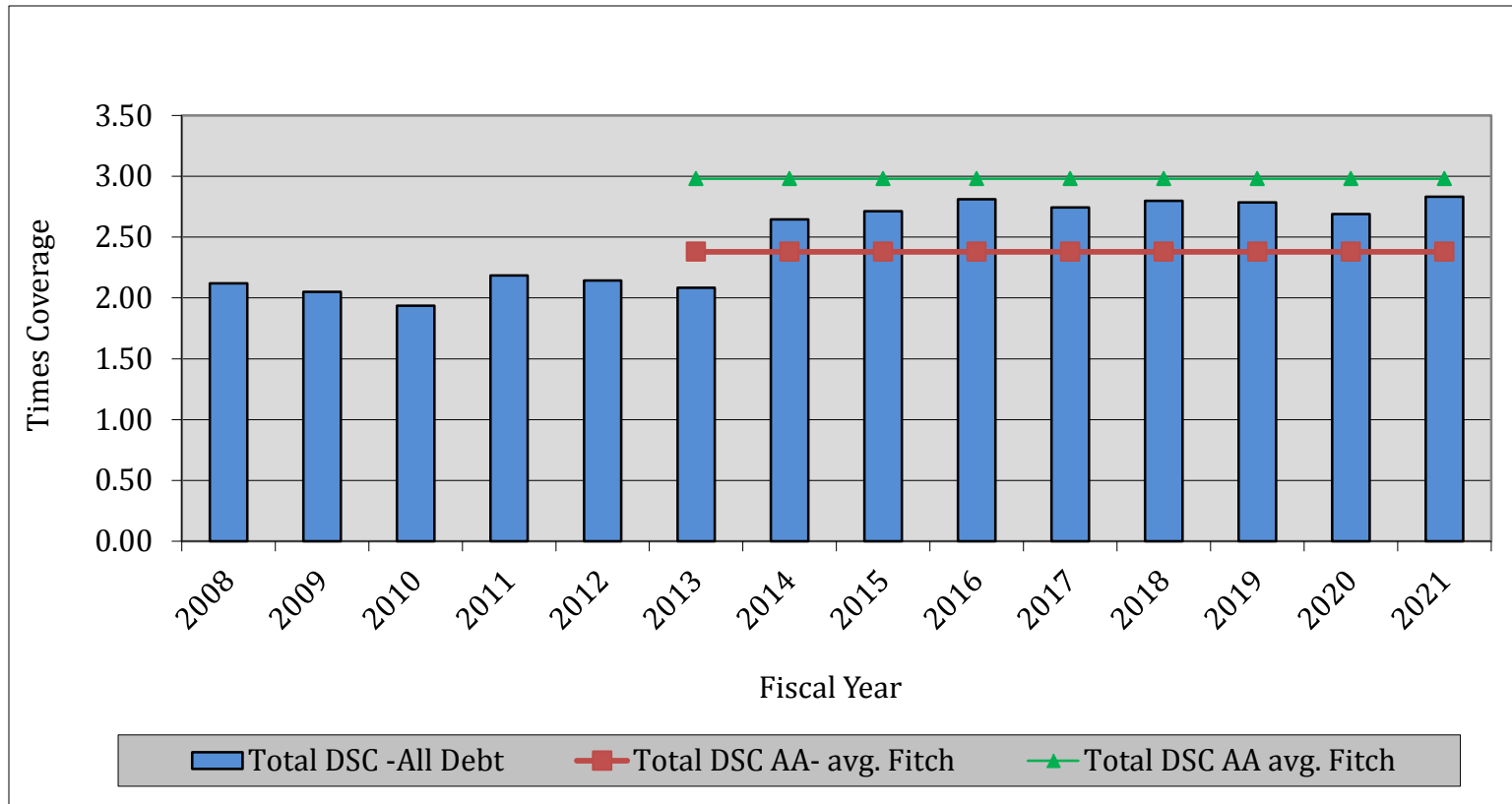
# FY15 Capital Expenditure and Bond Issuance

- Increase capital spending from proposed FY15 budget by \$31.6 million
- Bond issuance required in FY15

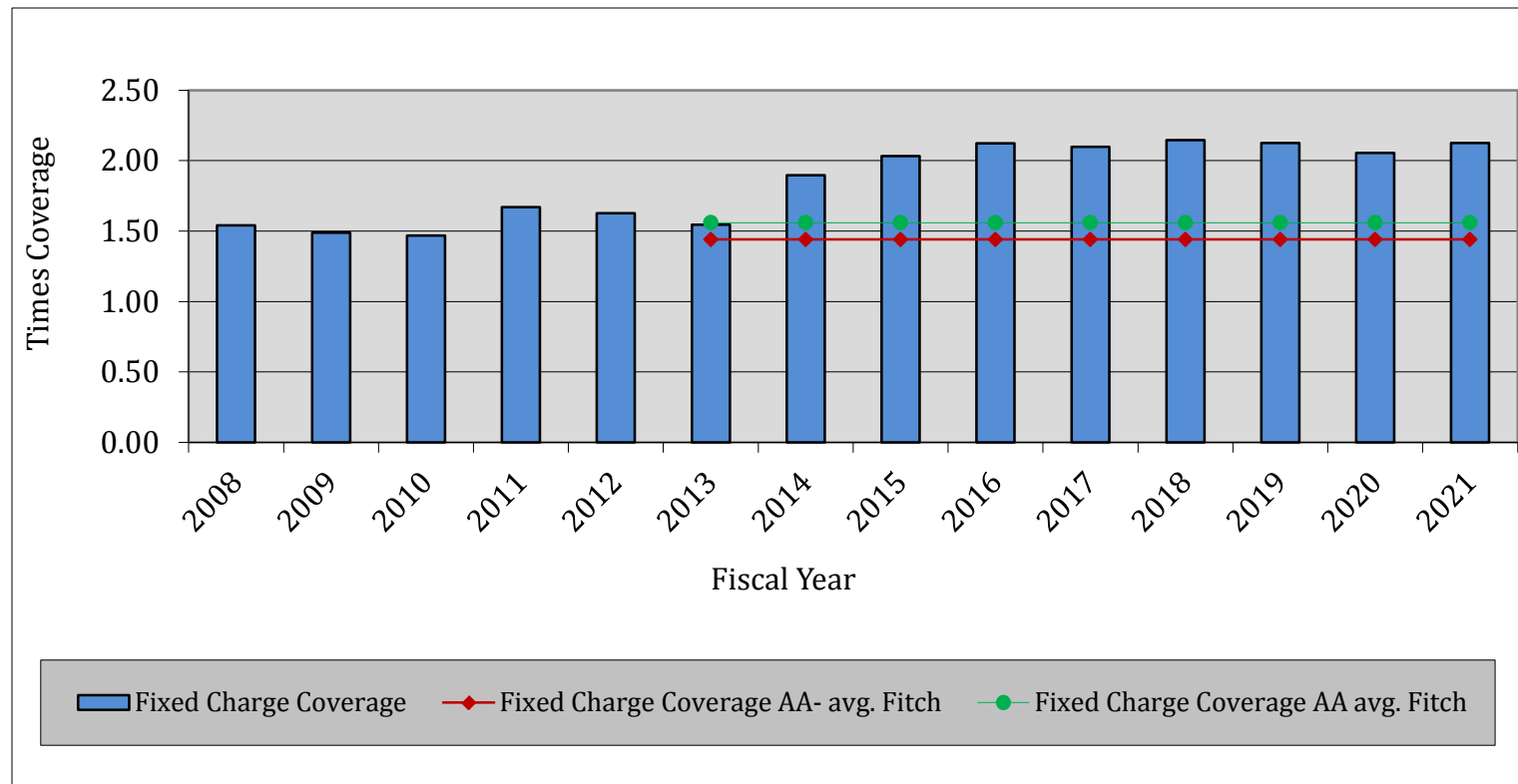
# Days Liquidity on Hand



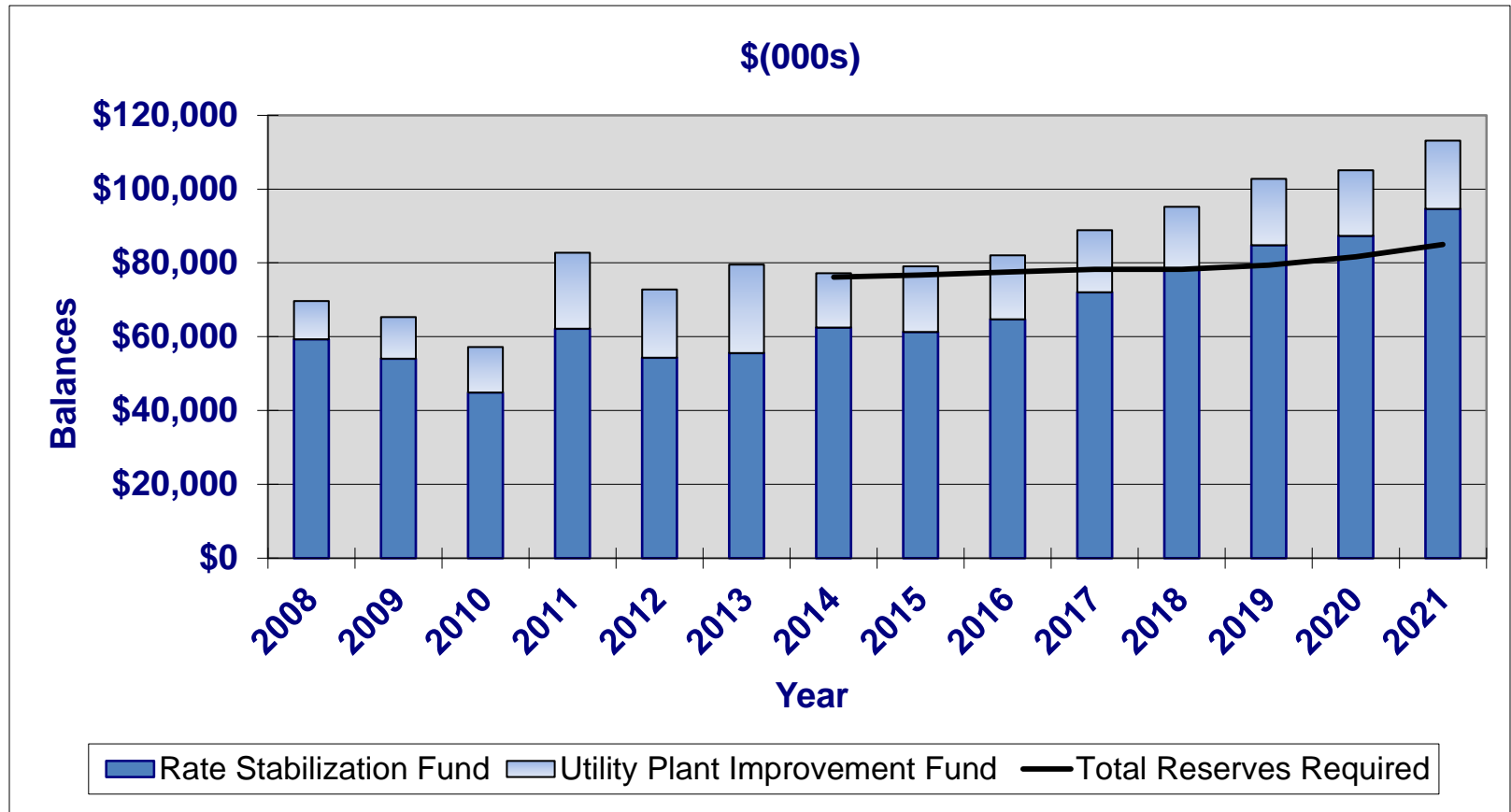
# Debt Service Coverage



# Fixed Charge Coverage

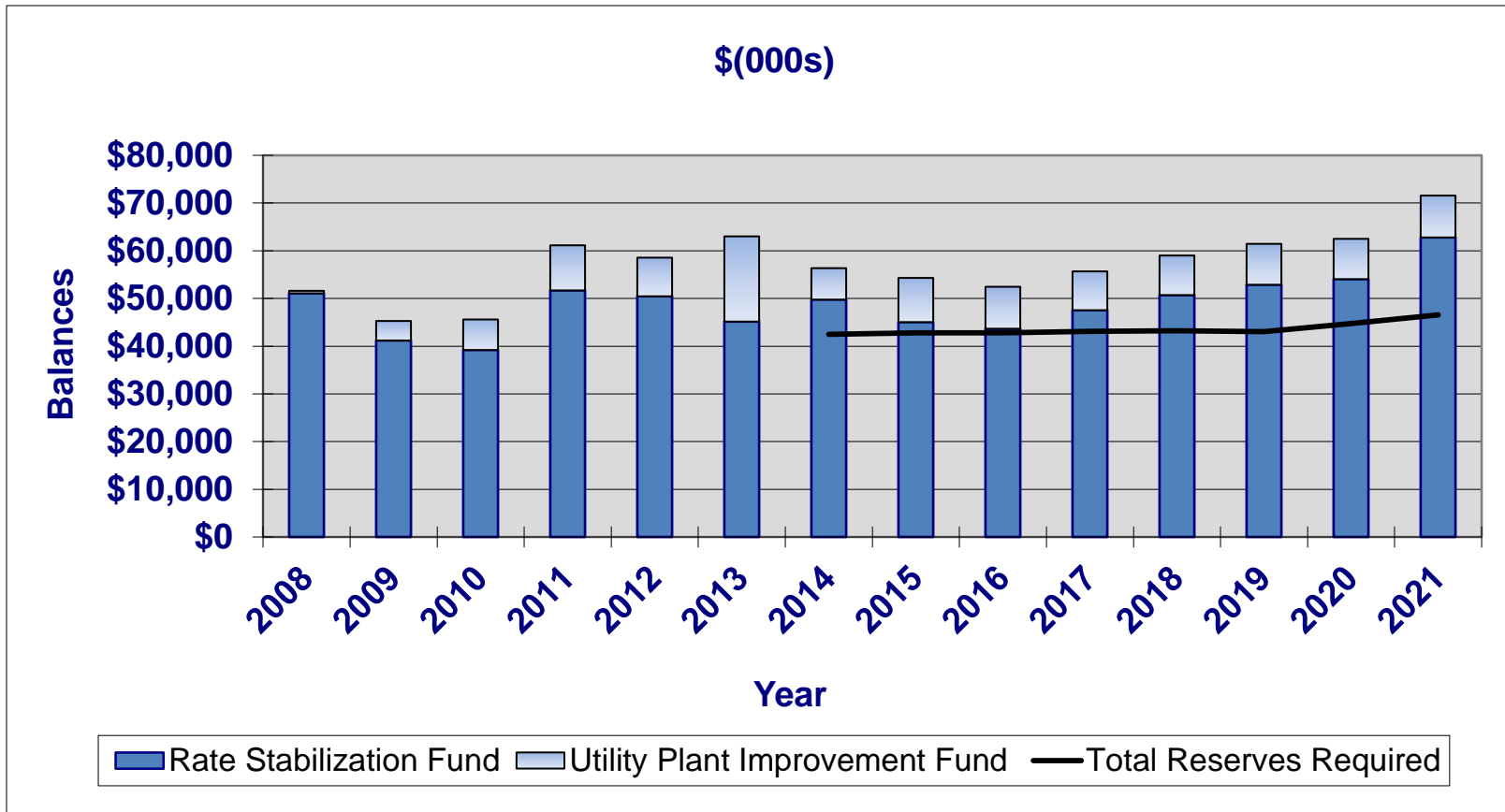


# Reserves – Combined

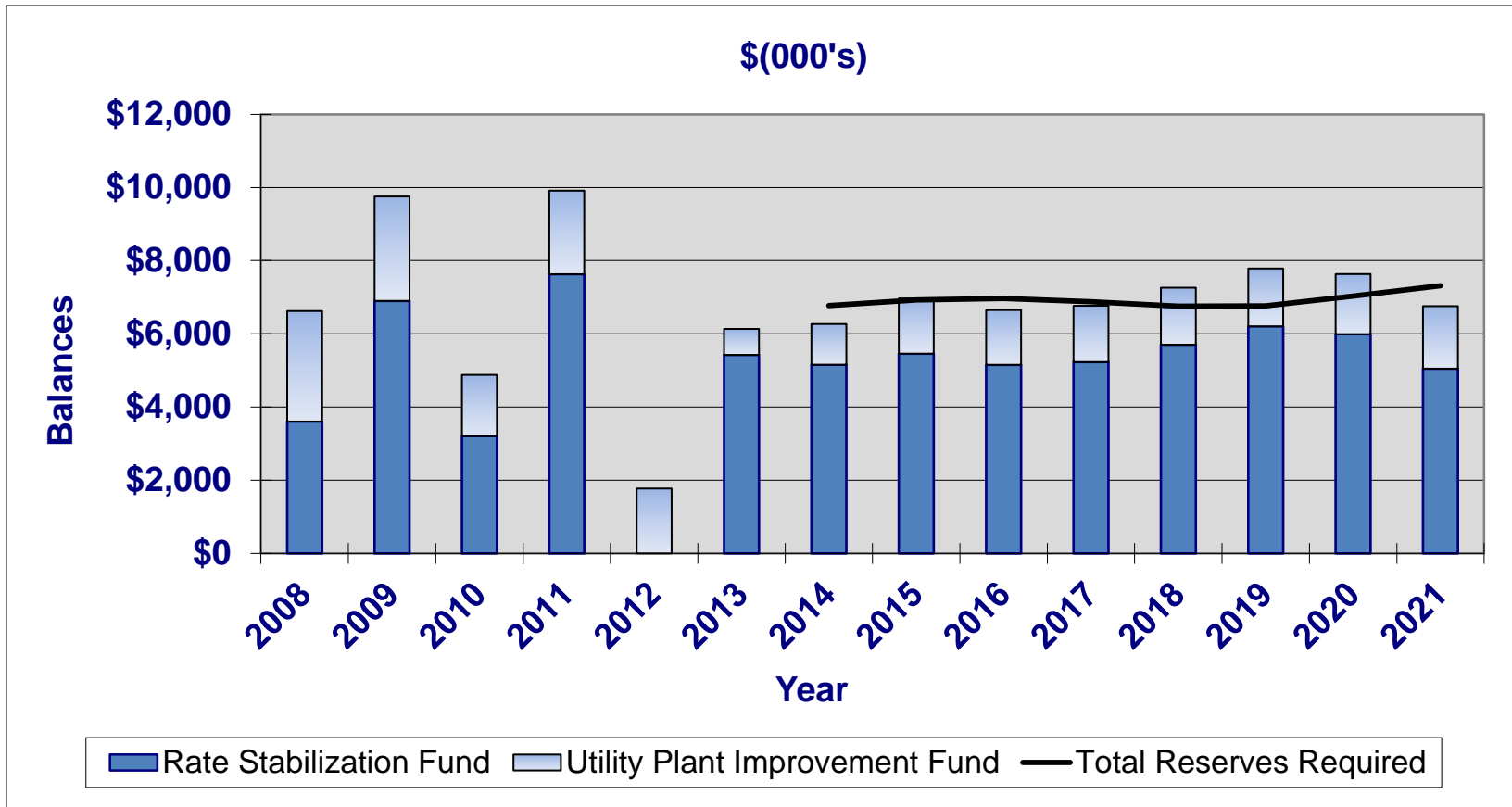




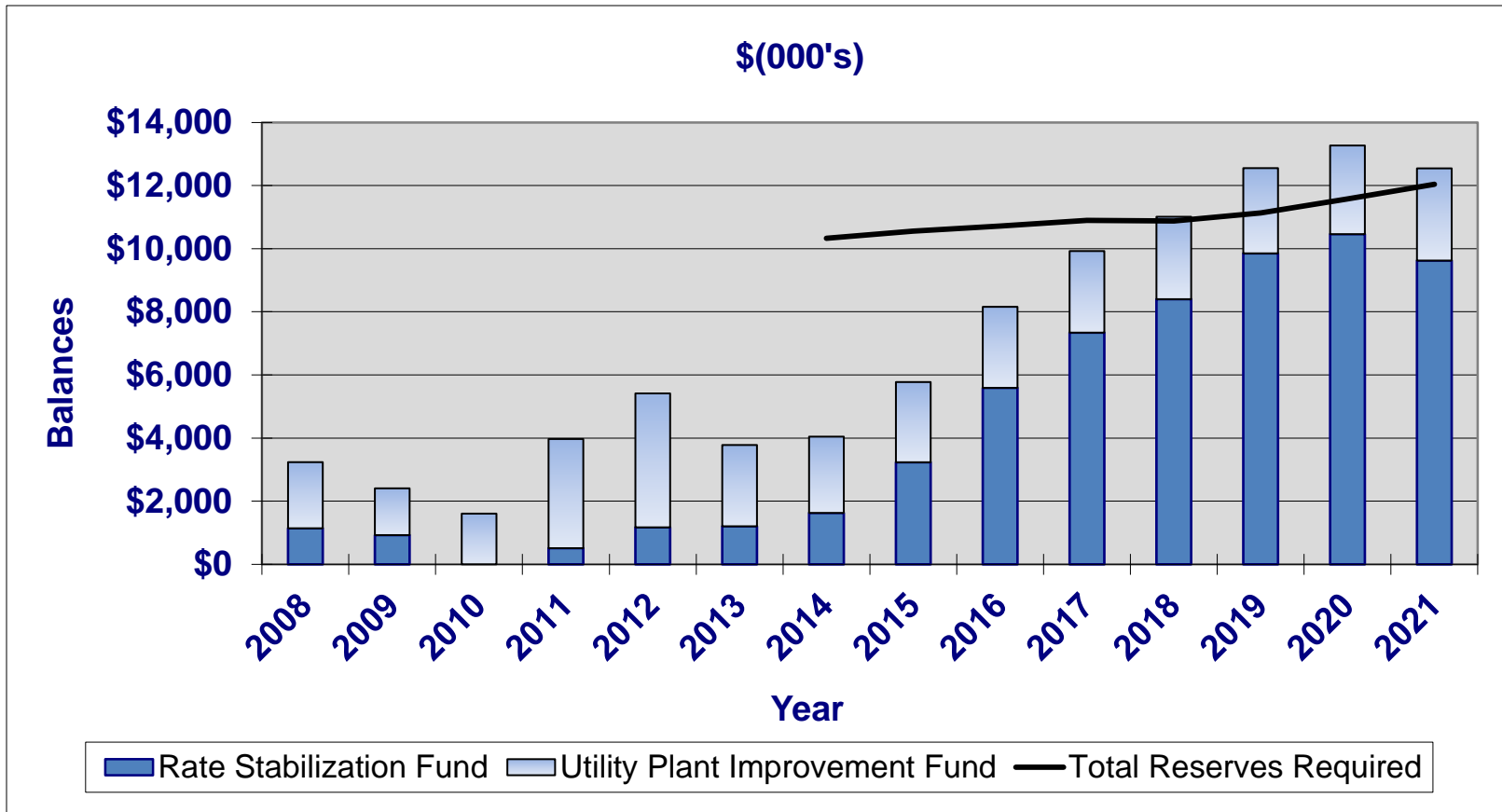
# Reserves – Electric



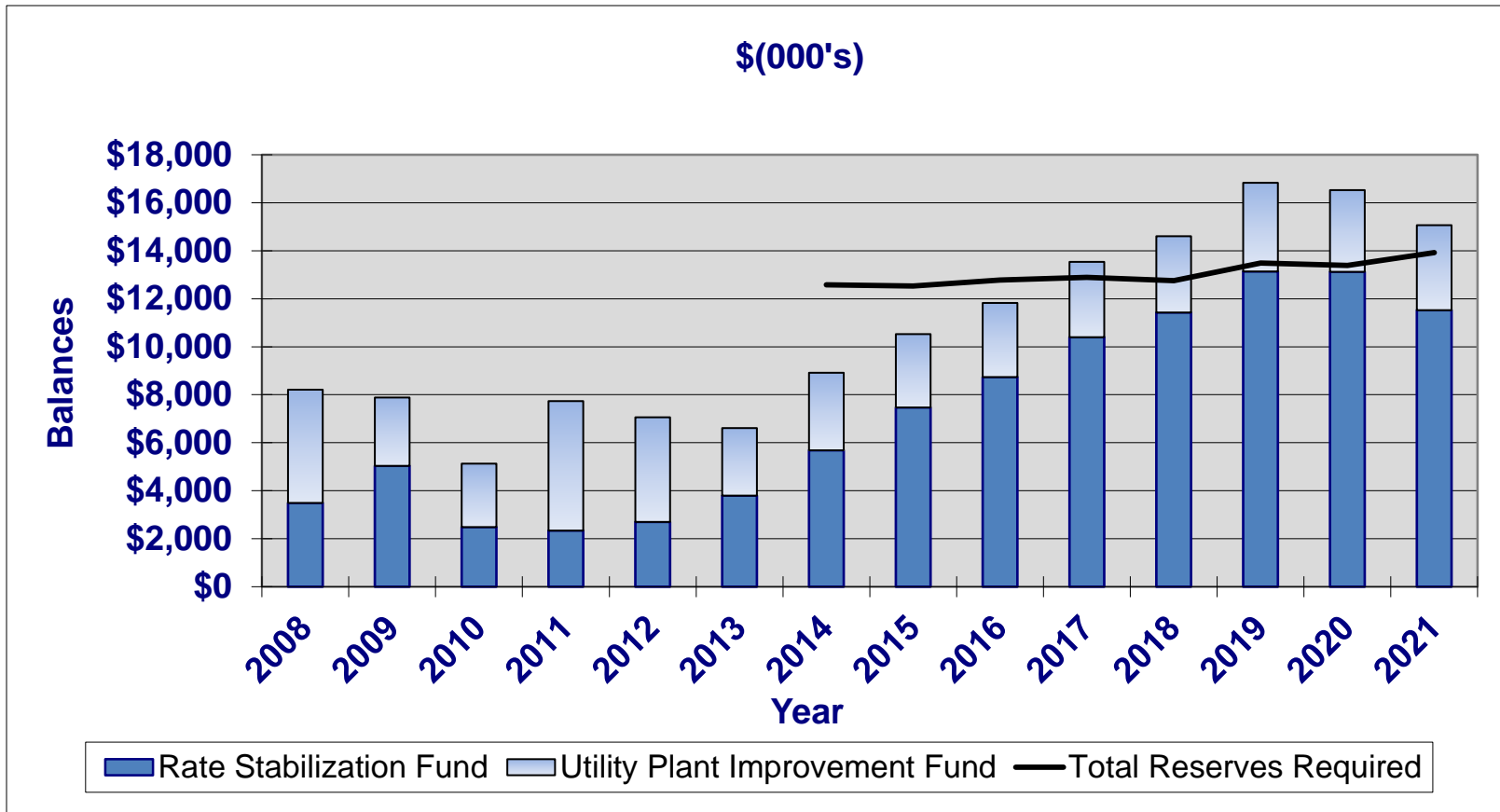
# Reserves – Gas



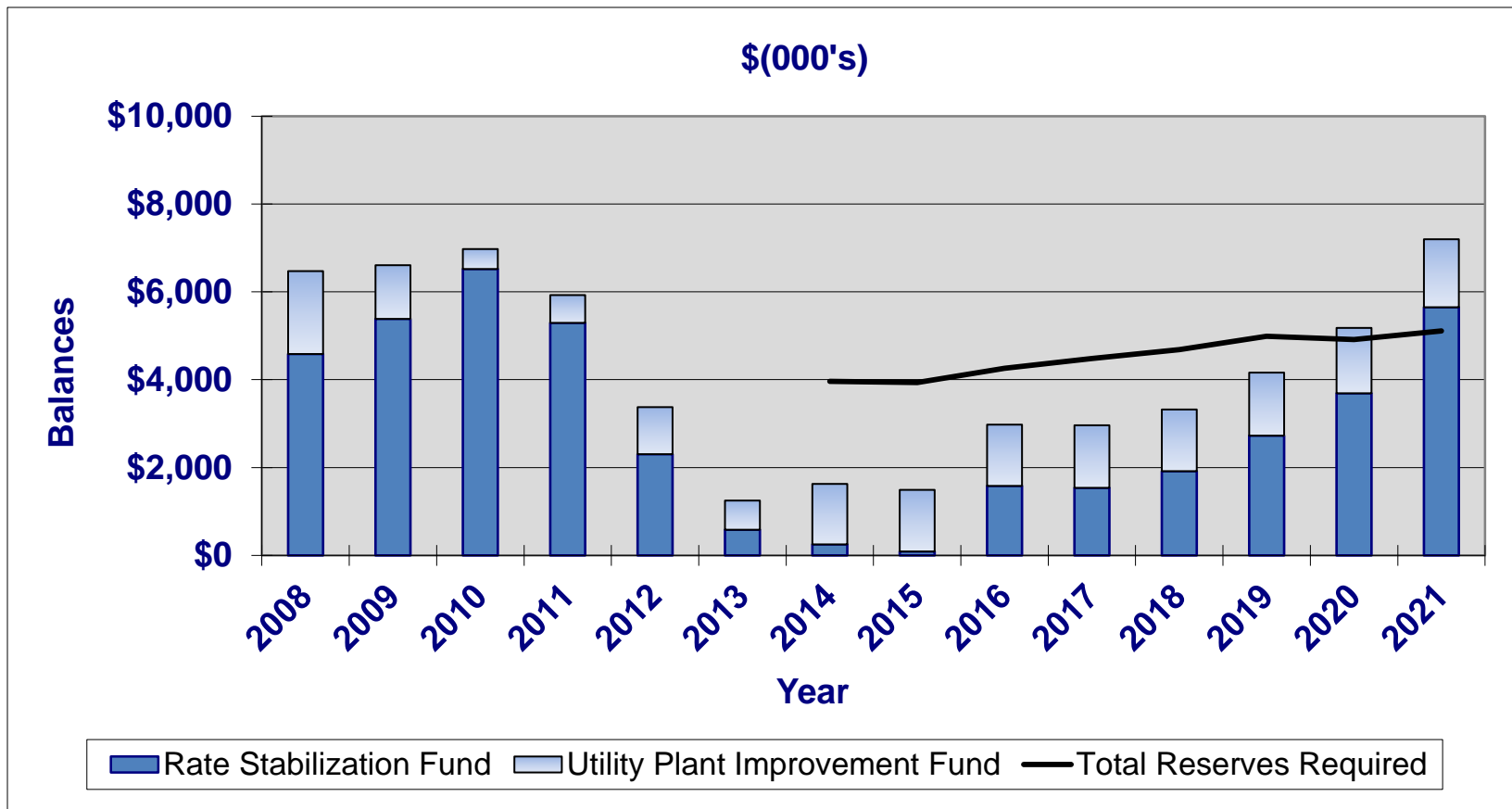
# Reserves – Water



# Reserves – Wastewater



# Reserves – GRUCom



# FORECASTS & RATES

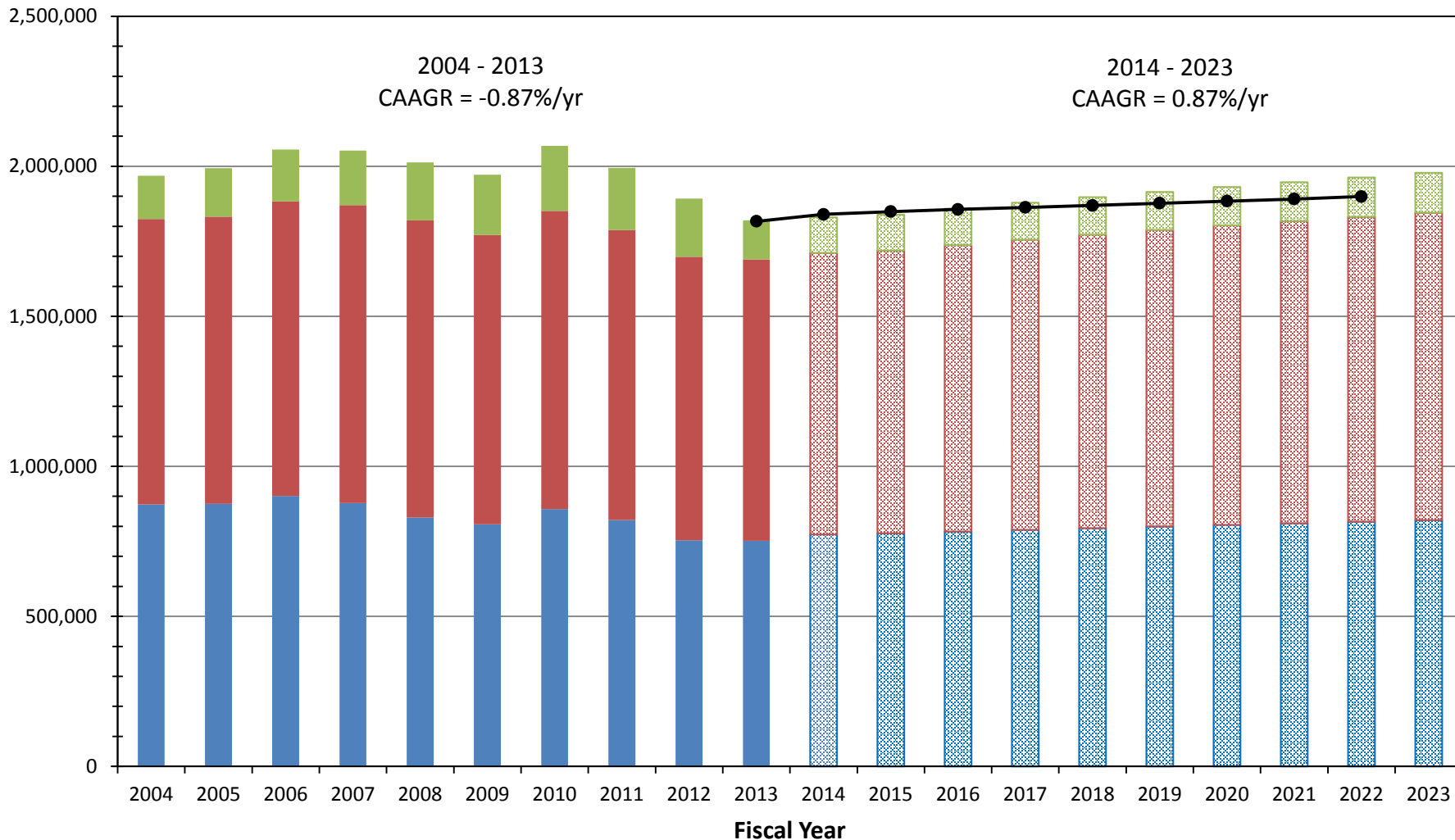
# Forecast Data Sources

- Population and household size – Bureau of Economic and Business Research
- Income and inflation – IHS Global Insight
- Weather – NOAA station at Gainesville Regional Airport, using 30 year history
- Conservation forecast – developed internally
- Historical data

# Electric Energy Sales

MegaWatt-hours

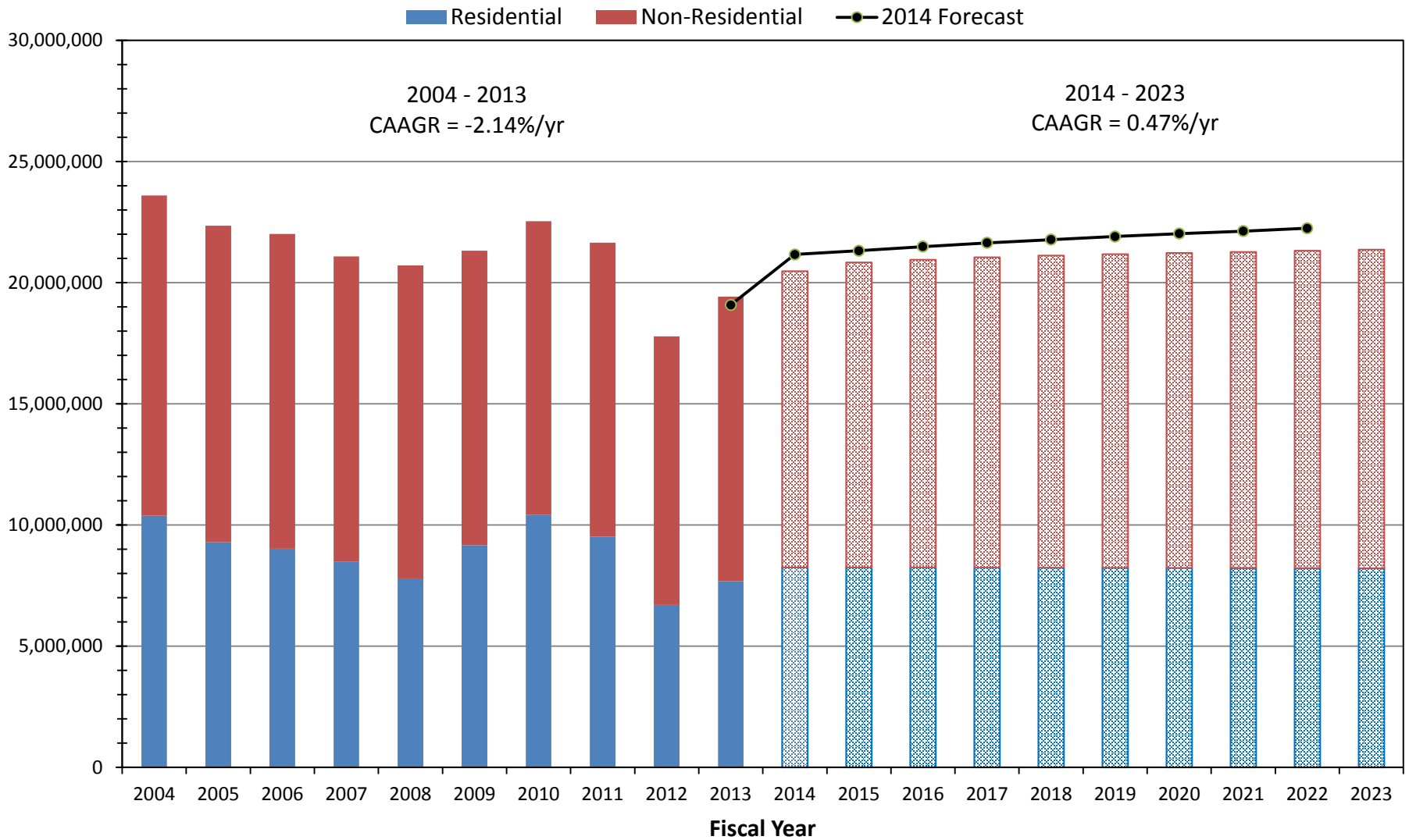
Residential Non-Residential Sales for Resale 2014 Forecast





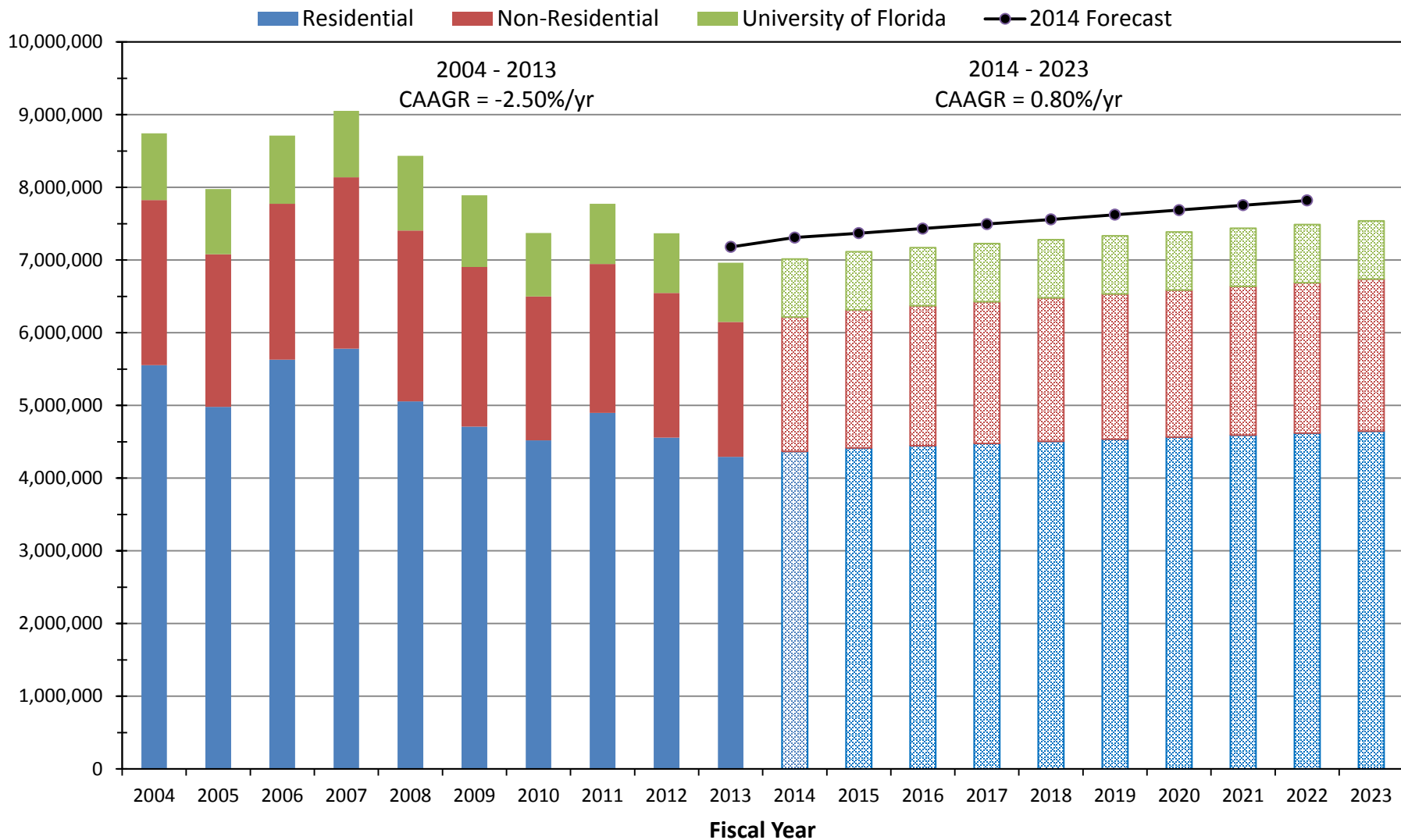
# Natural Gas Energy Sales

## Therms



# Water Sales

Thousand Gallons (kgal)



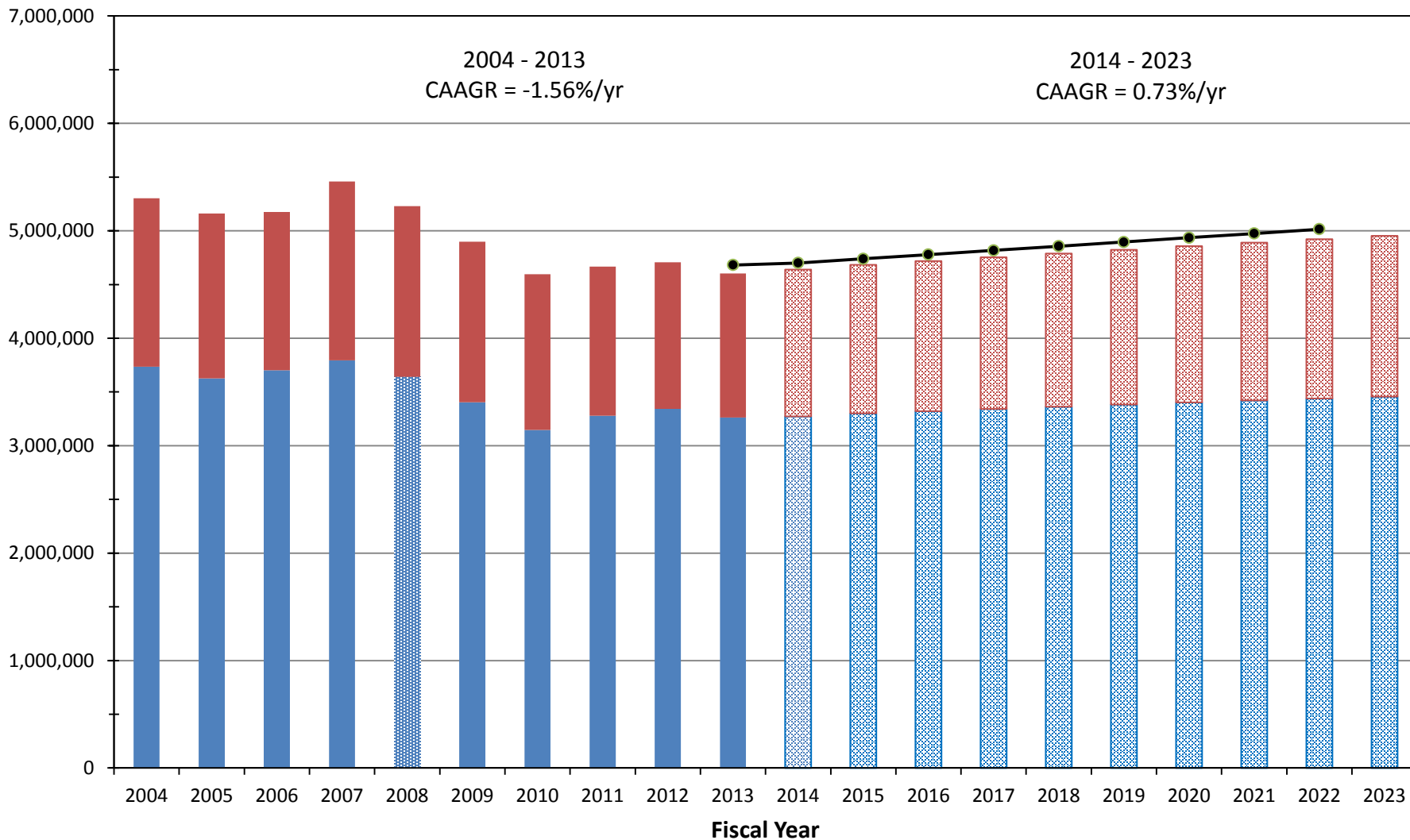
# Wastewater Billings

Thousand Gallons (kgal)

Residential Non-Residential 2014 Forecast

2004 - 2013  
CAAGR = -1.56%/yr

2014 - 2023  
CAAGR = 0.73%/yr



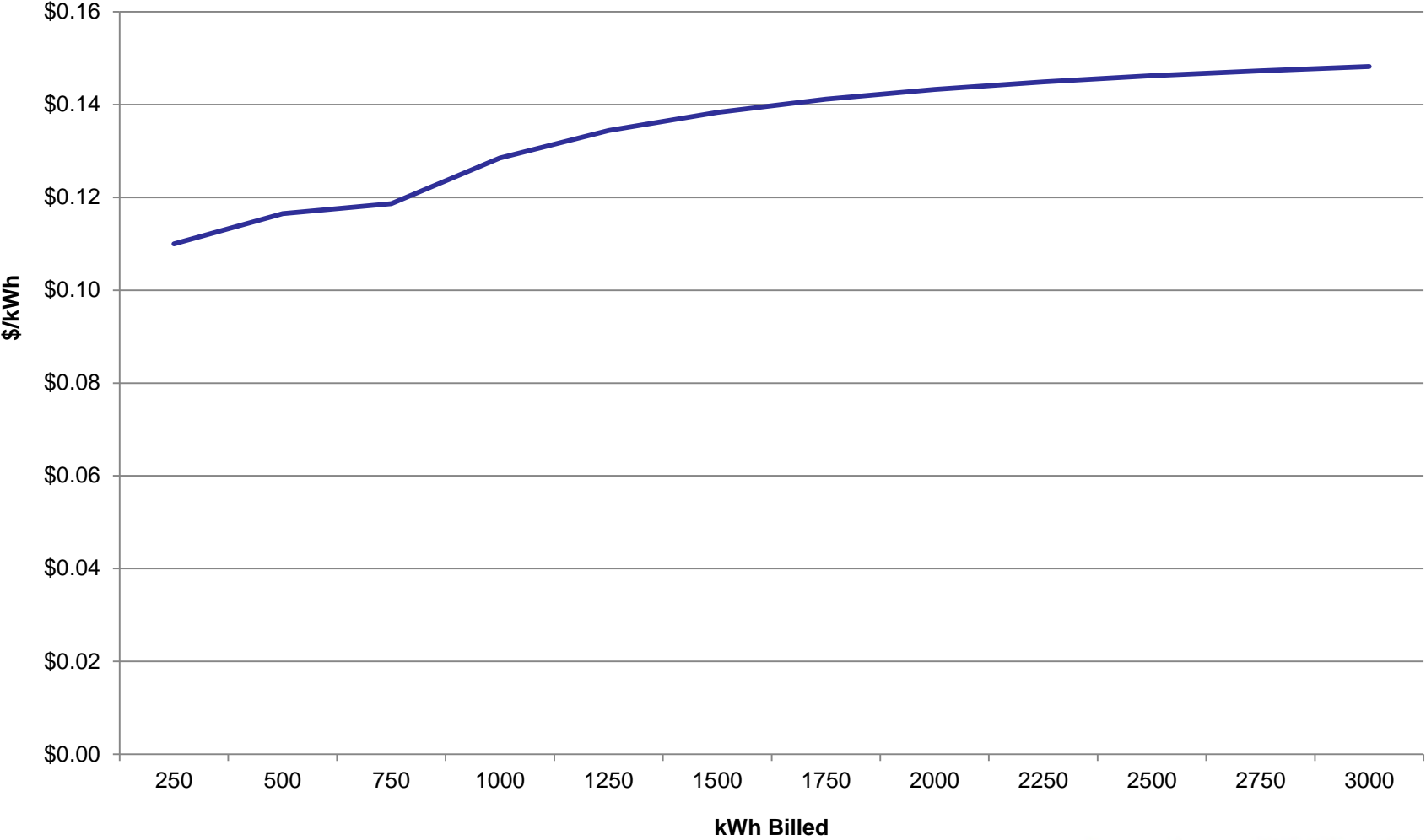
# Baker Tilly Electric Cost of Service Study Results

February 2013

| Customer Class     | Percent Change from Current Rates |
|--------------------|-----------------------------------|
| Residential        | 4.83%                             |
| General Non-Demand | -7.88%                            |
| General Demand     | -4.16%                            |
| Large Power        | -4.50%                            |
| Street Lighting    | -2.72%                            |
| Alachua Wholesale  | 49.11%                            |

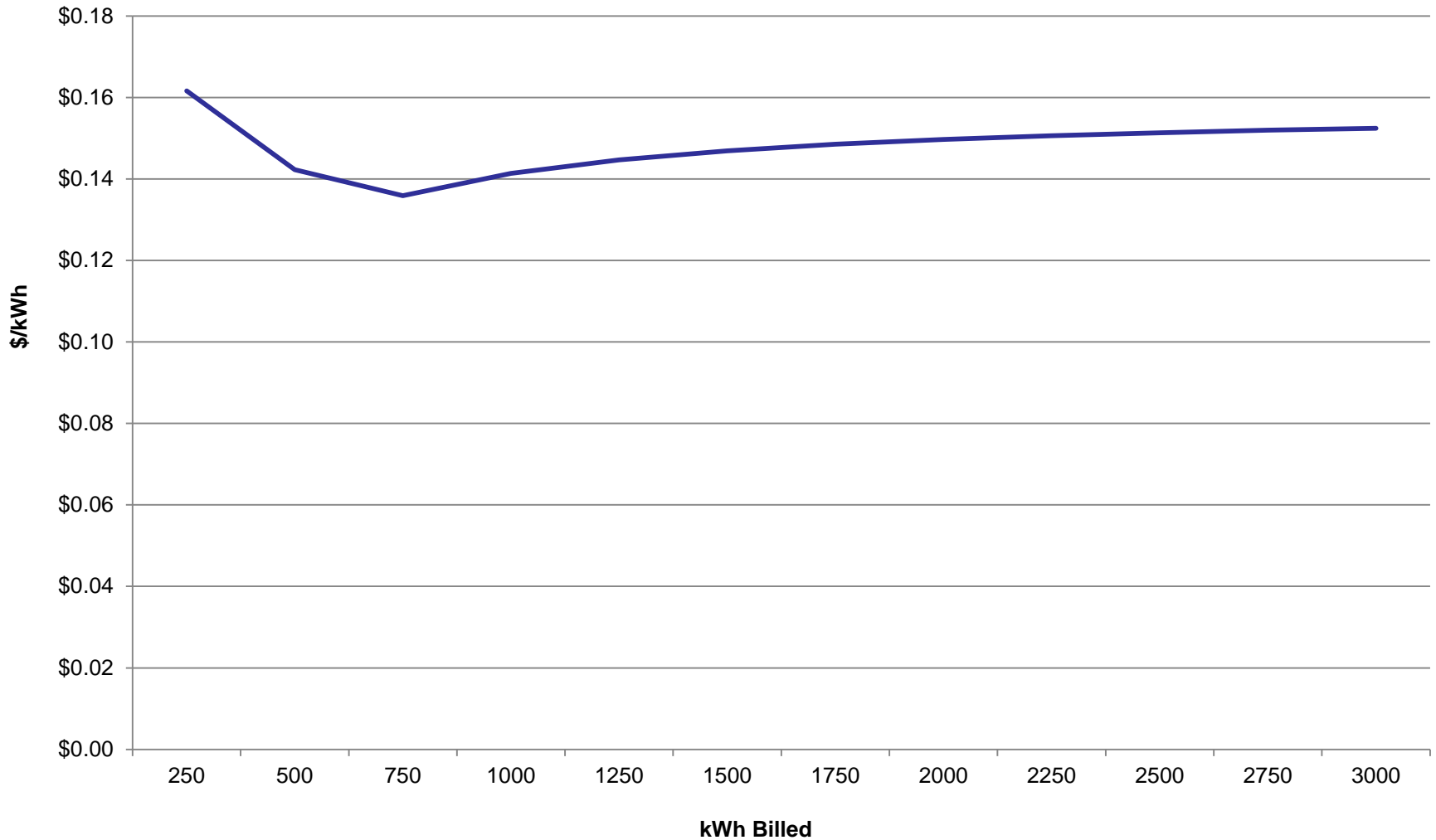
# FY15 Proposed Residential Electric Rates

## Price Per kWh Including Fuel and Excluding Customer Charge



# FY15 Proposed Residential Electric Rates

## Price Per kWh Including Fuel and Customer Charge



# Proposed Residential Electric Rates

|                           |                    |
|---------------------------|--------------------|
| Monthly Customer Charge   | \$11.90 to \$12.90 |
| Energy Charge (\$/kWh)    |                    |
| – Tier 1 (0 to 250 kWh)   | \$0.039 to \$0.032 |
| – Tier 2 (251 to 750 kWh) | \$0.050 to \$0.045 |
| – Tier 3 (Over 750 kWh)   | \$0.094 to \$0.080 |
| Fuel Adjustment (\$/kWh)  | \$0.069 to \$0.078 |

# Residential Electric Bill Change by Usage Level

| kWh   | Bill Change from<br>July 2014 to FY15 |
|-------|---------------------------------------|
| 0     | \$ 1.00                               |
| 250   | \$ 1.50                               |
| 500   | \$ 2.50                               |
| 750   | \$ 3.50                               |
| 1,000 | \$ 2.25                               |
| 1,250 | \$ 1.00                               |
| 1,500 | \$ (0.25)                             |
| 1,750 | \$ (1.50)                             |
| 2,000 | \$ (2.75)                             |



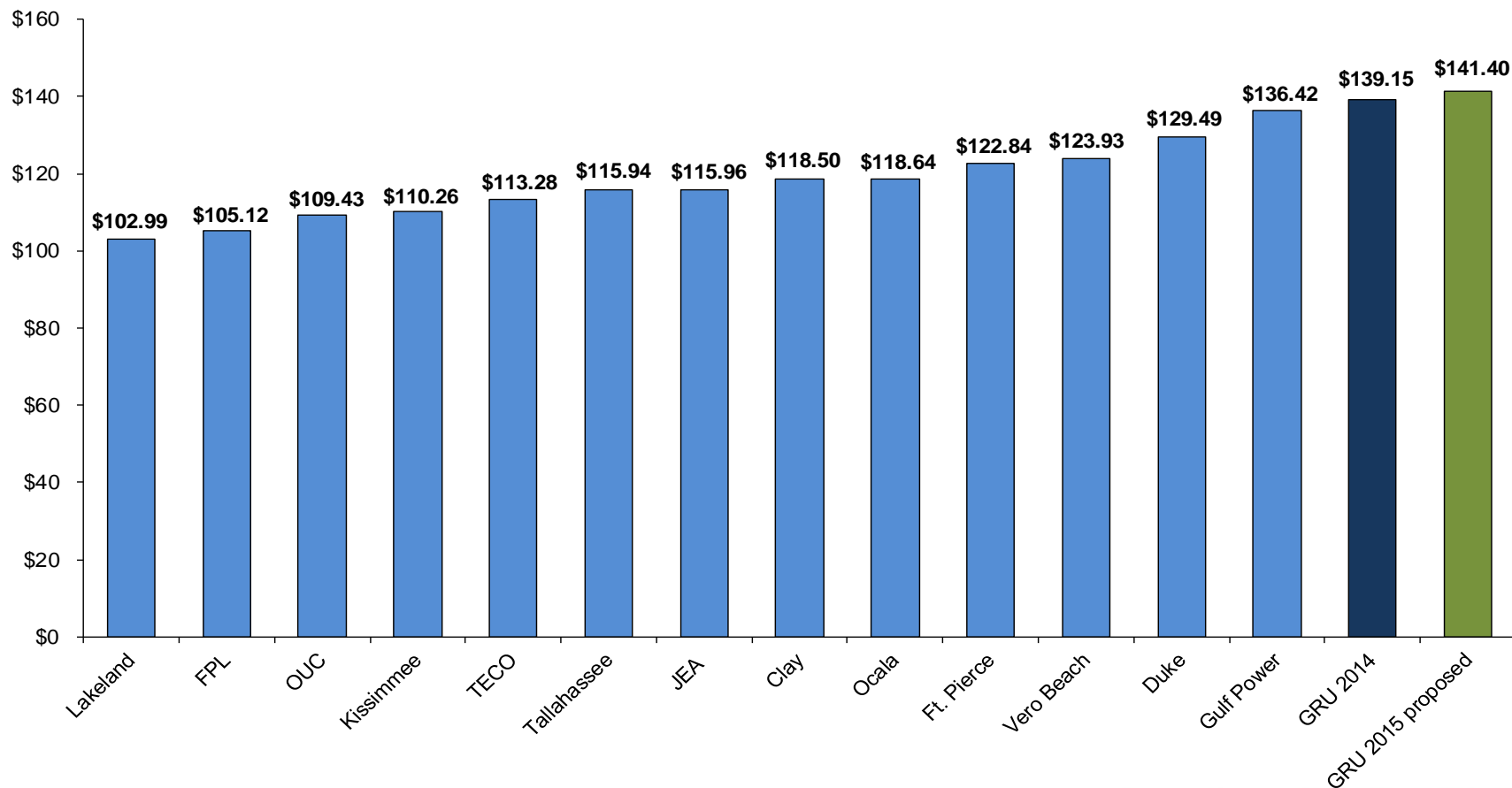
# Fuel Adjustment

- Proposed FY15 fuel adjustment rate \$0.078/kWh
- Levelization balance as of June 30, 2014 \$11 M
- Projected balance as of September 30, 2014 \$9.1M
- Projected balance as of September 30, 2015 \$5.5M
- 10% of FY15 Electric fuel budget \$16 M
- -5% of FY15 Electric fuel budget (\$ 8 M)

# Residential Electric Bill Comparison

1,000 KWh

June 2014

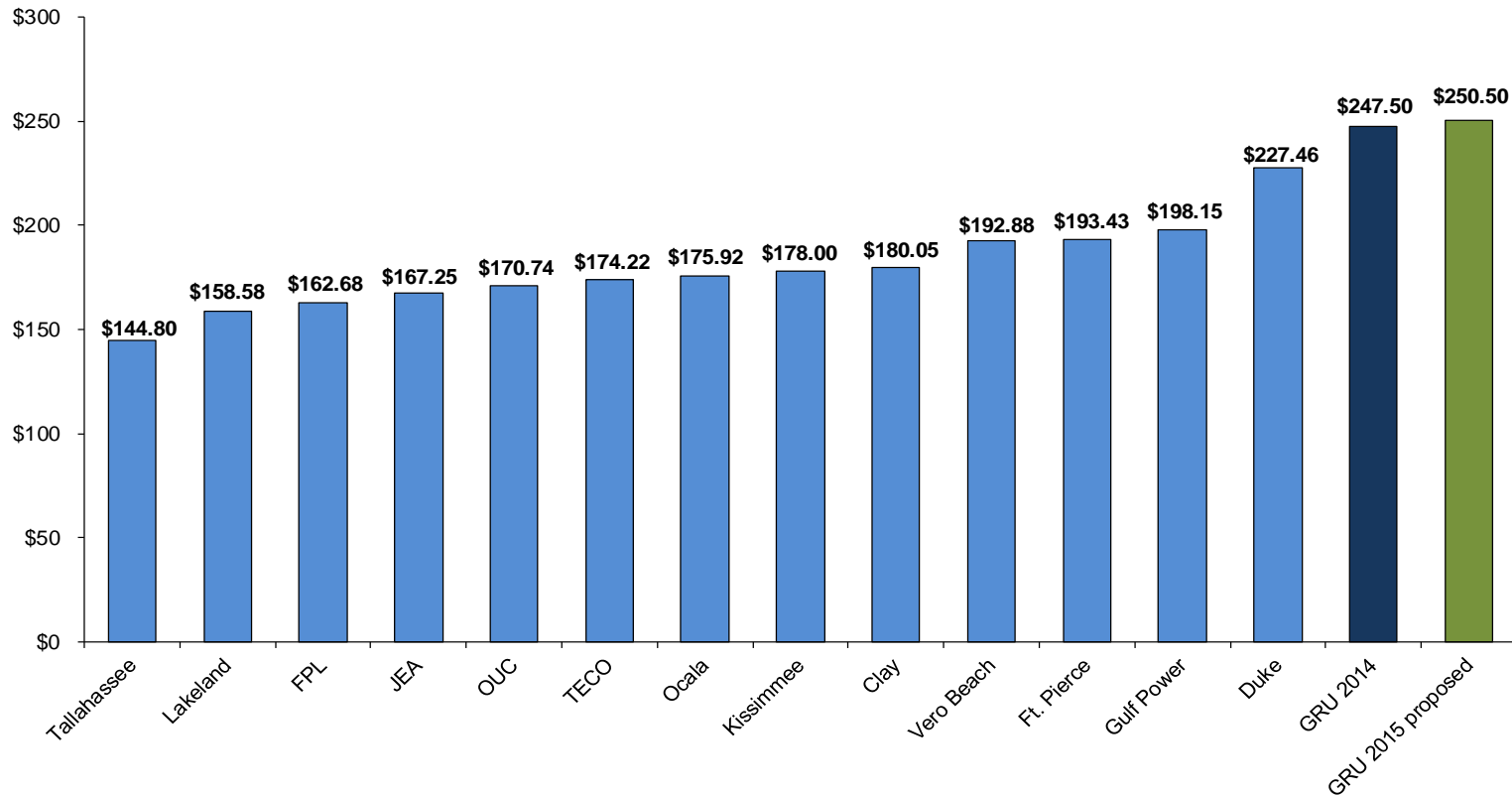


# Proposed General Service Non-Demand Electric Rates

|                          |                    |
|--------------------------|--------------------|
| Monthly Customer Charge  | \$30.00 no change  |
| Energy Charge (\$/kWh)   |                    |
| – Tier 1 (0 to 1500 kWh) | \$0.076 to \$0.069 |
| – Tier 2 (over 1500 kWh) | \$0.106 to \$0.100 |
| Fuel Adjustment (\$/kWh) | \$0.069 to \$0.078 |

# General Service Non-Demand Electric Bill Comparison

1,500 KWh  
June 2014



# Proposed General Service Demand Electric Rates

|                           |                     |
|---------------------------|---------------------|
| Monthly Customer Charge   | \$100 no change     |
| Energy Charge (\$/kWh)    | \$0.045 to \$0.0405 |
| Demand Charge (\$/kW-mo.) | \$9.25 to \$8.75    |
| Fuel Adjustment (\$/kWh)  | \$0.069 to \$0.078  |

# General Service Demand Electric Bill Comparison 30,000 KWh, 75 KW June 2014

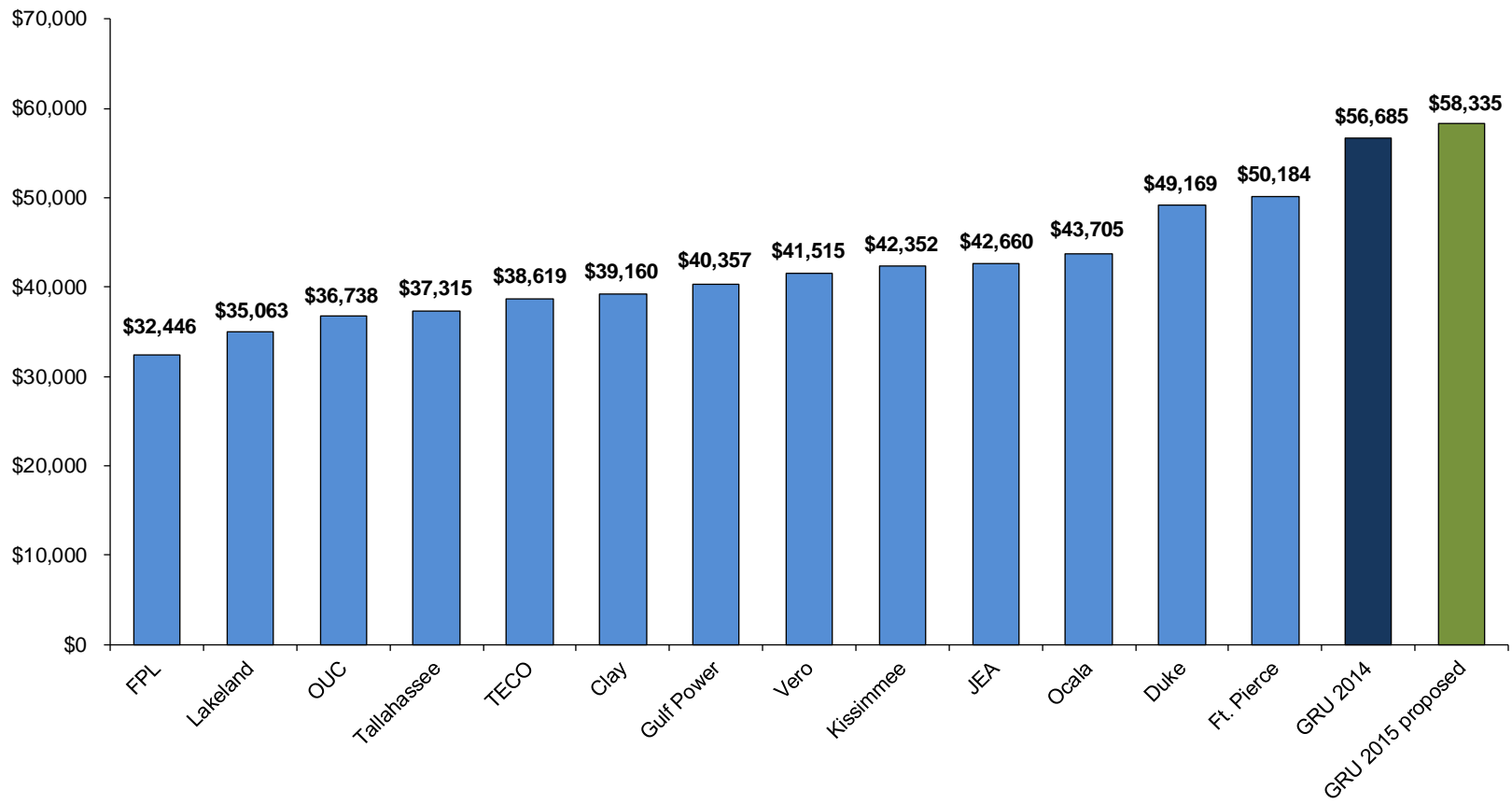


# Proposed Large Power Electric Rates

|                           |                      |
|---------------------------|----------------------|
| Monthly customer charge   | \$350 no change      |
| Energy charge (\$/kWh)    | \$0.0405 to \$0.0365 |
| Demand charge (\$/kW-mo.) | \$9.25 to \$8.75     |
| Fuel adjustment (\$/kWh)  | \$0.069 to \$0.078   |

# Large Power Electric Bill Comparison

430,000 KWh, 1,000 KW  
June 2014





# Electric FY 15

## Proposed Time of Use Rates

| Customer Class             | Rate Component      | July 2014 Rate | Proposed FY15 Rate |
|----------------------------|---------------------|----------------|--------------------|
| Residential                | Customer Charge     | \$17.60        | \$25.00            |
|                            | On Peak \$/kWh      | \$0.139        | \$0.141            |
|                            | Off-Peak \$/kWh     | \$0.035        | \$0.037            |
| General Service Non-Demand | Customer Charge     | \$35.00        | \$40.00            |
|                            | On Peak \$/kWh      | \$0.169        | \$0.162            |
|                            | Off-Peak \$/kWh     | \$0.042        | \$0.038            |
| General Service Demand     | Customer Charge     | \$55.00        | \$100.00           |
|                            | On Peak \$/kWh      | \$0.064        | \$0.072            |
|                            | Off-Peak \$/kWh     | \$0.016        | \$0.023            |
|                            | Demand Charge \$/kW | \$9.25         | \$8.75             |
| Large Power                | Customer Charge     | \$305.00       | \$350.00           |
|                            | On Peak \$/kWh      | \$0.062        | \$0.066            |
|                            | Off-Peak \$/kWh     | \$0.016        | \$0.020            |
|                            | Demand Charge \$/kW | \$9.25         | \$8.75             |

Peak Hours: Weekdays, 6:00 am to 10:00 pm, excluding holidays.

Off-peak Hours: All other hours. Fuel Adjustment Applies to All TOU kWh.

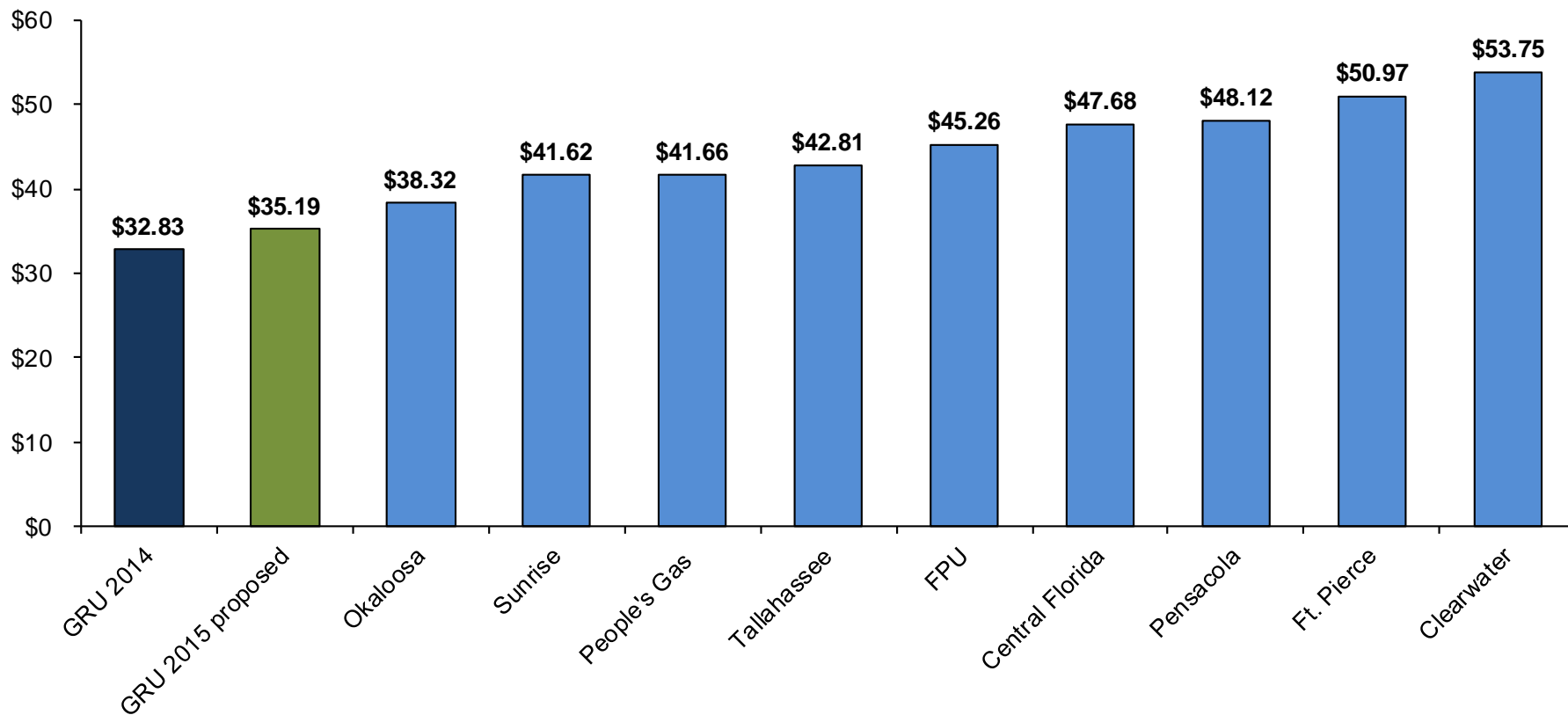
# Proposed Residential Natural Gas Rates

|  |                      |
|--|----------------------|
| Monthly Customer Charge  | \$9.52 to \$9.75     |
| Energy Charge (\$/therm)   | \$0.482 to \$0.502   |
| Manufactured Gas Plant Cost Recovery Factor<br>(Depot Park) (\$/therm) | \$0.0505 to \$0.0556 |
| Purchased Gas Adjustment (\$/therm)                                    | \$0.40 to \$0.46     |

# Residential Natural Gas Bill Comparison

25 Therms

June 2014

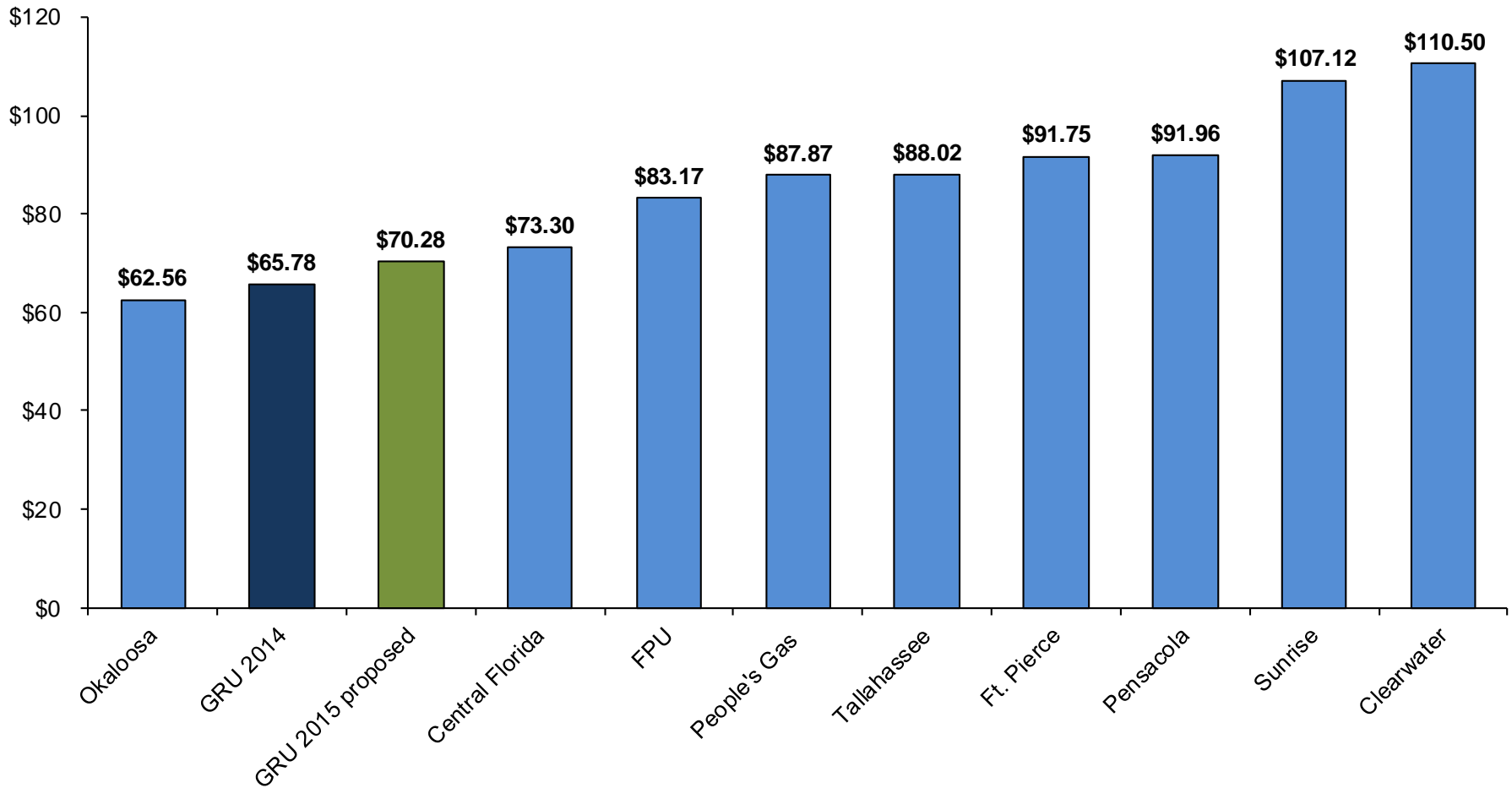


# Proposed Small Commercial Natural Gas Rates

|  |                      |
|--|----------------------|
| Monthly Customer Charge  | \$20.00 no change    |
| Energy Charge (\$/therm)   | \$0.465 to \$0.490   |
| Manufactured Gas Plant Cost Recovery<br>Factor (Depot Park) (\$/therm) | \$0.0505 to \$0.0556 |
| Purchased Gas Adjustment (\$/therm)                                    | \$0.40 to \$0.46     |

# Small Commercial Natural Gas Bill Comparison

50 Therms  
June 2014



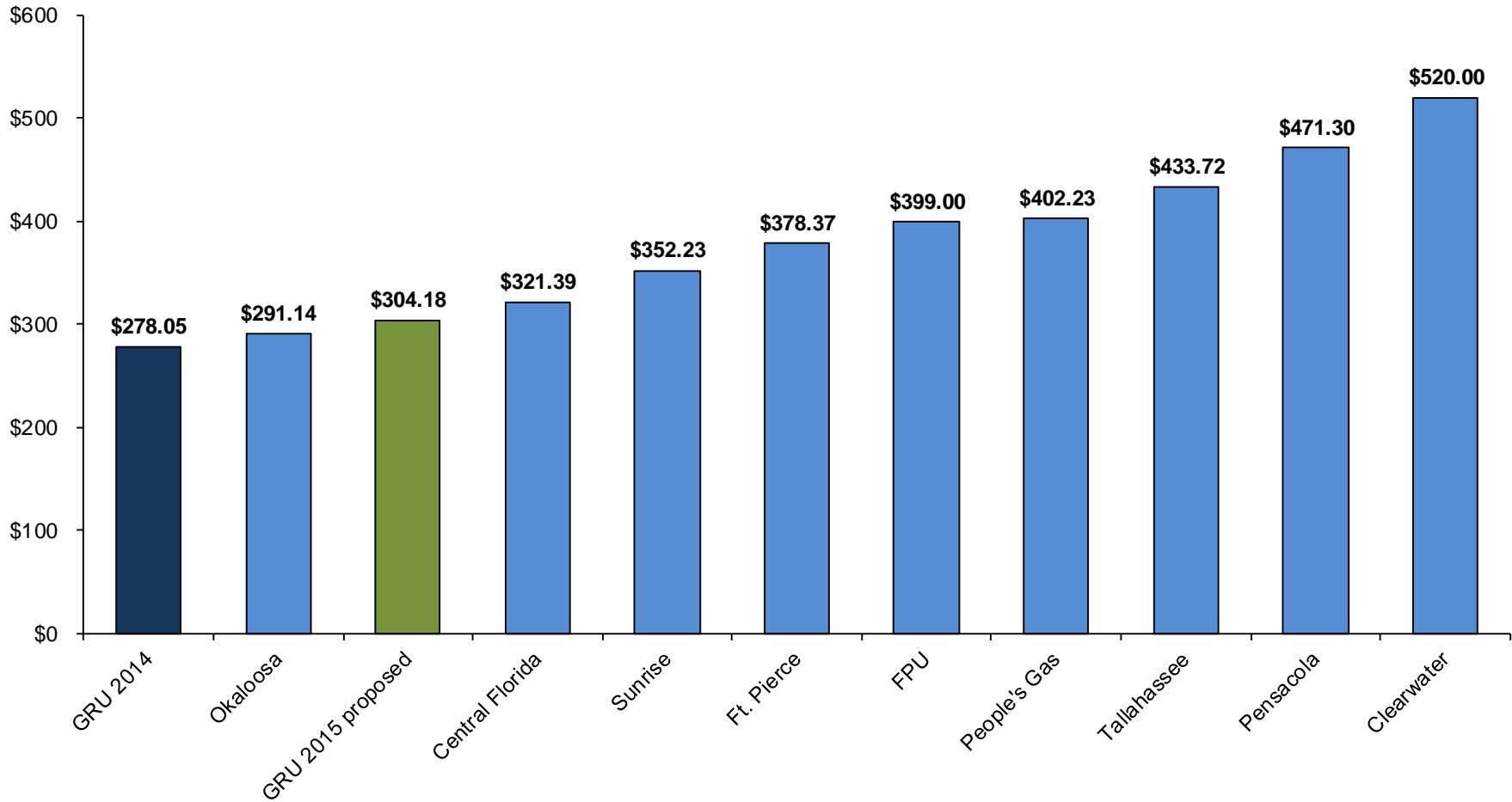
# Proposed Commercial Natural Gas Rates

|  |                      |
|--|----------------------|
| Monthly Customer Charge  | \$40.00 no change    |
| Energy Charge (\$/therm)   | \$0.343 to \$0.365   |
| Manufactured Gas Plant Cost Recovery Factor<br>(Depot Park) (\$/therm) | \$0.0505 to \$0.0556 |
| Purchased Gas Adjustment (\$/therm)                                    | \$0.40 to \$0.46     |

# Commercial Natural Gas Bill Comparison

300 Therms

June 2014



# Proposed Commercial Large Volume Natural Gas Rates

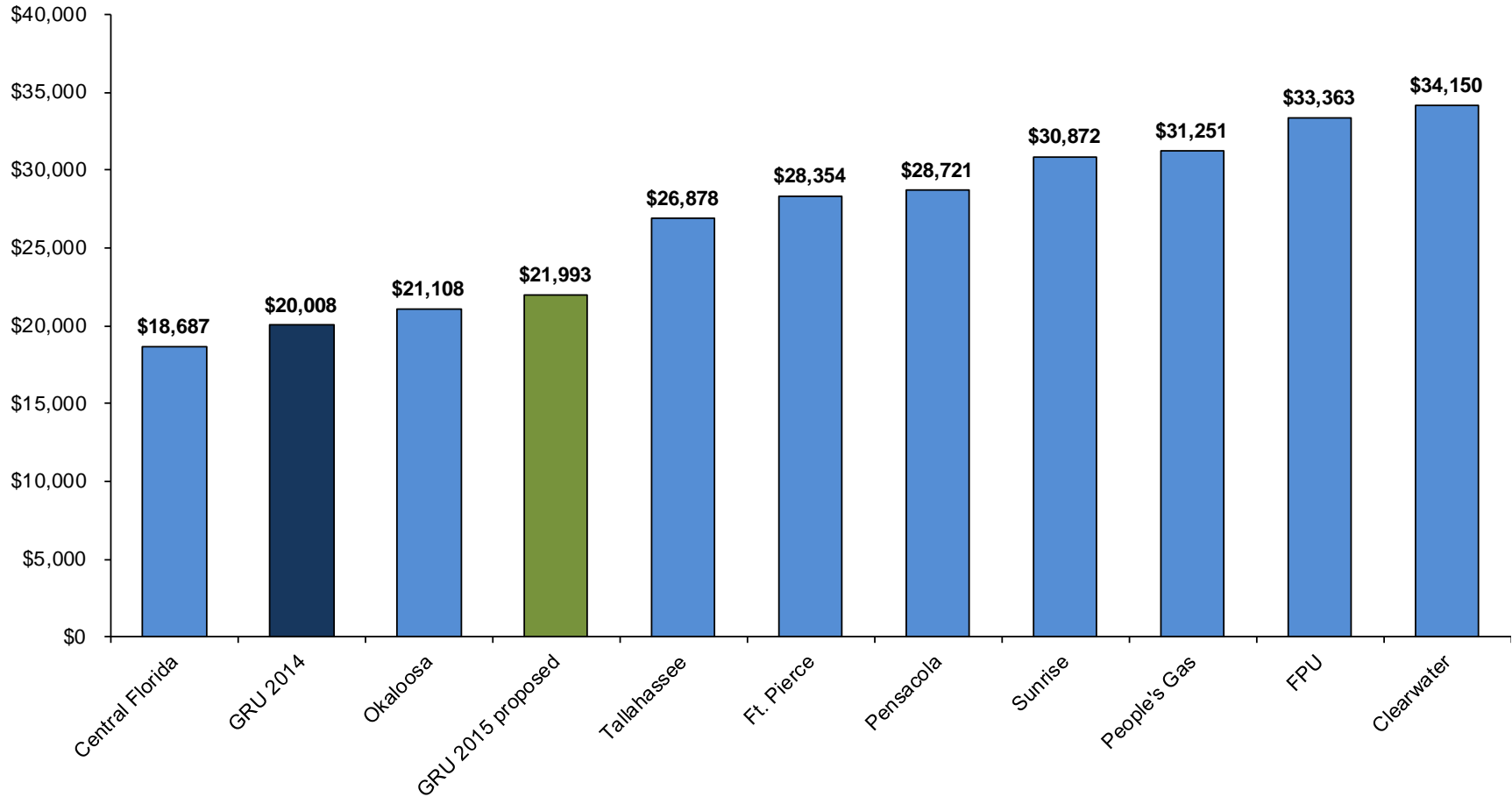
|  |                      |
|--|----------------------|
| Monthly Customer Charge  | \$375 no change      |
| Energy Charge (\$/therm)   | \$0.20394 \$0.20500  |
| Manufactured Gas Plant Cost Recovery Factor<br>(Depot Park) (\$/therm) | \$0.0505 to \$0.0556 |
| Purchased Gas Adjustment (\$/therm)                                    | \$0.40 to \$0.46     |



# Large Volume Natural Gas Bill Comparison

## 30,000 Therms

### June 2014



# Water Rates

## Proposed Multi-Family Rate

|                                 |        |
|---------------------------------|--------|
| Monthly Customer Charge         | \$9.20 |
| Usage Charge (\$/1,000 gallons) | \$3.05 |

- Rate to be phased in over two years
- Rate shown reflects addition of 50% of difference between proposed first tier residential and commercial rates

# Proposed Residential Water Rates

|                                 | 2014 Rate | 2015 Without<br>Multi-Family | <b>Recommended<br/>2015 With<br/>Multi-Family</b> |
|---------------------------------|-----------|------------------------------|---|
| Monthly Customer Charge         | \$9.00    | \$9.35                       | \$9.20  |
| Usage Charge (\$/1,000 gallons) |           |                              |   |
| Tier 1 (0-6,000 gallons)        | \$2.30    | \$2.40                       | \$2.35  |
| Tier 2 (7,000-20,000 gallons)   | \$3.75    | \$3.80                       | \$3.75  |
| Tier 3 (over 20,000 gallons)    | \$6.00    | \$6.00                       | \$6.00  |

# Water Rates

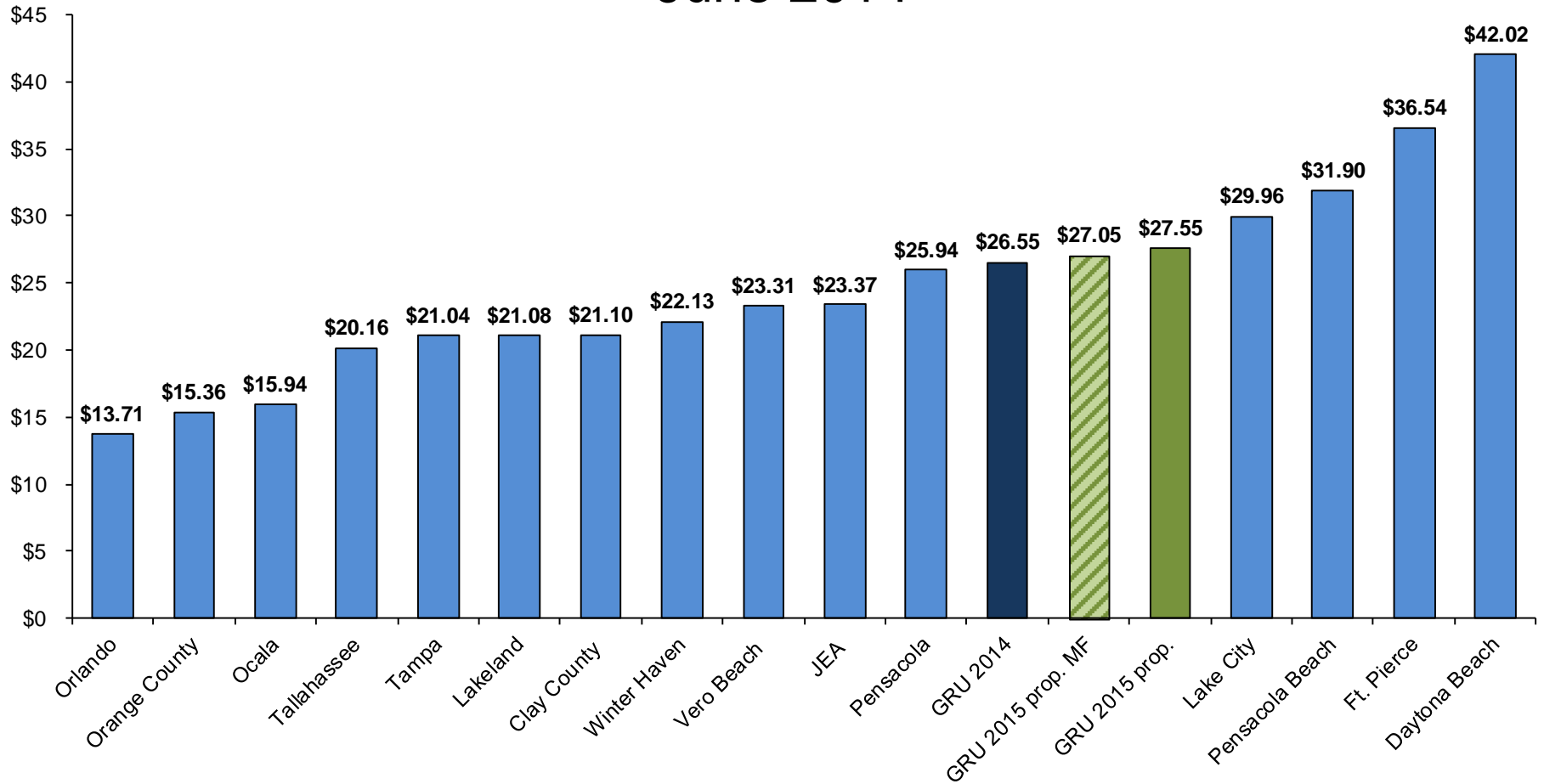
## Proposed Residential Irrigation

| <i>Residential Irrigation</i>   | 2014 Rate | 2015 Without<br>Multi-Family | Recommended<br>2015 With<br>Multi-Family |
|---------------------------------|-----------|------------------------------|--|
| Monthly Customer Charge         | \$9.00    | \$9.35                       | \$9.20                                   |
| Usage Charge (\$/1,000 gallons) |           |                              |  |
| Tier 1 (0-14,000 gallons)       | \$3.75    | \$3.80                       | \$3.75                                   |
| Tier 2 (over 14,000 gallons)    | \$6.00    | \$6.00                       | \$6.00                                   |

# Residential Water Bill Comparison

7,000 gallons

June 2014

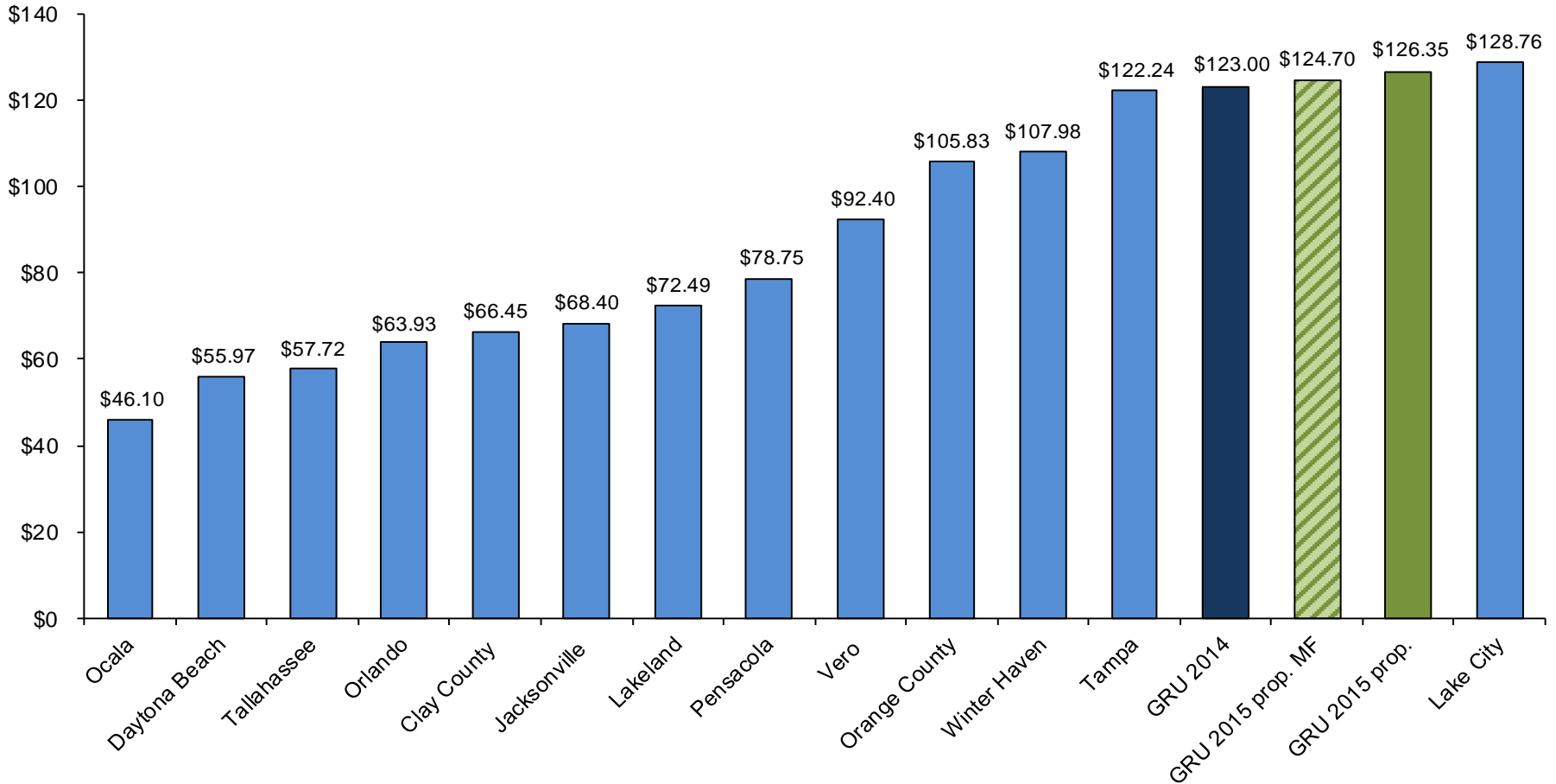


# Proposed Commercial Water Rates

|                                 | 2014 Rate | 2015 Without<br>Multi-Family | Recommended<br>2015 With<br>Multi-Family |
|---------------------------------|-----------|------------------------------|--|
| Monthly Customer Charge         | \$9.00    | \$9.35                       | \$9.20                                   |
| Usage Charge (\$/1,000 gallons) | \$3.80    | \$3.90                       | \$3.85                                   |
| <i>Commercial Irrigation</i>    |           |                              |  |
| Monthly Customer Charge         | \$9.00    | \$9.35                       | \$9.20                                   |
| Usage Charge (\$/1,000 gallons) | \$4.50    | \$4.60                       | \$4.55                                   |

# Commercial Water Bill Comparison

30,000 gallons  
June 2014



# Proposed Residential and Commercial Wastewater Rates

|                             |                  |
|-----------------------------|------------------|
| Monthly Customer Charge     | \$7.85 to \$8.40 |
| Kgal (1,000 gallons) Charge | \$5.85 to \$6.05 |

## Reclaimed Water

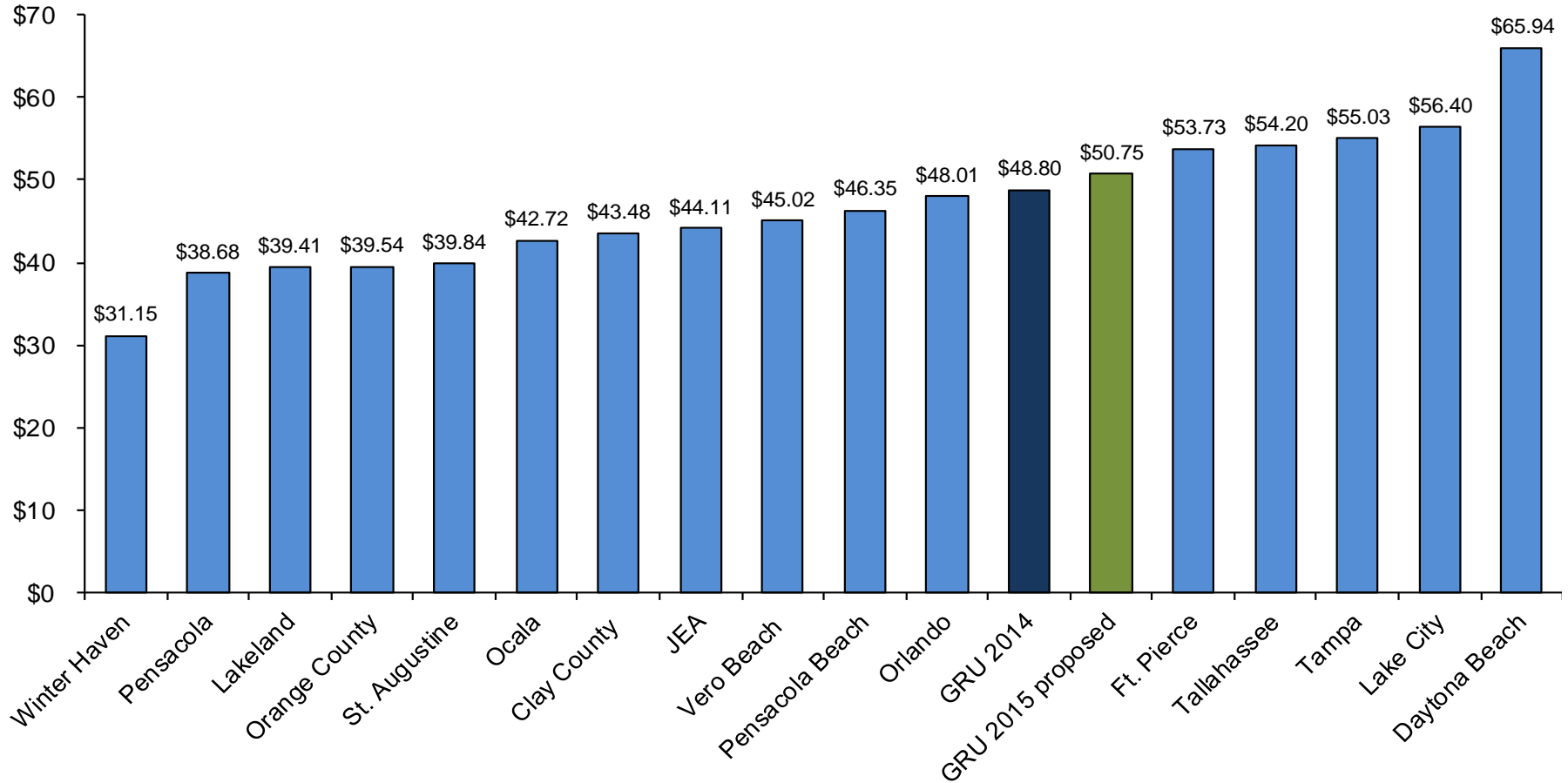
|                               |                  |
|-------------------------------|------------------|
| – Customer Charge             | \$7.85 to \$8.40 |
| – Kgal (1,000 gallons) Charge | \$0.65 to \$0.70 |



# Residential Wastewater Bill Comparison

7,000 gallons

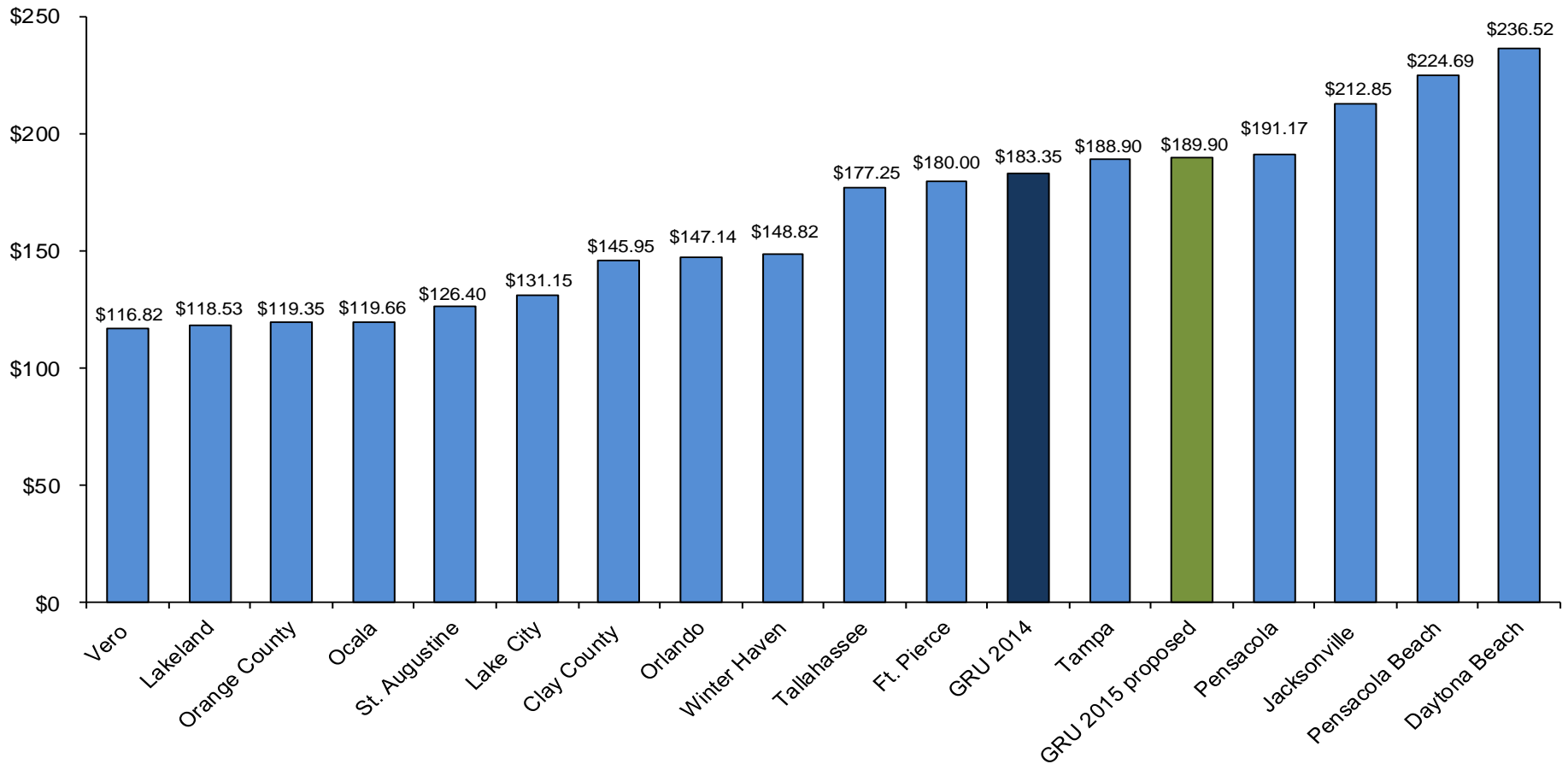
June 2014



# Commercial Wastewater Bill Comparison

30,000 gallons

June 2014



# Proposed Water Connection Charges

- Residential (5/8") Water Connection
  - Meter Only \$240 to \$250
  - Total Plant, T&D and Meter \$1,550 to \$1590
- Commercial (1") Water Connection
  - Meter Only \$440 to \$450
  - Total Plant, T&D and Meter \$4,110 to 4,220
- Inspection Fees
  - Flat Fee \$680 to \$700
  - \$/Linear Foot \$2.20 to \$2.25

# Proposed Wastewater Connection Charges

- Residential (5/8") Wastewater Connection
  - Collection & Treatment Plant \$3,680 to \$3,780
- Commercial (1") Wastewater Connection
  - Collection & Treatment Plant \$12,360 to \$12,690
- Inspection Fees
  - Flat Fee \$1,220 to \$1,250
  - \$/Linear Foot \$5.41 to \$5.55
- Temporary Wastewater Connection Charge
  - \$/gpd ADF \$0.3427 to \$0.3519

# Proposed FY15 Residential Rates

| System            | Usage Level   | July 2014 Bill | Base Rate Change | Fuel Change | Total Change to Bill | Proposed FY15 Bill |
|-------------------|---------------|----------------|------------------|-------------|----------------------|--------------------|
| <b>Electric</b>   | 1,000 kWh     | \$139.15       | (\$6.75)         | \$ 9.00     | \$ 2.25              | \$141.40           |
| <b>Water*</b>     | 7,000 gallons | \$ 26.55       | \$ 0.50          |             | \$ 0.50              | \$ 27.05           |
| <b>Water</b>      | 7,000 gallons | \$ 26.55       | \$1.00           |             | \$ 1.00              | \$ 27.55           |
| <b>Wastewater</b> | 7,000 gallons | \$ 48.80       | \$ 1.95          |             | \$1.95               | \$ 50.75           |
| <b>Gas</b>        | 25 therms     | \$ 32.83       | \$ 0.86          | \$ 1.50     | \$ 2.36              | \$ 35.19           |

\*Assumes recommended Multi-family Water Rate adopted

July 2014 Electric and Gas Bills based on FA of \$0.069/kWh and PGA of \$0.40/therm.

Proposed FY15 Electric and Gas Bills based on FA of \$0.078/kWh and PGA of \$0.46/therm

# Proposed FY15 Business Rate Changes

| System/Class                          | Usage Level           | Change to Bill |
|---------------------------------------|-----------------------|----------------|
| Electric - General Service Non-Demand | 1,500 kWh             | 1.2%           |
| Electric - General Service Demand     | 30,000 kWh, 75 kW     | 2.3%           |
| Electric - Large Power                | 430,000 kWh, 1,000 kW | 2.9%           |
| Water                                 | 30,000 gallons        | *1.38% / 2.72% |
| Wastewater                            | 30,000 gallons        | 3.57%          |
| Gas - Small Commercial                | 50 therms             | 6.8%           |
| Gas - Commercial                      | 300 therms            | 9.4%           |
| Gas - Large Volume                    | 30,000 therms         | 9.9%           |

\*Assumes Multi-family Water Rate adopted

# RECOMMENDATION

# Direction from City Commission

- ConnectFree recommendation
- Referral to RUC of redundant/back-up system capacity rate



# 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 and charges for Electric, Water, Wastewater and Gas.