

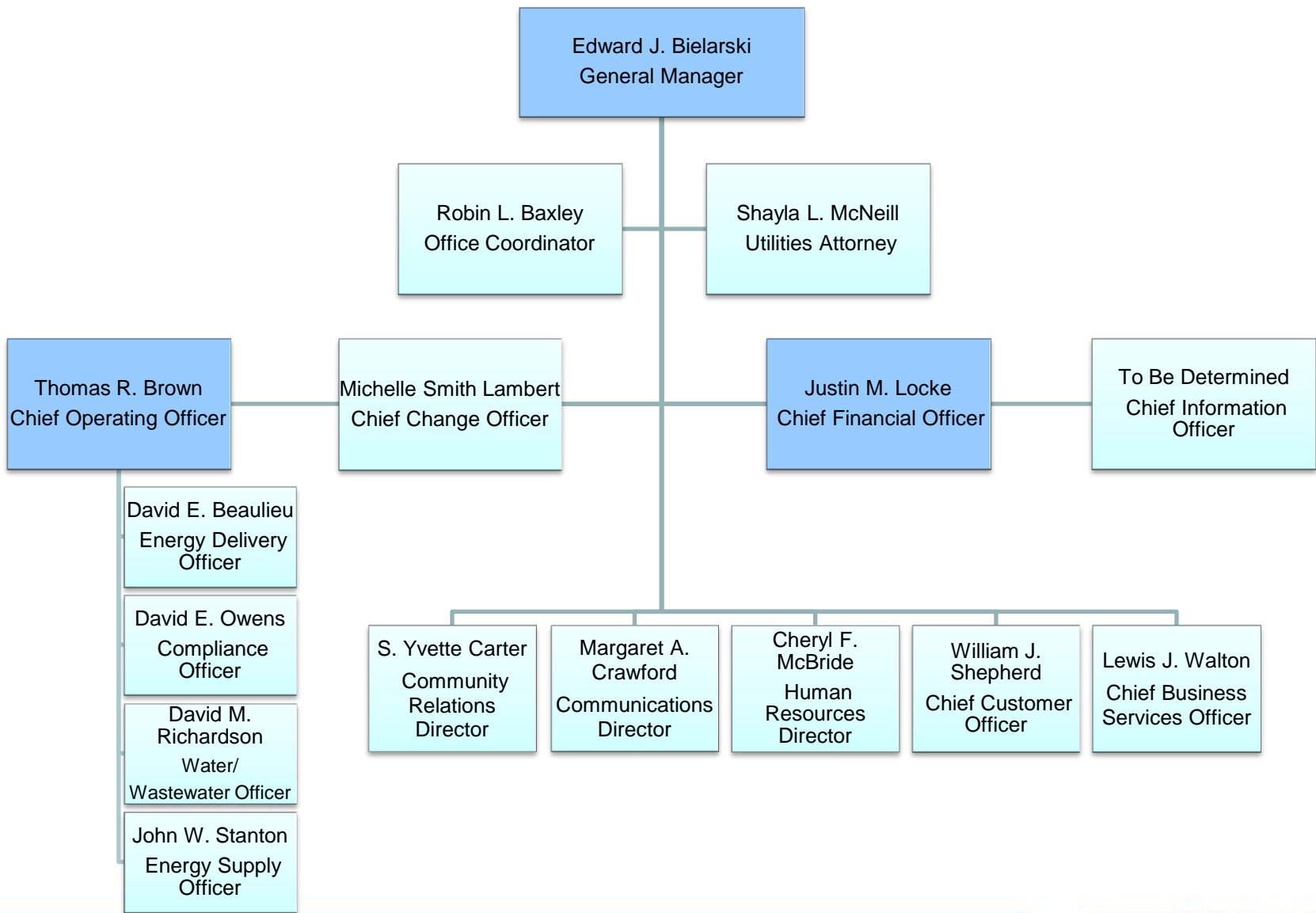
# Gainesville Regional Utilities

Presentation to Fitch  
November 17, 2015

# Overview

- Management Team
- Policy Updates
- Financial Strength
- Financial Metrics

# The Management Team has Extensive GRU and Utility Experience



# System Highlights

## Electric System

- The electric facilities of the System currently service approximately 124.5 square miles of the County, and approximately 76% of the population of the County, including the entire City (except of the University of Florida campus)
- Owner of various generation, transmission and distribution facilities
- Of the 94,473 customers in the fiscal year ending September 30, 2015, 10,677 commercial and industrial customers provided approximately 53% of revenues
- FY15 Fuel mix: Coal (37%), Biomass (23%), Natural Gas (28%), Other (12%)
- Fuel and power risk management via The Energy Authority
- Stable customer base
- Generation portfolio includes significant renewable energy

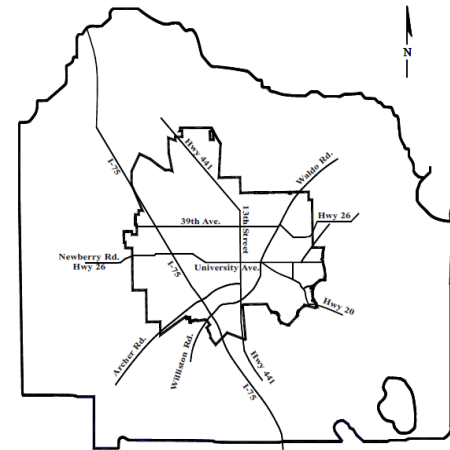
## Water System

- 1,139 miles of water transmission and distribution lines throughout the Gainesville urban area
- Water treatment plant (1976 COD) with capacity of 54 million gallons per day ("Mgd")

## Wastewater System

- 631 miles of gravity sewer collection system, 165 pump stations with 139 miles of associated force main
- 2 major wastewater (1977 and 1930 COD) treatment plants totaling 22.4 Mgd annual average daily flow of capacity

## Service Area



Source: GRU Energy Delivery Service Guide (October 22, 2014)

## Natural Gas System




- Acquired from the Gainesville Gas Company in 1990 to provide gas distribution throughout the City
- Underground gas distribution and service lines, six points of delivery or interconnections with Florida Gas Transmission Company, and metering and measuring equipment

# Policy Updates

## City Commission Initiatives

- Governance
  - City Commission is on the first reading of an ordinance creating a stronger advisory board
  - Talks continue on support of Keith Perry's legislation placing a referendum before Gainesville voters for an independent board
  - Possibility exists for City referendum for an independent board

# Electric System Generating Facilities

	Unit No.	Primary Fuel	Alternative Fuel	Net Summer Capability (MW)	
Owned Generation	<b>J.R. Kelly Station</b>				
		Steam Unit 8	Waste Heat	—	37.00
		Combustion Turbine 4	Natural Gas	Distillate Fuel Oil	75.00
	<b>Deerhaven Generating Station</b>				
		Steam Unit 2	Bituminous Coal	—	232.00
		Steam Unit 1	Natural Gas	Residual Fuel Oil	75.00
		Combustion Turbine 3	Natural Gas	Distillate Fuel Oil	75.00
		Combustion Turbine 2	Natural Gas	Distillate Fuel Oil	17.50
		Combustion Turbine 1	Natural Gas	Distillate Fuel Oil	17.50
	<b>South Energy Center</b>				
	SEC-1	Natural Gas	—	3.50	
			<b>Owned Total</b>	<b>532.50</b>	
PPA	<b>Gainesville Renewable Energy Center</b>				
		GREC	Biomass	—	102.50
		Base Landfill	Landfill Gas		3.00
				<b>Total Dispatchable</b>	<b>635.00</b>
			<b>Grand Total</b>	<b>638.00</b>	

## Increasing Revenue by Optimizing System Capacity

- Developing new template for wholesale power contracts
- Leveraging relationships with long time customers
  - City of Alachua
  - University of Florida
- Completion of South Energy Center Expansion

# Reducing Expenses through Contract Enforcement with GREC

- Benefit from GREC shutdown to purchase lower power prices off grid and operate fleet at optimal levels
- Lower availability payments to GREC based on application of ramp-up schedules
- Pursuing arbitration on use of dollars/euro index as construction cost adjuster



# Residential Electric Customer 1,000 kWh Bill Change

## Approved FY15 Budget

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase	Total Bill Increase	
2015	-8.50%	13.04%	0.97%	Approved Projected
2016	3.50%	3.85%	3.70%	
2017	3.00%	2.47%	2.70%	
2018	0.00%	1.20%	0.70%	
2019	0.00%	1.19%	0.70%	
2020	0.00%	0.00%	0.00%	

## Approved FY16 Budget

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase	Total Bill Increase	
2016	0.00%	0.00%	(0.9)%	Restructured Residential Rates Projected
2017	2.00%	2.56%	2.3%	
2018	1.75%	2.50%	2.3%	
2019	0.50%	0.00%	0.9%	
2020	0.00%	0.00%	0.9%	

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

# Total Residential Bill Projected Change

## Approved FY15 Budget

	2015	2016	2017	2018	2019	2020
Electric	\$1.35	\$5.30	\$3.90	\$2.00	\$2.00	\$2.00
Gas	\$2.36	\$0.99	\$2.38	\$0.74	\$0.49	\$0.99
Water	\$0.50	\$0.80	\$0.00	\$0.00	\$0.00	\$0.00
Wastewater	\$1.95	\$2.35	\$2.35	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$6.16</b>	<b>\$9.44</b>	<b>\$8.63</b>	<b>\$2.74</b>	<b>\$2.49</b>	<b>\$2.99</b>

## Approved FY16 Budget

	2015	2016	2017	2018	2019	2020
Electric	\$1.35	\$(1.25)	\$3.22	\$3.25	\$1.27	\$1.30
Gas	\$2.36	\$0.95	\$0.00	\$0.25	\$0.00	\$0.00
Water	\$0.50	\$2.80	\$2.05	\$0.80	\$0.00	\$0.00
Wastewater	\$1.95	\$1.35	\$2.10	\$0.90	\$0.00	\$0.00
<b>Total</b>	<b>\$6.16</b>	<b>\$3.85</b>	<b>\$7.37</b>	<b>\$5.20</b>	<b>\$1.27</b>	<b>\$1.30</b>

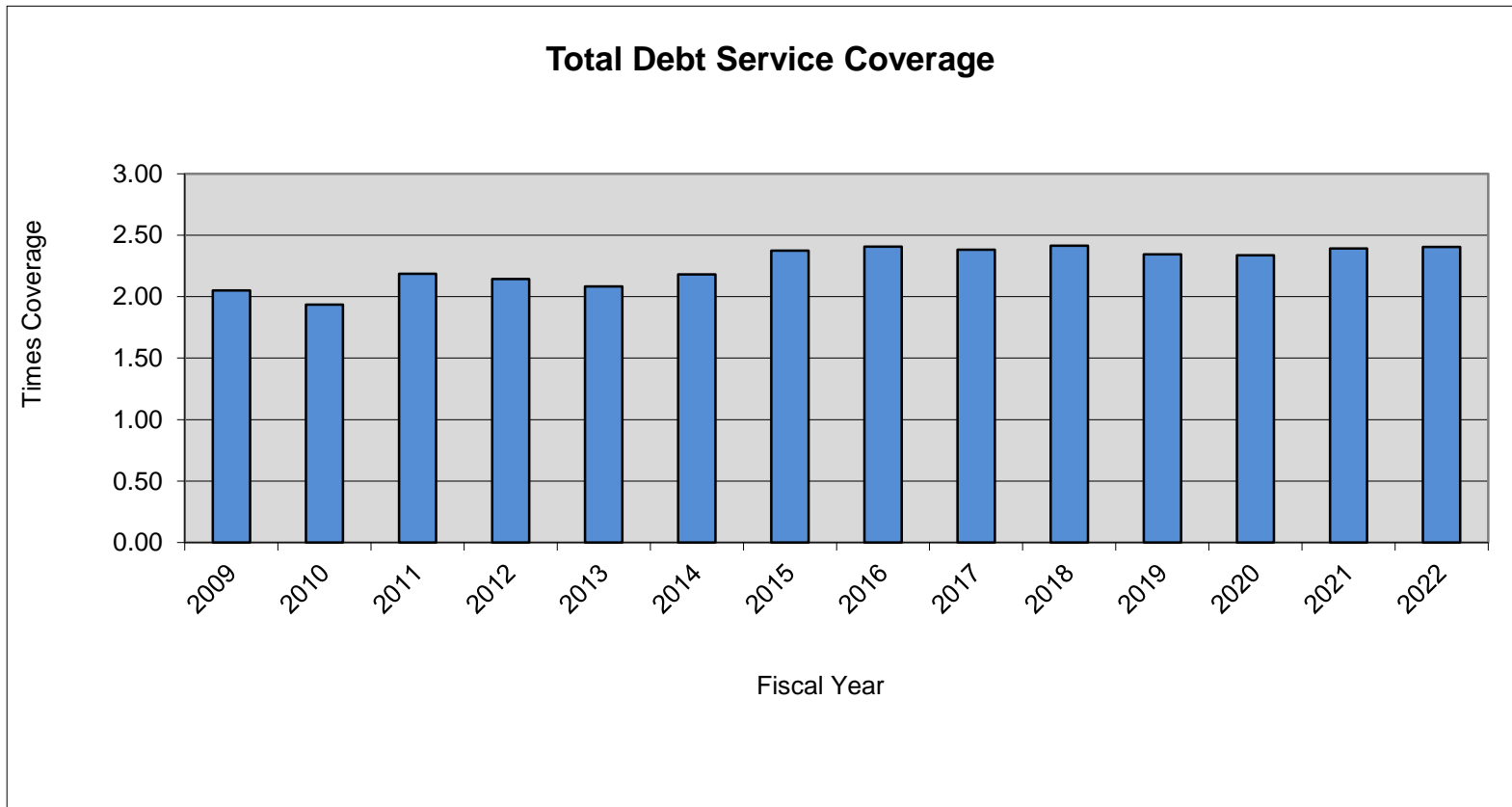
# FINANCIAL METRICS

# Five Year Flow of Funds

	2016	2017	2018	2019	2020
<b>Total Revenue</b>	\$ 407,577,523	\$ 427,838,856	\$ 437,516,202	\$ 438,674,334	\$ 445,242,432
<b>Total O&amp;M Expenses</b>	\$ 271,987,584	\$ 287,794,341	\$ 296,248,902	\$ 297,437,447	\$ 304,396,234
<b>Net Revenues</b>	\$ 135,589,939	\$ 140,044,515	\$ 141,267,300	\$ 141,236,887	\$ 140,846,198
<b>Uses of Net Revenues</b>					
Debt Service Less BABS	\$ 56,355,741	\$ 58,829,759	\$ 58,520,255	\$ 60,277,216	\$ 60,249,155
UPIF used to pay DS	\$ -	\$ -	\$ -	\$ -	\$ -
UPIF	\$ 43,778,139	\$ 45,204,895	\$ 46,175,074	\$ 43,817,159	\$ 42,875,432
General Fund Transfer	\$ 35,456,059	\$ 36,009,861	\$ 36,571,971	\$ 37,142,512	\$ 37,721,611
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Uses of Net Revenues</b>	\$ 135,589,939	\$ 140,044,515	\$ 141,267,300	\$ 141,236,887	\$ 140,846,198
<b>Net Revenue/(Deficit)</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Debt Service Coverage</b>	2.41	2.38	2.41	2.34	2.34

# Debt Service Coverage

## Continuing to Improve Coverage Ratios



Note: 2015 Forward Projected

# Financial Risk Management

## Developing Cash Liquidity Targets

	FY 2016 Estimated Cash at Risk					
	Electric	Gas	Water	Wastewater	GRUCom	Liquidity Targets
Revenue at Risk <sup>1</sup>	\$ 9,614,370	\$ 1,163,844	\$ 2,484,394	\$ 2,489,614	\$ 554,037	\$ 16,306,258
60 Days Fixed Non-Fuel O&M <sup>2</sup>	\$ 23,189,869	\$ 2,558,211	\$ 5,430,293	\$ 6,745,208	\$ 1,670,559	\$ 39,594,140
Uninsured Property Exposure <sup>3</sup>	\$ 6,732,902	\$ 1,265,715	\$ 3,593,977	\$ 3,290,295	\$ 1,428,876	\$ 16,311,766
Construction Risk <sup>4</sup>	\$ 2,671,635	\$ 293,706	\$ 560,557	\$ 859,037	\$ 296,385	\$ 4,681,321
<b>Total</b>	<b>\$ 42,208,775</b>	<b>\$ 5,281,476</b>	<b>\$ 12,069,222</b>	<b>\$ 13,384,155</b>	<b>\$ 3,949,856</b>	<b>\$ 76,893,484</b>

1. Cash Flow at Risk at a 97.5 % Confidence Level or only a 2.5% change that the sales shortfalls will be greater than the reserved amount
2. Sixty days of average non-fuel operating expenses
3. A percentage of the value of self insured distributed assets plus the deductible applicable to insured assets
4. Five percent of expected annual capital expenses

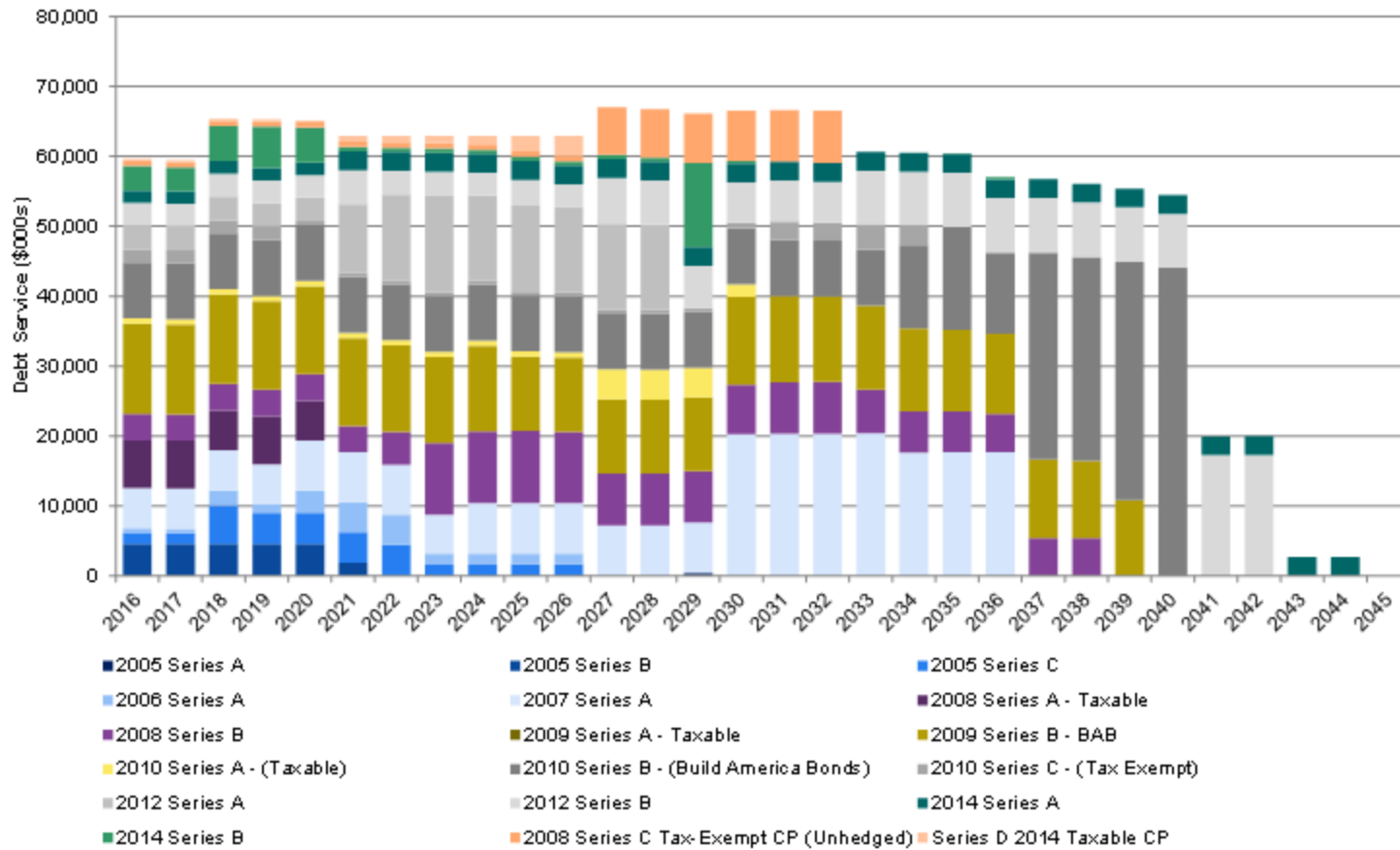
# Financial Risk Management

## Strong Liquidity Position Exceeding Cash Liquidity Targets

Fiscal Years	2016	2017	2018	2019	2020
<b>Liquidity Targets:</b>	\$ 76,893,484	\$ 78,597,131	\$ 80,286,018	\$ 81,113,637	\$ 82,718,260
<b>Source of Funds:</b>					
Rate Stabilization	\$ 72,250,424	\$ 69,823,766	\$ 71,323,204	\$ 75,497,346	\$ 77,999,326
UPIF for Reserves	\$ 20,993,086	\$ 20,689,498	\$ 21,037,284	\$ 21,573,741	\$ 22,217,327
Working Capital	\$ 18,735,157	\$ 18,735,157	\$ 18,735,157	\$ 18,735,157	\$ 18,735,157
Total Reserves	\$ 111,978,667	\$ 109,248,421	\$ 111,095,645	\$ 115,806,244	\$ 118,951,810
TECP/TCP Lines	\$ 50,500,000	\$ 56,100,000	\$ 62,000,000	\$ 62,000,000	\$ 62,000,000
Total Liquidity & Lines	\$ 162,478,667	\$ 165,348,421	\$ 173,095,645	\$ 177,806,244	\$ 180,951,810
Over (Under) Relative to Target	\$ 85,585,183	\$ 86,751,290	\$ 92,809,627	\$ 96,692,607	\$ 98,233,550

# Debt Management

## Current Debt Service Structure



Includes Commercial Paper and is not net of Build America Bonds Subsidy

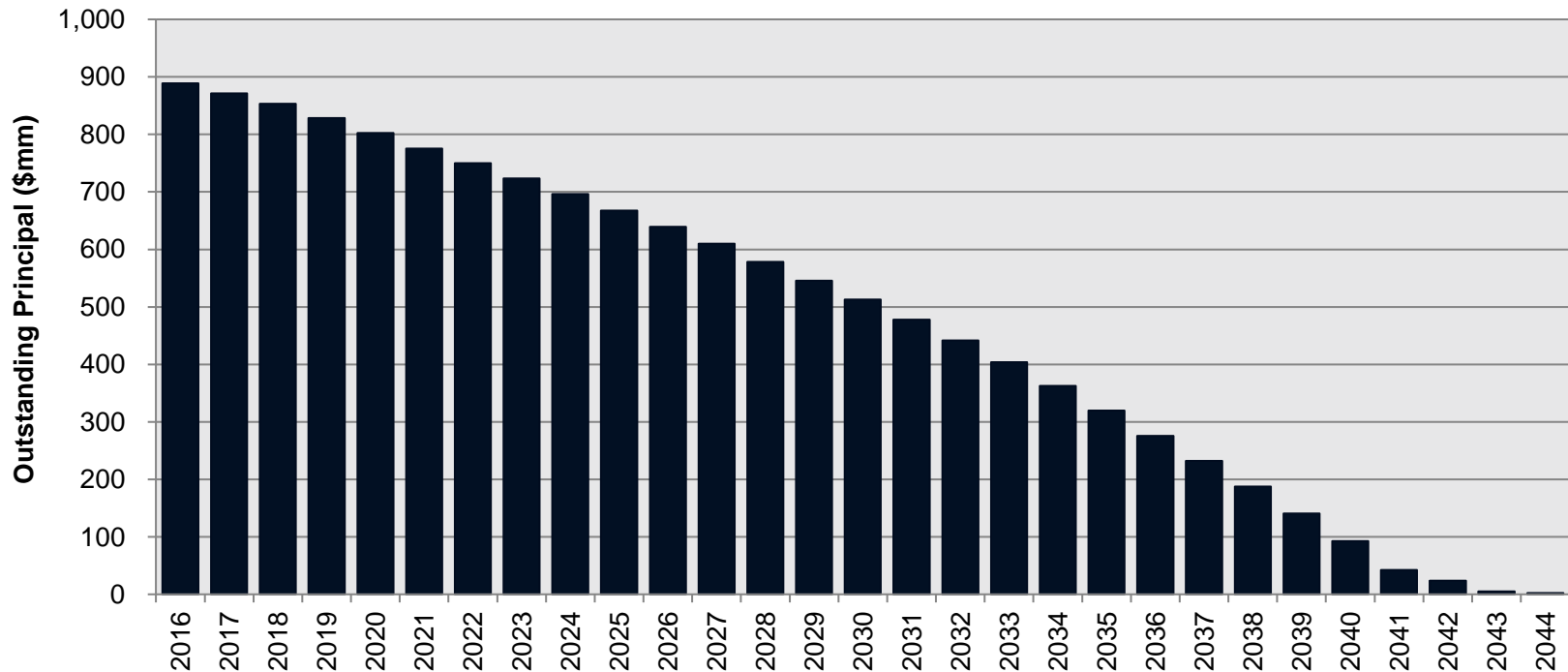


# Debt Management

## Principal Balance Declines Steadily

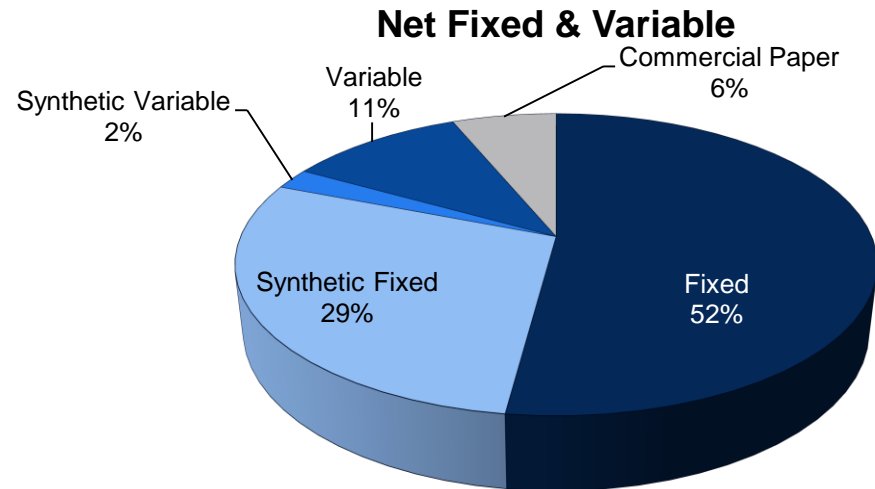
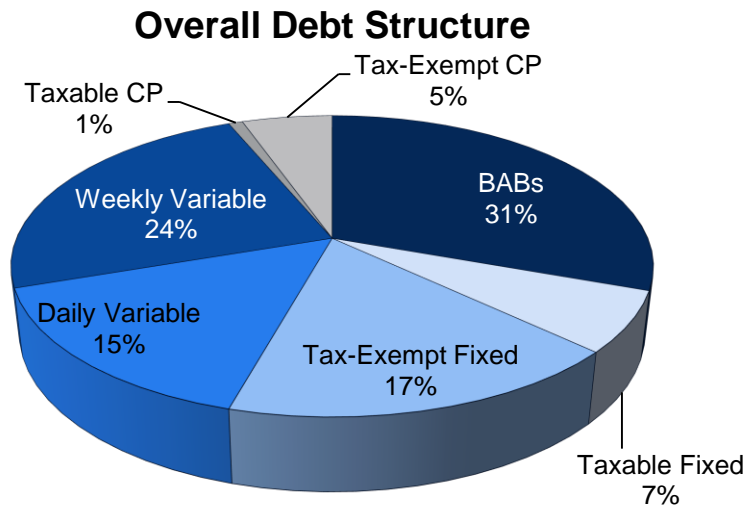
- Roughly 28% of outstanding principal amortizes in the next 10 years (2016-2025), with an additional 40% amortizing the following 10 years (2026-2035).

### Declining Principal Balance



# Debt Management

- GRU's overall debt structure remains rooted in a majority of fixed rate bonds
- Fixed and synthetically fixed bonds account for 81% of total debt
- Unhedged variable rate debt is less than invested balances—no net exposure



# Credit Facility Replacements

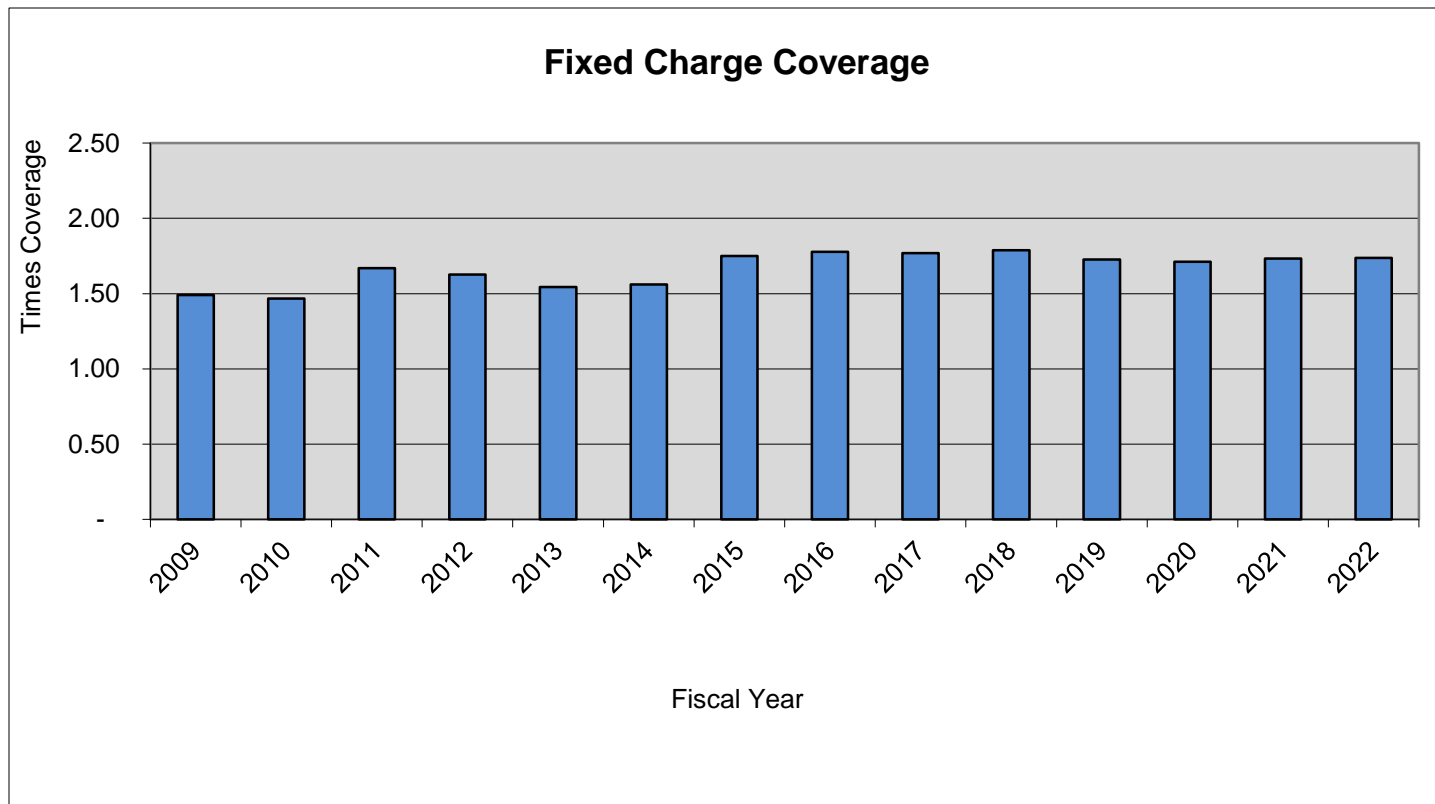
Expiring Facilities							
Series	Series Type	Facility	Term Date	Fee	Remarketing Agent	Par (000)	Type
2005 C	Daily VRDO	Union Bank	12/21/2015	40 bps	JP Morgan	27,565	SBPA
2006 A	Daily VRDO	Union Bank	12/21/2015	40 bps	Goldman	18,410	SBPA
Series C CP (Tax Exempt - Hedged)	Tax-Exempt CP	BLB	11/30/2015	16 bps	Goldman	11,500	LOC
Series C CP (Tax Exempt – Un-Hedged)	Tax-Exempt CP	BLB	11/30/2015	16 bps	Goldman	40,000	LOC

Replacement Facilities							
Series	Series Type	Facility	Term Date	Fee	Remarketing Agent	Par (000)	Type
2005 C	Daily VRDO	Helaba	12/31/2020	29 bps	JP Morgan	27,565	SBPA
2006 A	Daily VRDO	Helaba	12/31/2020	29 bps	Goldman	18,410	SBPA
Series C CP (Tax Exempt - Hedged)	Tax-Exempt CP	Bank of America	11/30/2018	40 bps	Goldman	11,500	LOC
Series C CP (Tax Exempt – Un-Hedged)	Tax-Exempt CP	Bank of America	11/30/2018	40 bps	Goldman	40,000	LOC

# SUPPLEMENTAL INFORMATION

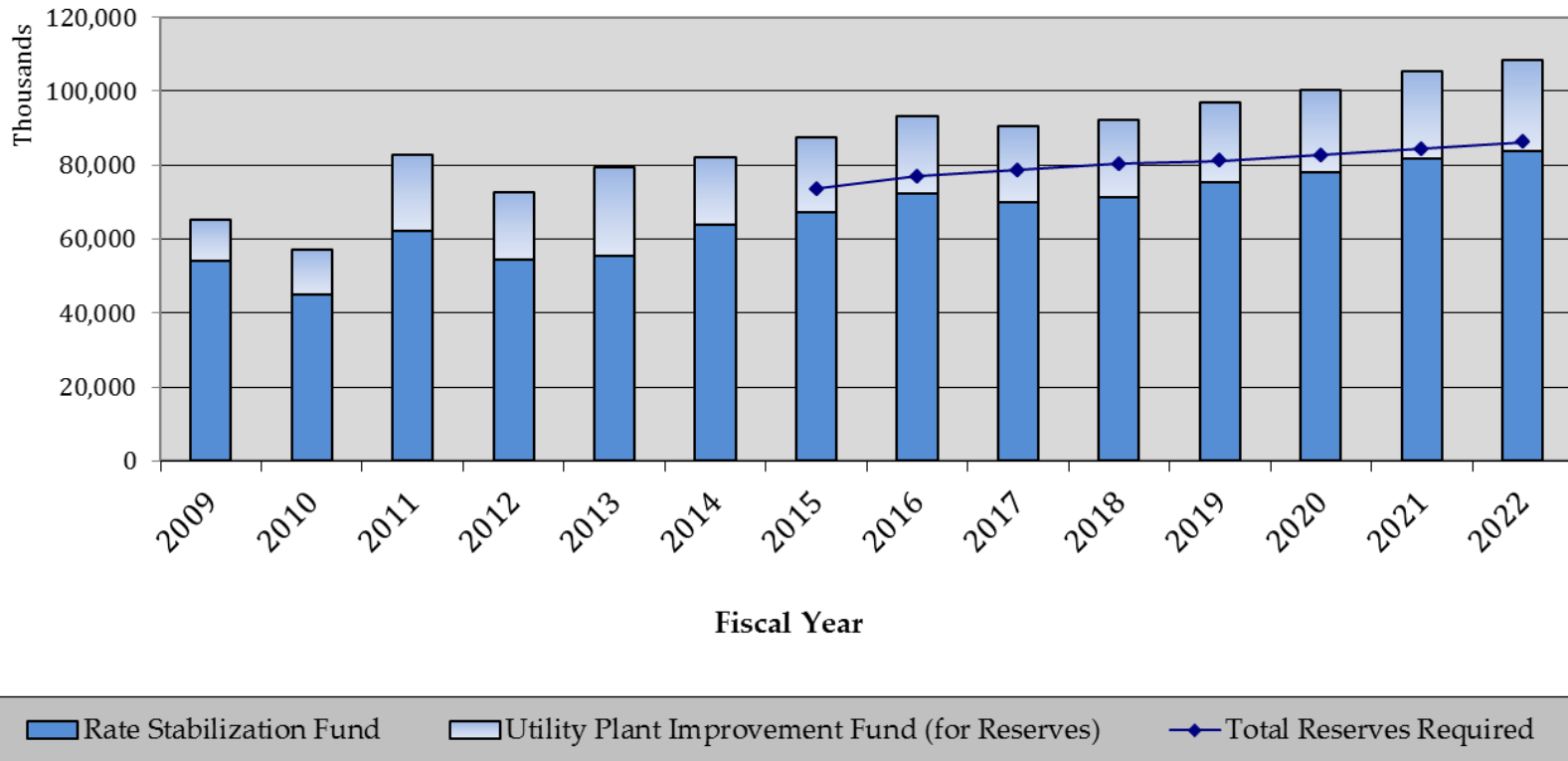
# Fixed Charge Coverage

## Improving Historical Ratios



# System Reserves (Unrestricted)

## Providing Flexibility to Address Uncertainty



Additionally, System has Commercial Paper Capacity of \$50.1 million available

# Financial Risk Management

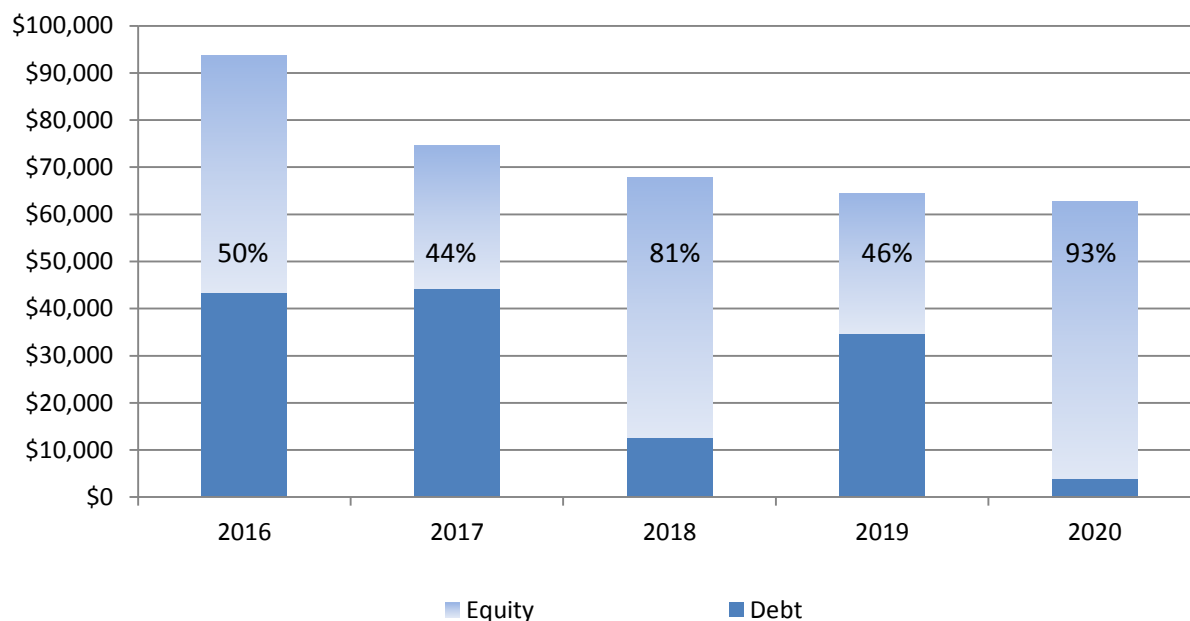
## Continued Equity Funding of Capital Program

### SUMMARY OF CAPITAL IMPROVEMENT PROGRAM - SOURCES AND USES

	2016	2017	2018	2019	2020	2021	Total
Cash Balance October 1,	\$ 43,905,007	\$ 531,519	\$ 14,667,333	\$ 2,070,349	\$ 5,168,029	\$ 1,144,185	
<b>Source of Funds:</b>							
Bond Financing	\$ -	\$ 59,250,000	\$ -	\$ 38,500,000	\$ -	\$ 70,600,000	\$ 168,350,000
Revenues	\$ 50,250,000	\$ 30,250,000	\$ 55,250,000	\$ 29,750,000	\$ 58,650,000	\$ 17,250,000	\$ 241,400,000
Interest Earnings	\$ 10,422	\$ 326,052	\$ 42,583	\$ 122,134	\$ 23,534	\$ 283,079	\$ 807,804
Total Sources	\$ 50,260,422	\$ 89,826,052	\$ 55,292,583	\$ 68,372,134	\$ 58,673,534	\$ 88,133,079	\$ 410,557,804
<b>Use of Funds:</b>							
Construction Projects:							
Electric	\$ 53,432,703	\$ 35,616,885	\$ 28,927,855	\$ 30,420,848	\$ 30,779,039	\$ 29,028,709	\$ 208,206,039
Gas	\$ 5,869,122	\$ 5,736,418	\$ 5,387,127	\$ 5,575,948	\$ 5,546,998	\$ 5,921,498	\$ 34,037,111
Water	\$ 11,223,645	\$ 11,335,674	\$ 10,946,462	\$ 9,086,578	\$ 9,119,092	\$ 14,304,074	\$ 66,015,525
Wastewater	\$ 17,180,748	\$ 15,908,996	\$ 16,917,662	\$ 14,632,783	\$ 12,321,052	\$ 20,507,563	\$ 97,468,804
GRUCom	\$ 5,927,692	\$ 5,907,265	\$ 5,710,461	\$ 4,788,297	\$ 4,931,196	\$ 5,078,382	\$ 32,343,293
Total Construction	\$ 93,633,910	\$ 74,505,238	\$ 67,889,567	\$ 64,504,454	\$ 62,697,377	\$ 74,840,226	\$ 438,070,772
Issuance Costs	\$ -	\$ 1,185,000	\$ -	\$ 770,000	\$ -	\$ 1,412,000	\$ -
Total Uses	\$ 93,633,910	\$ 75,690,238	\$ 67,889,567	\$ 65,274,454	\$ 62,697,377	\$ 76,252,226	\$ 438,070,772
Cash Balance September 30,	\$ 531,519	\$ 14,667,333	\$ 2,070,349	\$ 5,168,029	\$ 1,144,185	\$ 13,025,039	\$ 1,723,398

# Debt vs. Equity: Funding Capital

## Continuing to Fund Capital Expenditures with Internally Generated Funds



\*Reviewing forecast for next five years with a goal of 50/50 or better



# 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	3.224%	Floating	68% of 10Y LIBOR less 0.365%	Goldman
2007 Series A	10/1/2036	Fixed	3.944%	Floating	SIFMA	Goldman
2008 Series B	10/1/2038	Fixed	4.229%	Floating	SIFMA	JP Morgan
2008 Series C Tax-Exempt 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	Swapped to VR (SIFMA)				24,485	No liquidity required
2005 C*	Daily VRDO	Union	12/21/2015	40 bps	JP Morgan	27,565	Pending replacement by Helaba at 29 bps for 5 years
2006 A*	Daily VRDO	Union	12/21/2015	40 bps	Goldman	18,410	
2007 A	Weekly VRDO	State Street	3/1/2018	39 bps	JP Morgan	137,240	Pending replacement by Bank of America
2008 B	Weekly VRDO	BMO	7/7/2017	27.5 bps	Goldman	90,000	
Series C CP (Tax-Exempt - Hedged)*	Tax-Exempt CP	BLB	11/30/2015	16 bps	Goldman	11,500	Pending replacement by Bank of America
Series C CP (Tax-Exempt - Unhedged)*	Tax-Exempt CP	BLB	11/30/2015	16 bps	Goldman	40,000	
2012 B	Weekly VRDO	Sumitomo	1/12/2018	33 bps	JP Morgan	100,470	SBPA
Series D CP (Taxable)	Taxable CP	State Street	8/28/2017	33 bps	Goldman	8,000	LOC

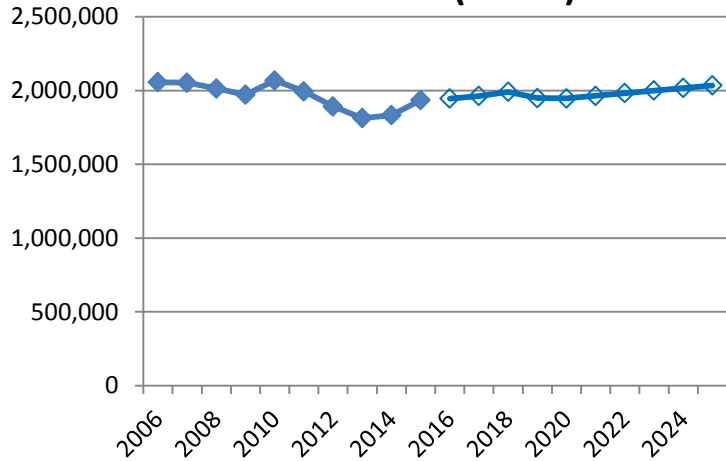
\*Renewal / replacement discussions ongoing

Liquidity Provider Credit Ratings		
Counterparty	Short Term (Moody's/S&P/Fitch)	Long Term (Moody's/S&P/Fitch)
Bank of America	P-1/A-1/F1+	A3/A/A
BMO	P-1/A-1/F1+	Aa3/A+/AA-
Bayerische Landesbank	P-2/NR/F1	A3/NR/A-
Helaba	P-1/A-1/F1+	A1/A/A+
State Street	P-1/A-1+/F1+	A1/AA-/AA
Sumitomo	P-1/A-1/F1	A1/A/A-
Union Bank	P1/A-1/F1	A2/A+/A

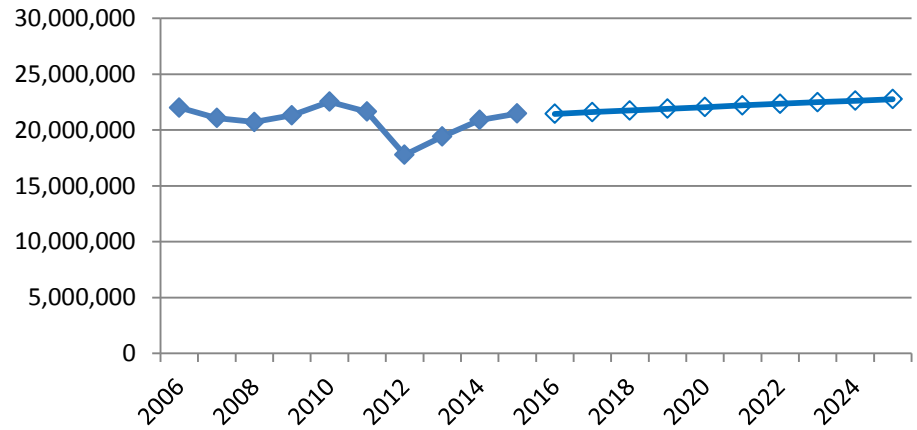
- GRU's credit strength continues to attract quality counterparties for new or replacement credit facilities
- Renewed/ replaced several facilities in 2014
- Replacement of Union Bank and BLB facilities will be last until 2017
- With one exception (BLB), GRU's credit counterparties have ratings that allow for 2(a)7 money Market eligibility
  - Extremely low fee associated with BLB (16 basis points) made a replacement facility uneconomical even when factoring a BLB trade differential
  - BLB will be replaced by Bank of America

# Sales History and 2015 Forecast

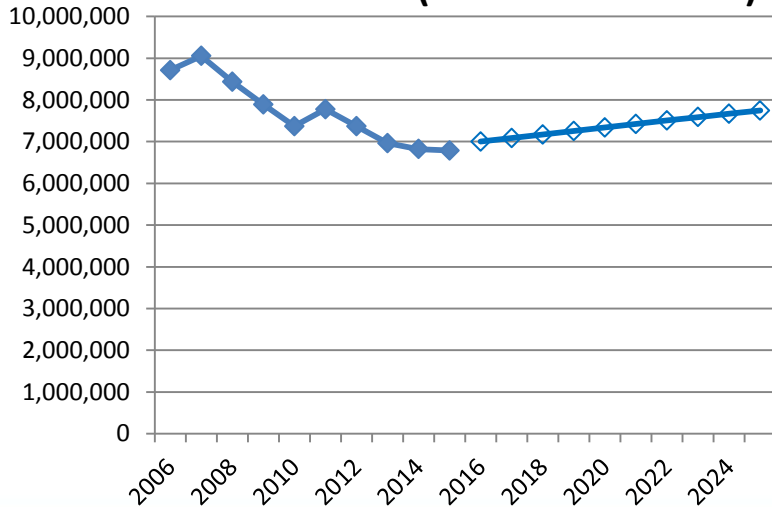
## Electric Sales (MWh)



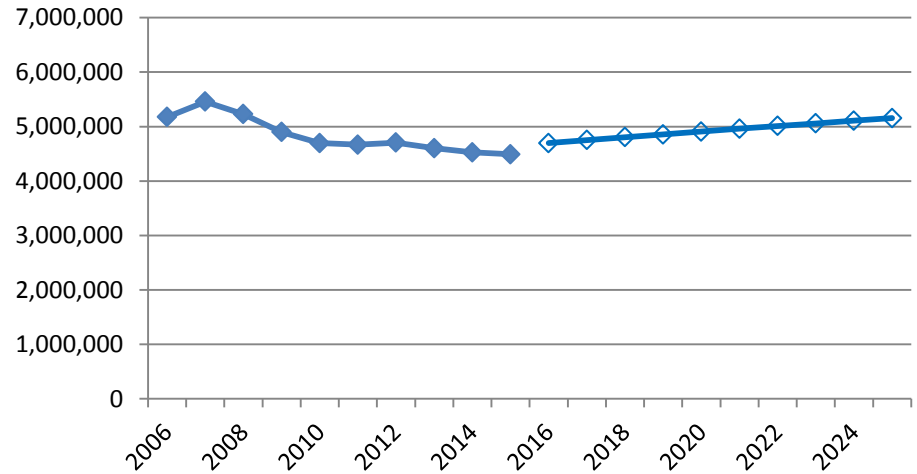
## Natural Gas Sales (Therms)



## Water Sales (Thousand Gallons)



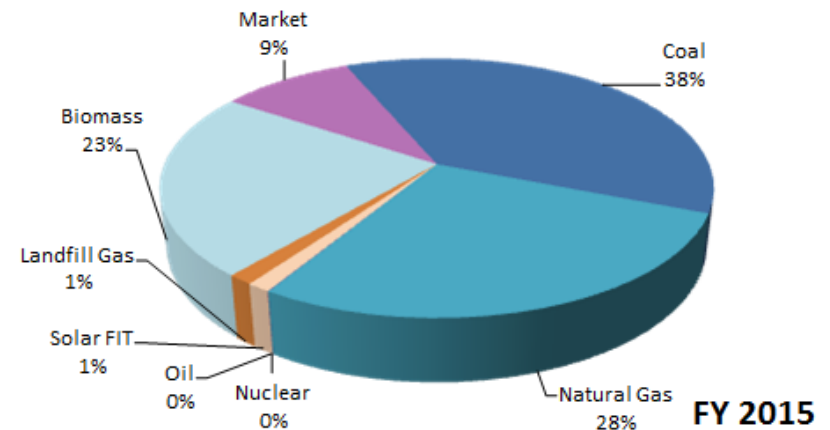
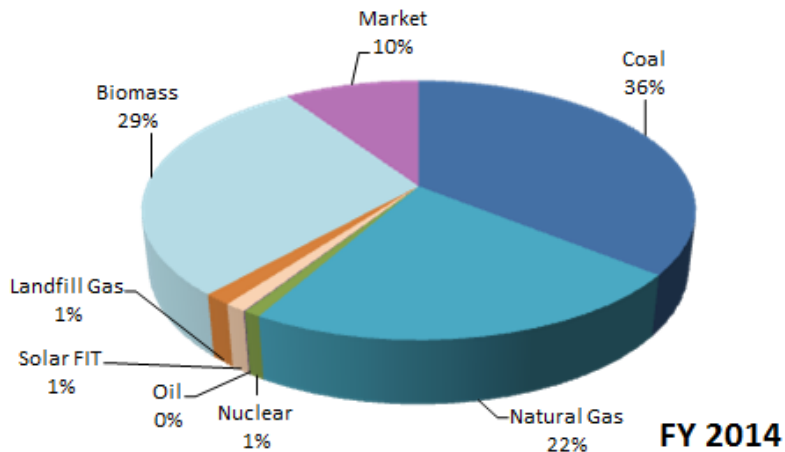
## Wastewater Billings (Thousand Gallons)



# GREC Update

- GREC
  - Successfully integrated into generation mix/dispatch
  - Audit of administration of contract completed as cooperative effort between Fuels Management and City Auditor's office and analysis is ongoing

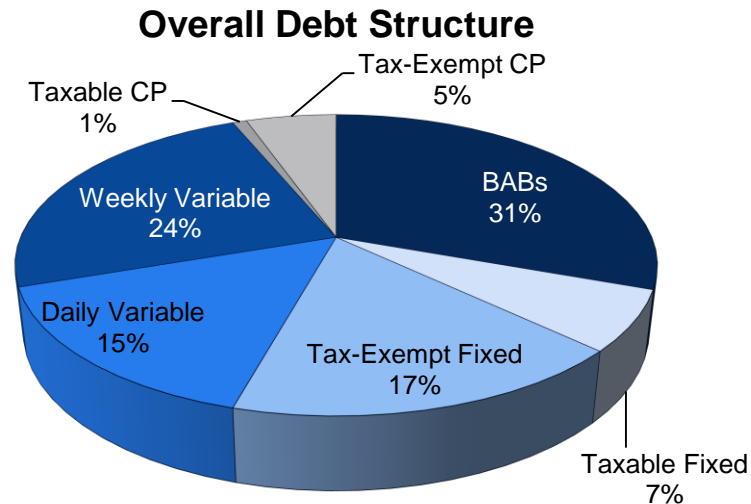
Percent of MWhs for Net Energy for Load



# Debt Management

## Low-Cost Fixed and Prudent Variable

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



# A Highly Rated Diverse System with a Stable Customer Base

Customer Category	Number of Customers	FY2015 Sales Revenues (\$000) <sup>a</sup>	Percent of Total Revenue	Historical Base Rate Revenue Growth Rate FY2006-FY2015	Forecast Base Rate Revenue Growth Rate FY2016 - FY2025 <sup>c</sup>
Total Electric	94,473	\$129,868	58.7%	3.7%	0.93%
Natural Gas	34,152	\$12,984	5.9%	3.9%	0.85%
Water	70,903	\$30,821	13.9%	6.2%	1.24%
Wastewater	64,121	\$36,551	16.5%	6.7%	1.09%
GRUCom <sup>b</sup>		\$10,939	4.9%	2.5%	2.34%
TOTAL		\$221,163	100.0%		

a. Unaudited Base Rate Revenues (excludes fuel adjustments and embedded fuel costs)

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

c. GRUCom Revenue Forecast Horizon spans FY2016-FY2022

# Regulatory Update - Electric

## Proactively Monitoring and Planning for Regulation

- April 2015 Mercury Air Toxin Standards (MATS)
  - Deerhaven 2 (DH2) has demonstrated ability to meet the standards
- Clean Power Plan (CPP)
  - Potential Impacts to GRU
    - Evaluating impacts to DH2's Useful Life
    - Increased Production Cost
    - Accelerate Solar
  - Impacts Mitigated by GREC
  - GRU Joining in Industry Responses to EPA
    - Florida Municipal Electric Association (FMEA)
    - Florida Electric Power Coordinating Group (FCG)

# Regulatory Update - Water/Wastewater

## Proactively Monitoring and Planning for Regulation

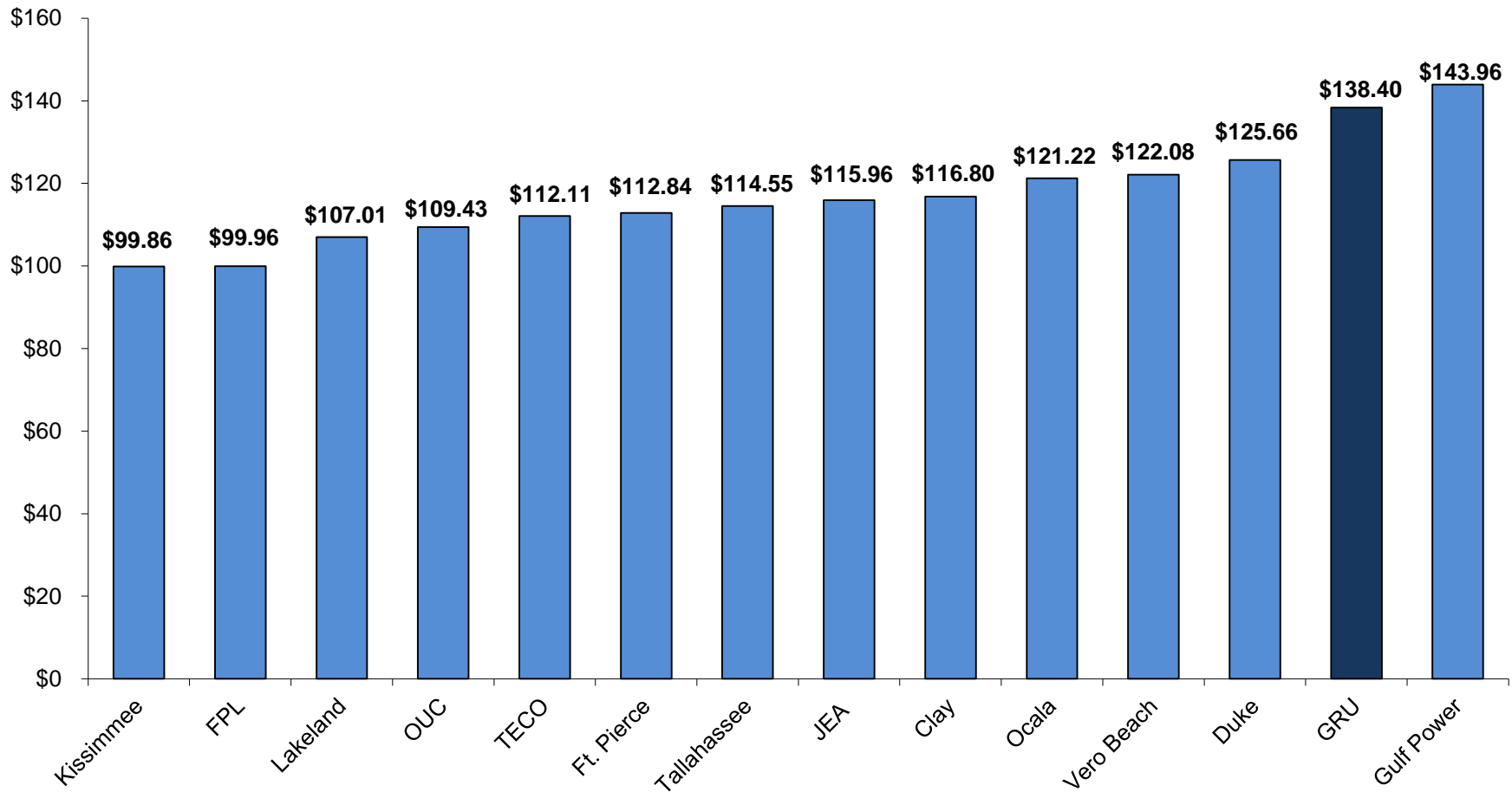
- Paynes Prairie
  - Nutrient Reduction Project Completed CY 2015
- Biosolids
  - Dewatering facility under construction to be fully operational by February 2016
  - Facility will provide additional reuse options

# RATE COMPARES



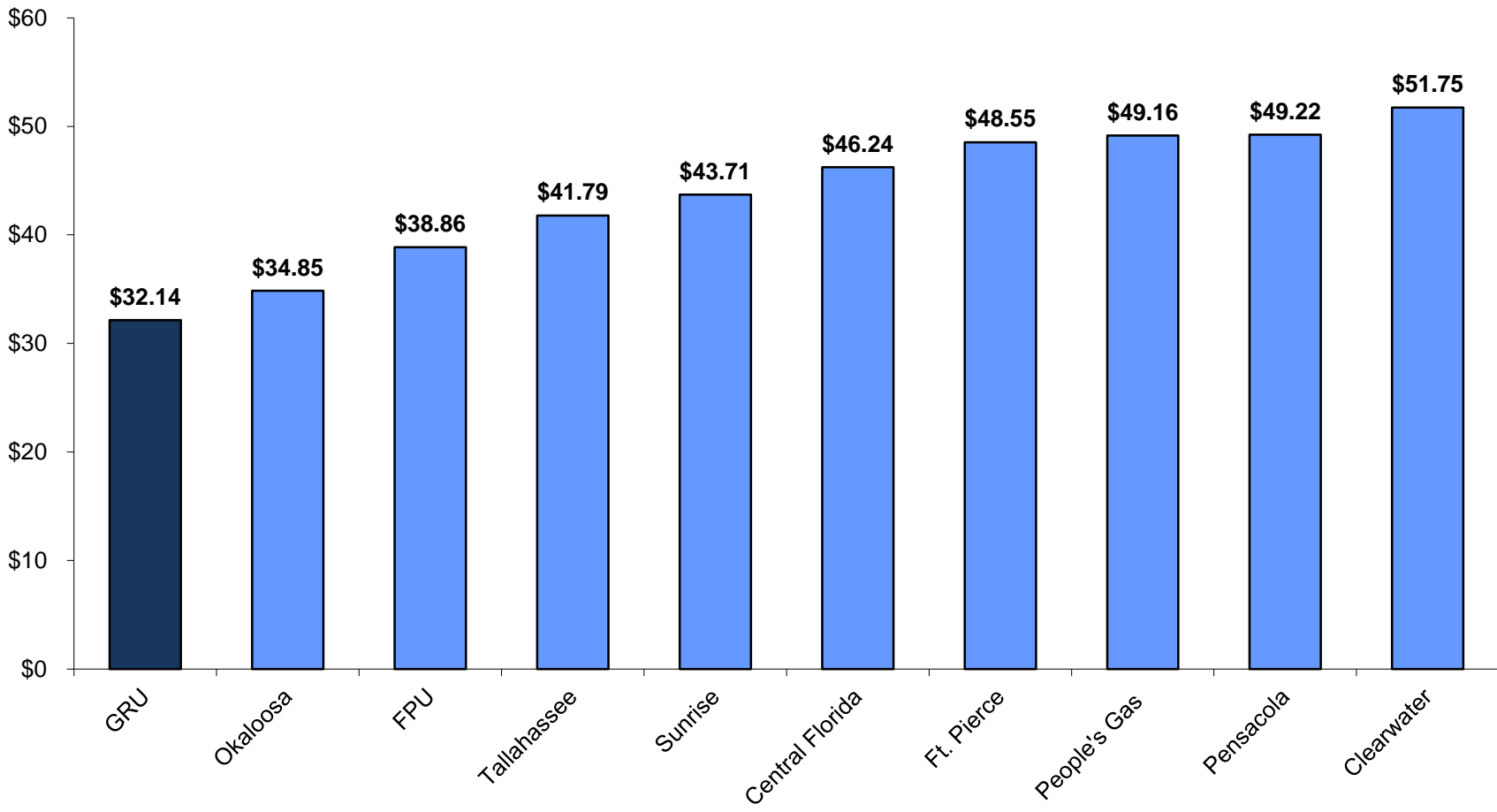
# Residential Electric

1,000 kWh  
October 2015



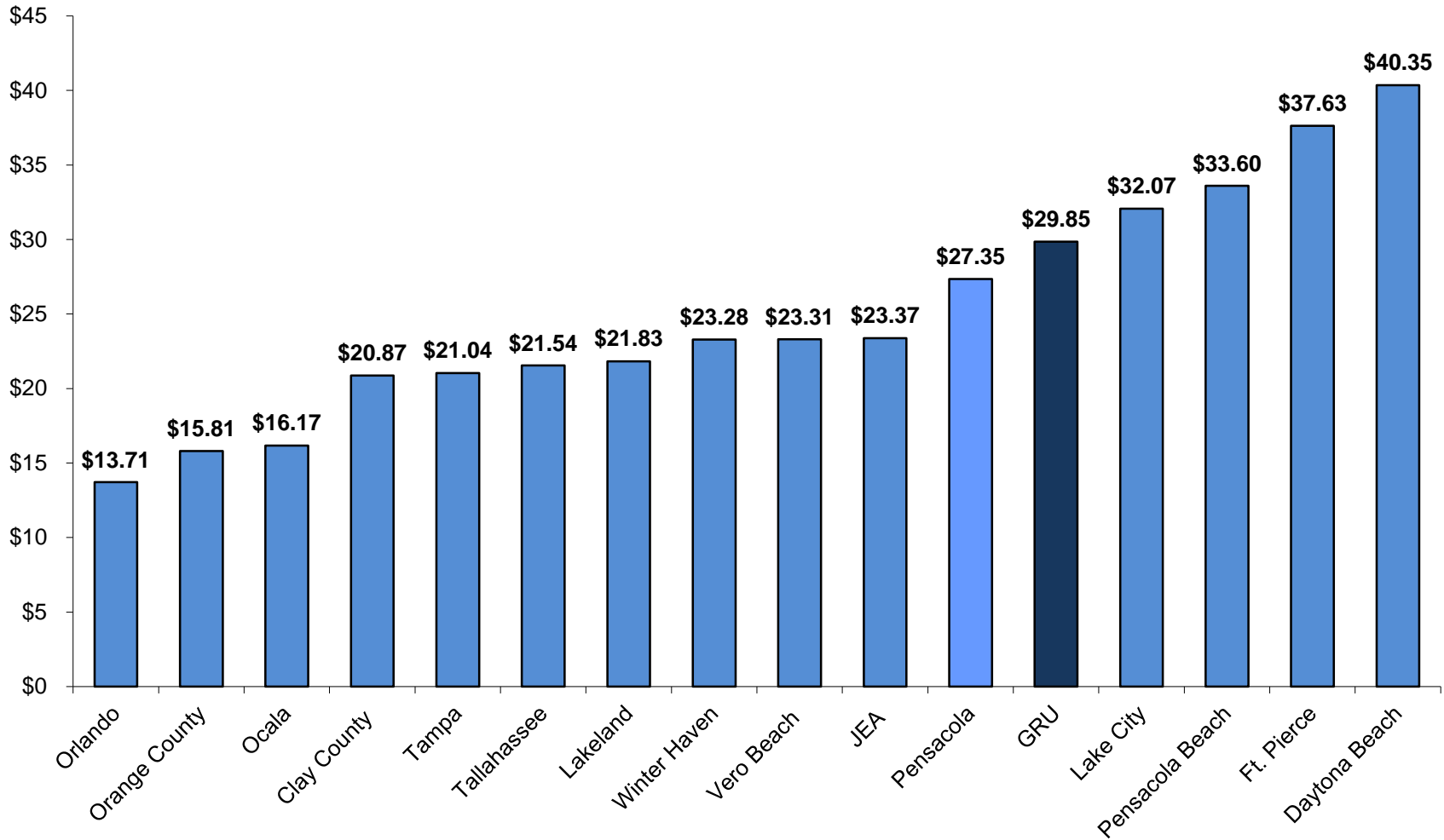
# Residential Natural Gas

25 Therms  
October 2015



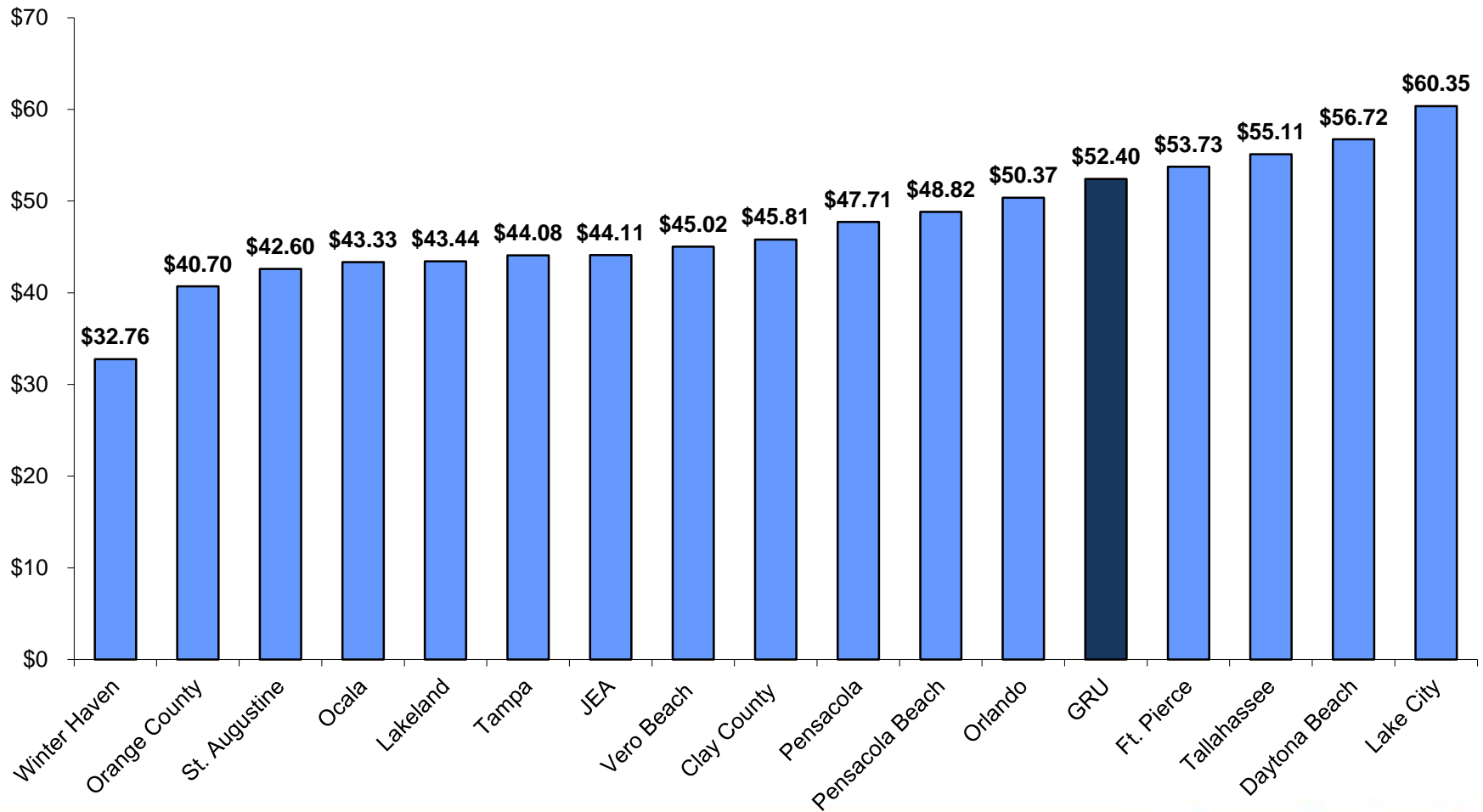
# Residential Water

7 kGal  
October 2015



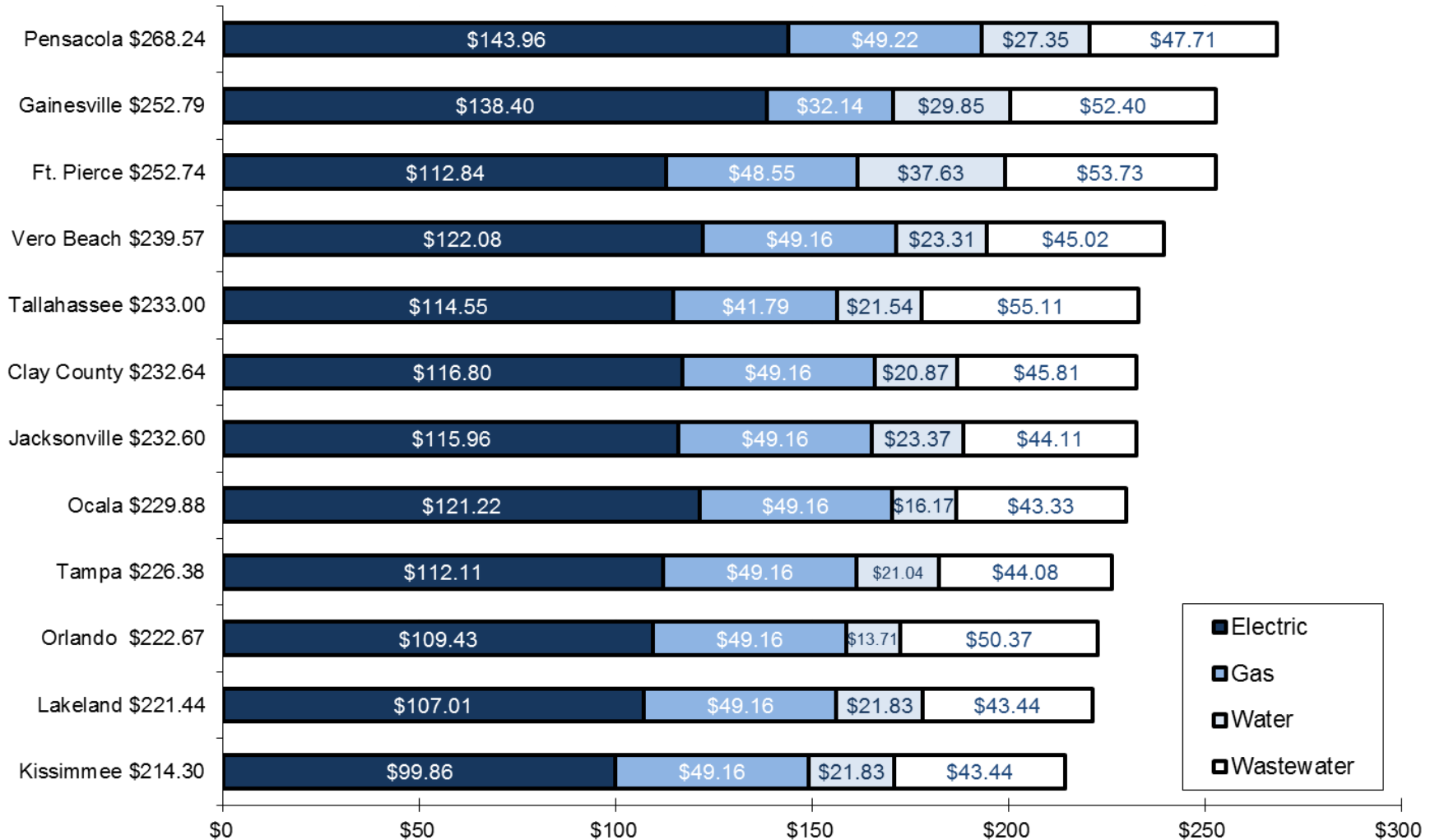
# Residential Wastewater

7 kGal  
October 2015



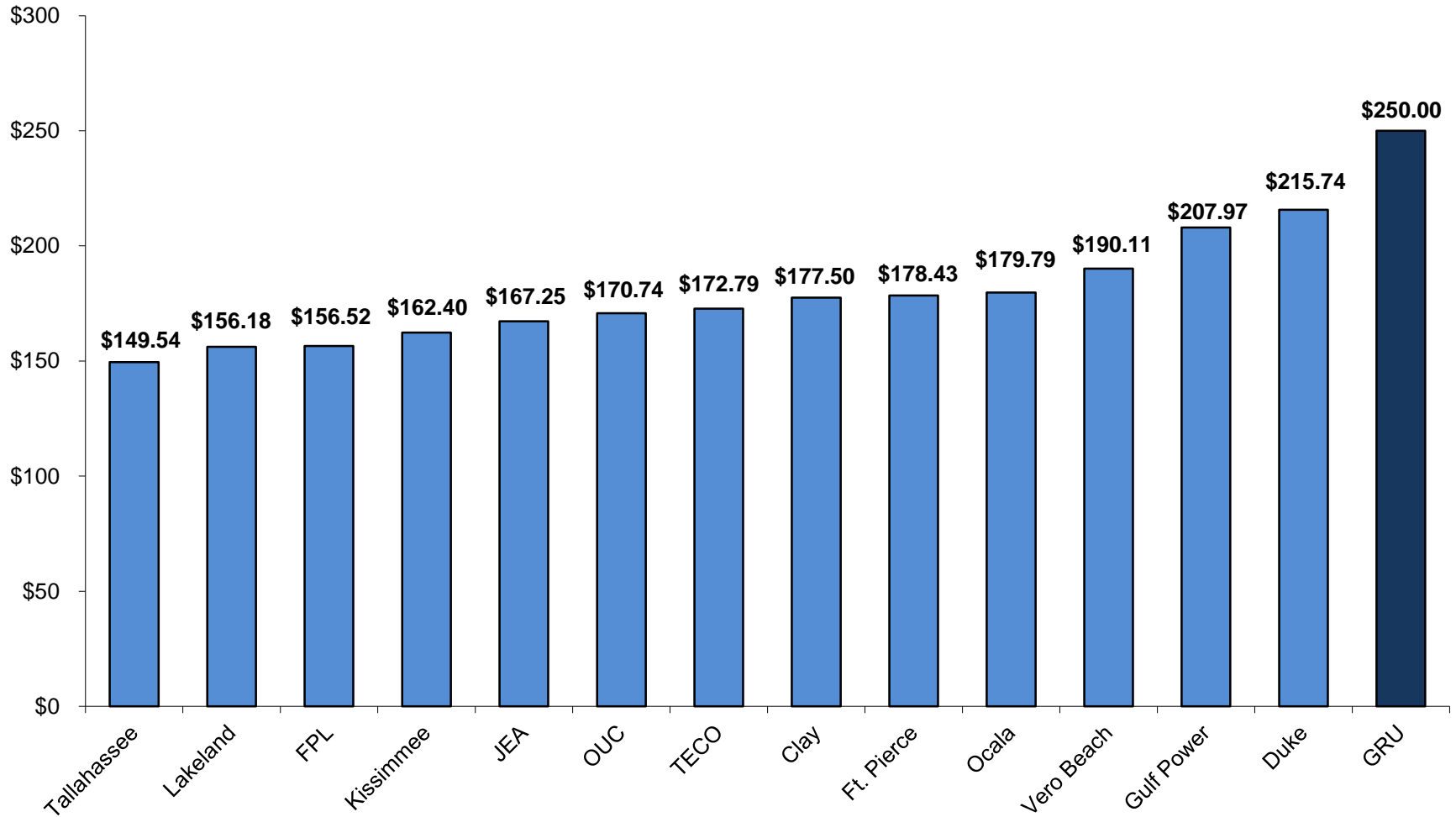
# Residential Basket of Services

October 2015



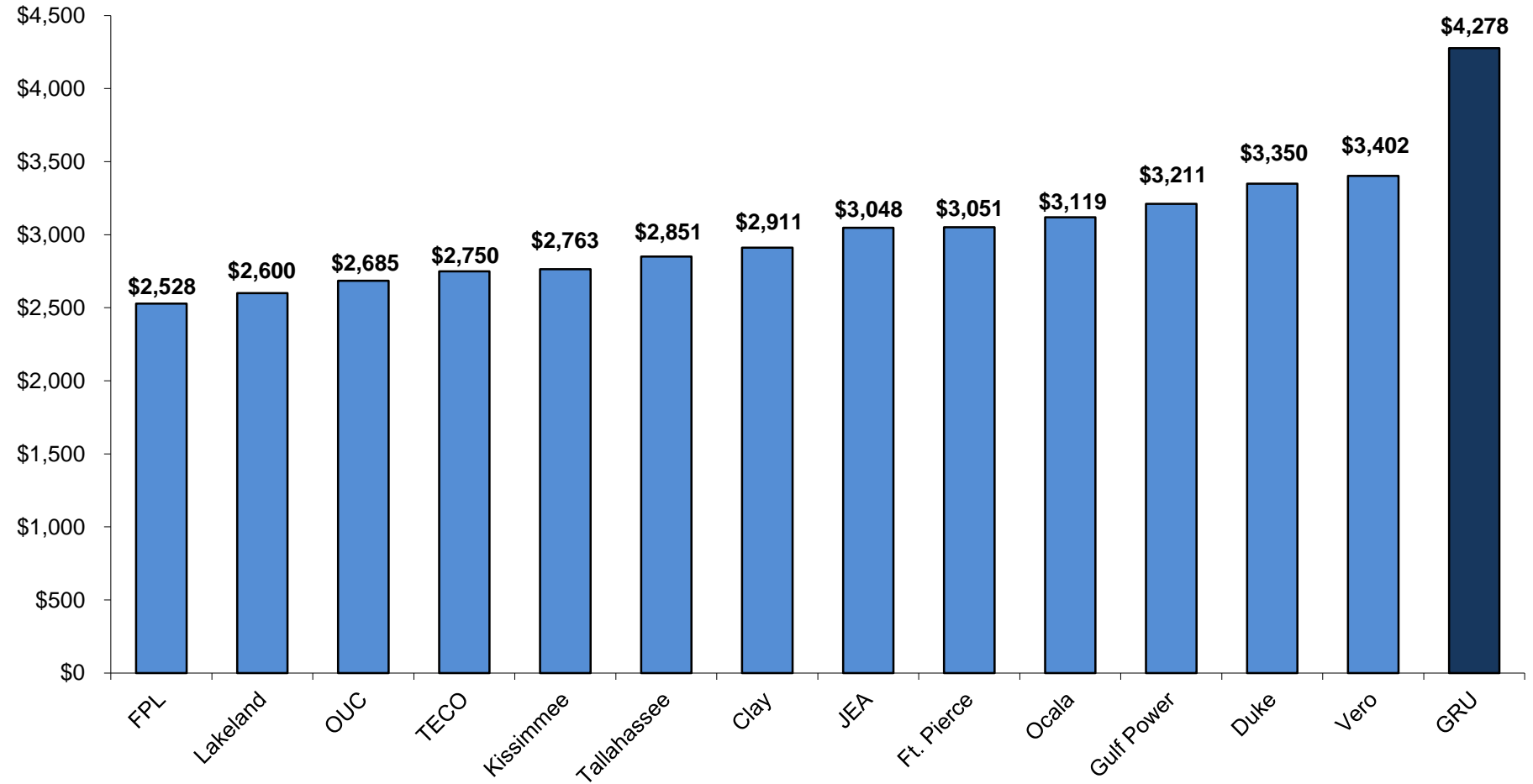
# GSN Electric

1,500 kWh  
October 2015



# GSD Electric

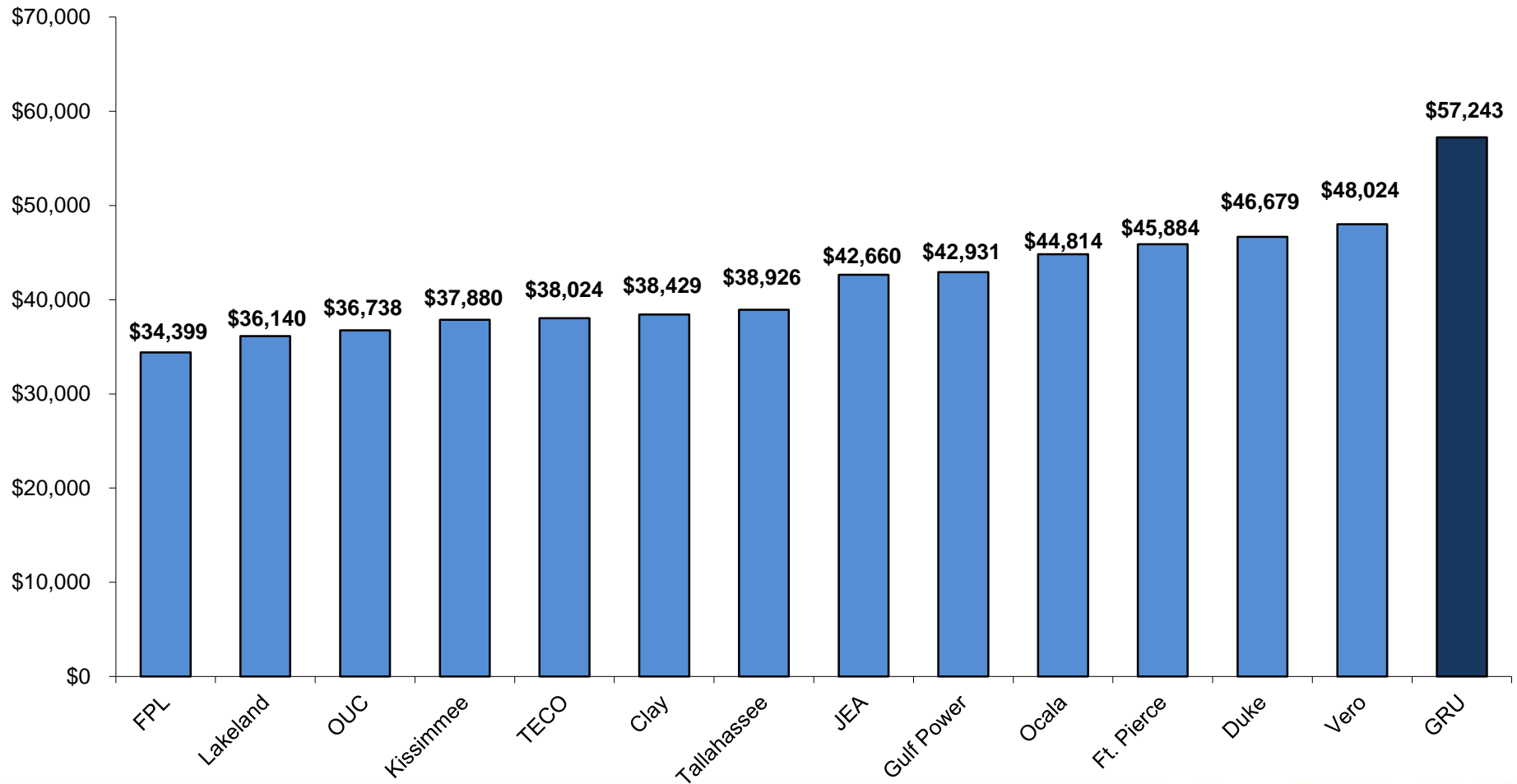
30,000 kWh – 75 kW  
October 2015



# LP Electric

430,000 kWh – 1,000 kW

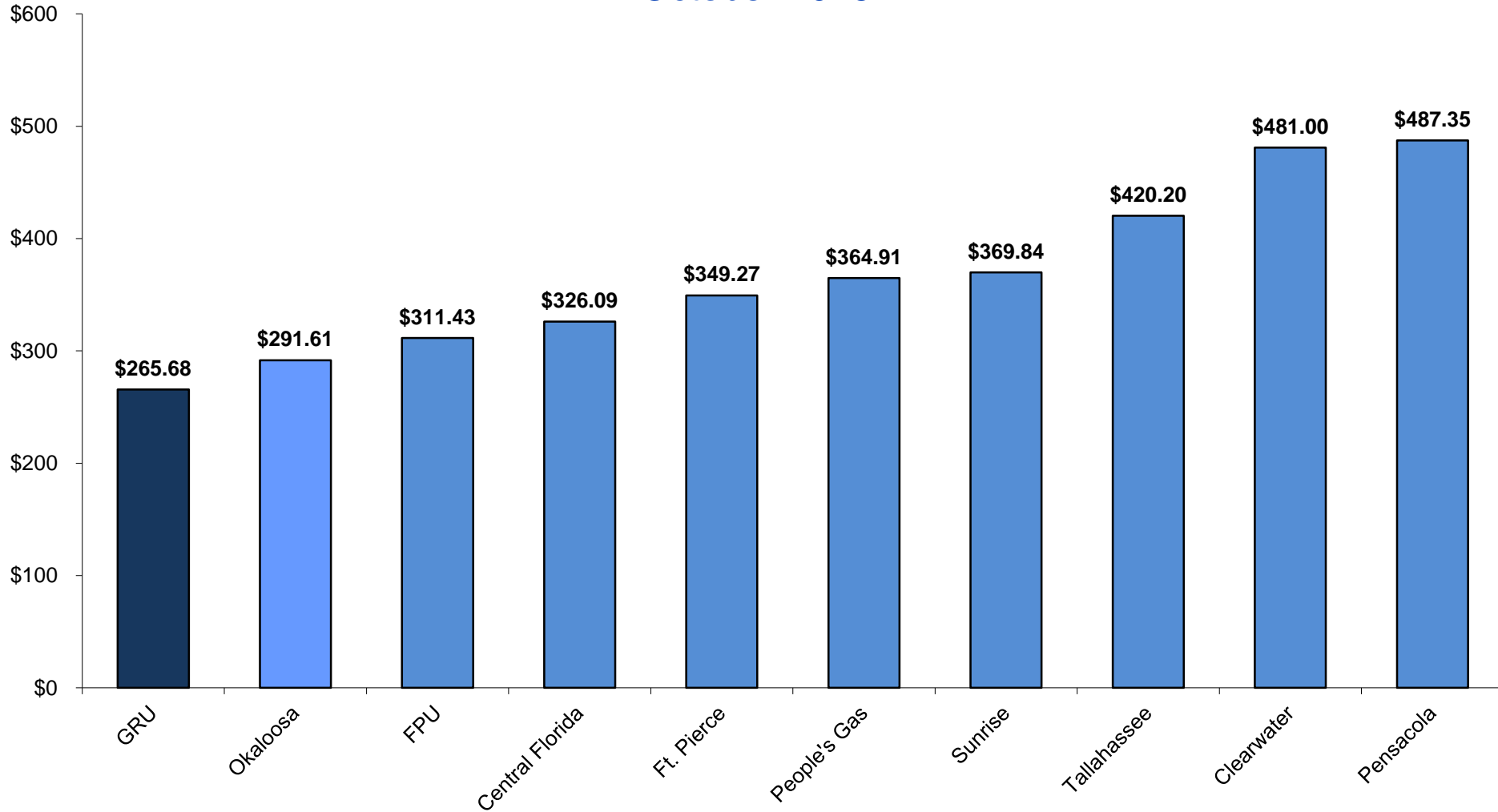
October 2015





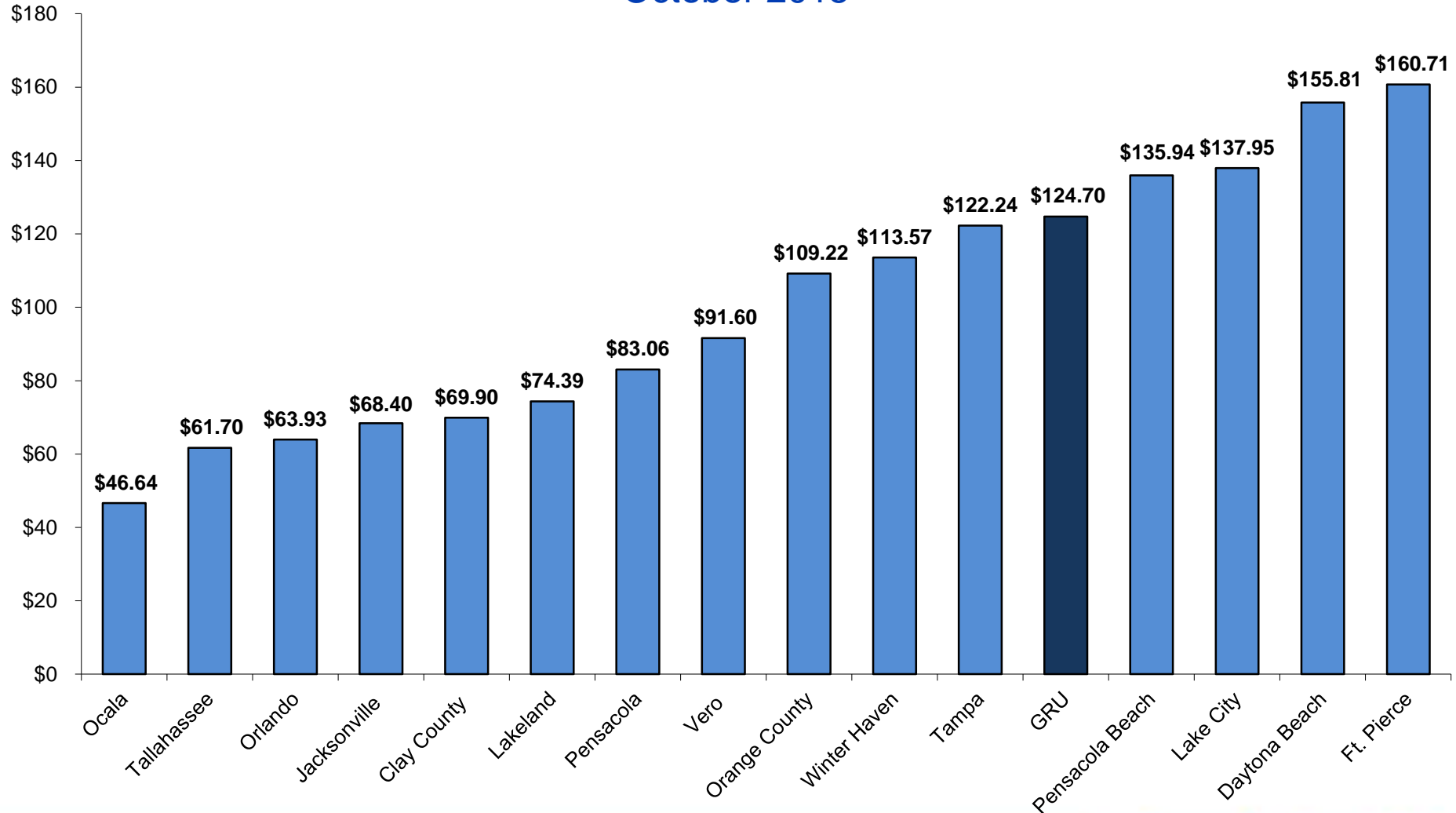
# Commercial Natural Gas

300 Therms  
October 2015



# Commercial Water

30 kGal  
October 2015



# Commercial Wastewater

30 kGal  
October 2015

