

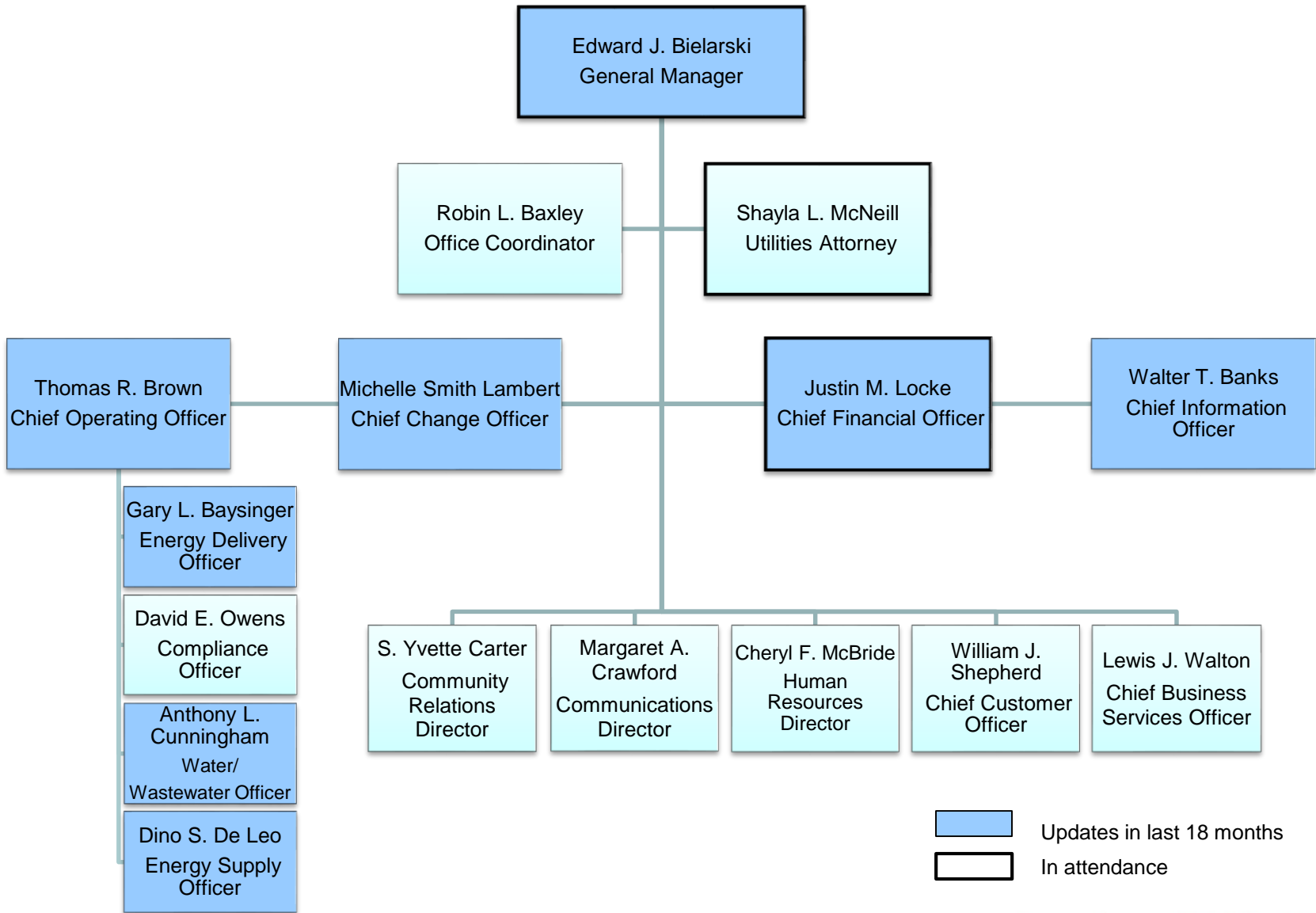
Gainesville Regional Utilities

Moody's Investors Service

November 8, 2016



The Management Team has Extensive GRU and Utility Experience



Nine Point Plan

- Bottom up leadership
- Make IT the backbone of organization
- Embrace change throughout the organization
- Get your love at home!
- Realize Actions speaker louder than words
- Rate Relief/Rate Relief/Rate Relief.....
- Build on synergies, not silos
- Manage your knowledge base and retain it
- Invest smart

Becoming a 21st Century Utility

Using best private industry business practices and state-of-the-art technology to:

- Offer customers value choices
- Offer “behind the meter” services
- Provide a communication canopy over city
- Create a “one input” information process
- Drive competitive rates and services

Policy Updates

City Commission Initiatives

- Governance
 - The UAB's first meeting was on April 12, 2016
 - The UAB meets monthly and as needed
- FY2017 Budget Approved
 - No Electric Rate increase for second year in a row
 - Small increases in Water, Waste Water and Gas
 - GRUCOM continues to maintain competitive rates

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 94,795 customers in the fiscal year ending September 30, 2016, 10,726 commercial and industrial customers provided approximately 58% of revenues
- FY16 Fuel mix: Coal (20%), Biomass (1%), Natural Gas (55%), Other (24%)
- Fuel and power risk management via The Energy Authority
- Stable customer base
- Generation portfolio includes significant renewable energy

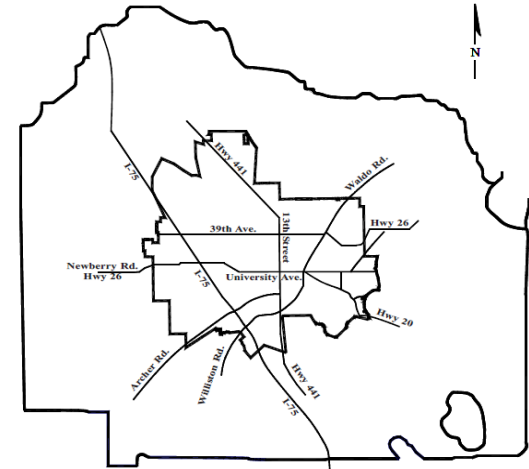
Water System

- 1,145 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

- 634 miles of gravity sewer collection system, 168 pump stations with 141 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

Electric System Generating Facilities

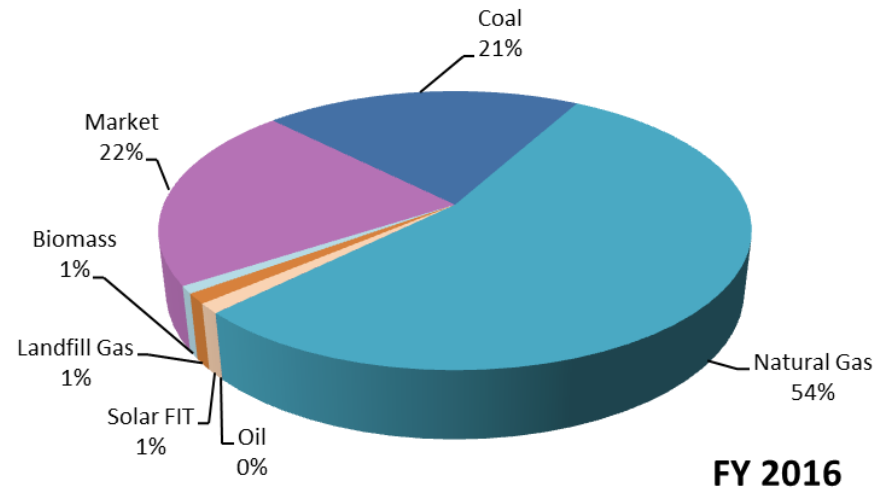
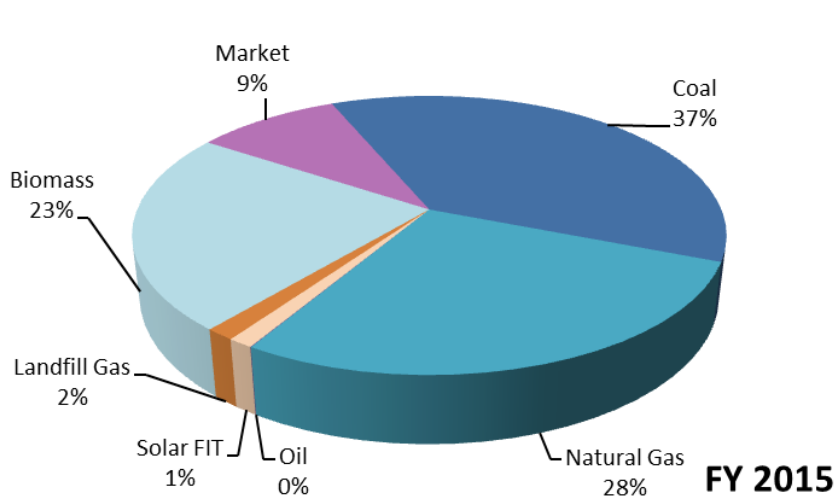
Promoting Fuel Diversification and Renewable Energy

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

Fuel Mix

Diverse Sources to Serve Electric Load

Percent of MWhs for Net Energy for Load



Regional Efforts Promote Efficiency

Coordinated Dispatch with JEA

- GRU can optimize up to 120 MW of generation within the combined GRU/JEA power generation portfolio.
- Coordinated daily to ensure benefit for both utilities.
- 30 day walk-away window thru 5 year term.
- Anticipated cost savings of approximately \$3 to \$5 million annually.
- Since being implemented in April 2016, already generated more than \$800,000 in savings.
- Zero capacity cost vs. \$70 mm plus for GREC.

Generation Update

Deerhaven II Coal Plant Repairs

- Circulating Dry Scrubber (CDS) repairs will require:
 - Engineering design and fabrication
 - Construction of the CDS reactor vessel from the venturi mixing area all the way to the outlet duct that enters the baghouse
 - This design will also include an exoskeleton for the venturi area, and stiffeners in the vessel shell.
- Cost has yet to be determined:
 - Insurance claim has been filed
 - Potential for third party liability

Management of the GREC Contract

- PPA allows GREC be dispatched or remain in cold standby.
- Avoided cost of \$40 plus per MW is replaced with JEA, Grid or GRU generation (\$25 to \$35).
- Recognized cost savings of approximately \$10 million annually.
- Other elements of PPA are being challenged, resulting in arbitration of approximately \$5.9 million.
- Testing, auditing and inspection of GREC's operations are conducted periodically.

Gainesville Economy Continuing Progress

	Gainesville	Florida	US
Unemployment rate ¹	4.4%	4.7%	5.0%
GDP Growth ² (2004 - 2015)	1.4%	<0.5%	3.2%
Growth in Personal Income ³ (2000-2014)	3.2%	2.6%	3.0%
Education and Healthcare ⁴ (% of economy)	4.9%	2.0%	4.5%
Education Level ⁵	42.6%	26.8%	33.0%

¹ Bureau of Labor Statistics, September and October 2016 data

² Bureau of Economic Analysis, Real GDP

³ Bureau of Economic Analysis, Personal Income

⁴ U.S. Census Bureau

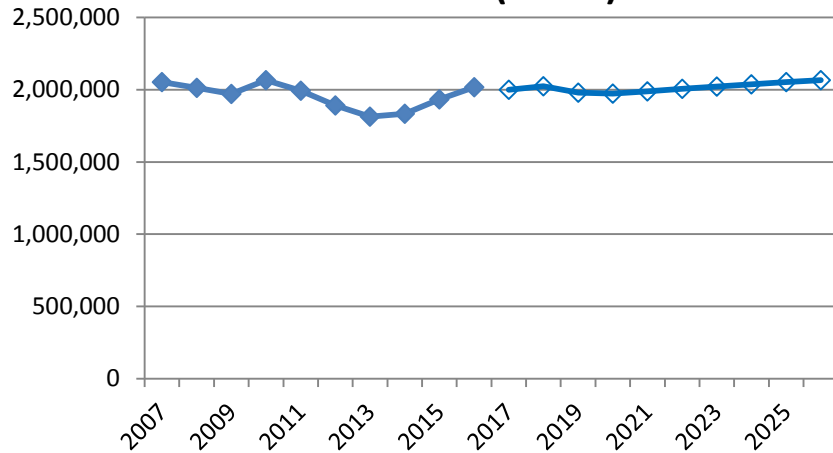
⁵ U.S. Census Bureau

FORECASTS AND RATES

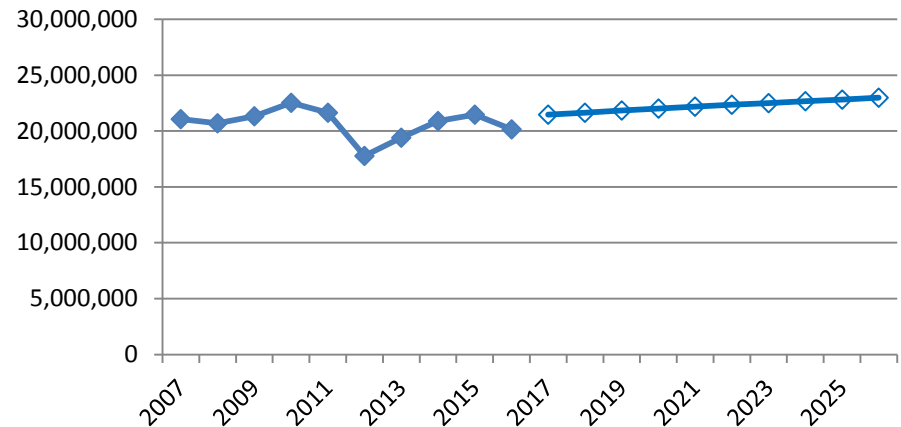
Sales History and 2017 Forecast

Promoting Conservative Budgeting

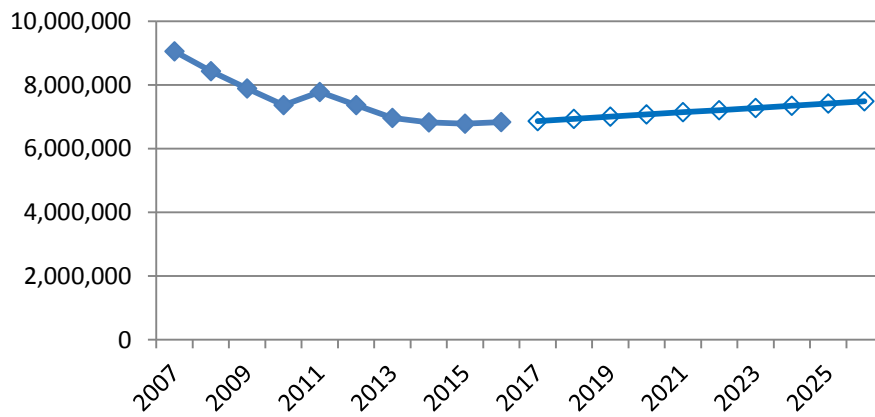
Electric Sales (MWh)



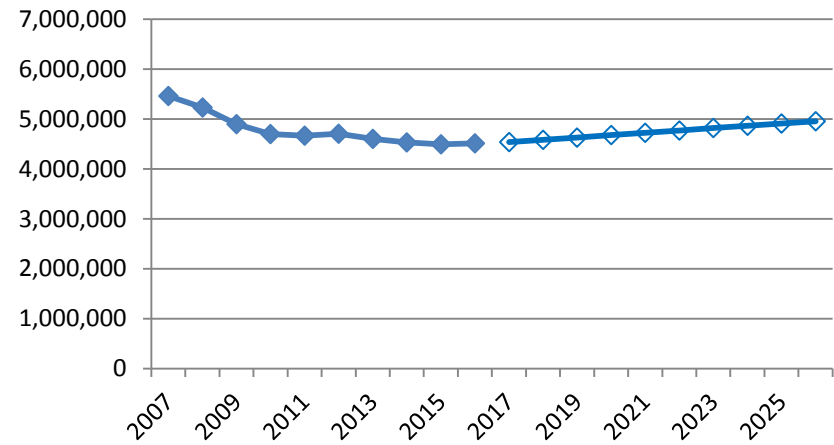
Natural Gas Sales (Therms)



Water Sales (Thousand Gallons)



Wastewater Billings (Thousand Gallons)



Residential Electric Customer 1,000 kWh Bill Change

Forecast, FY16 Budget

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase	Total Bill Increase
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%

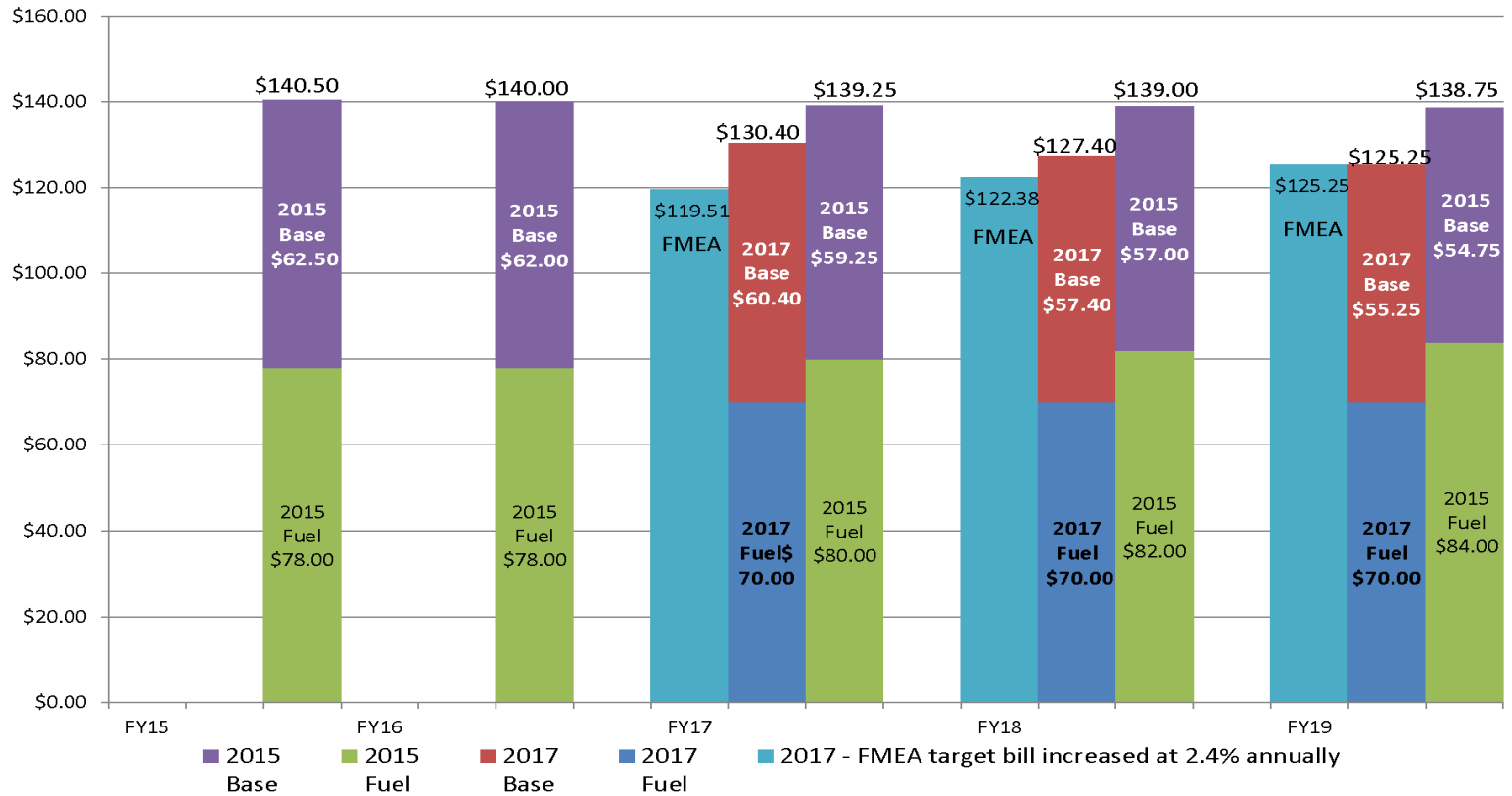
Approved, FY17 Budget

	Percentage Base Rate Revenue Increase	Percentage Fuel Adjustment Increase	Total Bill Increase
2017	0.00%	0.00%	0.00%
2018	2.00%	0.00%	2.50%
2019	2.00%	0.00%	1.60%
2020	3.00%	0.00%	0.90%

Projected future rate increases

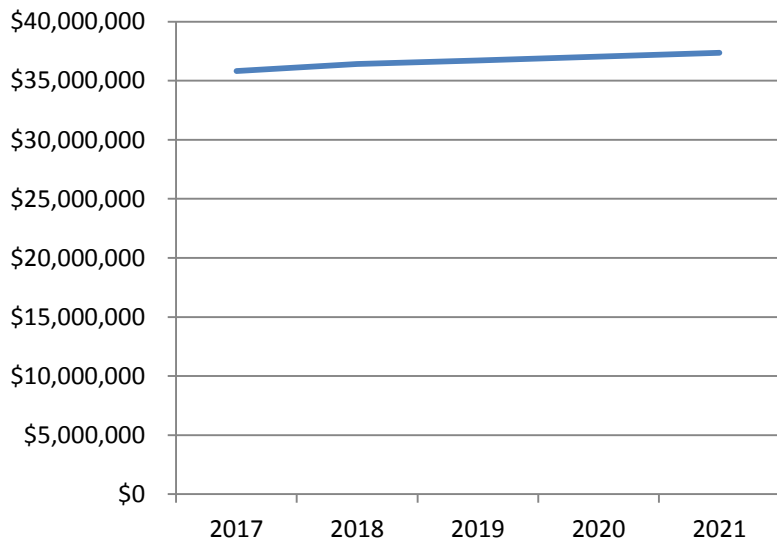
Note: Base Rate Revenue Increases represent an increase on the total base rate revenue requirement, and does not translate directly into an overall bill increase due to the different tiers and fuel component.

Residential Electric Bill Reduction Goal Comparison of GRU to Target Monthly 1000 kWh Residential Bill



General Fund Transfer Projections

2017	2018	2019	2020	2021
\$ 35,814,010	\$ 36,403,147	\$ 36,719,825	\$ 37,041,252	\$ 37,367,502

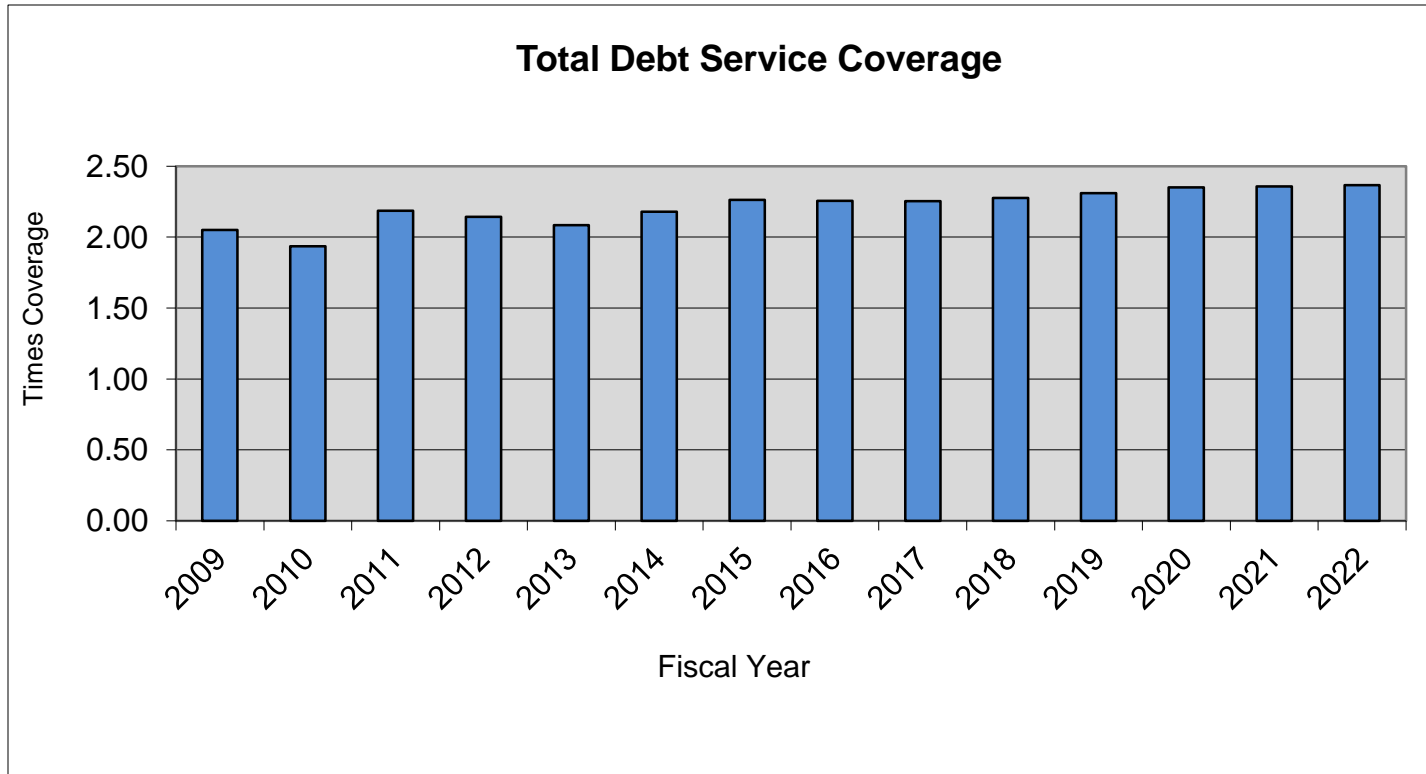


- GFT renegotiated in 2015
- Resulted in a reduction to GFT with lower inflationary growth
- Current Agreement expires in 2019
- Values for 2020-2021 are consistent with current agreement terms

FINANCIAL METRICS

Debt Service Coverage

Stable Coverage for Forecast Period



Five Year Flow of Funds

	2017	2018	2019	2020	2021
Total Revenue	\$ 421,951,991	\$ 436,962,780	\$ 447,302,829	\$ 456,647,502	\$ 464,378,316
Total O&M Expenses	\$ 282,396,004	\$ 297,442,950	\$ 304,644,727	\$ 312,028,128	\$ 319,597,912
Net Revenues	\$ 139,555,987	\$ 139,519,830	\$ 142,658,102	\$ 144,619,374	\$ 144,780,404
Uses of Net Revenues					
Debt Service Less BABS	\$ 61,883,881	\$ 61,892,725	\$ 62,662,883	\$ 62,578,505	\$ 61,589,699
UPIF used to pay DS	\$ (5,000,000)	\$ (5,000,000)	\$ -	\$ -	\$ -
UPIF	\$ 46,858,096	\$ 46,466,093	\$ 43,405,549	\$ 44,431,723	\$ 45,407,292
General Fund Transfer	\$ 35,814,010	\$ 36,161,012	\$ 36,589,670	\$ 37,609,146	\$ 37,783,413
Total Uses of Net Revenues	\$ 139,555,987	\$ 139,519,830	\$ 142,658,102	\$ 144,619,374	\$ 144,780,404
Net Revenue/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Coverage	2.26	2.25	2.28	2.31	2.35

Financial Risk Management

Developing Cash Liquidity Targets

FY 2017 Estimated Cash at Risk

	Electric	Gas	Water	Wastewater	GRUCom	Liquidity Targets
Revenue at Risk ¹	\$ 2,366,361	\$ 272,824	\$ 615,760	\$ 753,567	\$ 112,593	\$ 4,121,105
60 Days Fixed Non-Fuel O&M ²	\$ 25,006,921	\$ 2,681,563	\$ 5,877,031	\$ 7,238,716	\$ 1,980,711	\$ 42,784,942
Uninsured Property Exposure ³	\$ 5,049,676	\$ 949,286	\$ 2,695,483	\$ 2,467,722	\$ 1,071,657	\$ 12,233,824
Construction Risk ⁴						
Total	\$ 32,422,958	\$ 3,903,673	\$ 9,188,274	\$ 10,460,005	\$ 3,164,961	\$ 59,139,871

1. Cash Flow at Risk
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. Construction Risk was removed from reserve target for FY17 as contingency is built into capital budgets

- GRU thoroughly reviewed its methodology for determining cash/liquidity targets
- Compared targets to historical operating performance and current operating environment
- Prudent adjustments were made to reflect current operations while addressing financial risk

Financial Risk Management

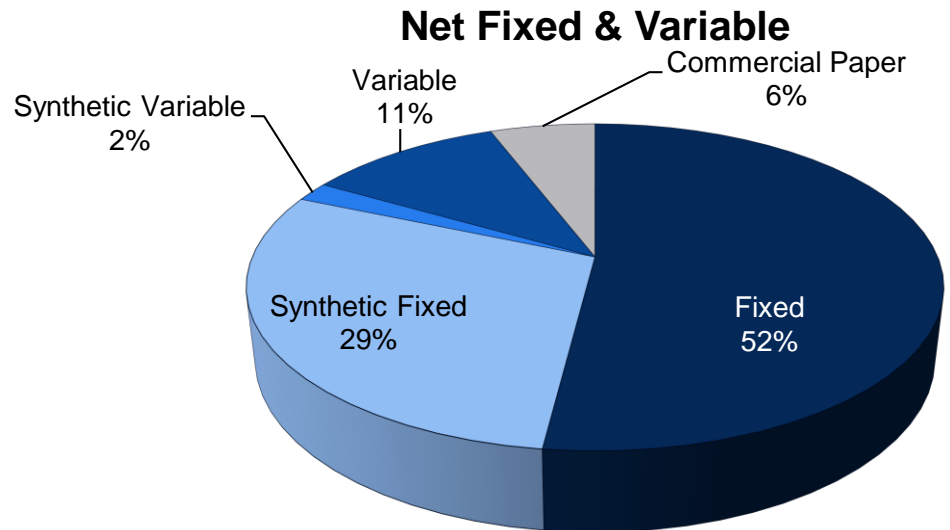
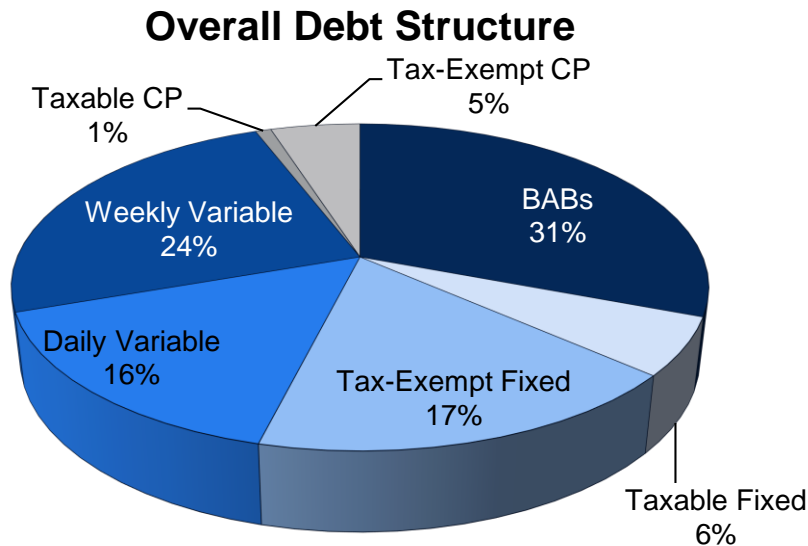
Strong Liquidity Position Exceeding Cash Liquidity Targets

Fiscal Years	2017		2018		2019		2020		2021	
Liquidity Targets:	\$	59,139,871	\$	60,524,635	\$	62,313,756	\$	63,917,061	\$	65,269,803
Source of Funds:										
Rate Stabilization	\$	61,868,040	\$	55,296,573	\$	49,229,069	\$	43,703,631	\$	40,522,318
UPIF for Reserves	\$	12,233,824	\$	12,723,177	\$	13,232,104	\$	13,761,388	\$	14,311,844
Total Reserves	\$	74,101,865	\$	68,019,750	\$	62,461,173	\$	57,465,019	\$	54,834,162
TECP/TCP Lines ¹	\$	52,100,000	\$	52,100,000	\$	52,100,000	\$	52,100,000	\$	52,100,000
Total Liquidity & Lines	\$	126,201,865	\$	120,119,750	\$	114,561,173	\$	109,565,019	\$	106,934,162
Over (Under) Relative to Target	\$	67,061,994	\$	59,595,115	\$	52,247,417	\$	45,647,958	\$	41,664,359

¹\$20,250,000 CP issuance pending for November or December of 2016, not included in total TECP/TCP Lines

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, mitigating exposure



Summary

GRU Continues to Adapt

- Evolving to a 21st Century Utility
- Employing new management and philosophies
- Improving Rate Competitiveness
- Enforcing the GREC Contract
- Implementing the Utility Advisory Board

GRU Continues to Maintain its Historical Credit Strengths

- Approval of the FY17 budget with imbedded rate increases
- Continual support of the City Commission
- Strong debt service coverage and days cash
- Resourcing a significant portion of capital needs internally
- Continuing to exceed established liquidity targets
- Prudent mix of fixed and variable rate debt