

Section C – Revenues

Annual Operating Budget

Revenues

Electric System

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Revenues:				
Residential Revenue	\$ 58,163,694	\$ 51,215,394	\$ 51,082,677	\$ 51,501,267
Residential Rate Change Revenue	(3,257,167)	-	(3,831,201)	(2,061,403)
Non-Residential Revenue	74,570,405	69,462,644	70,117,503	71,271,641
Non-Residential Rate Change Revenue	(4,175,943)	-	(5,258,813)	(2,496,646)
Sales for Resale	3,076,481	2,924,698	3,602,203	3,887,203
South Energy Center	11,213,351	10,747,741	10,999,922	12,676,989
Innovation Square	301,788	148,902	287,269	637,517
Fuel Adjustment Revenue	153,351,314	146,066,614	160,325,212	167,021,962
Surcharge Revenue	3,736,256	3,278,757	3,219,513	3,357,960
Interchange Revenue	200,000	600,000	600,000	600,000
Other Revenue	5,870,483	5,870,483	5,988,684	6,388,353
Interest Income	868,056	847,667	939,900	821,840
Rate Stabilization (to)/from	(7,380,369)	(4,611,687)	4,722,394	1,382,286
Total	\$ 296,538,349	\$ 286,551,213	\$ 302,795,263	\$ 314,988,969

Description

- Forecasts were developed from econometric models that project number of customers and usage per customer for each major billing class. External inputs used in these models were sourced from the Bureau of Economic and Business Research (demographics), IHS Global Insight (employment and income), and the National Oceanic and Atmospheric Administration (climate). Revenue projections are the product of number of customers, billed sales, and GRU's prevailing prices.
- Sales for resale include non-fuel revenues from wholesale contract sales.
- The South Energy Center (SEC) is a combined heat and power plant providing electricity, chilled water, steam, and the storage and delivery of medical gases to the UF Health South Cancer Center. The SEC has contributed significant revenues to the Electric System since May 2009.
- Innovation Square is a research and business development effort of the University of Florida and is served by the Electric System.
- Fuel adjustment revenues collect the fuel and purchased power costs for retail and firm contract unit electricity sales.
- Surcharge revenues are a 10 percent charge applied to the non-fuel portion of retail rates for customers outside incorporated Gainesville.
- Interchange revenues are from non-firm wholesale sales, typically made on an hourly or day-ahead basis, based on market prices, and include fuel and variable O&M production costs.
- Other Revenue includes the Build America Bonds rebate, as well as late fees and other miscellaneous service charges.
- Interest Income is generated from the investments earnings for the Operating Fund, Rate Stabilization Fund, and Utility Plant Improvement Fund for each System.
- Rate Stabilization revenues are withdrawals (if positive) or deposits (if negative) from financial reserve accounts.

Budget Highlights

- Projected Residential and Non-Residential sales revenues for FY14 are 6.7 percent and 1.3 percent lower than originally budgeted. Retail sales are expected to increase 0.9 percent per year over the long term. The rate change revenue lines show negative numbers, as base rates are decreasing to partially offset fuel cost increases.
- Sales for Resale include energy sales to the City of Alachua, transmission service to Seminole Electric Cooperative, Inc., and firm sales to the City of Winter Park. The incremental addition in revenues for FY15 and FY16 represents the portion of sales for resale attributable to Winter Park.
- Other Revenue includes the Build America Bonds rebate, which accounts for \$2.9 million in FY14. This revenue offsets a portion of the interest expense for GRU's 2009 Series B and 2010 Series B Bonds.
- Interest Income projections for FY14 have been reduced by 27.9 percent, compared to original budget. This is due primarily to lower than anticipated return on investments due to market conditions.
- The Electric System is projected to make a smaller contribution to its Rate Stabilization reserves in FY14 than originally budgeted. The original FY14 budget provided for a \$7.4 million contribution, while revised projections show a contribution of \$4.6 million. This is attributable largely to the lower sales revenues previously discussed, including wholesale sales. However, due to overfunding of the Rate Stabilization fund, the Electric System is projected to make a withdrawal of \$4.7 million from the Rate Stabilization Fund in FY15.

Annual Operating Budget

Revenues

Water System

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Revenues:				
Sales of Water	\$ 25,904,505	\$ 26,538,805	\$ 26,983,625	\$ 27,243,623
Rate Change Revenue	1,068,943	-	1,077,762	2,175,522
UF	1,860,256	1,752,200	1,756,700	1,757,900
South Energy Center	27,805	31,447	33,019	34,670
Innovation Square	25,019	15,309	25,019	29,305
Surcharge	2,140,301	2,194,200	2,270,448	2,287,128
Surcharge Increase	85,515	-	-	-
Connection/Other Revenue	3,235,974	2,782,907	2,939,904	3,074,428
Surcharge on Connections	78,861	64,326	73,364	73,989
Interest Income	93,233	104,853	113,319	153,442
Rate Stabilization (to)/from	(605,427)	(423,298)	(1,604,904)	(2,357,437)
Total	\$ 33,914,985	\$ 33,060,749	\$ 33,668,258	\$ 34,472,571

Description

- Forecasts were developed from econometric models that project number of customers and usage per customer for each major billing class. External inputs used in these models were sourced from the Bureau of Economic and Business Research (demographics), IHS Global Insight (employment and income), and the National Oceanic and Atmospheric Administration (climate). Revenue projections are the product of number of customers, billed sales, and GRU's prevailing prices.
- Revenues are obtained from retail sales to residential and non-residential customers served by the potable water system and include monthly customer charges and usage charges (Kgal) based on metered water sales.
- UF revenues represent wholesale water sales to the UF campus, which maintains its own distribution system, as well as off-campus UF facilities. UF revenues are excluded from the General Fund transfer formula.
- Cumulative increases in retail revenues from proposed rate changes are shown.
- The South Energy Center is a generation facility that became operational in 2009, and is served by the Water System.
- Innovation Square is a research and business development effort of UF and is also served by the Water System.
- A surcharge of 25 percent is collected outside incorporated Gainesville.
- Connection fees are collected to recover the costs of water supply, treatment and distribution required for each new customer. There is a 25 percent surcharge on connection fees for customers outside of incorporated Gainesville.
- Interest Income is generated from the investments earnings for the Operating Fund, Rate Stabilization Fund, and Utility Plant Improvement Fund for each System.
- Rate Stabilization revenues are withdrawals (if positive) or deposits (if negative) from our financial reserve accounts.

Budget Highlights

- Sales of Water for FY14 are projected to be 1.6 percent lower than originally budgeted.
- UF Revenues are projected to be 5.8 percent less than originally budgeted for FY14.
- South Energy Center revenues are expected to meet original budget for FY14.

- Innovation Square sales are expected to be on target for original budget for FY14.
- Utility Surcharge revenues are projected to be 2.5 percent higher than original budget for FY14. Connection fees are projected to be 14 percent lower than budgeted for FY14. Surcharges on connection fees are projected to be 18.4 percent below budget for FY14.
- Other Revenue includes the Build America Bonds rebate, which accounts for \$817,000 in FY14. This revenue offsets a portion of the interest expense for the 2009 Series B and 2010 Series B Bonds.
- Interest Income is expected to be less than originally budgeted for FY14 by 28.3 percent. This is due primarily to lower than anticipated return on investments as well as fewer reserve funds available for investment in the Water System.
- Due to a combination of lower than forecast sales and certain expense increases, the Water System is projected to make a deposit to the Rate Stabilization Fund for FY14 of \$423,298 instead of the \$605,427 deposit originally budgeted.

Annual Operating Budget

Revenues

Wastewater System

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Revenues:				
Wastewater Charges	\$ 31,323,140	\$ 33,004,349	\$ 33,330,330	\$ 33,596,272
Rate Change Revenue	1,644,465	-	1,616,521	3,258,838
South Energy Center	91,770	91,770	91,770	91,770
Innovation Square	9,856	6,031	9,856	11,544
Biosolids	300,000	298,198	312,000	312,000
Surcharge	2,301,552	2,452,018	2,549,806	2,567,089
Surcharge Increase	115,113	-	-	-
Connection/Other Revenue	3,945,868	2,506,186	2,887,387	2,985,498
Surcharge on Connections	158,126	130,711	162,160	163,025
Interest Income	143,858	158,032	195,796	240,422
Rate Stabilization (to)/from	(1,512,314)	(1,888,240)	(1,785,036)	(1,267,046)
Total	\$ 38,521,434	\$ 36,759,054	\$ 39,370,591	\$ 41,959,413

Description

- Forecasts were developed from econometric models that project number of customers and usage per customer for each major billing class. External inputs used in these models were sourced from the Bureau of Economic and Business Research (demographics), IHS Global Insight (employment and income), and the National Oceanic and Atmospheric Administration (climate). Revenue projections are the product of number of customers, billed sales, and GRU's prevailing prices.
- Revenues are obtained from wastewater charges to residential and non-residential customers served by our wastewater collection, treatment, reuse and disposal system.
- Wastewater is not metered. Charges for most residential customers are based on winter water consumption to avoid billing customers for irrigation and other outdoor uses that do not discharge to the wastewater system.
- Non-residential customers are billed based on 95 percent of water consumption each month. Customers are given the option of installing irrigation meters, which are not included in wastewater bill calculations, as a way to manage wastewater costs.
- The South Energy Center is a generation facility that became operational in 2009 and is served by the Wastewater System.
- Innovation Square is a research and business development effort of UF and is also served by the Wastewater System.
- Biosolids revenue is generated for the receipt, treatment, and beneficial reuse of waste residuals of other municipalities.
- A surcharge of 25 percent is collected from customers outside incorporated Gainesville.
- Connection charges are collected to recover the capital costs of wastewater supply, treatment and distribution required for each new customer. There is a 25 percent surcharge on connection fees for customers outside incorporated Gainesville.
- Interest Income is generated from the investments earnings for the Operating Fund, Rate Stabilization Fund, and Utility Plant Improvement Fund for each System.
- Rate Stabilization revenues are withdrawals (if positive) or deposits (if negative) from our financial reserve accounts.

Budget Highlights

- Revenues from wastewater charges are projected to be 0.1 percent higher than budgeted for FY14.
- South Energy Center revenues are expected to meet original budget for FY14.
- Innovation Square revenues are expected to be on target for original budget in FY14.
- Biosolids revenue is expected to be slightly lower than originally budgeted for FY2014.
- Utility Surcharge revenues are projected to be 6.5 percent higher than originally budgeted for FY14. Connection fees and surcharges on connection fees are projected to be significantly lower than originally budgeted for FY14. The connections fees attributable to the City of Waldo connecting to the System were projected to be received in FY14 but were received in FY13.
- Other Revenue includes the Build America Bonds rebate, which accounts for \$922,000 in FY14. This revenue offsets a portion of the interest expense for the 2009 Series B and 2010 Series B Bonds.
- Interest Income is expected to be less than originally budgeted for FY14 by 26.9 percent. This is due primarily to lower than anticipated return on investments as well as fewer reserve funds available for investment in the Wastewater System.
- The Wastewater System is projected to make a larger contribution to the Rate Stabilization Fund for FY14 of \$1.9 million compared to the original FY14 budget amount of \$1,512,314, due largely to lower than anticipated revenues. The FY15 proposed budget calls for a deposit of \$1.8 million to the Rate Stabilization Fund.

Annual Operating Budget

Revenues

Gas System

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Revenues:				
Residential Revenue	\$ 7,517,129	\$ 6,987,259	\$ 7,017,502	\$ 7,043,629
Residential Rate Change Revenue	63,896	-	298,244	598,836
Non-Residential Revenue	3,448,445	3,857,626	3,696,331	3,729,584
Non-Residential Rate Change Revenue	29,312	-	157,094	317,082
MGPCRF	1,158,290	1,034,185	1,158,290	1,171,590
Purchased Gas Adjustment	10,381,627	11,468,427	11,324,698	10,745,099
Surcharge Revenue	421,926	406,587	403,657	405,950
Other Revenue	1,868,392	1,820,005	1,868,392	1,976,652
Interest Income	154,760	170,976	165,620	173,153
Rate Stabilization (to)/from	(365,138)	267,790	(301,332)	304,484
Total	\$ 24,678,639	\$ 26,012,855	\$ 25,788,497	\$ 26,466,059

Description

- Forecasts were developed from econometric models that project number of customers and usage per customer for each major billing class. External inputs used in these models were sourced from the Bureau of Economic and Business Research (demographics), IHS Global Insight (employment and income), and the National Oceanic and Atmospheric Administration (climate). Revenue projections are the product of number of customers, billed sales, and GRU's prevailing prices.
- The Manufactured Gas Plant Cost Recovery Factor (MGPCRF) is a component of revenue based on therm sales. It recovers the cost of environmental clean-up at the Depot Park Manufactured Gas Plant. This cost is partially offset with insurance proceeds, with the project expected to total nearly \$27 million when complete.
- Purchased Gas Adjustment (PGA) revenue collects for the natural gas fuel distributed to customers.
- A 10 percent surcharge is collected from customers outside incorporated Gainesville.
- Other Revenue typically includes late fees and service charges.
- Interest Income is generated from the investments earnings for the Operating Fund, Rate Stabilization Fund, and Utility Plant Improvement Fund for each System.
- Rate Stabilization revenues are withdrawals (if positive) or deposits (if negative) from financial reserve accounts.

Budget Highlights

- Residential revenues are projected to be 7.8 percent lower than originally budgeted, while non-residential revenues from sales of natural gas are projected to be 10.9 percent higher than originally budgeted for FY14.
- Due to lower sales, the MGPCRF is projected to be 10.7 percent lower than budgeted for FY14, which results in the need to increase the MGPCRF rate in FY15.
- Surcharge revenue is projected to be 3.6 percent lower than budgeted for FY14.
- Other Revenue includes the Build America Bonds rebate, which accounts for \$610,000 in FY14. This revenue offsets a portion of the interest expense for the 2009 Series B and 2010 Series B Bonds.
- Interest Income is expected to be less than originally budgeted for FY14 by 20.4 percent. This is due primarily to lower than anticipated return on investments as well as fewer reserve funds available for investment in the Gas System.

- The Gas System was originally budgeted to make a deposit from the Rate Stabilization Fund of \$365,138 in FY14; however, a withdrawal of \$267,790 is now projected for FY14. The FY15 budget projects deposit of \$301,332 from the Rate Stabilization Fund.

Annual Operating Budget

Revenues

GRUCom

	Original Budget 2014	Projection 2014	Proposed Budget 2015	Proposed Budget 2016
Revenues:				
Telecommunication	\$ 8,034,885	\$ 7,482,487	\$ 8,061,590	\$ 9,068,880
Public Safety Radio	1,840,703	1,831,671	1,859,146	1,887,033
Tower Lease Rental	1,504,800	1,819,507	1,892,849	1,944,902
Interest Income	94,440	117,725	111,054	107,034
Rate Stabilization (to)/from	952,149	333,539	160,826	(1,492,308)
Total	\$ 12,426,977	\$ 11,584,929	\$ 12,085,465	\$ 11,515,541

Description

- GRUCom Telecommunication revenues are based on historical growth rates for fiber transport services and Internet access sales, anticipated price changes and market demand estimates. Projections have been adjusted to reflect additional services in Wireless Carriers for 4G services as well as the loss of the remaining traditional T1 services.
- Public Safety Radio revenue projections are based on the historical growth rate of radios deployed. These revenues have been adjusted to reflect the new contract that has been put into place extending the service through 2020.
- Tower Lease Rental services are primarily tower space leases with Personal Wireless Communications Services (PCS) providers and co-location space leases in the GRUCom Central Office. Revenues from new leases executed in recent months have been included in the forecast. The tower space leases mandate annual CPI increases, which have also been included.
- Interest Income is generated from the investments earnings for the Operating Fund, Rate Stabilization Fund, and Utility Plant Improvement Fund for each System.
- Rate Stabilization revenues are withdrawals (if positive) or deposits (if negative) from financial reserve accounts.

Budget Highlights

GRUCom fiber transport and data services continue to be in high demand by PCS providers, other carriers and local businesses. Wireless Carriers are continuing to increase their data services as customer demand dictates. The Network upgrades and additions to the Wireless Towers in Alachua County have us well positioned to meet bandwidth requirements as the Carriers add bandwidth to handle increased customer demand.

- GRUCom continues to receive requests from existing apartment complexes for GATOR NET services. Revenues from these new contracts are included in projections.
- Demand for co-location space at the GRUCom Central Equipment Office has accelerated as more companies and agencies seek to take advantage of the security, reliability and network access benefits available there. GRUCom has completed the retrofit of the existing Co-location space, allowing for additional revenue, and is evaluating additional space needs.
- GRUCom Internet access product sales and customer bandwidth are projected to increase. GRUCom has upgraded its transport circuit to the major carrier co-location facility in Atlanta, known as Telx, and has also completed a connection to the major carrier co-location facility in Miami known as Terremark. The increased capacity and service diversity allows GRUCom to purchase low cost Internet access in large quantities with service assurance and shorter provisioning periods. Additionally, GRUCom continues to increase peering arrangements with

organizations located in both facilities, which will provide a higher level of performance for GRUCom customers.

- GRUCom has completed work with a major service provider to establish a second service path into the Gainesville Market. This connection will provide service diversity to a level not available in the area and will allow GRUCom to provide the highest level of service in North Central Florida.
- GRUCom has announced plans to provide 1 Gigabit service to existing MDU GATOR NET locations and will develop plans to expand the service in the community during the next year.
- Interest Income is expected to be close to amount originally budgeted for FY13 and slightly higher than originally budgeted for FY14 by 15.4 percent. Similar to other systems, GRUCom investments are producing lower than expected returns. However, GRUCom is projecting to have more reserve funds available for investment than originally budgeted for FY14, which is causing the increase.
- GRUCom was originally budgeted to make a withdrawal from the Rate Stabilization Fund of \$952,149 in FY14. However, a withdrawal of \$333,539 is now projected for this fiscal year.

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