

# Gainesville Regional Utilities

Fitch Ratings

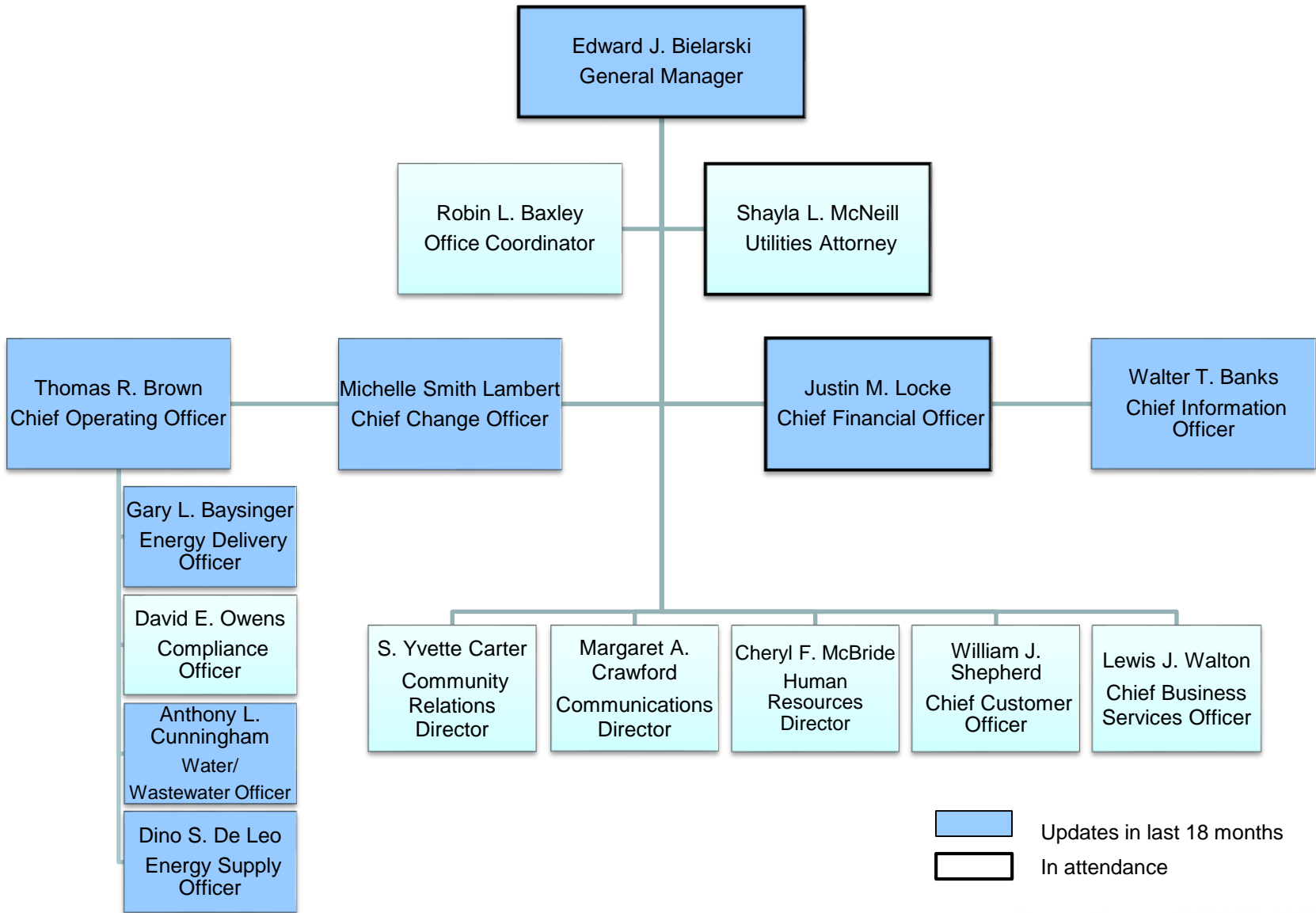
November 8, 2016



# Overview

- Management Team
- Strategic Initiatives:
  - Policy Updates & Actions
  - Power Supply and GREC
- Financial Strength
- Financial Metrics
- Supplemental Information

# 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

# Actions

- In the process of SAP FMIS, CCS, AMI and EAM upgrade which will link systems in real time.
- Change management is at the cornerstone of our culture with a “Continuous Improvement” theme.
- Established new executive team including COO, CIO and CCO.
- Utility Advisory Board (UAB) was established as a business-minded entity that serves in an advisory role for the City Commission.
- Zero tolerance policy for safety incidents.

# Policy Updates

## City Commission Initiatives

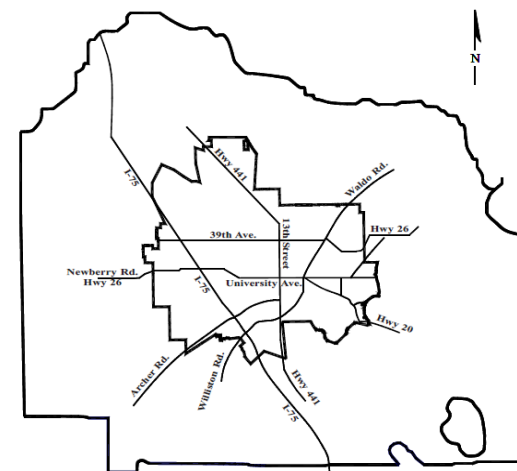
- Governance
  - The UAB's first meeting was on April 12, 2016
  - The UAB meets monthly and as needed
- FY2017 Budget Approved
  - No Electric Rate increase for second year in a row
  - Small increases in Water, Waste Water and Gas
  - GRUCOM continues to maintain competitive rates

# 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

## Service Area



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

## 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




## 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

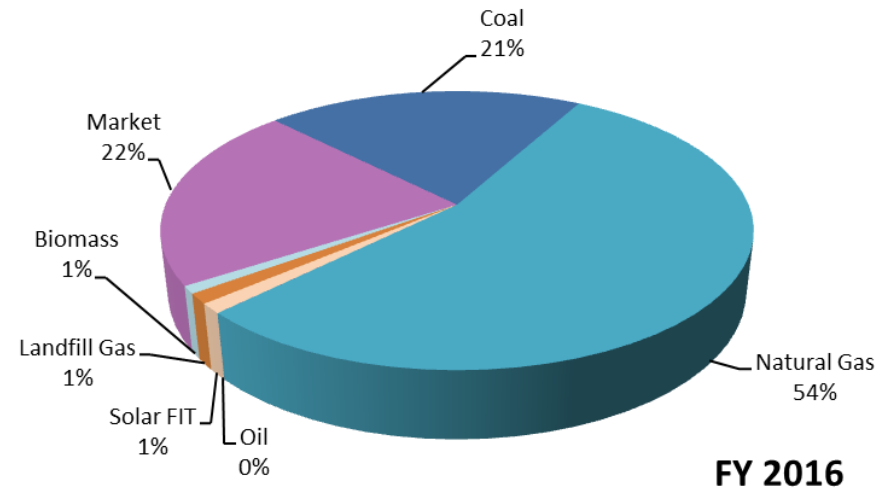
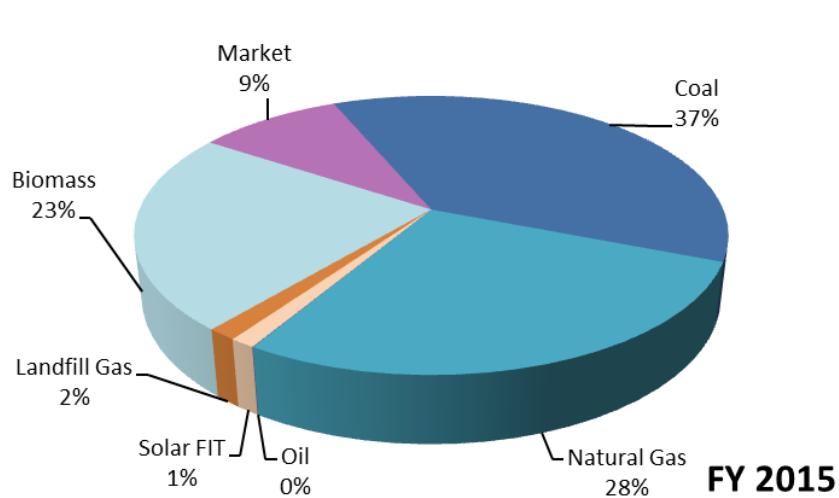
## Promoting Fuel Diversification and Renewable Energy

		Unit No.	Primary Fuel	Alternative Fuel	Net Summer Capability (MW)
Owned Generation	<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
				<b>Total Dispatchable</b>	<b>635.00</b>
		Base Landfill	Landfill Gas		3.00
		<b>Grand Total</b>			<b>638.00</b>

# 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 have 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.

# GREC Arbitration

- Section 10.4.1(a) of the PPA requires:  
*“[GREC] shall submit a written annual maintenance plan containing its forecast of Planned Maintenance for the coming year no later than sixty (60) days prior to...the start of each calendar year. Any and all changes to such plan shall be mutually agreeable to [GREC], [GRU], and to FRCC...”*
- On June 18, 2015, GRU and GREC mutually agreed to a written annual Planned Maintenance Outage (“PMO”) for 21 days (April 9-29, 2016).
- GREC unilaterally cancelled the 21 day mutually agreed upon written PMO.

# GREC Arbitration Continued

- On March 10, 2016, GREC filed a demand for arbitration with the American Arbitration Association (“AAA”) against the City, d/b/a GRU alleging that GREC did not have to perform annual PMO.
- In April, GRU withheld \$4.1M in Available Energy invoice payments related to the agreed upon PMO.
- On June 7, 2016, GREC filed an Amended Demand, including additional claims related to GRU’s interpretation of PPA terms including the application of Shutdown Charges and Available Energy payments during Facility ramp up periods.

# GREC Arbitration Continued

- Also, GREC alleged that GRU interfered with GREC's business relationships with its lenders.
- On July 15, 2016, GRU filed an amended arbitration claim for such time periods when GREC failed to meet the definition of Available Energy pursuant to the PPA.
- To date, GRU has withheld approximately \$7M for various commercial disputes related to the PPA.
- The arbitration is scheduled in June of 2017, for 2 weeks in Gainesville, Florida.



# Storm Preparedness

## Hurricane Hermine

- More than 25,000 customers restored over about 4 days.
  - 99% within 36 hours.
- More than 600,000 Twitter impressions during real-time, 24-hour outage communications via GRUStormCentral.

## Hurricane Matthew

- More than 6,000 customers restored in about 24 hours.

# Gainesville Economy Continuing Progress

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

<sup>1</sup>. Bureau of Labor Statistics, September and October 2016 data

<sup>2</sup>. Bureau of Economic Analysis, Real GDP

<sup>3</sup>. Bureau of Economic Analysis, Personal Income

<sup>4</sup>. U.S. Census Bureau

<sup>5</sup>. U.S. Census Bureau

# Gainesville Economy Development Opportunities

## **I-75 Adjacent and West Gainesville Development**

### **▪ Butler Plaza and Town Center Redevelopment**

The total project is a multi-year, multi-million dollar investment in retail, office and hotel development that will bring 3,500 permanent jobs to the community and at least 1,500 construction and support jobs, plus an expanded tax base.

### **▪ Tangential Development and Annexation**

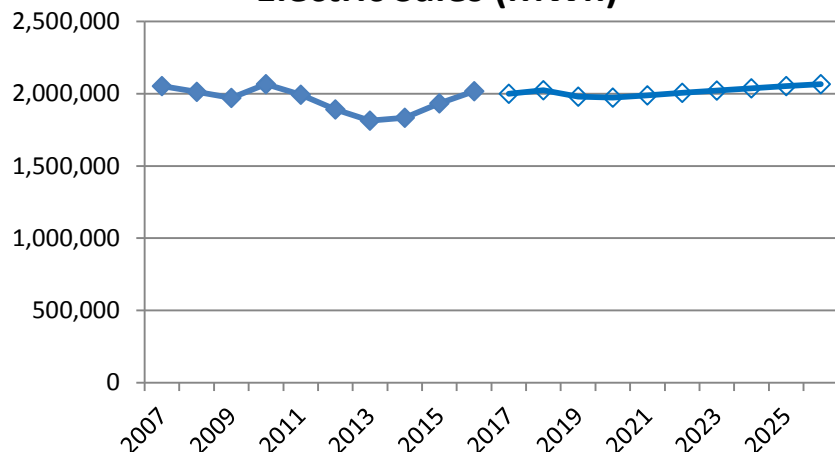
Several additional hotel, retail and other lifestyle developments adjacent to Butler Plaza and Town Center redevelopment. Several prospective annexations west of I-75.

# FORECASTS AND RATES

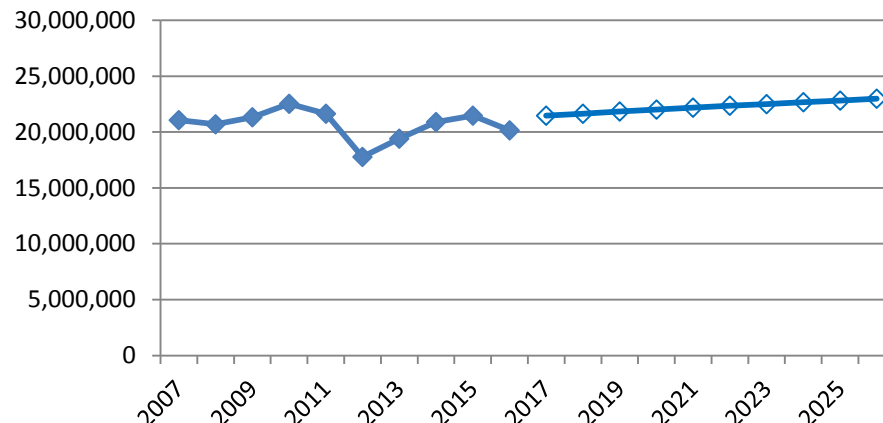
# Sales History and 2017 Forecast

## Promoting Conservative Budgeting

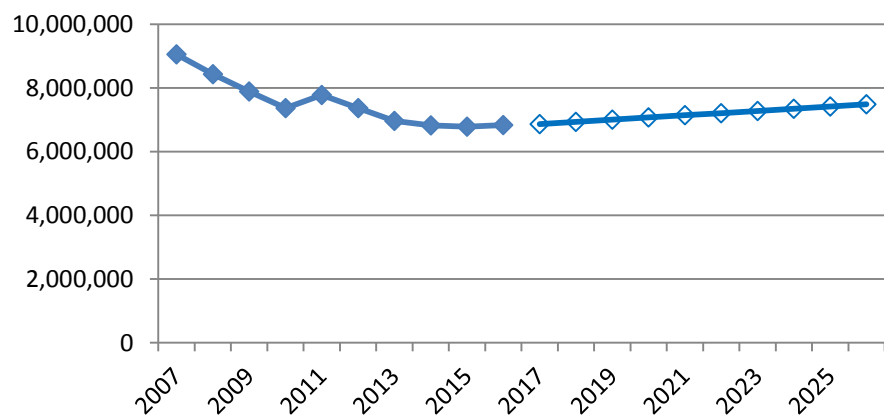
### Electric Sales (MWh)



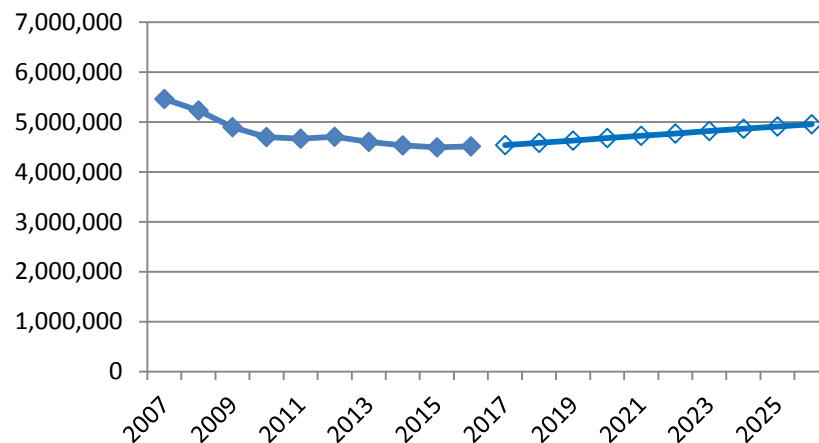
### Natural Gas Sales (Therms)



### Water Sales (Thousand Gallons)

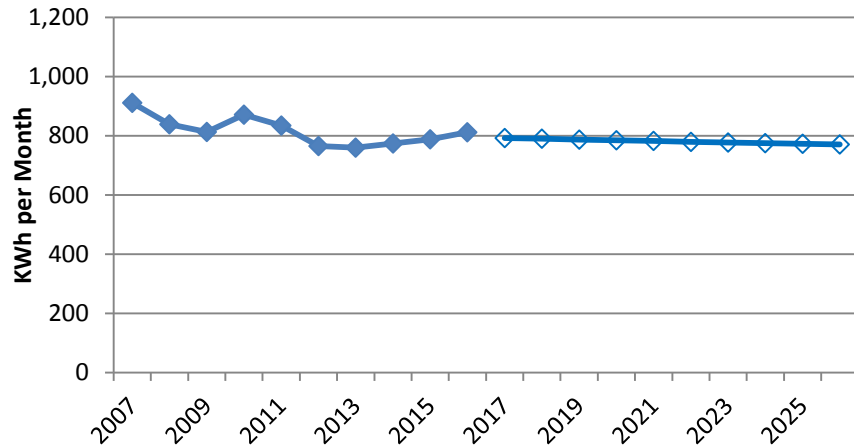


### Wastewater Billings (Thousand Gallons)

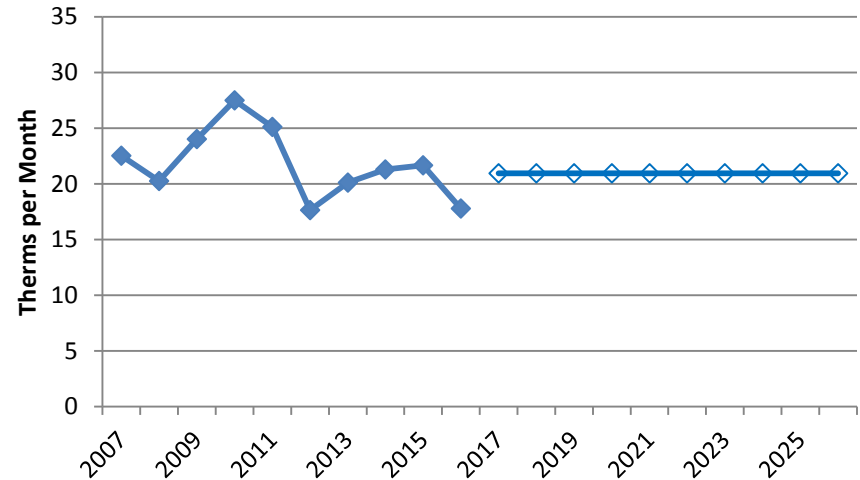


# Residential Average Use

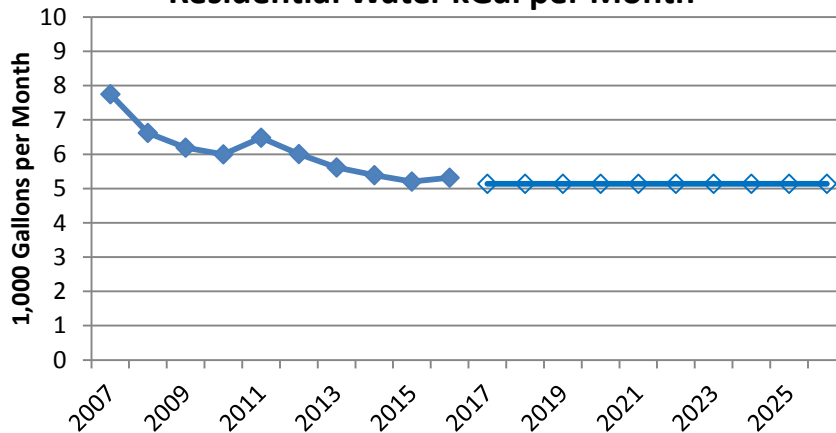
## Residential Electric kWh per Month



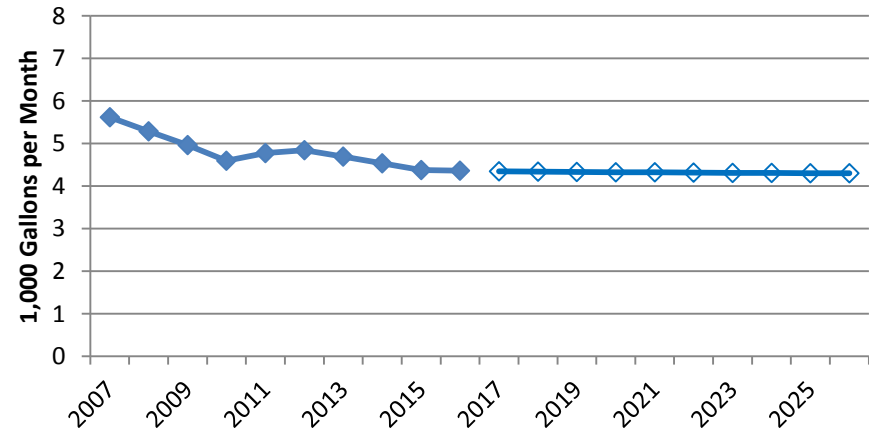
## Residential Natural Gas Therms per Month



## Residential Water kGal per Month



## Residential Wastewater kGal per Month



# Sales and Revenue Summary

Sales and Revenue Summary - Fiscal Year 2016				
	Actual	FY2016	Absolute	Percentage
	<u>Oct-Sep</u>	<u>Budget</u>	<u>Difference</u>	<u>Difference</u>
<b>Electric - Retail MWh</b>	1,797,228	1,731,274	65,954	3.8%
<b>Electric - Wholesale MWh</b>	220,890	214,326	6,564	3.1%
<b>Electric - Total (Native) MWh</b>	2,018,118	1,945,599	72,519	3.7%
<b>Electric - Residential Customers</b>	84,069	84,685	-616	-0.7%
<b>Electric - Retail Base Rate Revenue (\$000)</b>	\$128,479	\$125,392	\$3,087	2.5%
<b>Electric - Wholesale Base Rate Revenue (\$000)</b>	\$3,831	\$4,062	-\$231	-5.7%
<b>Electric - Total Base Rate Revenue (\$000)</b>	\$132,310	\$129,454	\$2,856	2.2%
<b>Natural Gas - Retail Therms</b>	20,145,549	21,450,766	-1,305,217	-6.1%
<b>Natural Gas - Residential Customers</b>	32,877	32,896	-18	-0.1%
<b>Natural Gas - Base Rate Revenue (\$000)</b>	\$12,935	\$13,511	-\$577	-4.3%
<b>Water - Total kGal</b>	6,837,178	7,000,534	-163,356	-2.3%
<b>Water - Residential Customers</b>	65,307	66,018	-711	-1.1%
<b>Water - Total Revenue (\$000)</b>	\$32,975	\$32,939	\$36	0.1%
<b>Wastewater - Total kGal</b>	4,510,229	4,697,664	-187,435	-4.0%
<b>Wastewater - Residential Customers</b>	59,449	59,981	-533	-0.9%
<b>Wastewater - Total Revenue (\$000)</b>	\$38,094	\$39,269	-\$1,174	-3.0%
<b>Heating Degree Days</b>	852	1,136	-284	-25.0%
<b>Cooling Degree Days</b>	3,272	2,764	508	18.4%
<b>Annual Rainfall (inches)</b>	43.43	46.98	-3.55	-7.6%

# A Highly Rated Diverse System with a Stable Customer Base

Customer Category	FY2016 Number of Customers	FY2016 Sales Revenues (\$000) <sup>a</sup>	Percent of Total Revenue
Total Electric	94,795	\$120,797	55.8%
Natural Gas	34,496	\$13,475	6.2%
Water	71,545	\$32,975	15.2%
Wastewater <sup>d</sup>	64,780	\$38,094	17.6%
GRUCom <sup>bc</sup>		\$11,164	5.2%
<b>TOTAL</b>		<b>\$216,505</b>	<b>100.0%</b>

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 FY2017-FY2023

d. Includes 63,741 regular wastewater customers plus 1,039 reclaimed water customers



# 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.

# Total Residential Bill Projected Change

## Forecast, FY16 Budget

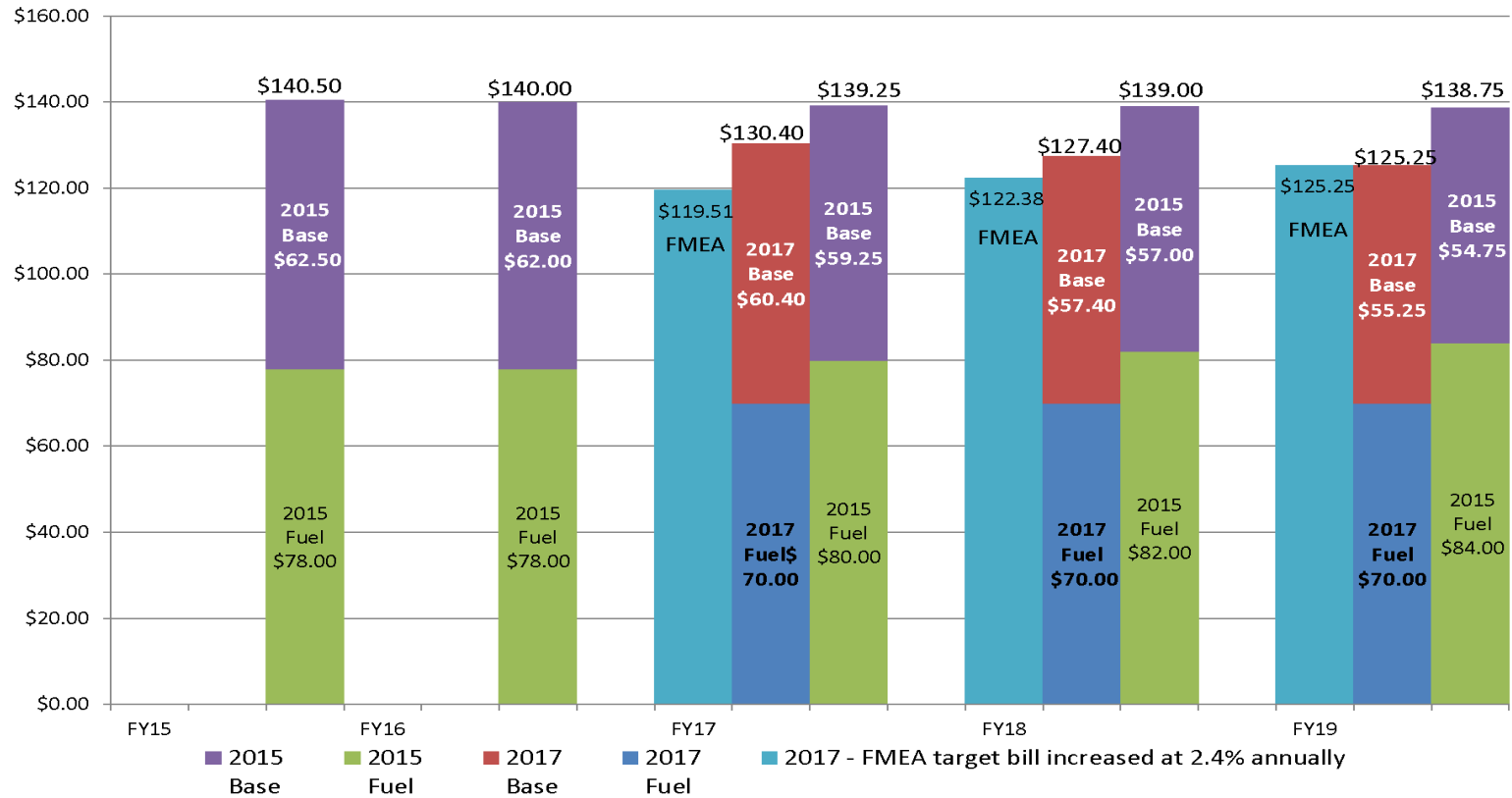
	2017	2018	2019	2020
Electric	\$3.22	\$3.25	\$1.27	\$1.30
Gas	\$0.00	\$0.25	\$0.00	\$0.00
Water	\$2.05	\$0.80	\$0.00	\$0.00
Wastewater	\$2.10	\$0.90	\$0.00	\$0.00
Total	\$7.37	\$5.20	\$1.27	\$1.30

## Approved, FY17 Budget

	2017	2018	2019	2020
Electric	\$0.00	\$3.20	\$2.15	\$1.25
Gas	\$2.25	\$1.50	\$1.25	\$1.00
Water	\$0.65	\$0.35	\$0.30	\$0.35
Wastewater	\$0.80	\$0.55	\$0.45	\$0.50
Total	\$3.70	\$5.60	\$4.15	\$3.10

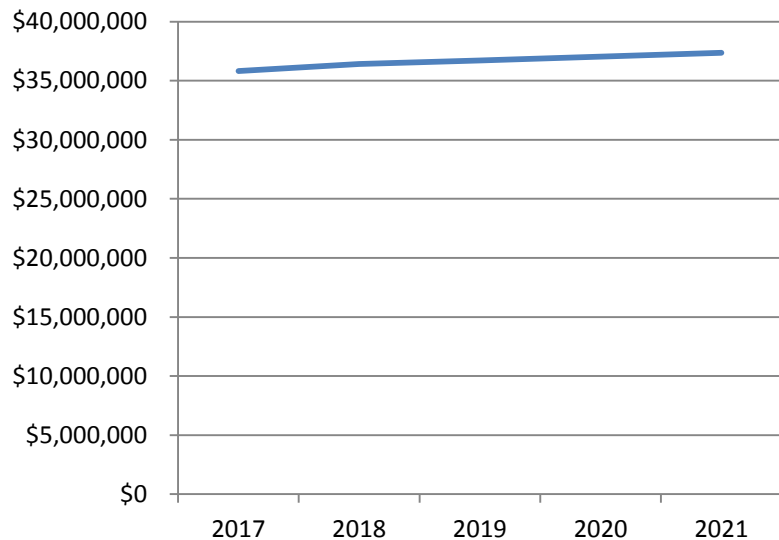
Projected future rate impacts

## 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

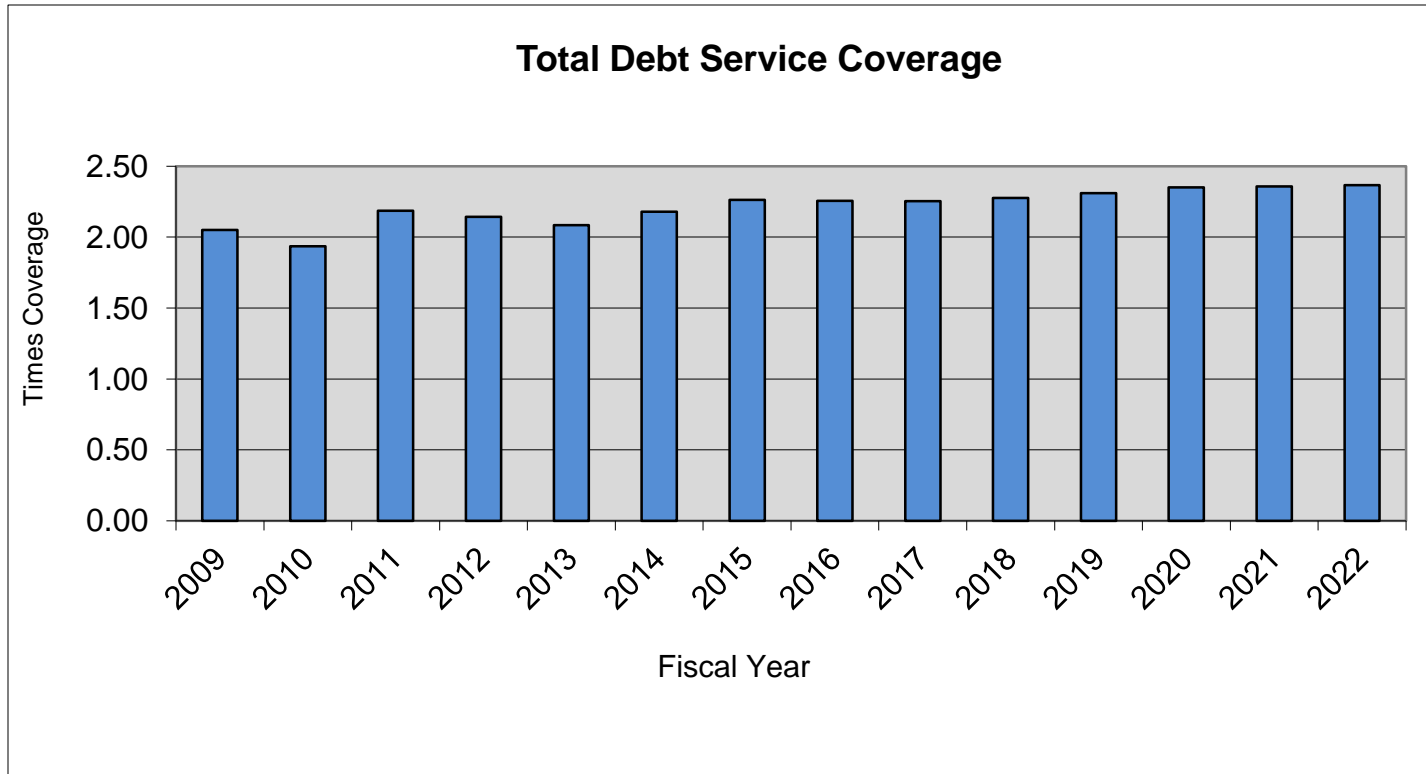


- GFT renegotiated in 2015
- Resulted in a reduction to GFT with lower inflationary growth
- Current Agreement expires in 2019
- Values for 2020-2021 are consistent with current agreement terms

# FINANCIAL METRICS

# Debt Service Coverage

## Stable Coverage for Forecast Period



# Five Year Flow of Funds

	2017	2018	2019	2020	2021
<b>Total Revenue</b>	\$ 421,951,991	\$ 436,962,780	\$ 447,302,829	\$ 456,647,502	\$ 464,378,316
<b>Total O&amp;M Expenses</b>	\$ 282,396,004	\$ 297,442,950	\$ 304,644,727	\$ 312,028,128	\$ 319,597,912
<b>Net Revenues</b>	\$ 139,555,987	\$ 139,519,830	\$ 142,658,102	\$ 144,619,374	\$ 144,780,404
<b>Uses of Net Revenues</b>					
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
<b>Total Uses of Net Revenues</b>	\$ 139,555,987	\$ 139,519,830	\$ 142,658,102	\$ 144,619,374	\$ 144,780,404
<b>Net Revenue/(Deficit)</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Debt Service Coverage</b>	2.26	2.25	2.28	2.31	2.35

# Financial Risk Management

## Developing Cash Liquidity Targets

	FY 2017 Estimated Cash at Risk					Liquidity Targets
	Electric	Gas	Water	Wastewater	GRUCom	
Revenue at Risk <sup>1</sup>	\$ 2,366,361	\$ 272,824	\$ 615,760	\$ 753,567	\$ 112,593	\$ 4,121,105
60 Days Fixed Non-Fuel O&M <sup>2</sup>	\$ 25,006,921	\$ 2,681,563	\$ 5,877,031	\$ 7,238,716	\$ 1,980,711	\$ 42,784,942
Uninsured Property Exposure <sup>3</sup>	\$ 5,049,676	\$ 949,286	\$ 2,695,483	\$ 2,467,722	\$ 1,071,657	\$ 12,233,824
Construction Risk <sup>4</sup>						
<b>Total</b>	<b>\$ 32,422,958</b>	<b>\$ 3,903,673</b>	<b>\$ 9,188,274</b>	<b>\$ 10,460,005</b>	<b>\$ 3,164,961</b>	<b>\$ 59,139,871</b>

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

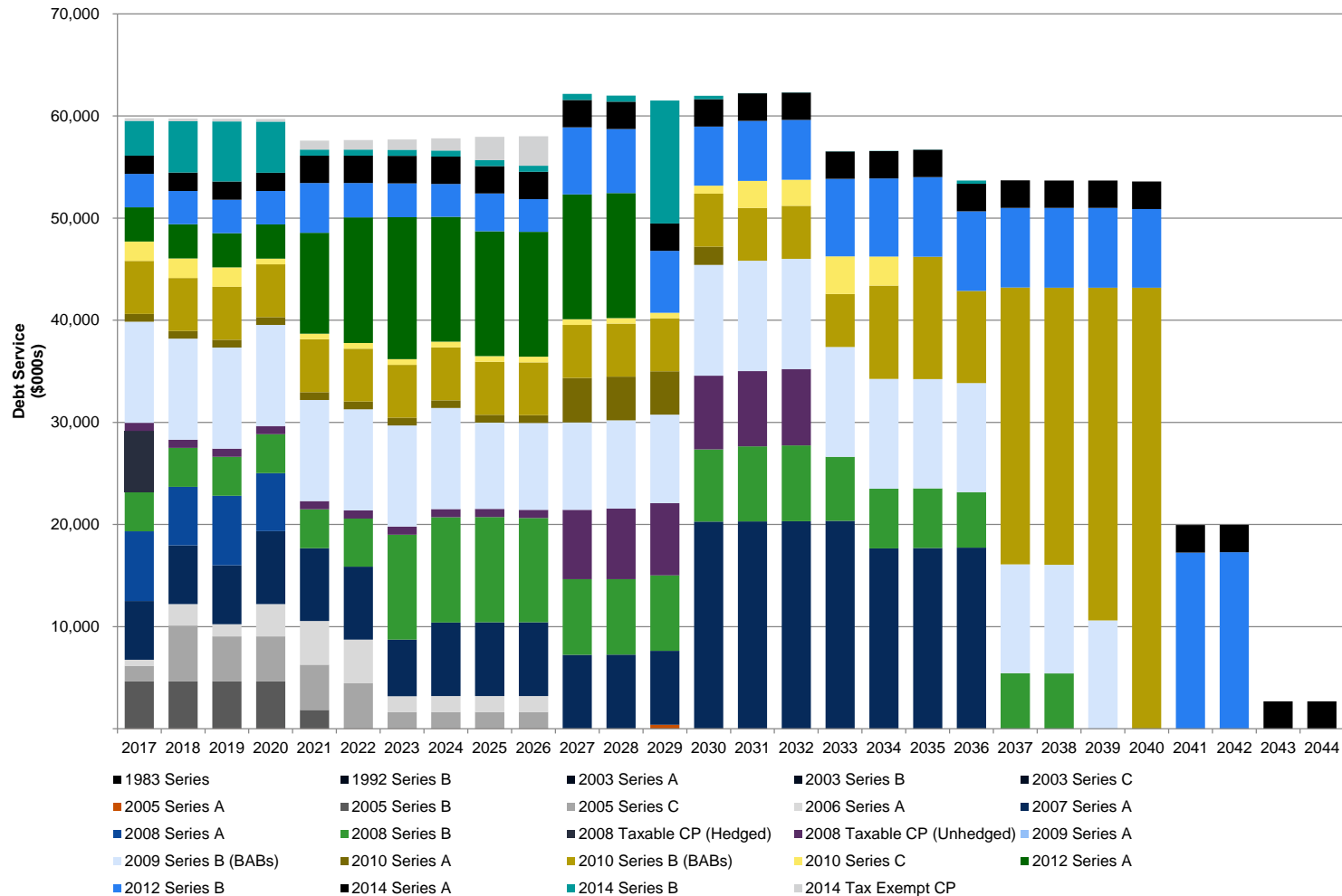
## Strong Liquidity Position Exceeding Cash Liquidity Targets

Fiscal Years	2017		2018		2019		2020		2021	
<b>Liquidity Targets:</b>	\$	59,139,871	\$	60,524,635	\$	62,313,756	\$	63,917,061	\$	65,269,803
<b>Source of Funds:</b>										
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 <sup>1</sup>	\$	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

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

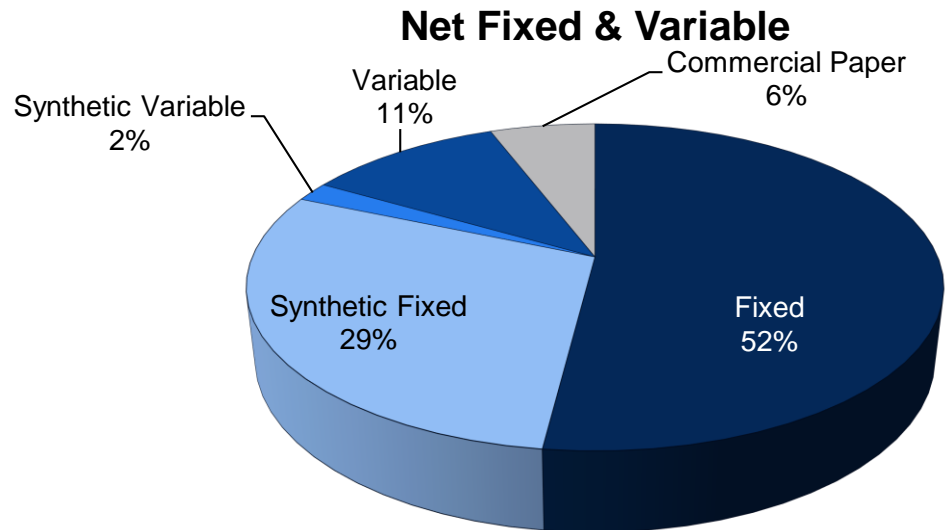
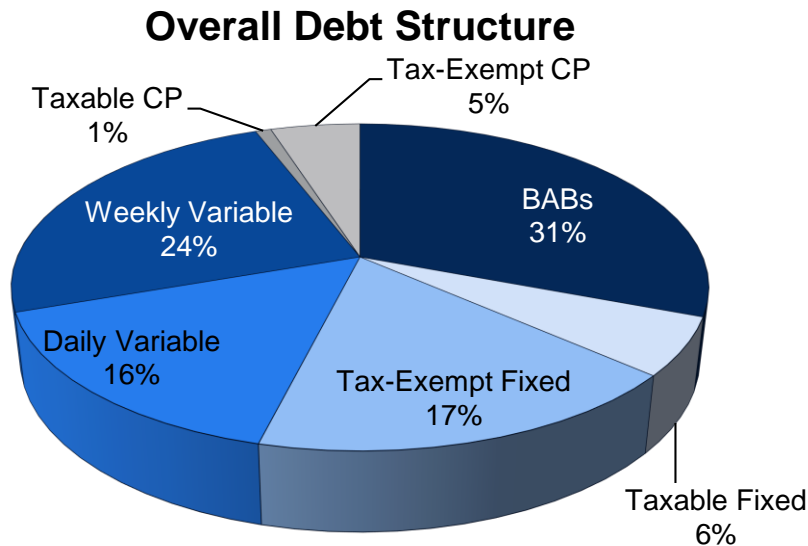
# Debt Management

## Current Debt Service Structure



# 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 21<sup>st</sup> 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

# SUPPLEMENTAL INFORMATION

# Generation Update

## Operational Efficiencies

- Energy Supply outage period transition plan - Expected cost savings of \$5 million over five years.
- Energy Delivery Cable and System Restoration (CSR) Project - Improved electric service reliability and total cost savings of \$8.8 million.

## Extended Wholesale Revenue

- The City of Alachua power purchase agreement was expiring next year but recently was renegotiated and extended to a five year agreement.

# Generation Update

## Major Maintenance Outages

Plant	Unit	First Day Out of Service	First Day In Service	MW Derated
Deerhaven	GF03	7/26/16	8/24/16	75
	FS02 (coal)	10/8/16	12/5/16	232
	GT01	3/27/17	3/31/17	20
	GT02	4/3/17	4/7/17	20
	GT03	4/17/17	4/28/17	75
J. R. Kelly				
	FS08/GT04	1/10/17	1/12/17	118
	FS08/GT04	7/18/17	7/20/17	118
GREC	Unit 1	TBD	TBD	102

# Debt Management

## GRU Has Strong Counterparties and Very Favorable Bank Lines

SWAP Agreements						
Series	Through	GRU Pays		GRU Receives		Counterparty
2005 Series B	10/1/2021	Floating	SIFMA	Fixed	77.14% of 1 Mo Libor	Goldman
2005 Series C	10/1/2026	Fixed	3.20%	Floating	60.36% of 10Y LIBOR	JP Morgan
2006 Series A	10/1/2026	Fixed	3.22%	Floating	68% of 10Y LIBOR less 0.365%	Goldman
2007 Series A	10/1/2036	Fixed	3.94%	Floating	SIFMA	Goldman
2008 Series B	10/1/2038	Fixed	4.23%	Floating	SIFMA	JP Morgan
2008 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) O/S	Comments
2005 B	Taxable	<i>Swapped to VR (SIFMA)</i>				17,670	No liquidity required
2005 C	Daily VRDO	Helaba	11/24/2020	29.0 bps	JP Morgan	26,885	SBPA
2006 A	Daily VRDO	Helaba	11/24/2020	29.0 bps	Goldman	18,410	SBPA
2007 A	Weekly VRDO	State Street	3/1/2018	39.0 bps	JP Morgan	136,900	SBPA
2008 B	Weekly VRDO	BMO	7/7/2017	27.5 bps	Goldman	90,000	SBPA
2008 CP (Tax-Exempt - Hedged)	Tax-Exempt CP	BofA	11/30/2018	40.0 bps	Goldman	5,900	LOC
2008 CP (Tax-Exempt - Unhedged)	Tax-Exempt CP	BofA	11/30/2018	40.0 bps	Goldman	40,000	LOC
2012 B	Weekly VRDO	SMBC	1/12/2018	43.0 bps	JP Morgan	100,470	SLOC
Taxable Commercial Paper	Taxable CP	State Street	8/28/2017	33.0 bps	Goldman	8,000	LOC

Liquidity Provider Credit Ratings		
Counterparty	Short Term (Moody's/S&P/ Fitch)	Long Term (Moody's/S&P/ Fitch)
Bank of Montreal	P-1/A-1/F1+	Aa3/A+/AA-
Bank of America	P-2/A-2/F1	Baa1/BBB+/A
State Street Bank & Trust	P-1/A-1+/F1+	A1/A/AA-
SMBC	P-1/A-1/F1	A1/A/A
Helaba	P-1/A-1/F1+	Aa3/A/A+

- 2008 Tax-Exempt CP swap terminates in 2017
- GRU's credit strength continues to attract quality counterparties for new or replacement credit facilities
- Replaced several facilities in 2015
- Two credit facilities will expire in 2017

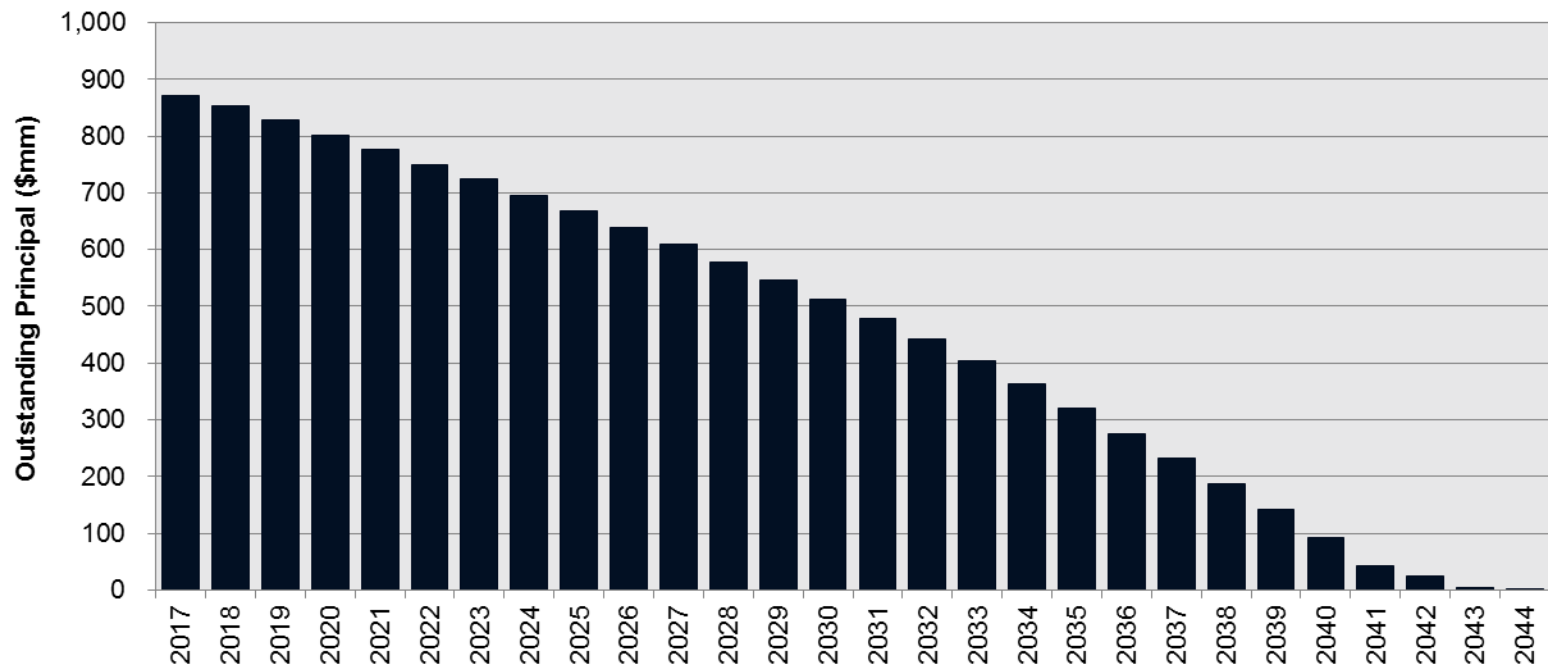


# Debt Management

## Principal Balance Declines Steadily

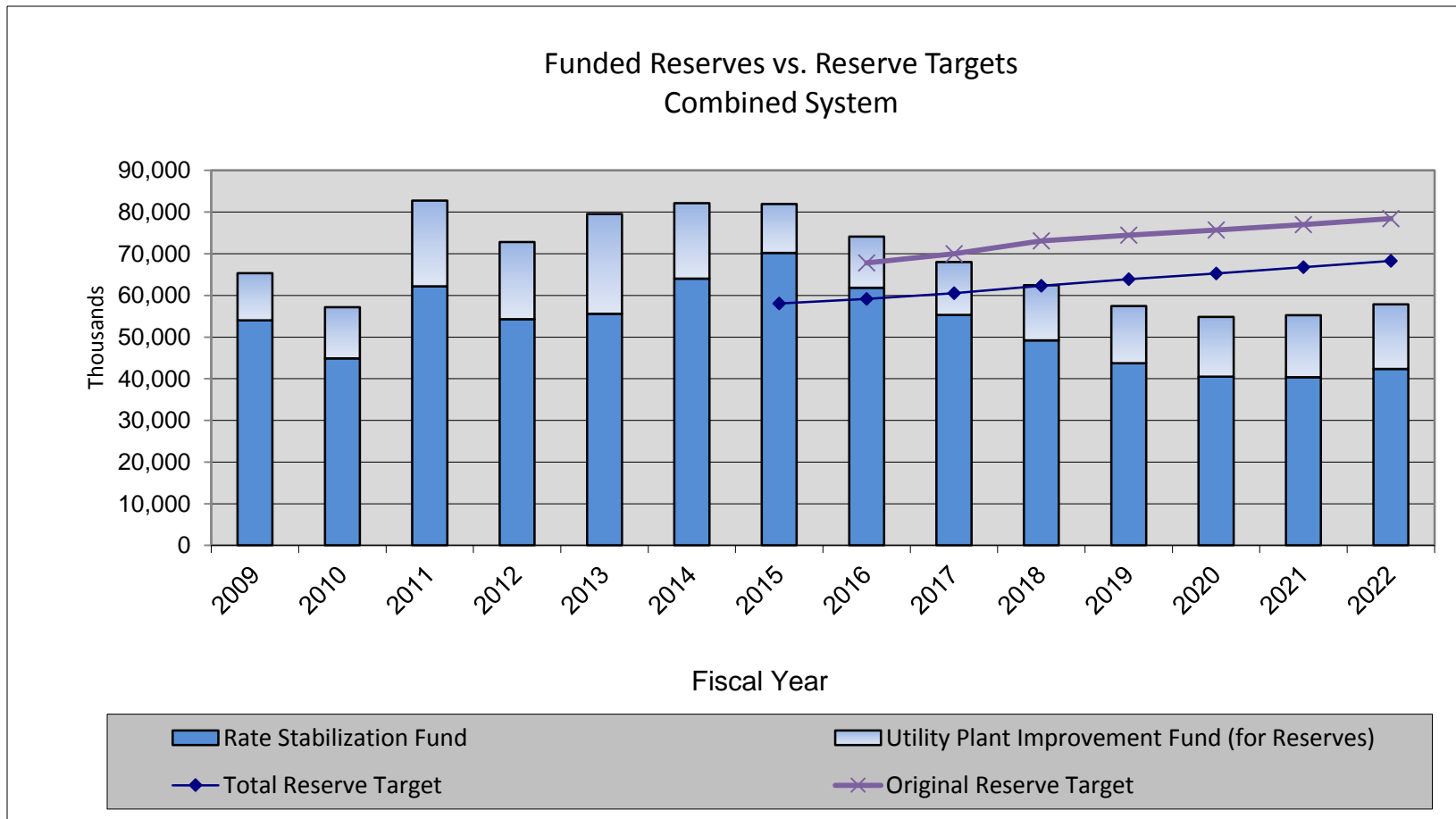
- Roughly 30% of outstanding principal amortizes in the next 10 years (2016-2025), with an additional 43% amortizing the following 10 years (2026-2035)

**Declining Principal Balance**



# System Reserves

## Providing Flexibility to Address Uncertainty



# Credit Facility & Swap Expiration in 2017

Expiring Facilities							
Series	Series Type	Facility	Term Date	Fee	Remarketing Agent	Par (000) O/S	Type
2008 B	Weekly VRDO	Bank of Montreal	7/7/2017	27.5 bps	Goldman	90,000	SBPA
Series D CP (Taxable Commercial Paper)	Taxable CP	State Street Bank & Trust	8/28/2017	33 bps	Goldman	8,000	LOC

Expiring Swap							
Series	Series Type	Facility	Term Date		Counterparty	Par (000) O/S	
Series C CP (Hedged) (Tax-Exempt Commercial Paper)	Tax-Exempt CP	Bank of America	10/1/2017		Merrill Lynch / Bank of America	5,900	

# Fair Value of Derivatives

## GRU Not Required to Post Collateral

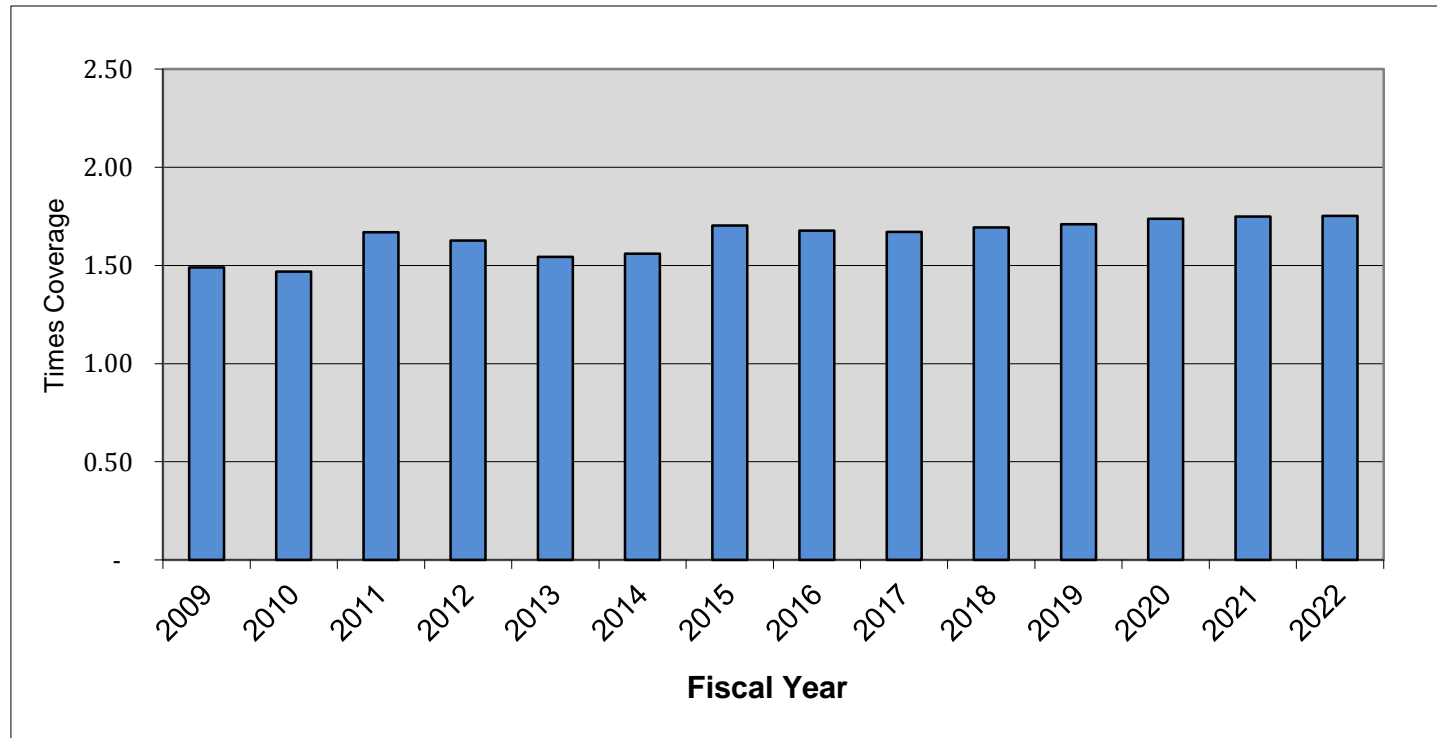
Client		Snapshot	DV01	Accrued Interest	MTM Value
Gainesville Regional Utilities (7)		9/30/2016	\$330,011.19	(\$4,844,734.64)	(\$93,138,518.72)
Name	Client Pays	Client Receives	MTM Value	Snapshot	Initial Notional
GRU200102130001	4.10000%	SIFMA Swap Index	(\$424,843.27)	9/30/2016	\$37,300,000.00
GRU200509210001	3.22400%	68% of 10 Year CMS - 0.365%	(\$3,040,400.39)	9/30/2016	\$53,305,000.00
GRU200511150001	SIFMA Swap Index	77.14% of USD-LIBOR	(\$176,211.12)	9/30/2016	\$45,000,000.00
GRU200611090001	3.20000%	68% of USD-LIBOR 'til 10/01/2007; 60.36% of 10 Year CMS Thereafter	(\$2,810,838.73)	9/30/2016	\$55,135,000.00
GRU200612070001	3.94400%	SIFMA Swap Index	(\$52,083,967.10)	9/30/2016	\$139,505,000.00
GRU200802060001	4.22900%	SIFMA Swap Index	(\$22,483,866.61)	9/30/2016	\$58,500,000.00
GRU200802060002	4.22900%	SIFMA Swap Index	(\$12,118,391.50)	9/30/2016	\$31,500,000.00
Total			(\$93,138,518.72)		\$420,245,000.00

# Annual Contributions to Rate Stabilization and UPIF

	2017	2018	2019	2020	2021
<b>Rate Stabilization (Contributions to)/ Withdrawals from</b>	\$ 8,821,839	\$ 2,330,380	\$ 1,742,446	\$ 1,199,402	\$ (1,099,374)
<b>Contribution to UPIF</b>	\$ 46,858,096	\$ 46,466,093	\$ 43,405,549	\$ 44,431,723	\$ 45,407,292

# Fixed Charge Coverage

## Stable Ratio for Forecast Period



# Financial Risk Management

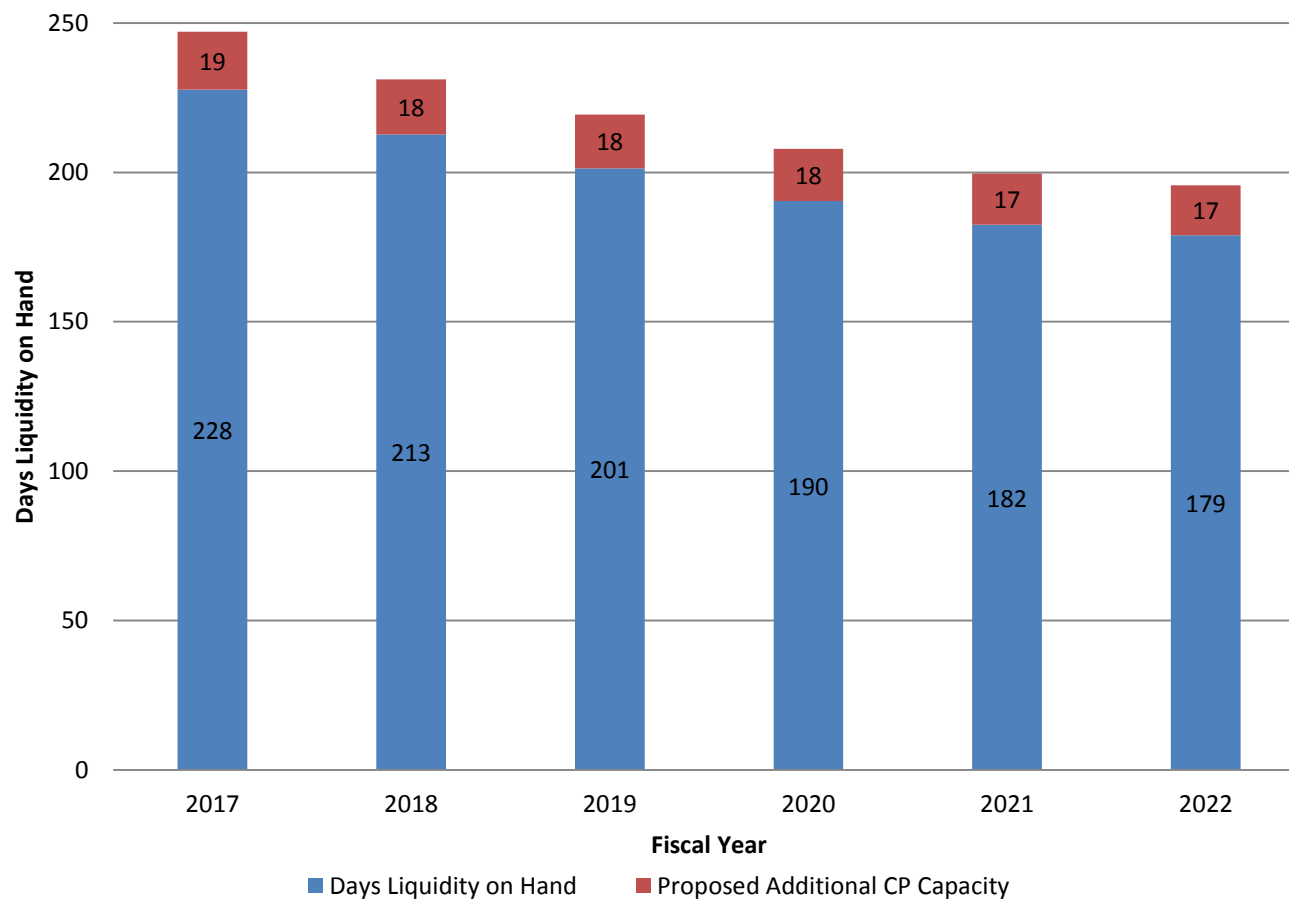
## Continued Equity Funding of Capital Program

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

	2017	2018	2019	2020	2021	Total
Cash Balance, Start of FY	\$ 19,493,637	\$ 25,681,689	\$ 29,246,770	\$ 14,154,091	\$ 16,775,514	
<b>Source of Funds:</b>						
Bond Financing	\$ 20,250,000	\$ 27,250,000	\$ -	\$ 30,750,000	\$ -	\$ 78,250,000
Revenues	\$ 64,750,000	\$ 49,250,000	\$ 43,250,000	\$ 36,000,000	\$ 51,250,000	\$ 244,500,000
Interest Earnings	\$ 181,337	\$ 207,093	\$ 98,390	\$ 120,887	\$ 63,752	\$ 671,459
Total Sources	\$ 85,181,337	\$ 76,707,093	\$ 43,348,390	\$ 66,870,887	\$ 51,313,752	\$ 323,421,459
<b>Use of Funds:</b>						
Construction Projects:						
Electric	\$ 41,517,640	\$ 34,732,565	\$ 26,057,596	\$ 34,970,309	\$ 30,082,710	\$ 167,380,820
Gas	\$ 4,339,750	\$ 4,695,936	\$ 4,569,701	\$ 4,274,735	\$ 4,470,049	\$ 22,350,171
Water	\$ 13,395,589	\$ 14,115,479	\$ 9,726,721	\$ 8,464,348	\$ 7,018,500	\$ 52,720,637
Wastewater	\$ 15,770,428	\$ 16,214,832	\$ 15,339,955	\$ 13,266,864	\$ 14,610,212	\$ 75,202,291
GRUCom	\$ 3,564,878	\$ 2,838,200	\$ 2,747,096	\$ 2,658,208	\$ 2,736,605	\$ 14,544,987
Total Construction	\$ 78,588,285	\$ 72,597,012	\$ 58,441,069	\$ 63,634,464	\$ 58,918,076	\$ 332,178,906
Issuance Costs	\$ 405,000	\$ 545,000	\$ -	\$ 615,000	\$ -	\$ 1,565,000
Total Uses	\$ 78,993,285	\$ 73,142,012	\$ 58,441,069	\$ 64,249,464	\$ 58,918,076	\$ 333,743,906
Cash Balance End of FY	\$ 25,681,689	\$ 29,246,770	\$ 14,154,091	\$ 16,775,514	\$ 9,171,190	

# Days Liquidity on Hand

## With Proposed Additional Commercial Paper Capacity





# REGULATORY UPDATE

# Regulatory Update - Electric

## Proactively Monitoring and Planning for Regulation

- Mercury Air Toxics Rule (MATS)
  - Deerhaven Unit 2 (DH2) has demonstrated ability to meet the standards
- Clean Power Plan (CPP)
  - Decision by D.C. Circuit Court on rule challenge in second quarter of 2017
  - Potential Impacts to GRU
    - DH2 capacity factor reduction
    - GREC capacity factor increase
    - Increased Production Cost
  - GRU Part of Industry Responses to EPA
    - Florida Municipal Electric Association (FMEA)
    - Florida Electric Power Coordinating Group (FCG)
    - American Public Power Association (APPA)
    - Class of '85 Regulatory Group

# Regulatory Update

## Water/Wastewater

### Proactively Monitoring and Planning for Regulation

- Water Supply Planning and Regulations
  - Regional Water supply plan
    - GRU already budgeted and completing projects
  - “Minimum Flow and Level” regulations being set in 2018 and 2019
    - Potential to require additional water supply projects
    - Staff engaged in scientific and regulatory review
- Biosolids
  - Dewatering facility fully operational
  - Facility will provide additional reuse options
- Paynes Prairie open and fully operational

# Economic Development in the City of Gainesville

## **East Gainesville**

- GTEC- Merieux Development
- Gainesville Airport – Potential Future Hotel
- Armory Building – Relocation and expansion of existing homeland security business
- Hatchet Creek potential for East Side Business Industrial Development

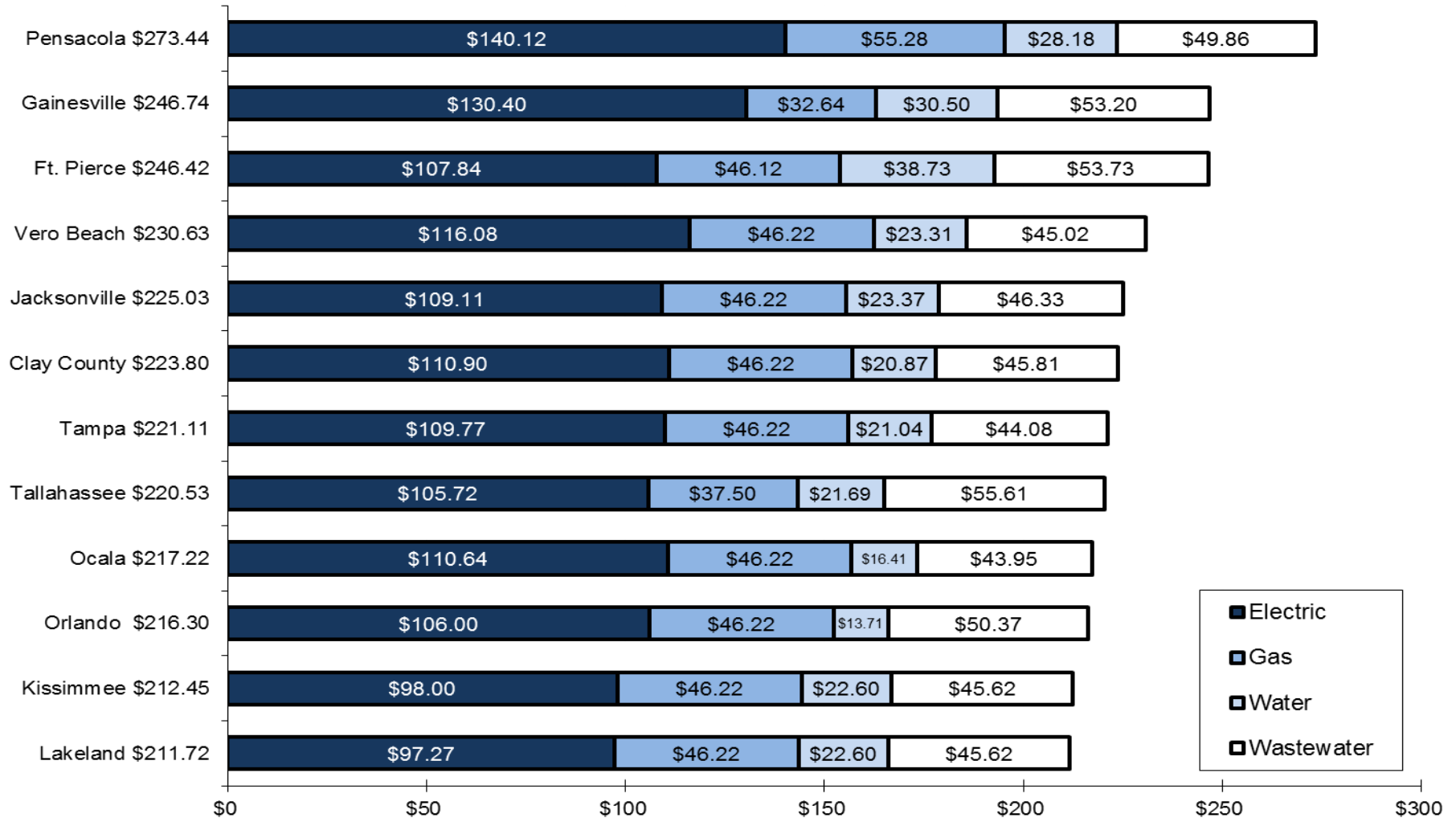
## **Downtown/ UF Campus Adjacent Development**

- Prospective Lot #10 Hotel and Conference Space
- Standard and 13<sup>th</sup> Street Retail/Housing Opportunities
- UF Health Heart & Vascular - Neuromedicine Hospital
- Innovation Square Development

# RATE COMPARES

# Residential Basket of Services

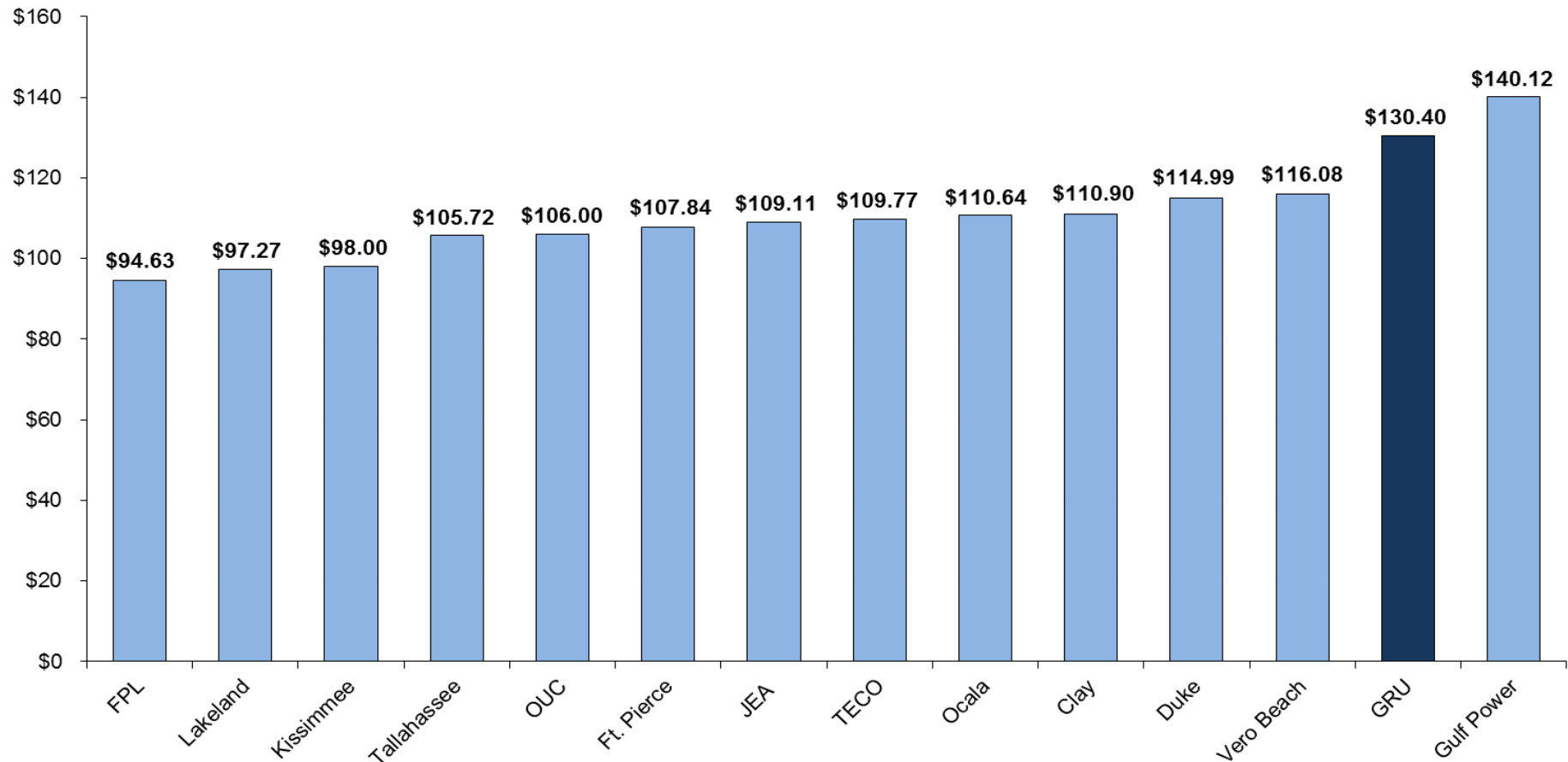
October 2016



1,000 kWh of Electricity, 25 Therms of Gas, 7,000 Gallons of Water & Wastewater

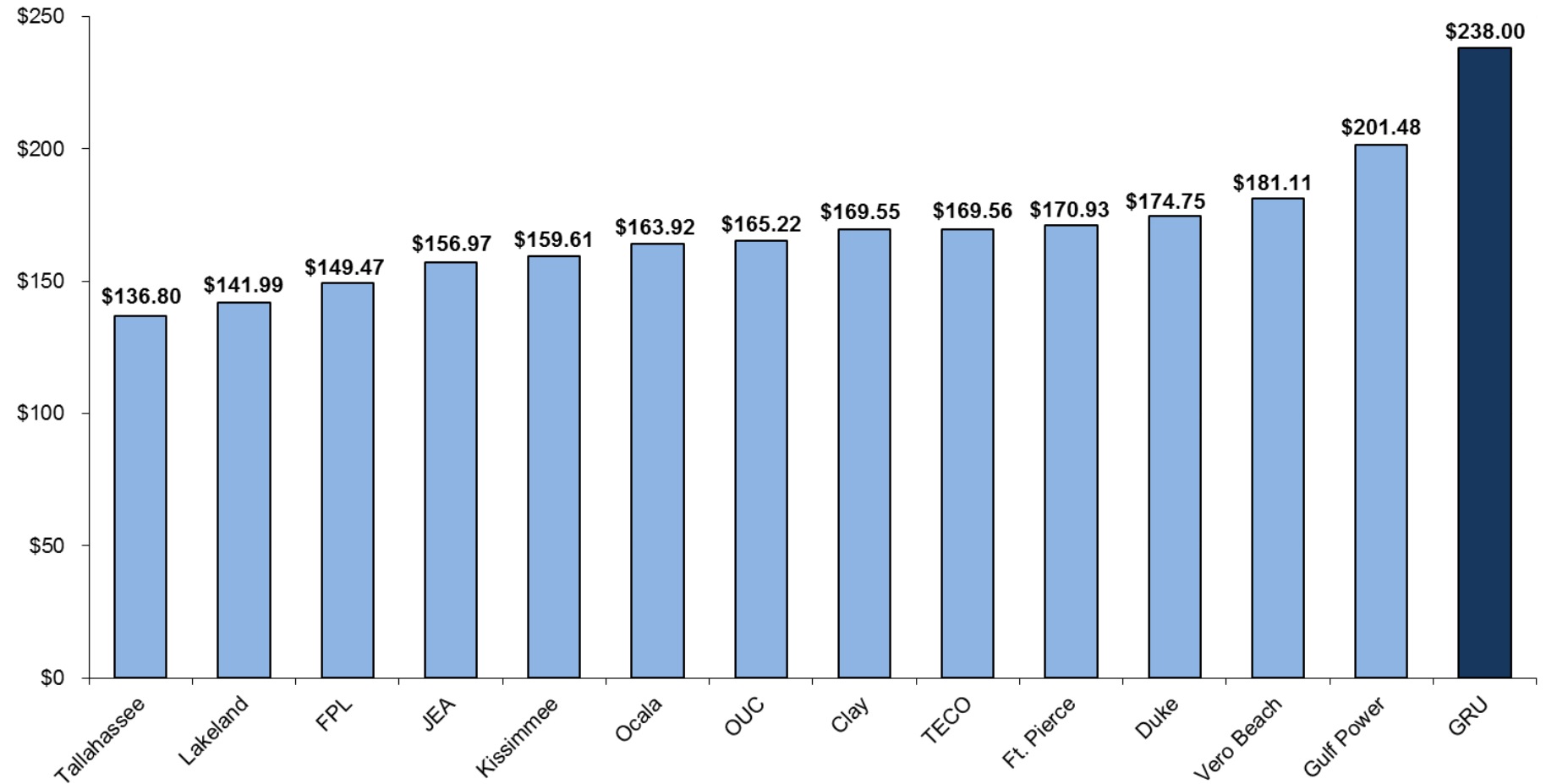
# Residential Electric

1,000 kWh  
October 2016



# GSN Electric

1,500 kWh  
October 2016

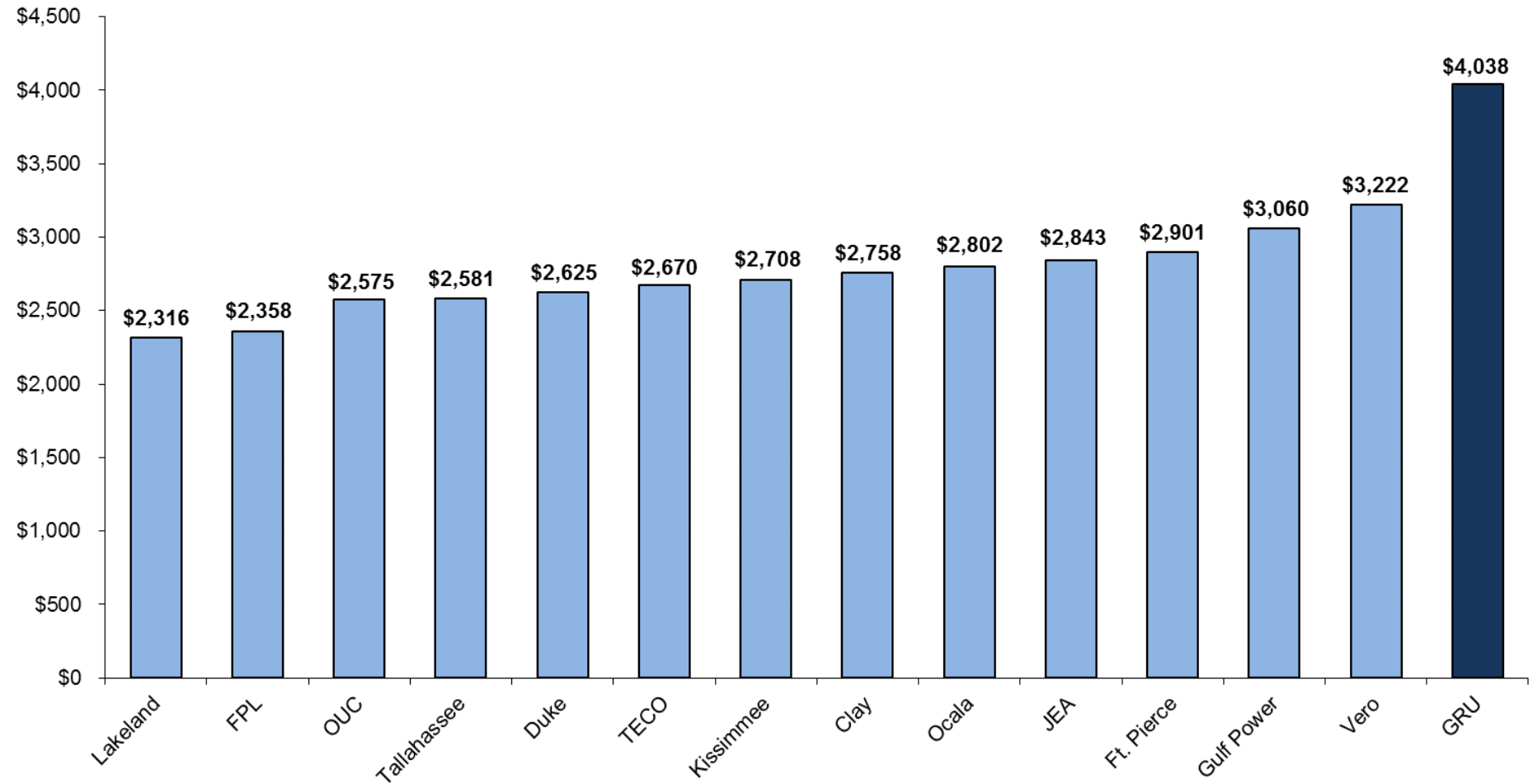




# GSD Electric

30,000 kWh – 75 kW

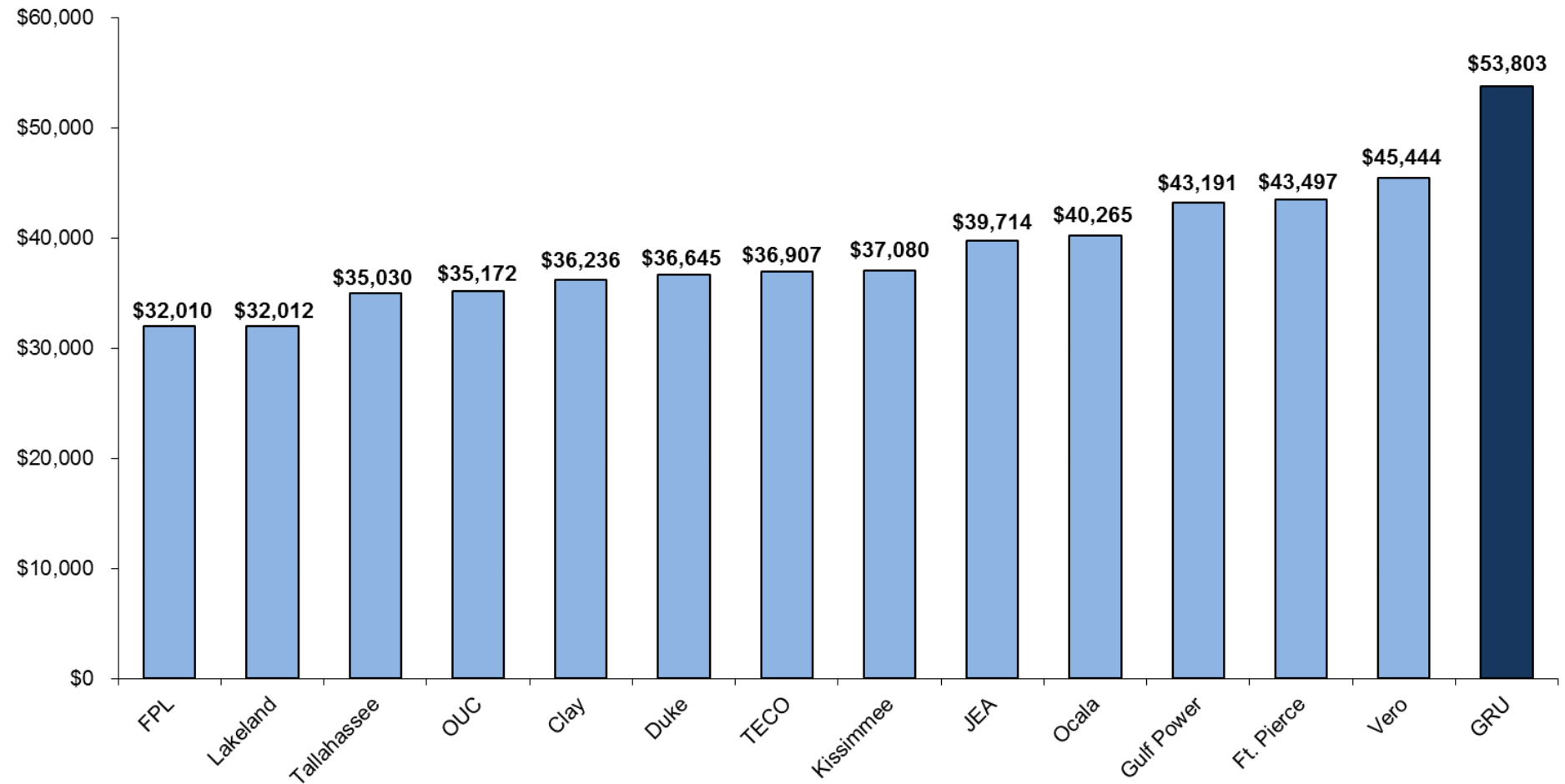
October 2016



# Large Power Electric

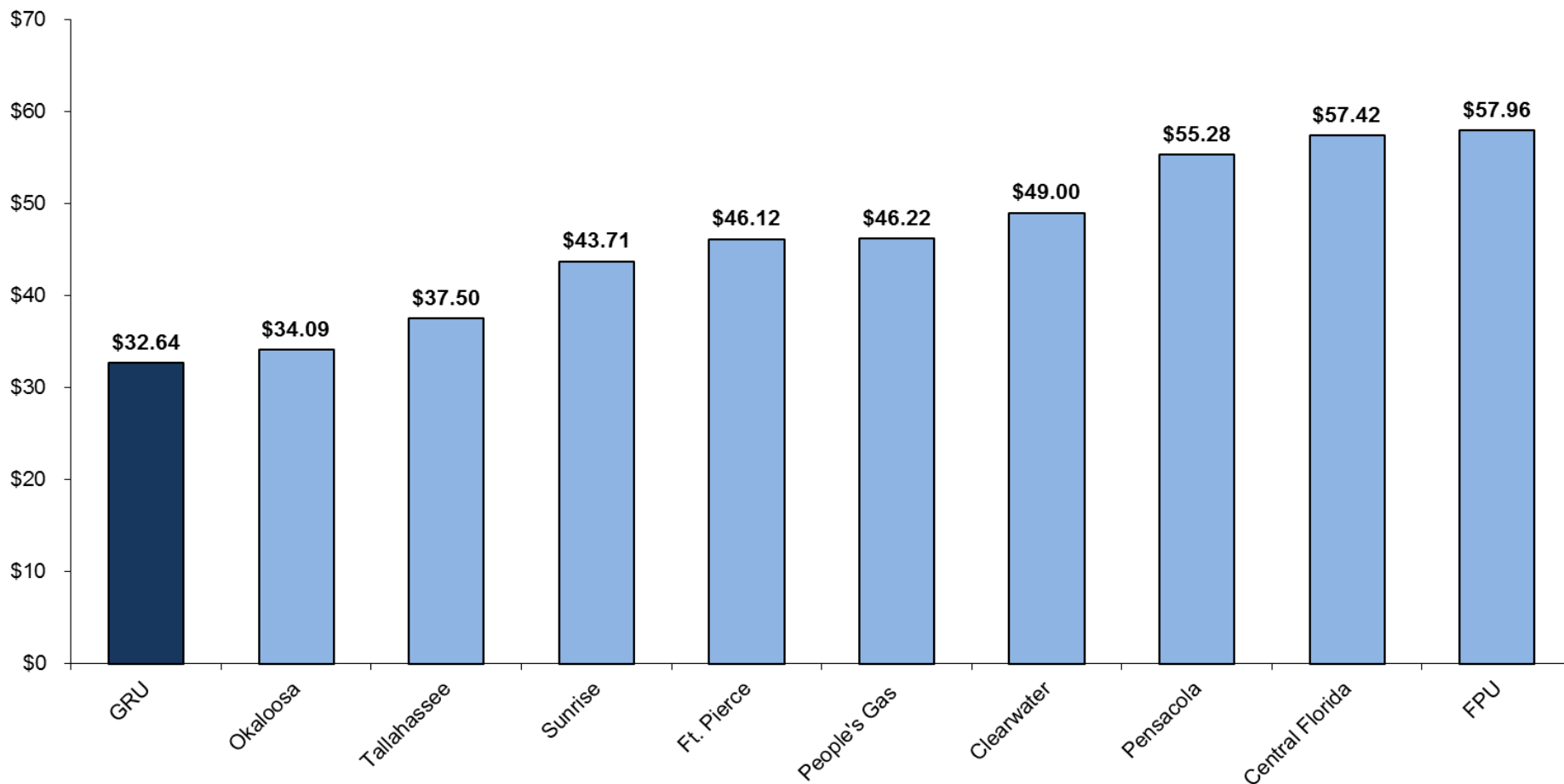
430,000 kWh – 1,000 kW

October 2016



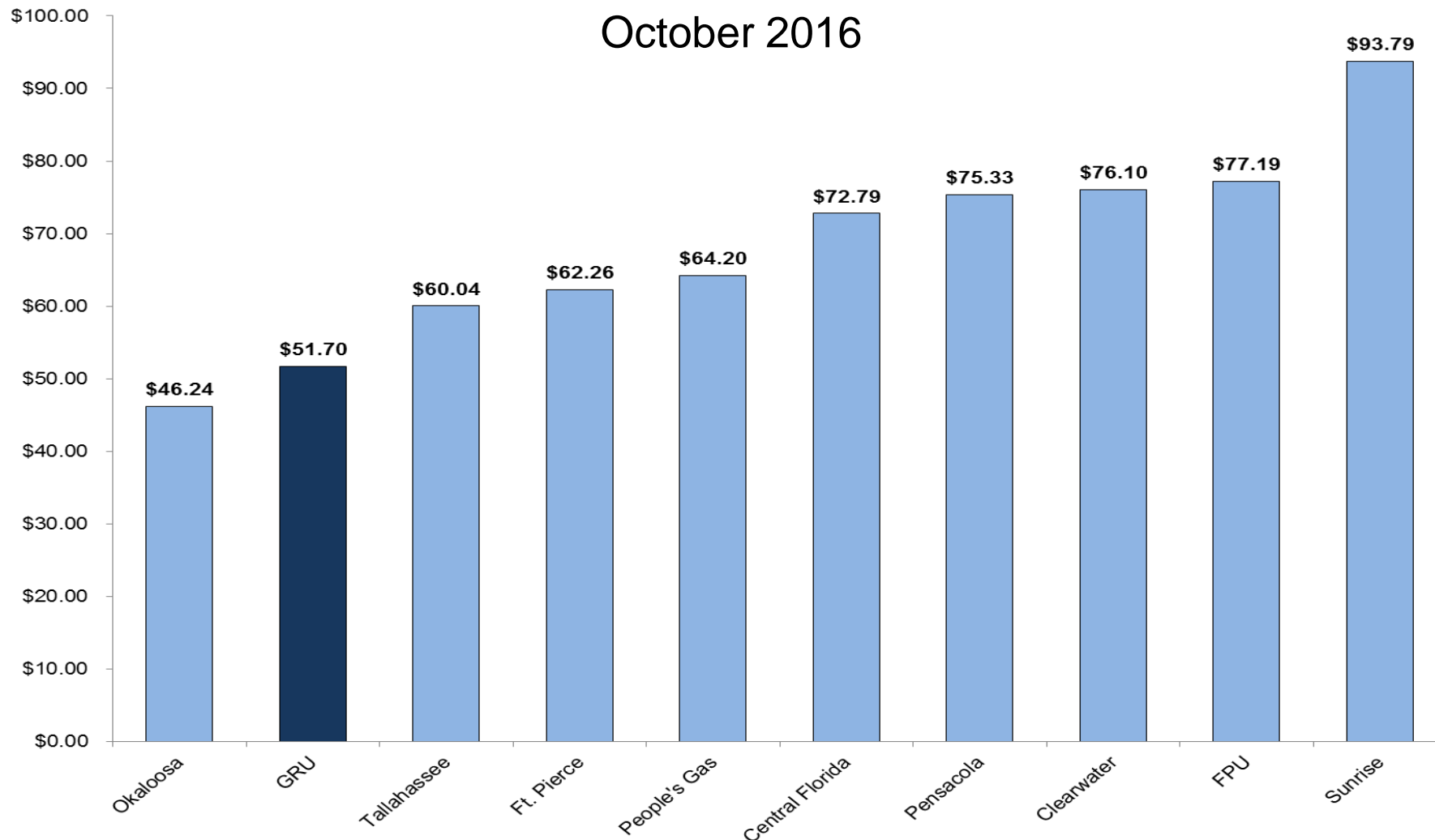
# Residential Natural Gas

25 Therms  
October 2016



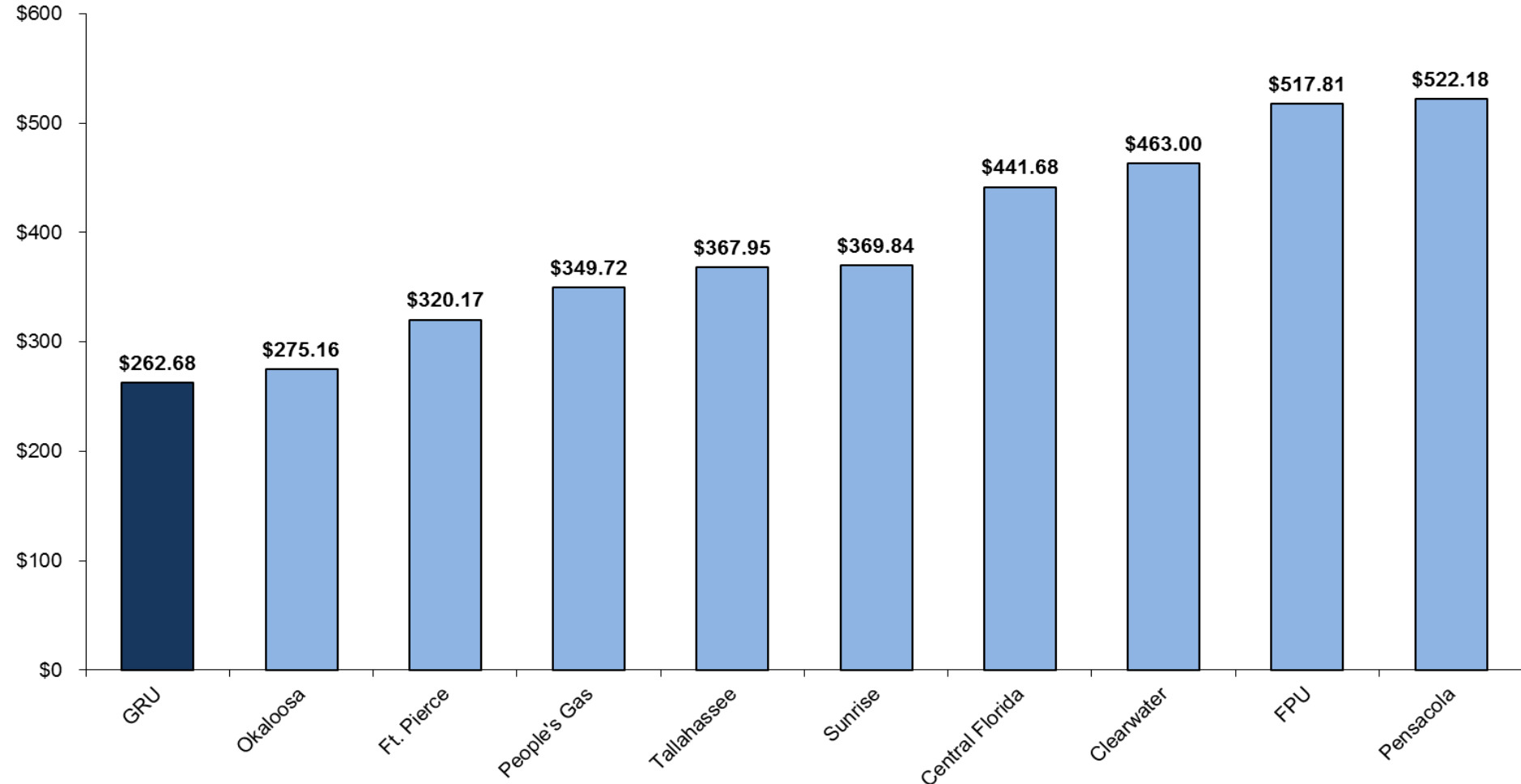
# Small Commercial Natural Gas

35 Therms  
October 2016



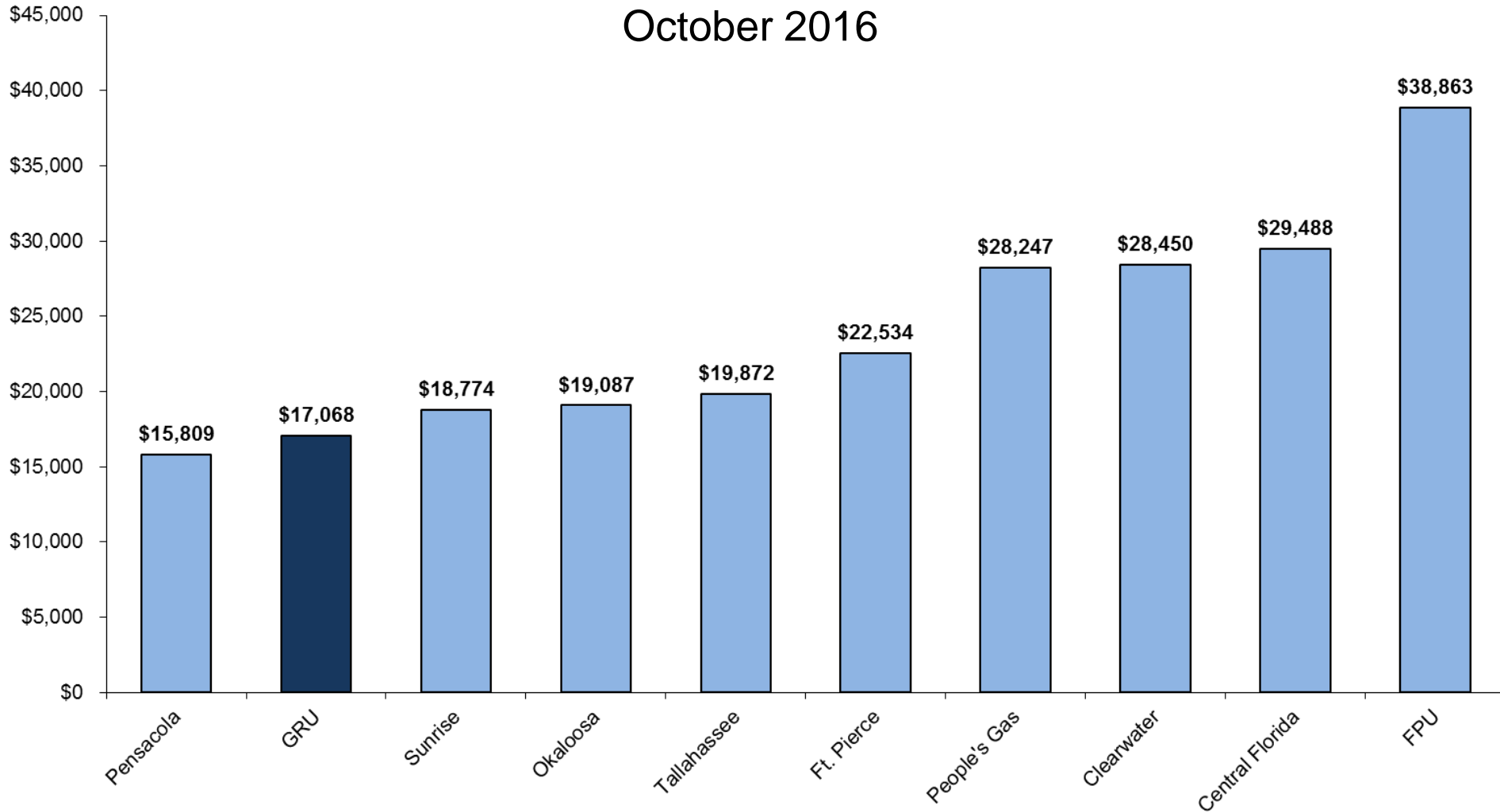
# Commercial Natural Gas

300 Therms  
October 2016



# Commercial Natural Gas

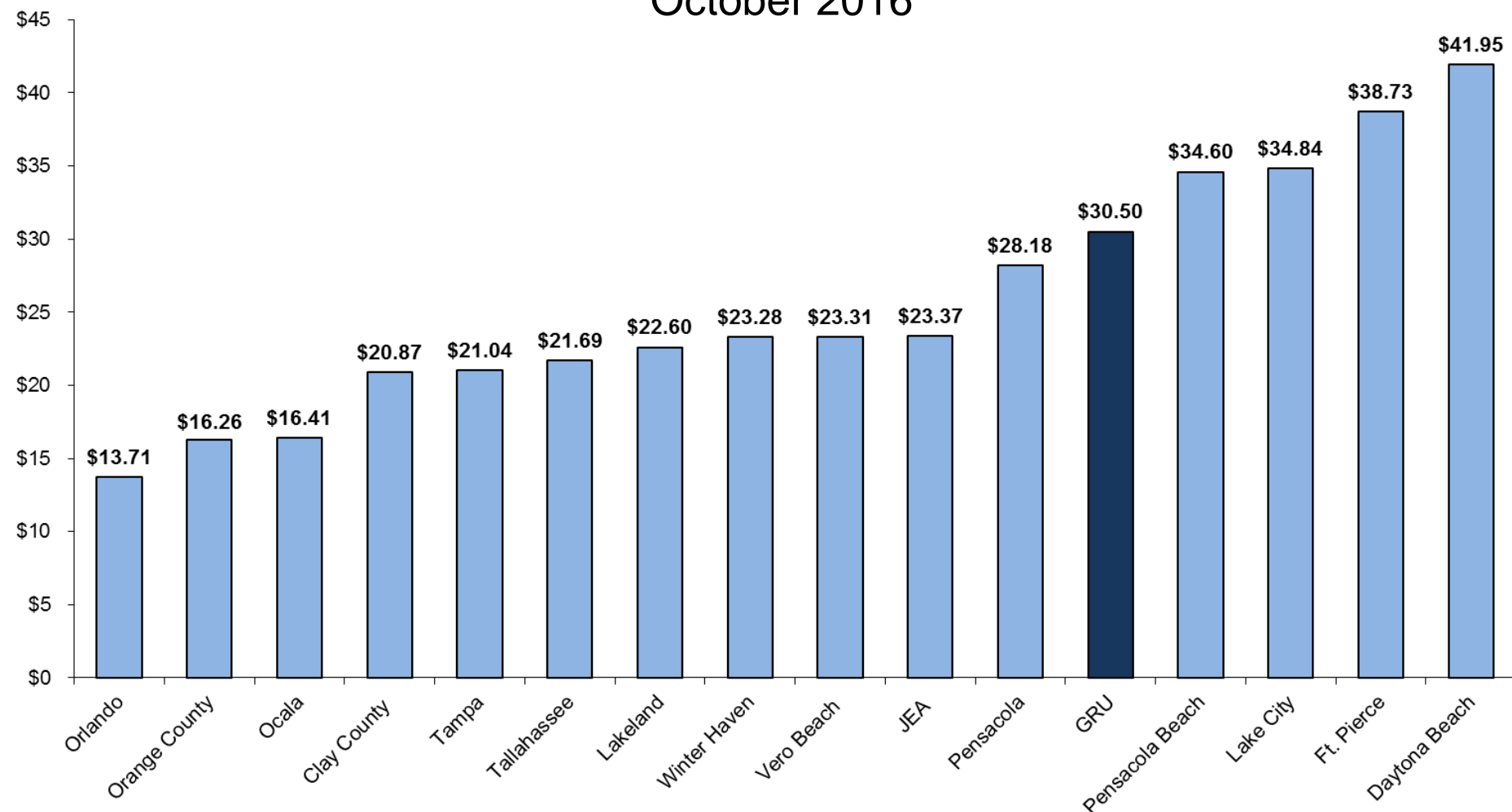
30,000 Therms  
October 2016



# Residential Water

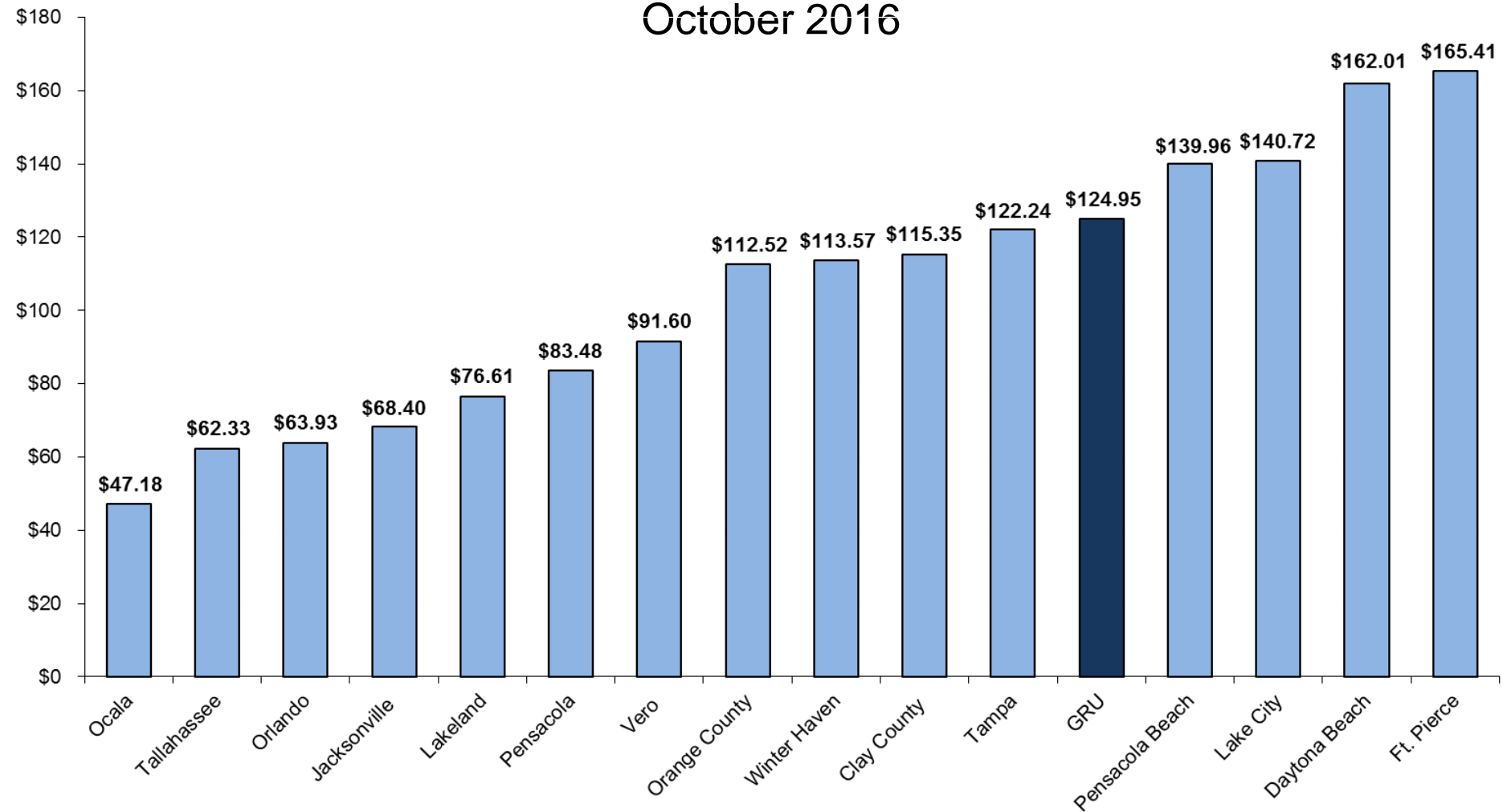
7,000 Gallons

October 2016



# Commercial Water

30,000 Gallons  
October 2016

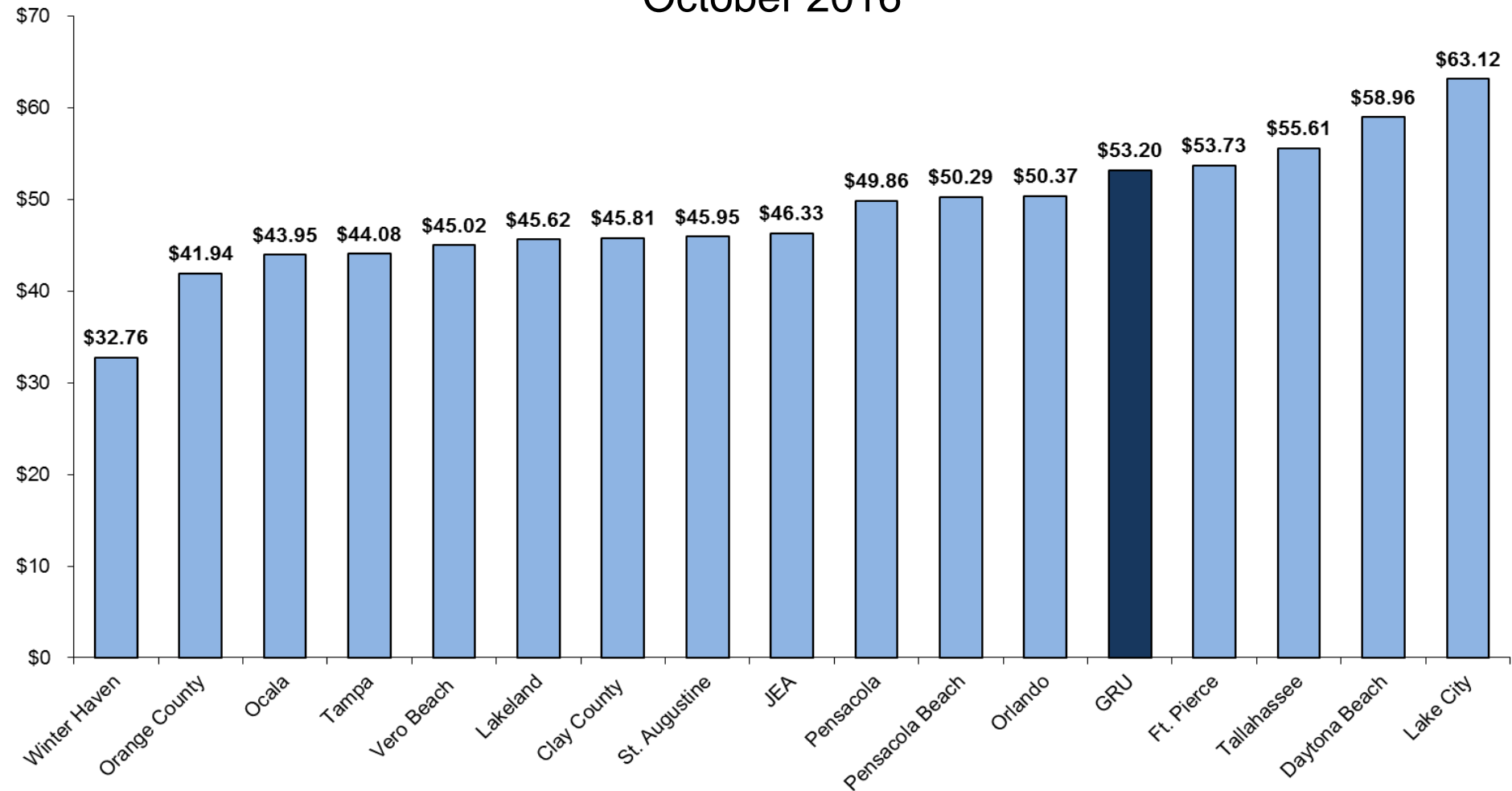




# Residential Wastewater

7,000 Gallons

October 2016



# Commercial Wastewater

30,000 Gallons  
October 2016

