

**Wednesday, March 12, 2025, 5:30 p.m.**

**GRU Administration Building**

**301 SE 4th Avenue**

**Gainesville, FL 32601**

Directors

Chair Eric Lawson

Vice-Chair David Haslam

Director Craig Carter

Director Jack Jacobs

Director Robert Skinner

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**A. CALL TO ORDER**

Agenda Statement: The Gainesville Regional Utilities Authority encourages civil public speech. The Gainesville Regional Utilities Authority expects each person entering this chamber to treat others with respect and courtesy. Speakers are expected to focus on agenda items under discussion. Signs, props, posters, food, and drinks should be left outside the auditorium.

**B. ROLL CALL**

**C. INVOCATION**

**D. PLEDGE OF ALLEGIANCE**

**E. ADOPTION OF THE AGENDA**

*Includes Consent and Regular Agenda Items*

**F. APPROVAL OF MINUTES**

**G. CHAIR COMMENTS**

**H. GENERAL PUBLIC COMMENT**

(for items not on the agenda, not to exceed 30 minutes total)

**I. DIRECTOR COMMENTS**

**J. CONSENT AGENDA**

1. **2025-115 Settlement of Lois Skipper's Pre-Suit Injury Claim (B)**

**Department:** Risk Management / Utilities Attorney

**Description:** Lois Skipper was the passenger in her caregivers' (Layne Knight) vehicle, when a Gainesville Regional Utility employee, made a left turn in front of the claimant. The Gainesville Regional Utility employee was attempting to make a left turn into Forest Park and was waived through by another driver. The employee failed to see the far-right lane of travel due to obscured view and entered the claimant's lane of travel. The claimant did not have enough time to stop before impact resulting in the employee citation for careless driving. As a result of the accident, Ms. Skipper suffered injuries that required treatment in the emergency room and ultimately admission to Shands Hospital for a period of 10 days due to a significant hematoma with arterial bleeding. The claimant incurred medical costs of \$68,316.38 before Medicare and Personal Injury Protection (PIP) payments and contractual adjustments. There is a Medicare lien outstanding of \$3,455.69. Satisfaction of the lien out of settlement proceeds is a standard component of the agreement to settle a claim.

Per the application of Florida's limited waiver of sovereign immunity contained in Florida Statutes section 768.28, the liability limit for the State, its agencies and subdivisions is \$200,000 per person and \$300,000 per incident. While a suit has been filed in for this accident, it has not been served pending the results of the settlement discussion that were initiated by the Third Party Administrator used by Gainesville Regional Utilities (GRU) to evaluate and adjust third party liability claims asserted against GRU. As a result of those negotiations, the Utility's adjuster was able to resolve Ms. Skipper's claim. It is the recommendation of the Utility's legal representation, GRU's Senior Management, the City's Risk Management Department, and GRU's Water/Wastewater management that the Gainesville Regional Utility Authority settle the claim for \$125,000 and avoid the risk of greater liability at trial.

**Fiscal Note:** Funds are available in GRU's FY 2025 Budget.

**Recommendation:** The Gainesville Regional Utilities Authority 1) approve the terms of the settlement reached during negotiations with the claimant's counsel and 2) authorize the Utility's Attorney to settle the claim of Lois Skipper for \$125,000.

**2. 2025-176 Gainesville Regional Utilities Fiscal Year 2024 Audited Financial Statements, Independent Auditor's Reports, and Auditor's Communication to Those Charged with Governance and Management (B)**

**Department:** Budget, Finance, and Accounting

**Description:** This item is related to the external audit of Gainesville Regional Utilities Fiscal Year 2024 Financial Statements.

**Fiscal Note:** None.

**Recommended Motion:** The GRU Authority accept Gainesville Regional Utilities Fiscal Year 2024 audited financial statements and independent auditor's reports.

**K. CEO COMMENTS**

**L. ATTORNEY COMMENTS**

**M. BUSINESS DISCUSSION ITEMS**

**1. 2025-178 State of the Utility FY25 January (B)**

**Department:** Chief Operating Officer

**Description:** A monthly operational update to Authority members to ensure they are aware of important projects and relevant utility measurements and benchmarks. This report provides information from December 2024. We will be assessing the most effective methods for delivering the report in addition to the most relevant information as it continues to evolve.

**Fiscal Note:** No fiscal note.

**Recommended Motion:** The GRU Authority hear a monthly update from the utility's operational areas.

2. **2025-175 Gainesville Regional Utilities MOU with the City for Stormwater Management Utility (SMU) and Solid Waste (SW) Billing services (B)**  
**Department:** GRU Budget, Finance & Accounting

**Description:** GRU and the City currently have a Memorandum of Understanding for Stormwater Management Utility (SMU) and Solid Waste (SW) Billing services. The SMU fees are charged to all owners or occupants of real property in the City based on an Equivalent Unit Rate and SW fees are charged to all residential owners or occupants of residential property in the City based on cart size. SMU and SW fees are collected monthly through GRU's billing system. This MOU will remain in effect until superseded by a more current MOU or termination by either party (GRU or COG). GRU is collaborating with the City to end the billing process by November 2026. This timing was advised by the tax collector.

**Fiscal Note:** The City pays GRU a fixed yearly fee for these billing services, \$800,786.78 for FY25.

**Recommended Motion:** GRU Authority hear a presentation and recommend GRU to continue to work with the City to remove these billings off GRU's bill no later than November 2026 given the scheduling requirements.

**N. RESOLUTIONS (Roll Call Required)**

1. **2025-177 Resolution of the Gainesville Regional Utilities Authority, a unit of city government of the City of Gainesville, FL approving the execution, delivery, and performance of one or more natural gas supply agreements with Municipal Gas Authority (B)**

**Description:** The resolution approves participation in a natural gas prepayment transaction between the Gas Authority and Citi Bank.

**Explanation:** At their November 6, 2024 meeting GRUA delegated authority to the CEO or CFO to negotiate and execute one or more natural gas prepay agreements, cumulatively not to exceed 50% of GRU's projected average daily gas load.

Through this transaction, GRU has the opportunity to reduce its fuel costs by purchasing a portion of its projected future gas needs at a discounted price. The key elements of the proposed transaction are:

- GRU's obligation is limited to paying only for the natural gas delivered
- The transaction does not increase GRU's outstanding debt
- The transaction provides not less than \$0.30/MMBtu discount, for the initial term of the transaction, and after the initial term not less than \$0.23/MMBtu discount, in each case net of administrative fees.
- While the transaction is long term, GRU has the flexibility to transition from natural gas to electricity and still retain the discount
- The transaction will serve to diversify GRU's commodity supplier base
- In the event the transaction unwinds, GRU would simply revert to the current process for purchasing gas. The impact to GRU would be the loss of the discount.

**Fiscal Note:** The initial discount is estimated at \$0.61 per MMBtu net of an administrative fee of the Gas Authority's Issuer entity. At \$0.61/MMBtu, annual savings are projected at \$1,639,760 on this deal with Citi Bank. Combined with the \$1,825,000 in projected savings on the first Citi Bank prepay deal, and the \$1,167,540 in projected savings on the TD Bank prepay deal, the combined projected annual savings on the three prepay deals is \$4,632,220.

**Recommended Motion:** GRUA adopt the proposed resolution authorizing participation in a natural gas prepayment transaction between the Gas Authority and Citi Bank.

O. **DIRECTOR COMMENTS**

P. **ADJOURNMENT**



**Gainesville Regional Utilities Authority**

**MINUTES**

**February 12, 2025, 5:30 p.m.  
GRU Administration Building  
301 SE 4th Avenue  
Gainesville, FL 32601**

Members Present: Craig Carter, Vice-Chair Haslam, Jack  
Jacobs, Chair Lawson, Robert Skinner

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**A. CALL TO ORDER**

**B. ROLL CALL**

**C. INVOCATION**

Director Craig Carter led the invocation

**D. PLEDGE OF ALLEGIANCE**

The Board led the room in the Pledge of Allegiance

**E. ADOPTION OF THE AGENDA**

Motion Passes.

**Moved by** Craig Carter

**Seconded by** Robert Skinner

Public Comment: Kristen Bryant - PRR Policy G-5

**F. APPROVAL OF MINUTES**

**Moved by** Craig Carter

**Seconded by** Jack Jacobs

Approved

**G. CHAIR COMMENTS**

Chair Lawson has no comments. Vice Chair Haslam spoke to the lawsuit.

**H. GENERAL PUBLIC COMMENT**

Additional Public comment: Jim Konish, Anthony Johnson

Public Comment: Donald Shepherd, Syed m Haider, Chris Russell, Angela Casteel, Tana Silva, Chuck Ross, Marshall Clayton Ralston, Rainy Eagle-Glenn

**I. CONSENT AGENDA**

**1. 2025-101 Paul C. Jones v. City of Gainesville; Case No. 2024-CA-771; Eighth Judicial Circuit in and for Alachua County, Florida. (NB)**

**Recommended Motion:** The Gainesville Regional Utilities Authority 1) approve the terms of the settlement reached during negotiations in court-ordered mediation; and 2) authorize the City Attorney to settle the claim of Paul C. Jones v. City of Gainesville; Case No. 2024-CA-771; Eighth Judicial Circuit, in and for Alachua County, Florida.

**2. 2025-102 People Policies (B)**

**Recommended Motion:** GRUA approve the People Policies as presented.

**J. CEO COMMENTS**

CEO Bielarski spoke to the concerns raised during public comment. Director Carter also interjected a response to some public comments

CEO presented slide, "Residential Basket of Services", for the public, Directors made comments in regard to the presentation.

**K. ATTORNEY COMMENTS**

Attorneys S. Scott Walker, Esq. and Kiersten Ballou gave an update of the April 2nd for judgement concerning validity of Referendum - Motion for Summary Judgement.

**L. BUSINESS DISCUSSION ITEMS**

**1. 2025-104 December 2024 Financial Position (B)**

GRU's Finance Director, Mark Benton, spoke to the presentation. CEO Bielarski spoke to the Debt Reduction, concerning the GFT (General Fund Transfer.) Director Carter spoke to the debt level and the need to work on reducing that.

**Recommended Motion:** Informational item only.

**2. 2025-105 State of the Utility FY25 December (B)**

COO, Tom Brown, spoke to the State of the Utility Report from the Operational Areas, giving highlights of said report.

Director Carter questioned the Kelly Plant planned outage. Vice Chair Haslam questioned how the accident numbers are calculated, COO confirmed contractor injuries are not included in the accident count. Directors Skinner and Haslam interested in seeing the number of disconnects in the State of the Utility Report, not to include those customers that are transient (if possible).

**Recommended Motion:** The GRU Authority hear a monthly update from the utility's operational areas.

**3. 2025-110 Liquidity and Reserve Metrics (B)**

Finance Director, Mark Benton, gave presentation to the item and answered questions as they arose.

**Recommended Motion:** Informational item only.

**M. RESOLUTIONS (Roll Call Required)**

**Moved by** Craig Carter

**Seconded by** Robert Skinner

Public Comment: Chuck Ross, Donald Shepherd

Director Carter pointed out the correct Resolution number should be 2025-106 and not 2024-106.

Approved as Recommended

**1. 2025-106 Resolution of the Gainesville Regional Utilities Authority, a unit of city government of the City of Gainesville, Florida approving the execution, delivery and performance of one or more natural gas supply agreements with Municipal Gas Authority**

**Recommended Motion:** GRUA adopt the proposed resolution authorizing participation in a natural gas prepayment transaction between the Gas Authority and TD Bank.



**N. DIRECTOR COMMENTS**

Director Skinner made comments to the public regarding use of funds and any misinformation and confirmed the code of ethics regarding GRUA agenda item discussion outside of the monthly meetings. Director Carter made comments to the public and thanked all the GRU staff. Vice Chair Haslam made comments to the public and addressed citizen comment. Thanked staff for their presence at the meeting tonight. Gave praise from a citizen regarding gas department and their expeditious services. Director Jacobs gave a response to public comment regarding the addition of fluoride in the public water supply. Chair Lawson - Concurred with everything said by each Board member.

**O. ADJOURNMENT**

Chair Lawson adjourned the meeting at 7:17PM.

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Tracie Osteen, Executive Assistant Senior

Raquel Lopez, Executive Assistant Senior

**File Number:** 2025-115

**Agenda Date:** March 12, 2025

**Department:** Gainesville Regional Utilities

**Title:** 2025-115 Settlement of Lois Skipper's Pre-Suit Injury Claim (B)

**Department:** Risk Management / Utilities Attorney

**Description:** Lois Skipper was the passenger in her caregivers' (Layne Knight) vehicle, when a Gainesville Regional Utility employee, made a left turn in front of the claimant. The Gainesville Regional Utility employee was attempting to make a left turn into Forest Park and was waived through by another driver. The employee failed to see the far-right lane of travel due to obscured view and entered the claimant's lane of travel. The claimant did not have enough time to stop before impact resulting in the employee citation for careless driving. As a result of the accident, Ms. Skipper suffered injuries that required treatment in the emergency room and ultimately admission to Shands Hospital for a period of 10 days due to a significant hematoma with arterial bleeding. The claimant incurred medical costs of \$68,316.38 before Medicare and Personal Injury Protection (PIP) payments and contractual adjustments. There is a Medicare lien outstanding of \$3,455.69. Satisfaction of the lien out of settlement proceeds is a standard component of the agreement to settle a claim.

Per the application of Florida's limited waiver of sovereign immunity contained in Florida Statutes section 768.28, the liability limit for the State, its agencies and subdivisions is \$200,000 per person and \$300,000 per incident. While a suit has been filed in for this accident, it has not been served pending the results of the settlement discussion that were initiated by the Third Party Administrator used by Gainesville Regional Utilities (GRU) to evaluate and adjust third party liability claims asserted against GRU. As a result of those negotiations, the Utility's adjuster was able to resolve Ms. Skipper's claim. It is the recommendation of the Utility's legal representation, GRU's Senior Management, the City's Risk Management Department, and GRU's Water/Wastewater management that the Gainesville Regional Utility Authority settle the claim for \$125,000 and avoid the risk of greater liability at trial.

**Fiscal Note:** Funds are available in GRU's FY 2025 Budget.

**Recommendation:** The Gainesville Regional Utilities Authority 1) approve the terms of the settlement reached during negotiations with the claimant's counsel and 2) authorize the Utility's Attorney to settle the claim of Lois Skipper for \$125,000.

**File Number:** 2025-176

**Agenda Date:** March 12, 2025

**Department:** Gainesville Regional Utilities

**Title:** 2025-176 Gainesville Regional Utilities Fiscal Year 2024 Audited Financial Statements, Independent Auditor's Reports, and Auditor's Communication to Those Charged with Governance and Management (B)

**Department:** Budget, Finance, and Accounting

**Description:** This item is related to the external audit of Gainesville Regional Utilities Fiscal Year 2024 Financial Statements.

**Fiscal Note:** None.

**Explanation:** In accordance with GRU's contract for external auditing services with Baker Tilly, US LLP, the following reports are presented for review: The Audited Financial Statements, Required Supplementary Information and Independent Auditor's Report of Gainesville Regional Utilities for the Fiscal Year Ended September 30, 2024.

In the opinion of the independent auditor, the financial statements referred to in the item above, present fairly in all material respects, the financial position and changes in financial position of Gainesville Regional Utilities for the year ended September 30, 2024, in accordance with generally accepted accounting principles.

As part of the financial statement audit process the independent auditor issues a report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements. This report is presented within the item above. The auditor's communication to those charged with governance and management, and internal control report over financial reporting related to Gainesville Regional Utilities indicate that there were no recommendations in the current year.

**Recommended Motion:** The GRU Authority accept Gainesville Regional Utilities Fiscal Year 2024 audited financial statements and independent auditor's reports.

# Reporting and insights from 2024 audit:

## Gainesville Regional Utilities

September 30, 2024

# Executive summary

February 14, 2025

To the Gainesville Regional Utilities Authority  
Gainesville Regional Utilities  
301 Southeast 4th Avenue  
Gainesville, FL 32602-6857

We have completed our audit of the financial statements of Gainesville Regional Utilities for the year ended September 30, 2024, and have issued our report thereon dated February 14, 2025. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Utilities operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas Gainesville Regional Utilities should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Bethany Ryers, Principal: [Bethany.Ryers@bakertilly.com](mailto:Bethany.Ryers@bakertilly.com) or +1 (608) 240 2382
- Dan La Haye, Director: [Dan.Lahaye@bakertilly.com](mailto:Dan.Lahaye@bakertilly.com) or +1 (608) 240 2534

Sincerely,

Baker Tilly US, LLP



Bethany Ryers, Principal, CPA



Dan La Haye, Director, CPA

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

BAKER TILLY ADVISORY GROUP, LP AND BAKER TILLY US, LLP, TRADING AS BAKER TILLY, ARE MEMBERS OF THE GLOBAL NETWORK OF BAKER TILLY INTERNATIONAL LTD., THE MEMBERS OF WHICH ARE SEPARATE AND INDEPENDENT LEGAL ENTITIES. BAKER TILLY US, LLP IS A LICENSED CPA FIRM THAT PROVIDES ASSURANCE SERVICES TO ITS CLIENTS. BAKER TILLY ADVISORY GROUP, LP AND ITS SUBSIDIARY ENTITIES PROVIDE TAX AND CONSULTING SERVICES TO THEIR CLIENTS AND ARE NOT LICENSED CPA FIRMS.

# Responsibilities

## Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Gainesville Regional Utilities' (Utilities) internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Gainesville Regional Utilities Authority:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Our audit does not relieve management or the Gainesville Regional Utilities Authority of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Gainesville Regional Utilities Authority, including:

- Internal control matters
- Qualitative aspects of the Utilities' accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

# Audit status

## Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

# Audit approach and results

## Planned scope and timing

### Audit focus

Based on our understanding of the Gainesville Regional Utilities and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Gainesville Regional Utilities current year results.

## Key areas of focus and significant findings

### Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

### Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities	Capital assets including infrastructure
Regulatory accounting	Inventory and fuel	Long-term debt
Derivatives	Net position calculations	Financial reporting and required disclosures



## Internal control matters

We considered the Gainesville Regional Utilities' internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Gainesville Regional Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

# Required communications

## Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Gainesville Regional Utilities' are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2024. We noted no transactions entered into by the Utilities during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Mark-to-market derivative instruments	Based on third party valuations	Reasonable in relation to the financial statements as a whole
Net pension liability and related deferrals	Evaluation of information provided by the City based on the Utilities' retirement contributions made and the actuarial studies performed by a qualified actuary retained by the City	Reasonable in relation to the financial statements as a whole
Unbilled revenues	Based on actual cycle billings that are billed subsequent to year-end for consumption prior to September 30, 2024, multiplied by the average daily usage for the meter read period	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Net OPEB liability and related deferrals	Evaluation of information provided by the City based on the Utilities' participating employee count and retirees and the actuarial studies performed by a qualified actuary retained by the City	Reasonable in relation to the financial statements as a whole
Coal Pile	Evaluation on information based on coal density testing and an aerial survey performed by third parties, in addition to the average cost of coal purchased	Reasonable in relation to the financial statements as a whole

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Lease receivable and related deferral	Evaluation of leases by management and incremental borrowing rate used for present value calculation	Reasonable in relation to the financial statements as a whole
Subscription liability and related asset	Evaluation of subscriptions by management and incremental borrowing rate used for present value calculation	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

### **Significant unusual transactions**

There have been no significant transactions that are outside the normal course of business for the Utilities or that otherwise appear to be unusual due to their timing, size or nature.

### **Significant difficulties encountered during the audit**

We encountered no significant difficulties in dealing with management and completing our audit.

### **Disagreements with management**

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Audit report**

There have been no departures from the auditors' standard report.

### **Audit consultations outside the engagement team**

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

### **Uncorrected misstatements and corrected misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

## **Other audit findings or issues**

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Gainesville Regional Utilities' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

## **Written communications between management and Baker Tilly**

The attachments include copies of other material written communications, including a copy of the management representation letter.

## **Compliance with laws and regulations**

We did not identify any non-compliance with laws and regulations during our audit.

## **Fraud**

We did not identify any known or suspected fraud during our audit.

## **Going concern**

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Utilities' ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

## **Independence**

We are not aware of any relationships between Baker Tilly and the Gainesville Regional Utilities that, in our professional judgment, may reasonably be thought to bear on our independence.

## **Related parties**

We did not have any significant findings or issues arise during the audit in connection with the Gainesville Regional Utilities related parties.

## **Other matters**

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## Nonattest services

The following nonattest services were provided by Baker Tilly:

- Grant advisory services
- Cost of service and utility rate studies

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

*\*Non-attest services are provided by Baker Tilly Advisory Group, LP.*

# Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/page/audit-committee-resource-center>.

# Management representation letter

February 14, 2025

Baker Tilly US, LLP  
4807 Innovate Ln  
P.O. Box 7398  
Madison, WI 53707-7398

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the Gainesville Regional Utilities as of September 30, 2024 and 2023 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Gainesville Regional Utilities and the respective changes in financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the Utilities required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, if any, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.



- 7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
- 10) Guarantees, whether written or oral, under which the Utilities are contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Gainesville Regional Utilities Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) There are no known related parties or related party relationships and transactions, including side agreements, of which we are aware.

## Other

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
- 19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 21) Gainesville Regional Utilities has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.
- 22) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 23) There are no:
  - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
- 24) In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
  - a) Grant advisory services
  - b) Cost of service and utility rate studies

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.


- 25) Gainesville Regional Utilities has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 26) Gainesville Regional Utilities has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 27) The financial statements properly classify all funds and activities.
- 28) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 29) We believe that we have properly identified all derivative instruments and any embedded derivative instruments that require bifurcation. The utility's hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies. The utility follows the valuation, accounting, reporting and disclosure requirements outlined in GASB No. 53. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives and hedged items have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at year end.
- 30) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 31) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 32) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 33) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 34) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 35) Tax-exempt bonds issued have retained their tax-exempt status.
- 36) The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.
- 37) We have appropriately disclosed the Gainesville Regional Utilities' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy.
- 38) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- 39) We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.
- 40) All borrowings and financial obligations of Gainesville Regional Utilities of which we are aware are included in the financial statements at September 30, 2024 and 2023, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.
- 41) Gainesville Regional Utilities has not violated any covenants or requirements of its bond resolutions and other agreements related to outstanding securities during any of the periods reported. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.
- 42) We assume responsibility for, and agree with, the findings of specialists and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 43) Any direct borrowings, direct placements, lines of credit or debt default clauses have been identified and properly disclosed.
- 44) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
- 45) All transactions with the City have been included in the financial statements and properly disclosed in the related notes.


- 46) The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the financial results and financial position as set out in the financial statements.” Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors’ report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.

Sincerely,

Gainesville Regional Utilities

Signed:   
Edward Bielarski (Feb 13, 2025 14:16 EST)  
Edward J. Bielarski, Chief Executive Officer

Date: February 14, 2025

Signed:   
Claudia Rasnick (Feb 13, 2025 12:56 EST)  
Claudia Rasnick, Chief Financial Officer

Date: February 14, 2025

## Client service team



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# Accounting changes relevant to Gainesville Regional Utilities

## Future accounting standards update

GASB Statement Number	Description	Potentially impacts you	Effective date
100	Accounting Changes and Error Corrections		9/30/2025
101	Compensated Absences	✓	9/30/2025
102	Certain Risk Disclosures	✓	9/30/2025
103	Financial Reporting Model Improvements	✓	9/30/2026
104	Disclosure of Certain Capital Assets	✓	9/30/2027

Further information on upcoming [GASB pronouncements](#).

## Updated accounting and reporting for compensated absences

The Governmental Accounting Standards Board (GASB) issued its Statement No. 101, *Compensated Absences*, in June 2022. The objective of GASB 101 is to update the recognition and measurement guidance for compensated absences for state & local government employers. It supersedes GASB No. 16, *Accounting for Compensated Absences*, issued in 1992, as well as earlier guidance, and addresses changes resulting from the types of leave now being offered. GASB 101 is effective for fiscal years beginning after December 15, 2023 (i.e., the Utilities' September 30, 2025 year-end).

GASB 101 more appropriately reflects a liability *when* a government incurs an obligation for compensated absences, and will improve comparability of reporting between governments that offer different types of leave. It requires that liabilities be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled-up via non-cash means. Compensated absences is defined as leave for which employees may receive one or more of the following:

- Cash payments when the leave is used for time off;
- Other cash payments, such as payment for unused leave upon termination of employment, or;
- Noncash settlements, such as conversion to defined benefit postemployment benefits.

Examples of compensated absences provided in GASB 101 include vacation, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave, and certain types of sabbatical leave. Payment or settlement of compensated absences could occur during employment, or upon termination of employment. GASB 101 does not apply to benefits that are within the scope of GASB 47, *Accounting for Termination Benefits*.

GASB 101 requires that a liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered;
- The leave accumulates, and;
- The leave is “more likely than not” (i.e., likelihood of more than 50%) to be used for time off or otherwise paid in cash or settled through noncash means (101 provides factors to assess this criteria). (This differs from GASB 16, which required payment to be “probable” to be recognized).

Under GASB 101, governments will now need to accrue for time that has accumulated and is likely to be used, even if the employee is not eligible for a payout upon termination. This was not a requirement under GASB 16, and thus may result in a higher compensated absence liability.

GASB 101 requires liabilities for compensated absences to be recognized in financial statements prepared using the economic resources measurement focus equal to the amount of leave that has not yet been used and leave that has been used but not yet paid or settled.

Other changes in financial statement disclosures include the change in compensated absences liability can now be disclosed as a net change, rather than gross increases/decreases in the liability. Also, governments are no longer required to disclose which fund has typically liquidated the liability.

We recommend that management begin to review the guidance contained in GASB 101 within the context of your existing compensated absences policies and accounting practices, in order to be better informed in terms of the information that you will need for this implementation.

### **New guidance on disclosure of certain risks**

The requirements in GASB Statement No. 102, *Certain Risk Disclosures* is meant to provide financial statement users with information about certain risks when circumstances make a government vulnerable to a heightened possibility of loss or harm. It requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints.

- (a) The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources—for example, a small number of companies that represent a majority of employment in a government’s jurisdiction, or a government that relies on one revenue source for most of its revenue.
- (b) The Statement defines a constraint as a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority—such as a voter-approved property tax cap or a state-imposed debt limit.

Concentrations and constraints may limit a government’s ability to acquire resources or control spending.

The Statement generally requires a government to disclose information about a concentration or constraint if all of the following criteria are met:

- (a) The concentration or constraint is *known* to the government prior to issuing the financial statements.
- (b) The concentration or constraint makes the government vulnerable to the risk of a substantial impact.
- (c) An event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.



The disclosures should include a description of the following:

- The concentration or constraint,
- Each event associated with the concentration or constraint that could cause a substantial impact if the event has occurred or has begun to occur prior to the issuance of the financial statements, and
- Actions taken by the government to mitigate the risk prior to the issuance of the financial statements.

## **Changes to the financial reporting model**

GASB Statement 103, *Financial Reporting Model Improvements*, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management's discussion and analysis - While the overall requirements do not substantially change management's discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions, or conditions expected to have a significant financial effect in the subsequent period.
- Unusual or infrequent items (previously known as extraordinary and special items) - The new Statement simplifies GASB literature by eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position - The changes are designed to improve consistency around the classification of items in these statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.
- Major component unit information, and Budgetary comparison information - Statement 103 is designed to improve the consistency of the reporting of major component unit information and budgetary comparison information by specifying required placement of that information.

# Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
  - Identify types of potential misstatements.
  - Consider factors that affect the risks of material misstatement.
  - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that the Utility will receive an unmodified opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of July - September. Our final financial fieldwork is scheduled during the winter to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
GAINESVILLE REGIONAL UTILITIES  
GAINESVILLE, FLORIDA**

**SEPTEMBER 30, 2024 AND 2023**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**GAINESVILLE REGIONAL UTILITIES  
GAINESVILLE, FLORIDA**

**SEPTEMBER 30, 2024 AND 2023**

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## **INDEPENDENT AUDITORS' REPORT**

## **Independent Auditors' Report**

To the Gainesville Regional Utilities Authority of  
Gainesville Regional Utilities

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Gainesville Regional Utilities (GRU), an enterprise fund of the City of Gainesville, Florida (the City), as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the GRU as of September 30, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the GRU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the enterprise fund and do not purport to, and do not, present fairly the financial position of the City, as of September 30, 2024, and 2023, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GRU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the schedule of changes in net pension liability and related ratios, schedule of employer contributions and schedule of investment returns required by the GASB Statement No. 68 and the schedule of changes in net OPEB liability and related ratios, schedule of employer contributions and schedule of investment returns required by GASB Statement No. 75 that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. GRU omitted these schedules as they are included in the City's annual comprehensive financial report. Our opinion on the financial statements is not affected by this missing information.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025 on our consideration of the GRU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the GRU's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GRU's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Madison, Wisconsin  
February 14, 2025

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

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Gainesville Regional Utilities (GRU or the Utility) is a combined municipal utility operating electric, water, wastewater, natural gas, and telecommunications systems. GRU is a utility enterprise of the City of Gainesville, Florida (City) and is reported as an enterprise fund in the Annual Comprehensive Financial Report of the City.

We offer readers of GRU's financial statements this Management's Discussion and Analysis (MD&A) of the financial activities of GRU for the fiscal years ended September 30, 2024, 2023 and 2022 with comparison to the prior fiscal year. The MD&A should be read in conjunction with the financial statements and notes that follow this section.

### Basic Financial Statements

**Statement of Net Position:** This statement includes all of GRU's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Position:** The current and prior year revenues and expenses are reported in this statement along with the resulting change in net position. This statement measures the success of the combined Utility's operations over the past year.

**Statement of Cash Flows:** The primary purpose of this statement is to provide information about the combined Utility's cash receipts and cash payments during the fiscal year. This statement reports cash receipts, cash payments, and changes in cash resulting from operating, capital and noncapital financing, and investing activities.

**Notes to Financial Statements:** The notes provide additional information that is essential to fully understand the information provided in the financial statements.

## Management's Discussion and Analysis

### Financial Analysis of Gainesville Regional Utilities

GRU's net position increased \$16.2 million, decreased \$17.3 million, and increased \$20.4 million for fiscal years 2024, 2023 and 2022, respectively. The Condensed Statements of Net Position and Condensed Statements of Revenues, Expenses, and Changes in Net Position follow (in thousands):

#### Gainesville Regional Utilities Condensed Statements of Net Position

	2024	2023	2022
Current assets	\$ 161,634	\$ 148,786	\$ 174,246
Restricted and internally designated assets	339,895	391,955	255,062
Noncurrent assets	278,519	297,518	296,135
Net capital assets	1,855,470	1,856,737	1,854,172
Deferred outflows of resources	15,897	40,014	95,717
Total assets and deferred outflows of resources	<u>\$ 2,651,415</u>	<u>\$ 2,735,010</u>	<u>\$ 2,675,332</u>
Current liabilities	\$ 53,050	\$ 45,585	\$ 44,295
Payable from restricted assets	83,723	86,973	78,962
Long-term debt	1,824,785	1,915,180	1,802,756
Noncurrent liabilities	108,237	152,759	192,711
Deferred inflows of resources	163,108	132,209	137,011
Total liabilities and deferred inflows of resources	<u>2,232,903</u>	<u>2,332,706</u>	<u>2,255,735</u>
Net position:			
Net investment in capital assets	149,175	90,780	97,713
Restricted	92,911	96,978	82,648
Unrestricted	176,426	214,546	239,236
Total net position	<u>418,512</u>	<u>402,304</u>	<u>419,597</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,651,415</u>	<u>\$ 2,735,010</u>	<u>\$ 2,675,332</u>

## Management's Discussion and Analysis

### Gainesville Regional Utilities Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2024	2023	2022
Operating revenue	\$ 433,557	\$ 450,956	\$ 524,838
Interest income	14,551	7,019	2,697
Other interest related income, BABs	4,874	4,927	5,012
Total revenues	<u>452,982</u>	<u>462,902</u>	<u>532,547</u>
Operating expenses	359,782	381,496	417,228
Interest expense	68,859	66,126	63,511
Other (income) expense	1,446	(1,344)	4,563
Total expenses	<u>430,087</u>	<u>446,278</u>	<u>485,302</u>
Income before capital contributions and transfer	22,895	16,624	47,245
Contributions from third parties	8,618	366	9,401
Transfer to City of Gainesville General Fund	<u>(15,305)</u>	<u>(34,283)</u>	<u>(36,283)</u>
Change in net position	16,208	(17,293)	20,363
Net position, beginning of year	402,304	419,597	399,234
Net position, end of year, restated	<u>\$ 418,512</u>	<u>\$ 402,304</u>	<u>\$ 419,597</u>

#### Financial Highlights

The most significant changes in GRU's financial condition are summarized below:

- Current assets increased \$12.8 million in fiscal year 2024 due primarily to an increase in operating cash and investments. Current assets decreased \$25.5 million in fiscal year 2023 due primarily to the movement of the fuel and purchased gas adjustment balance from an asset owed to GRU to a liability of GRU.
- Restricted and internally designated assets decreased \$52.1 million in fiscal year 2024 due primarily to a decrease in construction fund and utility plant improvement fund cash spent on capital project activity during the fiscal year. Restricted and internally designated assets increased \$136.9 million in fiscal year 2023 due primarily to an increase in construction fund cash and investments resulting from the 2023 bond issuance.

## Management's Discussion and Analysis

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- Noncurrent assets decreased \$19.0 million in fiscal year 2024 due primarily to a decrease in net costs recoverable in future years and the fair value of derivative instruments. Noncurrent assets increased \$1.4 million in fiscal year 2023 due primarily to an increase in the pension regulatory asset.
- Long-term debt decreased \$90.4 million in fiscal year 2024 due primarily to scheduled principal payments and early defeasance of utility system revenue bonds as part of our debt reduction plan along with a reduction of unamortized bond premium associated with the early defeasance. Long-term debt increased \$112.4 million in fiscal year 2023 due primarily to the issuance of the 2023 Series C utility system revenue bonds.
- Noncurrent liabilities decreased \$44.5 million in fiscal year 2024 due primarily to a decrease in net pension from a liability to an asset. Noncurrent liabilities decreased \$40 million in fiscal year 2023 due primarily to a decrease in the net pension liability.
- Sales and service charges decreased \$17 million or 3.7%, decreased \$43.1 million or 8.8%, and increased \$89.6 million or 22.5%, in fiscal years 2024, 2023, and 2022, respectively. The decrease in sales and service charges in fiscal year 2024 is primarily the result of decreases in the fuel adjustment and purchased gas adjustment rates in response to lower fuel expenses compared to fiscal year 2023, partially offset by increases in electric and wastewater base rates. The decrease in sales and service charges in fiscal year 2023 is primarily the result of decreases in the fuel adjustment and purchased gas adjustment rates in response to lower fuel expenses compared to fiscal year 2022, partially offset by increases in electric and wastewater base rates.
- Operating expenses decreased \$21.7 million or 5.7%, decreased \$35.7 million or 8.6%, and increased \$85.7 million or 25.9%, in fiscal years 2024, 2023, and 2022, respectively. The decrease in fiscal year 2024 is due to lower natural gas and biomass fuel expenses compared to fiscal year 2023. The decrease in fiscal year 2023 is due to reductions in the fuel adjustment and purchased gas adjustment rates in response to lower fuel expenses compared to fiscal year 2022.
- The transfer to rate stabilization was \$492 thousand in fiscal year 2024. Transfers to rate stabilization were \$9 million in fiscal year 2023, and transfers from rate stabilization were \$12.3 million in fiscal year 2022.
- For fiscal year 2025, GRU did not implement increases in the revenue requirement for the electric, water, wastewater and gas systems. For fiscal year 2024, GRU implemented increases in the revenue requirement of 3% for the electric system and 5% for the wastewater system. For fiscal year 2023, GRU implemented increases in the revenue requirement of 3% for the electric system and 5% for the wastewater system.

## Management's Discussion and Analysis

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### Capital Assets

GRU's investment in capital assets as of September 30, 2024 was \$1.9 billion (net of accumulated depreciation and amortization). Gross utility plant in service increased \$107.3 million, or 3.4% in fiscal year 2024 due primarily to the completion of electric, water and wastewater capital projects. Gross utility plant in service increased \$58.5 million, or 1.9% in fiscal year 2023 due primarily to the completion of electric, water and wastewater capital projects. Gross utility plant increased \$106.1 million, or 3.6% in fiscal year 2022 due primarily to the completion of electric, water and wastewater capital projects.

Major capital asset events during the fiscal years include:

- Electric transmission and distribution additions were \$26 million in fiscal year 2024. These additions included regulator bank controller replacements and meter deployment associated with our Advanced Metering Infrastructure.
- Electric generation additions were \$19.6 million for fiscal year 2024. These additions included Deerhaven Renewable Plant Stacker Reclaimer Bearing replacement, John R. Kelly electrical upgrades and Deerhaven Unit 1 Stacker repairs.
- Water additions were \$35 million in fiscal year 2024. These additions included improvements to the Murphree Water Treatment Plant service pumps and lime sludge pumps, distribution lines for existing and new extensions, along with meter deployment associated with our Advanced Metering Infrastructure.
- Wastewater additions were \$38.8 million in fiscal year 2024. These additions included upgrades to the Kanapaha Water Reclamation Facility (KWRF) for aerator replacements, rebuilding a dewatering centrifuge, and upgrades to treatment and disposal equipment. Other additions included manhole replacements, improvements and extensions to gravity collection systems and cleanouts.
- Gas distribution additions were \$11.9 million in fiscal year 2024. These additions were due to extensions of the gas system to new residential and commercial developments.
- Telecommunications additions for fiber and electronics expansion were \$763 thousand in fiscal year 2024, including a new server farm project.

Commitments for capital expenses as of September 30, 2024 were \$71.6 million due primarily to work on our Advanced Metering Infrastructure, Main Street Water Reclamation Facility, Eastside Operations Center Lift Station #1 and substation transformer replacements, Wastewater line and manhole rehabilitation, Deerhaven compressor spare rotor, South Energy Center Underground steam pipes, and telecommunications central office mechanical and electrical renovations.

Additional information may be found in Note 4 Capital Assets.



## Management's Discussion and Analysis

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### Long-Term Debt

At September 30, 2024, 2023, and 2022, GRU had total long-term debt outstanding of \$1.8 billion in fiscal year 2024, \$1.8 billion for the fiscal year 2023, and \$1.7 billion for fiscal year 2022, comprised of utilities system revenue bonds (in thousands):

#### **Gainesville Regional Utilities Outstanding Debt at September 30:**

	2024	2023	2022
Utilities system revenue bonds	\$ 1,773,860	\$ 1,849,115	\$ 1,731,945

Long-term debt, including current portion, decreased \$75.3 million, or 4.1%, in fiscal year 2024 due to \$35.7 million in scheduled principal payments, \$23.2 million in redemptions, and \$16.4 million in defeasances. The redemptions and defeasances were part of the Utility's debt reduction plan and the debt reduction associated with the sale of the Trunking Radio System (TRS). Long-term debt, including current portion, increased \$117.1 million, or 6.8%, in fiscal year 2023 due to the issuance of the 2023 Series bonds offset by scheduled principal payments. Long-term debt, including current portion, decreased \$1.7 million, or .1%, in fiscal year 2022, due to scheduled principal payments and a refunding of the 2007A and 2012A Bond series.

Major long-term debt events during the fiscal years include:

- On September 25, 2024, GRU defeased \$15.7 million of the 2017 Series A and redeemed \$10.1 million of the 2012 Series B using funds set aside from savings generated for the sole purpose of reducing outstanding long-term debt.
- On September 25, 2024, GRU redeemed \$255,000 of the 2014 Series B, redeemed \$610,000 of the 2019 Series C, and defeased \$705,000 of the 2019 Series A using proceeds from the sale of the TRS on December 28, 2023. The redemptions and defeasance were to pay off a portion of the associated TRS related debt.
- On August 22, 2024, GRU redeemed \$275,000 of the 2020 Series A, \$1.2 million of the 2022 Series A, and \$4.7 million of the 2022 Series B using proceeds from the sale of the TRS on December 28, 2023. The redemption was to pay off a portion of the associated TRS related debt.
- On May 10, 2024, GRU redeemed \$3.1 million of the 2005 Series C and \$3.0 million of the 2006 Series A using funds set aside from savings generated to reduce the Utility's long-term debt.
- On June 22, 2023, GRU issued its Utilities System Revenue Bonds, 2023 Series C for \$151.2 million as a direct placement with Wells Fargo to fund its capital program.

## Management's Discussion and Analysis

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- In May 2023, GRU issued its 2023 Series A bonds (\$160 million) to replace the 2017 Series B bonds (\$45 million) and the 2017 Series C bonds (\$115 million), and issued its 2023 Series B bonds (\$105 million) to replace the 2020 Series B bonds (\$105 million) as direct placements.
- In May 2023, GRU issued its 2023 Series A swap (\$45 million) to replace the 2017 Series B swap (\$45 million), and issued its 2023 Series A swap (\$115 million) to replace the 2017 Series C swap (\$115 million), and issued its 2023 Series B swap (\$105 million) to replace the 2017 Series B swap (\$105 million).
- On October 26, 2022, a portion of the 2017 Series A October 1, 2026 and October 1, 2027 maturities were legally defeased for the purpose of reducing outstanding debt. The cash defeasance targeted reducing spikes in debt service in certain years to a more manageable level. Cashflow savings were targeted for FY 2022-2027 to provide short-term savings in debt service. \$2,710,000 and \$750,000 were legally defeased from the October 1, 2026, and October 1, 2027, maturities respectively. The escrow agreement was executed with U.S. Bank N.A. and the account was gross funded at closing. A verification agent was used to confirm cashflows of the defeased debt. The amount of cash for the escrow account to purchase securities was \$3,570,832. The cashflow in the escrow account has scheduled payment dates from April 1, 2023, through October 1, 2027. The escrow sinking fund includes \$3,460,000 principal and \$729,500 of defeased interest for a defeased debt service total of \$4,189,500, resulting in a present value saving of \$3,602,840.
- In July 2022, GRU issued its Utilities System Revenue Bonds, 2022 Series A for \$66.8 million, which refunded most of the 2012 Series A bond in the amount of \$66.1 million.
- In April 2022, GRU issued its Utilities System Revenue Bonds, 2022 Series B for \$234 million. The issuance refunded the 2007 Series A bond of \$127.8 million and the 2008 Series B bond of \$75.8. Additionally the issuance terminated \$132.2 million of the 2007 Series A swaps and \$90 million of the 2008 Series B swaps.
- On October 28, 2021, a portion of the 2017 Series A October 1, 2025, and October 1, 2026, maturities were legally defeased for the purpose of reducing outstanding debt. The cash defeasance targeted reducing spikes in debt service in certain years to a more manageable level. Cashflow savings were targeted for FY 2022-2026 to provide short-term savings in debt service. \$4,220,000 and \$2,965,000 were legally defeased from the October 1, 2025, and October 1, 2026, maturities respectively. The escrow agreement was executed with U.S. Bank N.A. and the account was gross funded at closing. A verification agent was used to confirm cashflows of the defeased debt. The amount of cash for the escrow account to purchase securities was \$8,413,010, which also included a cash deposit of \$197,010. The cashflow in the escrow account has scheduled payment dates from April 1, 2022, through October 1, 2026. The escrow sinking fund includes \$7,185,000 of principal and \$1,585,250 of defeased interest for a defeased debt service total of \$8,770,250.

Additional information may be found in Note 6 Long-Term Debt.

## Management's Discussion and Analysis

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### **Currently Known Facts or Conditions that May Have a Significant Effect on GRU's Financial Condition or Results of Operations**

On June 28, 2023, Florida Governor Ron DeSantis signed Bill CS/HB 1645 into law as Chapter 2023-348 (2023-348) which took effect on July 1, 2023. 2023-348 changes the governance of GRU to a governor appointed board known as the Gainesville Regional Utilities Authority (GRUA), upon installation of the Authority's members. The law replaced existing governance of the Gainesville City Commission with the Authority.

In June 2024, the City Commission of the City of Gainesville passed Ordinance 2024-448, which submitted to voters an amendment to the City of Gainesville Charter deleting Article VII which had established GRUA in its entirety. GRUA filed a Complaint for Declaratory Judgment and Injunctive Relief on September 10, 2024, followed by an Emergency Motion for Temporary Injunction and a Request for Expedited Hearing on September 23, 2024. A hearing was held on October 23, 2024, and a temporary injunction was put in place to prevent the City of Gainesville from enforcing the charter amendment until resolution of the issues in the legal case. The parties are engaging in discovery and preparing competing Motions for Summary Judgement. Expected timing of the hearing is April 2025.

GRU implemented a new billing system that went live in April 2023. Some benefits include improving customers' ability to: view billing history; signing up for eBill or paper billing; updating email, mailing addresses and phone number; starting, stopping or moving service and paying their bill.

GRU is implementing an Advanced Metering Infrastructure that upgrades GRU meters to digital and equips these meters with wireless communication technology. This will allow collection of usage data daily as opposed to manual monthly readings. AMI will increase the efficiency of obtaining meter readings used in generating bills for our customers, improve safety conditions for staff and reduce wear and tear on vehicles. Customers will not be inconvenienced by GRU reading meters and be able to easily monitor their usage.

GRU and its operations are subject to federal, state, and local statutory and regulatory requirements with respect to the siting and licensing of facilities, safety and security, air and water quality, land use, and other environmental factors.

GRU's long-term energy supply strategy is to provide safe, reliable, cost effective power, while meeting regulatory requirements. GRU has a diverse portfolio of generation including renewable energy. Based on the most recent forecasts, GRU has adequate reserves of generating capacity to meet forecasted loads plus maintaining the regulatory required reserve margin through 2031. This forecast incorporates new population forecasts and changed economic circumstances.

### **Requests for Information**

This financial report is designed to provide a general overview of GRU's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Gainesville Regional Utilities, P.O. Box 147117, Station A-105, Gainesville, Florida 32614-7117.

## **FINANCIAL STATEMENTS**

Gainesville Regional Utilities  
Statements of Net Position  
September 30, 2024 and 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 54,239,572	\$ 25,834,774
Accounts receivable, net of allowance for uncollectible accounts of \$11,695,489 and \$8,993,806 respectively	53,623,615	65,342,716
Inventories:		
Fuel	18,585,283	18,661,824
Materials and supplies	29,487,675	34,818,772
Regulatory assets	1,287,951	1,265,951
Other assets	4,409,626	2,861,564
Total current assets	161,633,722	148,785,601
Restricted and internally designated assets:		
Current:		
Utility deposits - cash and investments	9,599,626	8,517,871
Debt service - cash and investments	68,803,492	70,069,516
Noncurrent:		
Debt defeasance - cash and investments	3,739,339	3,431,550
Fuel hedges - cash and investments	6,693,134	10,939,925
Rate stabilization - cash and investments	67,043,019	64,844,503
Construction fund - cash and investments	153,563,586	178,171,014
Utility plant improvement fund - cash and investments	30,453,140	55,980,916
Total restricted and internally designated assets	339,895,336	391,955,295
Noncurrent assets:		
Long-term lease receivable	19,592,609	19,282,835
Fair value of derivative instruments	19,406,603	44,406,093
Investment in The Energy Authority	11,300,704	9,575,168
Regulatory assets	201,511,896	217,323,839
Other assets	2,436,052	6,930,583
Net pension asset - restricted	21,402,726	-
Net other post-employment benefits asset - restricted	2,868,296	-
Total noncurrent assets	278,518,886	297,518,518
Capital assets:		
Utility plant in service	3,223,983,439	3,116,725,499
Right-of-use asset	12,784,133	11,461,919
Less: accumulated depreciation and amortization	(1,501,603,046)	(1,410,835,846)
	1,735,164,526	1,717,351,572
Construction in progress	120,304,965	139,385,234
Net capital assets	1,855,469,491	1,856,736,806
Total assets	2,635,517,435	2,694,996,220
<b>Deferred outflows of resources:</b>		
Unamortized loss on refunding of bonds	4,650,301	6,635,778
Accumulated decrease in fair value of hedging derivatives	1,518,293	5,655,372
General Employees' Pension plan costs	8,477,927	23,654,803
Other post-employment benefits plan	1,250,552	4,067,550
Total deferred outflows of resources	15,897,073	40,013,503
<b>Total assets and deferred outflows of resources</b>	<b>\$ 2,651,414,508</b>	<b>\$ 2,735,009,723</b>

Continued on next page.  
See accompanying notes.

Gainesville Regional Utilities  
Statements of Net Position (concluded)  
September 30, 2024 and 2023

	2024	2023
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,216,312	\$ 19,553,568
Fuels payable	6,258,869	7,013,001
Due to other funds	8,824,732	9,405,643
Fuel and purchased gas adjustment	9,452,207	6,437,296
Other liabilities	3,298,330	3,175,256
Total current liabilities	<u>53,050,450</u>	<u>45,584,764</u>
Current liabilities from restricted assets:		
Utility deposits	9,530,217	8,509,917
Accounts payable and accrued liabilities	7,939,152	11,329,801
Utility system revenue bonds	35,340,000	35,680,000
Accrued interest payable	30,681,208	31,413,711
Other liabilities	232,269	39,092
Total payable from restricted assets	<u>83,722,846</u>	<u>86,972,521</u>
Long-term debt:		
Utility system revenue bonds	1,738,520,000	1,813,435,000
Long-term liability - leases	262,925	209,486
Long-term liability - SBITA	2,016,020	2,868,910
Unamortized bond premium/discount	81,626,821	92,538,457
Fair value of derivative instruments	2,358,738	6,128,402
Total long-term debt	<u>1,824,784,504</u>	<u>1,915,180,255</u>
Noncurrent liabilities:		
Reserve for insurance claims	1,342,000	1,960,000
Reserve for environmental liability	708,000	708,000
Net pension liability	-	47,616,640
Net other post-employment benefits liability	-	3,415,965
Due to other funds	105,918,768	98,649,296
Other noncurrent liabilities	267,965	408,528
Total noncurrent liabilities	<u>108,236,733</u>	<u>152,758,429</u>
Total liabilities	<u>2,069,794,533</u>	<u>2,200,495,969</u>
<b>Deferred inflows of resources:</b>		
Rate stabilization	68,035,584	62,491,181
Accumulated increase in fair value of hedging derivatives	19,509,103	44,505,619
General Employees' Pension plan costs	48,460,600	302,280
Other post-employment benefits plan	6,916,347	4,553,201
Leases	20,186,330	20,357,062
Total deferred inflows of resources	<u>163,107,964</u>	<u>132,209,343</u>
<b>Net position</b>		
Net investment in capital assets	149,174,438	88,400,318
Restricted (Note 9)	92,911,458	96,978,299
Unrestricted	176,426,115	216,925,794
Total net position	<u>418,512,011</u>	<u>402,304,411</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u><u>\$ 2,651,414,508</u></u>	<u><u>\$ 2,735,009,723</u></u>

See accompanying notes.

**Gainesville Regional Utilities**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended September 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
Operating revenue:		
Sales and service charges	\$ 428,197,043	\$ 445,197,153
Transfers from (to) rate stabilization	(491,525)	(8,955,351)
Amounts to be recovered from (to) future revenue	(13,471,062)	(3,593,002)
Other operating revenue	19,322,588	18,307,610
Total operating revenues	<b>433,557,044</b>	450,956,410
Operating expenses:		
Operation and maintenance	212,984,335	233,168,292
Administrative and general	37,203,360	44,233,038
Depreciation and amortization	109,594,924	104,094,708
Total operating expenses	<b>359,782,619</b>	381,496,038
Operating income	<b>73,774,425</b>	69,460,372
Non-operating income (expense):		
Interest income	14,551,323	7,019,224
Interest expense	(68,858,759)	(66,126,119)
Other interest related income, BABs	4,874,344	4,926,434
Other income (expense)	(1,446,420)	1,344,401
Total non-operating income (expense)	<b>(50,879,512)</b>	(52,836,060)
Income before capital contributions and transfer	<b>22,894,913</b>	16,624,312
Capital contributions:		
Contributions from third parties	8,918,762	691,830
Reduction of plant costs recovered through contributions	(300,850)	(325,599)
Net capital contributions	<b>8,617,912</b>	366,231
Transfer to City of Gainesville General Fund	<b>(15,305,225)</b>	(34,283,000)
Change in net position	<b>16,207,600</b>	(17,292,457)
Net position – beginning of year	<b>402,304,411</b>	419,596,868
Net position – end of year	<b>\$ 418,512,011</b>	\$ 402,304,411

*See accompanying notes.*

Gainesville Regional Utilities  
Statements of Cash Flows  
For the Years Ended September 30, 2024 and 2023

	2024	2023
Operating activities:		
Cash received from customers	\$ 445,921,950	\$ 479,457,189
Cash payments to suppliers for goods and services	(147,054,366)	(209,956,623)
Cash payments to employees for services	(74,346,331)	(71,281,076)
Cash payments for operating transactions with other funds	(22,442,308)	(18,607,304)
Other operating receipts	24,515,750	16,887,223
Net cash provided by operating activities	226,594,695	196,499,409
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(15,305,225)	(34,283,000)
Net cash used in noncapital financing activities	(15,305,225)	(34,283,000)
Capital and related financing activities:		
Principal repayments and refunding on long-term debt, net	(76,750,871)	(31,980,728)
Interest paid on long-term debt	(74,337,924)	(69,934,783)
Other receipts	7,999,644	-
Proceeds from interest rebates, BABs	4,874,344	4,926,434
Acquisition and construction of fixed assets	(110,282,959)	(99,854,400)
Proceeds from new debt and commercial paper	-	151,273,337
Other income (expense)	(3,378,471)	3,487,996
Net cash used in capital and related financing activities	(251,876,237)	(42,082,144)
Investing activities:		
Interest received	13,854,660	7,429,176
Purchase of investments	(447,998,673)	(316,083,389)
Investments in The Energy Authority	(13,228,651)	(15,528,518)
Distributions from The Energy Authority	11,503,115	14,455,731
Proceeds from investments	469,991,848	237,095,210
Net cash (used) provided by investing activities	34,122,299	(72,631,790)
Net change in cash and cash equivalents	(6,464,468)	47,502,474
Cash and cash equivalents, beginning of year	120,584,287	73,081,813
Cash and cash equivalents, end of year	\$ 114,119,819	\$ 120,584,287

*Continued on next page.  
See accompanying notes.*



Gainesville Regional Utilities  
Statements of Cash Flows (concluded)  
For the Years Ended September 30, 2024 and 2023

	2024	2023
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 73,774,425	\$ 69,460,372
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	109,594,924	104,094,708
Net costs recoverable in future years	13,471,062	3,593,002
Change in:		
Accounts receivable	11,719,101	3,127,284
Inventories	5,407,638	(17,282,215)
Utility meter deposits	1,038,883	(221,636)
Noncurrent assets	1,204,148	1,097,114
Payables and accrued liabilities	4,908,612	(9,643,257)
Due to other funds	307,237	625,498
Fuel adjustment	3,014,911	30,257,274
Payable from restricted assets	(3,390,649)	2,435,914
Rate stabilization	5,544,403	8,955,351
Net cash provided by operating activities	<u>\$ 226,594,695</u>	<u>\$ 196,499,409</u>
Non-cash capital and related financing activities, and investing activities:		
Contribution of capital assets	<u>\$ 8,617,912</u>	<u>\$ 366,231</u>
Net costs recoverable in future years	<u>\$ 13,471,062</u>	<u>\$ 3,593,002</u>
Change in long-term lease receivable	<u>\$ (309,774)</u>	<u>\$ 897,656</u>
Change in long-term lease/SBITA liability	<u>\$ (573,307)</u>	<u>\$ (2,416,739)</u>
Change in utility plant in service	<u>\$ (6,028,383)</u>	<u>\$ 7,772,438</u>
Change in ineffective portion of hedging derivatives	<u>\$ (370,389)</u>	<u>\$ (295,641)</u>
Change in accumulated (increase) decrease in fair value of hedging derivatives - interest rate swaps	<u>\$ 4,137,079</u>	<u>\$ (2,769,265)</u>
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	<u>\$ (24,996,516)</u>	<u>\$ (5,439,507)</u>
Change in fair value of investments	<u>\$ 13,525,753</u>	<u>\$ 7,221,761</u>
Change in fair value of derivatives	<u>\$ 21,229,826</u>	<u>\$ 14,860,664</u>
Change in bond premium/discount	<u>\$ (10,911,636)</u>	<u>\$ (8,495,023)</u>
Unamortized debt issuance costs	<u>\$ 470,435</u>	<u>\$ (241,883)</u>
Unamortized loss on refundings of bonds	<u>\$ 1,865,452</u>	<u>\$ 1,265,366</u>
Change in General Employees Pension Plan	<u>\$ (651,281)</u>	<u>\$ (225,367)</u>
Other	<u>\$ (268,653)</u>	<u>\$ (2,200,246)</u>

See accompanying notes.

Gainesville Regional Utilities  
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## **1. Summary of Significant Accounting Policies**

### **Organization**

Gainesville Regional Utilities (GRU or the Utility) is a combined municipal utility operating electric, water, wastewater, natural gas, and telecommunications (GRUCom) systems. GRU is a utility enterprise of the City of Gainesville, Florida (City), and is reported as an enterprise fund in the Annual Comprehensive Financial Report of the City. That report may be obtained by writing to the City of Gainesville, Budget & Finance Department, P.O. Box 490, Gainesville, Florida 32627, or by calling (352) 334-5054.

### **System of Accounts and Basis of Accounting**

GRU is required to follow the provisions in the Second Amended and Restated Utilities System Revenue Bond Resolution (Resolution) adopted by the City on September 21, 2017. GRU's electric and gas accounts are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), as required by the Resolution, and in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting, including the application of regulatory accounting as described in Governmental Accounting Standards Board (GASB) Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GRU prepares its financial statements in accordance with GASB Statement No. 62, paragraphs 476-500, *Regulated Operations*, and records various regulatory assets and liabilities. For a government to report under GASB Statement No. 62, its rates must be designed to recover its costs of providing services, and the utility must be able to collect those rates from customers. If it were determined, whether due to regulatory action or competition, that these standards no longer applied, GRU could be required to recognize revenue or expense its regulatory assets and liabilities. Management believes that GRU currently meets the criteria for continued application of GASB Statement No. 62, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

The Resolution specifies the flow of funds from revenues and the requirements for the use of certain restricted and unrestricted assets. Under the Resolution, rates are designed to cover operation and maintenance expenses, rate stabilization, debt service requirements, utility plant improvement fund contributions, and for any other lawful purpose. The flow of funds excludes depreciation expense and certain other non-cash revenue and expense items. This method of rate setting results in costs being included in the determination of rates in different periods than when these costs are recognized for financial statement purposes. The effects of these differences are recognized in the determination of operating income in the period that they occur, in accordance with GRU's accounting policies.

Gainesville Regional Utilities  
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**1. Summary of Significant Accounting Policies (continued)**

**Current and Future GASB Pronouncement Implementations**

Statement No. 99, *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Exchange or Exchange-Like Financial Guarantees

Implementation of this guidance did not have any significant impact on GRU's financial statements.

GASB Statement 100, *Accounting Changes and Error Corrections* - The primary objectives of this Statement are to enhance accounting and financial reporting requirements for accounting changes and error correction. This statement (1) defines accounting changes, (2) prescribes the accounting and financial reporting for each type of accounting change and error corrections, (3) addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information, and (4) requires descriptive note disclosures about accounting changes and error corrections. Implementation of this guidance did not have any significant impact on GRU's financial statements.

GASB Statement 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or noncash means, with an exception of certain types of compensated absences such as, parental leave, military leave, and jury duty, that should not be recognized until the leave is used. This Statement establishes guidance for measuring a liability for leave that has not been used, for leave that has been used but not yet paid or settled, and certain salary-related payments that are directly and incrementally associated with payments for leave. GRU is due to implement this guidance beginning October 1, 2024, and is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those

Gainesville Regional Utilities  
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**1. Summary of Significant Accounting Policies (continued)**

**Current and Future GASB Pronouncement Implementations (continued)**

criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

GRU is due to implement this guidance beginning October 1, 2024, and is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

Management's Discussion and Analysis: This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

Gainesville Regional Utilities  
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**1. Summary of Significant Accounting Policies (continued)**

**Current and Future GASB Pronouncement Implementations (continued)**

Unusual or Infrequent Items: This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position: This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

Major Component Unit Information: This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information: This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

GRU is due to implement this guidance beginning October 1, 2025, and is currently evaluating the impact that adoption of this Statement will have on its financial statements.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Current and Future GASB Pronouncement Implementations (concluded)**

GASB Statement 104, *Disclosure of Certain Capital Assets* - The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

GRU is due to implement this guidance beginning October 1, 2025, and is currently evaluating the impact that adoption of this Statement will have on its financial statements.

**Rates and Regulation**

On June 28, 2023, Florida Governor Ron DeSantis signed Bill CS/HB 1645 into law as Chapter 2023-348 (2023-348), Laws of Florida, which took effect on July 1, 2023. 2023-348 changes the governance of GRU to a governor appointed board known as the Gainesville Regional Utilities Authority (GRUA or the Authority), upon installation of the Authority's members. The law replaced existing governance of the Gainesville City Commission with the Authority. GRU's budget and rates are approved by the Authority.

GRU's rates are established in accordance with the Resolution. Each year during the budget process, and at any other time deemed necessary, the governing body approves base rate changes and other changes to GRU's system charges as applicable.

The Florida Public Service Commission (PSC) does not regulate rate levels in any of GRU's utility systems. They do, however, have jurisdiction over the rate structure for the electric system.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Funds in Accordance with the Resolution**

Certain restricted funds of GRU are administered in accordance with the Resolution:

- Debt Service Fund
- Rate Stabilization Fund
- Construction Fund
- Utility Plant Improvement Fund

The Debt Service Fund accounts for funds accumulated to provide payment of principal and interest on or redeem outstanding debt.

The Rate Stabilization Fund accounts for funds accumulated to stabilize rates over future periods through the transfer of funds to and from operations cash and investments as applicable.

The Construction Fund accounts for funds accumulated for the cost of acquisition and construction of the systems.

The Utility Plant Improvement Fund accounts for funds used to pay for capital projects, debt service, the purchase/redemption of bonds, repayment of bonds, and operation and maintenance expenses as applicable.

**Additional Restricted Funds**

The Utility Deposit Fund accounts for funds accumulated for customer deposits, which are returned to customers whose payment history remains in good standing with the utility after an established length of time.

**Internally Designated Funds**

Certain funds at GRU are considered internally designated outside of the Resolution:

- Fuel Hedging brokerage account
- Debt Defeasance Fund

The Fuel Hedging brokerage account are funds sent to an account to purchase fuel options and futures as a financial transaction to offset increasing natural gas costs.

The Debt Defeasance Fund accounts for funds earned through savings from debt restructurings approved by the GRUA to use to defease future debt.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Reclassifications**

Certain 2023 amounts have been reclassified to conform to the 2024 presentation.

**Statement of Cash Flows**

For purposes of the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand and demand deposits.

**Fuel Inventories**

Fuel stocks in the electric system, which are stated using the weighted average unit cost method, are recorded as inventory when purchased. The cost of fuel used for electric generation is charged to expense as consumed.

**Materials and Supplies Inventories**

Inventories are stated at cost using the weighted average unit cost method when purchased and then expensed or capitalized, as appropriate. Obsolete and unusable materials and supplies are expensed.

**Investments**

Investments in U.S. Treasury and government agencies are reported at fair value, as determined by quoted market prices or independent pricing sources. Investments in commercial paper are recorded at amortized cost, which approximates fair value. More information is provided in Note 2 Deposits and Investments.



Gainesville Regional Utilities  
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**1. Summary of Significant Accounting Policies (continued)**

**Regulatory Assets**

Current and non-current regulatory assets consist of the following (in thousands):

	2024	2023
Electric service expansion	\$ 372	\$ 413
Net costs recoverable in future years	30,237	43,708
Unamortized debt issuance costs	9,342	9,812
Swap termination fees (Note 7)	25,088	27,216
Ineffective portion of Swap Hedges	102	100
Ineffective portion of Fuel Hedges	840	473
Pollution remediation	5,361	6,543
Other post-employment benefits	2,797	3,901
Pension (Note 14)	128,661	126,424
Total	<u>\$ 202,800</u>	<u>\$ 218,590</u>

	2024	2023
Current	\$ 1,288	\$ 1,266
Non-current	201,512	217,324
Total	<u>\$ 202,800</u>	<u>\$ 218,590</u>

**Costs Recoverable in Future Years**

The amount by which depreciation on Deerhaven Renewable Generating Station (DHR) exceeds principal repayment on the related bonds is recorded as amounts to be recovered from future revenue. For the years ended September 30, 2024 and 2023, the amounts recoverable from (to) future revenue is \$(13.5) million and \$(3.6) million, respectively.

**Capital Assets and Depreciation**

Capital assets are recorded at historical cost and include utility plant, general plant, and right-of-use assets. The costs of capital assets include material, labor, vehicle and equipment usage, related overhead items, capitalized interest (fiscal year 2021 and prior), and certain administrative and general expenses. Maintenance and replacement of minor items are charged to operations and maintenance expenses. When units of depreciable property are retired, the original cost less salvage value is charged to accumulated depreciation if there is outstanding debt that originally constructed or purchased that asset. If there is no longer outstanding debt, the net book value less salvage value is recorded as a gain or loss in the income statement. Removal cost of the old asset is added to the cost of constructing the new asset and amortized over the life of that new asset. Cost of removal of an asset that is not replaced with a new asset is recorded as an expense in the income statement. GRU has a capitalization threshold of \$2,500 for general plant assets and no capitalization threshold for utility plant.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Capital Assets and Depreciation (concluded)**

Depreciation of capital assets is computed using the straight-line method over the estimated lives of the assets ranging from 2 to 83 years. See Note 4 Capital Assets for additional information.

**Subscription-Based Information Technology Arrangements (SBITA)**

GRU enters into SBITA arrangements with other entities as a subscriber of information technology in accordance with GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*, and establishes an accounting model for subscription assets that requires the recognition of a SBITA liability and an intangible right-to-use subscription asset in the Statement of Net Position for fiscal years 2024 and 2023. See Note 11 Subscription-Based Information Technology Arrangements for additional information.

**Leases**

GRU enters into leases of capital assets with other entities as a lessor in accordance with GASB Statement No. 87 *Leases*, and records a lease receivable and corresponding deferred inflow of resources in the Statement of Net Position for fiscal years 2024 and 2023. GRU continues to report and depreciate the capital assets being leased. See Note 10 Leases for additional information.

GRU enters into leases of capital assets of other entities as a lessee in accordance with GASB Statement No. 87 *Leases*, and records a lease liability and an intangible right-to-use capital asset (known as the lease asset) in the Statement of Net Position for fiscal years 2024 and 2023. See Note 10 Leases for additional information.

**Contributions in Aid of Construction**

GRU recognizes capital contributions to the electric and gas systems as revenues which are subsequently expensed in the same period. Depreciation on these assets is recorded on a straight-line basis over the estimated lives of the assets.

GRU recognizes capital contributions to the water, wastewater, and telecommunications systems as revenues in the period received. Depreciation on these assets is recorded on a straight-line basis over the estimated lives of the assets.

**Hedging Derivative Instruments**

GRU records fuel and financial-related derivative instruments in accordance with GASB Statement No. 53, *Accounting and Reporting for Financial and Derivative Instruments*. All effective derivative instruments are included in the Statements of Net Position as either an asset

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Hedging Derivative Instruments (concluded)**

or liability measured at fair value. All ineffective derivative instruments are recorded as a regulatory asset. Changes in the fair value of the hedging derivative instruments during the year are recorded as either deferred outflows or deferred inflows and are recognized in the period in which the derivative is settled. The settlement of fuel and financial-related hedging derivative instruments is included as a part of fuel costs and interest expense, respectively, in the Statements of Revenues, Expenses, and Changes in Net Position.

GRU conducts a risk management program with the intent of reducing the impact of fuel price increases for its customers. The program utilizes futures and options contracts that are traded on the New York Mercantile Exchange (NYMEX) so that prices may be fixed or reduced for given volumes of gas that the utility projects to consume during a given production month. This program is based on feedback and direction from GRU's Risk Oversight Committee, consultation and recommendations from reputable risk management sources, and close monitoring of the market. The CEO approves all purchases of futures and options.

**Long-Term Debt**

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the balance sheet. The balance at year-end for the loss on refunding is shown as a deferred outflow of resources in the statement of net position. See Note 6 Long-Term Debt for additional information.

**Net Pension Liability (Asset)**

A net pension liability (asset) is recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, the fiduciary net position of the Employees' Pension Plan (Employees' Plan) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts with a maturity at the time of purchase of one year or less, which are reported at cost. See Note 14 Retirement Plans for additional information.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Postemployment Benefits Other Than Pensions (OPEB)**

A net OPEB liability (asset) is recorded in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See Note 15 Other Post-employment Benefits Plan for additional information.

**Deferred Outflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

*Unamortized Loss on Refunding of Bonds*

Losses on refunding of bonds have been deferred. These amounts are being amortized over the life of the old debt or the life of the new debt, whichever is shorter.

*Accumulated Decrease in Fair Value of Hedging Derivatives*

GRU has two types of hedging instruments: interest rate swap agreements and natural gas hedges. Each is associated with an item that is eligible to be hedged. For effective hedging transactions, hedge accounting is applied, and fair value changes are recorded on the statement of net position as either a deferred inflow of resources or a deferred outflow of resources until such time that the transaction ends. See Note 7 Hedging Activities for additional information.

*General Employees' Pension Plan Costs*

Recognition of deferred outflows of resources related to pension costs totaled \$8.5 million and \$23.7 million as of September 30, 2024 and 2023, respectively. See Note 14 Retirement Plans for additional information.

*Other Post-employment Benefits Plan*

Recognition of deferred outflows of resources related to the OPEB plan was \$1.3 million and \$4.1 million as of September 30, 2024 and 2023, respectively. See Note 15 Other Post-employment Benefits Plan for additional information.

**Deferred Inflows of Resources**

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2024 and 2023

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**1. Summary of Significant Accounting Policies (continued)**

**Deferred Inflows of Resources (concluded)**

*Rate Stabilization*

GRU designs its rates to recover the costs of providing services. In order to stabilize future rate increases or decreases, GRU determines a rate stabilization amount to be charged or credited to revenues on an annual basis. There were transfers of \$492,000 and \$9 million to rate stabilization for the years ended September 30, 2024 and 2023, respectively. Rate stabilization amounts of \$68 million and \$62.5 million, respectively, are reflected in deferred inflows of resources in the statements of net position.

*General Employees' Pension Plan Costs*

Recognition of deferred inflows of resources related to unrealized gains for the pension plan totaled \$48.5 million and \$302,000 as of September 30, 2024 and 2023, respectively. See Note 14 Retirement Plans for additional information.

*Other Post-employment Benefit Plan*

Recognition of deferred inflows of resources related to unrealized gains for the OPEB plan was \$6.9 million and \$4.6 million as of September 30, 2024 and 2023, respectively. See Note 15 Other Post-employment Benefits Plan for additional information.

*Leases*

Recognition of deferred inflows of resources related to future lease revenues for tower leasing was \$20.2 million for September 30, 2024, and \$20.4 million for September 30, 2023. See Note 10 Leases for additional information.

**Net Position**

GRU classifies net position into three components as follows:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – consists of non-capital assets that must be used for a particular purpose as specified by creditors, contributors, grantors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – consists of assets that do not meet the definition of net investment in capital assets or restricted net position.

When both restricted and unrestricted resources are available for use, it is GRU's policy to use restricted resources first, then unrestricted resources as they are needed.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2024 and 2023

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**1. Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

Revenue is recognized when earned. GRU accrues for services rendered but unbilled, which totaled approximately \$16.9 million and \$20.2 million at September 30, 2024 and 2023, respectively.

Fuel and purchased gas adjustment levelization revenue is adjusted as expenses are incurred. Amounts charged to customers for fuel are based on estimated costs and are adjusted in the following month when the costs are known. The amount charged in the fuel adjustment is adjusted and approved by the CEO of the Utility as deemed necessary. If the amount recovered through billing exceeds actual fuel expenses, GRU records the excess billings as a liability. If the amount recovered through billings is less than actual fuel expenses, GRU records the excess fuel expense as a reduction of the liability or as an asset. See Note 5 Fuel and Purchased Gas Adjustment Levelization for additional information.

**Pledged Revenues**

Under the terms of the Resolution relating to the sale of the Utilities System Revenue Bonds, payment of principal and interest is secured by an irrevocable lien on GRU's net revenue (exclusive of any funds that may be established pursuant to the Resolution for certain other specified purposes), including any investments and income thereof. The Utilities System Revenue Bonds have a first lien and the Variable Rate Subordinated Revolving Lines of Credit have a second lien. The Resolution contains certain restrictions and commitments, including GRU's covenant to establish and maintain rates and other charges to produce revenue sufficient to pay operation and maintenance expenses, amounts required for deposit in the debt service fund, and amounts required for deposit in the utility plant improvement fund.

**Operating, Non-operating Revenues**

GRU defines operating revenues as revenue derived from customer sales or service charges and recoveries related to future rate collections and other items. Non-operating revenues include interest on investments, gains and losses on sales of assets, and other items. Substantially all of GRU's operating revenues are pledged to the repayment of Utility System Revenue Bonds.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (concluded)**

**Transactions with the City**

As an enterprise fund of the City, transactions occur between GRU and the City's governmental and business-type funds throughout the year in the ordinary course of operations.

Below is a summary of significant transactions:

- Administrative services – GRU pays for various administrative and certain insurance services provided by the City's governmental and business-type functions. GRU receives payment for Information Technology, telecommunications, certain insurance services, and billing services provided to the City's governmental and business-type functions.
- Pension obligation payments – GRU makes payments to the City for pension expense obligations. See Note 14 Retirement Plans for additional information.
- Non-metered and metered service charges – GRU receives payment from the City for all non-metered and metered service charges.
- Operating transfer to the General Fund – GRU makes payments to the City's General Fund from operating revenues. See Note 12 Transfer to the City of Gainesville General Fund for additional information.

Gainesville Regional Utilities  
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## 2. Deposits and Investments

The institutions in which GRU's monies are deposited are certified as Qualified Public Depositories under the Florida Public Deposit Act. Therefore, GRU's total bank balances on deposit are entirely insured or collateralized by the Federal Deposit Insurance Corporation and the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance. As required by the Resolution, the depository is restricted to being a bank, savings and loan association, or trust company of the United States, or a national banking association having capital stock, surplus and undivided earnings aggregating at least \$10 million.

In accordance with state laws and the Resolution, GRU is authorized to invest in obligations, which are unconditionally guaranteed by the United States of America or its agencies or instrumentalities, repurchase agreement obligations unconditionally guaranteed by the United States of America or its agencies, corporate indebtedness, direct and general obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state provided such obligations are rated by at least one Nationally Recognized Statistical Ratings Organization, (NRSRO). Investments in corporate indebtedness must be at a minimum acceptable level at time of purchase, in its highest short-term (ST) or three highest long-term (LT) rating categories (A-1/P-1, A-/A3, or equivalent). All assets held by GRU shall be invested pursuant to the guidelines set forth in the Investment Policy. It is the intent of the policy to provide sufficient latitude to effectively manage funds so as to maximize returns within acceptable risk exposure and ensure compliance with bond covenants and related parameters.

As of September 30, 2024, GRU had the following investments and maturities (in thousands):

	Fair Value	Maturities in Years		
		Less than 1	1-5	Over 5
<b>Investment type:</b>				
Commercial paper	\$ 109,743	\$ 109,743	\$ -	\$ -
Corporate bonds	18,321	3,103	15,218	-
U.S. agencies	131,415	97,862	33,553	-
U.S. treasuries	20,536	20,536	-	-
Total	<u>\$ 280,015</u>	<u>\$ 231,244</u>	<u>\$ 48,771</u>	<u>\$ -</u>



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**2. Deposits and Investments (continued)**

As of September 30, 2023, GRU had the following investments and maturities (in thousands):

	Fair Value	Maturities in Years		
		Less than 1	1-5	Over 5
<b>Investment type:</b>				
Commercial paper	\$ 131,397	\$ 131,397	\$ -	\$ -
Corporate bonds	25,014	10,959	14,055	-
U.S. agencies	117,037	68,543	48,494	-
U.S. treasuries	23,758	20,905	2,853	-
Total	<u>\$ 297,206</u>	<u>\$ 231,804</u>	<u>\$ 65,402</u>	<u>\$ -</u>

Cash and investments are comprised of the following at September 30 (in thousands):

	2024	2023
Restricted assets and internally designated	\$ 339,895	\$ 391,955
Current assets:		
Cash and investments	54,240	25,835
Total cash and investments	394,135	417,790
Less cash and cash equivalents	(114,120)	(120,584)
Total investments	<u>\$ 280,015</u>	<u>\$ 297,206</u>

**Interest Rate Risk**

GRU's investment policy limits its investments to securities with terms of ten years or less to reduce exposure to rising interest rates, unless investments are matched to meet specific cash flow needs. The investment policy states the average portfolio term is not to exceed five years. GRU's Resolution further limits investments of the Utility Plant Improvement Fund and Rate Stabilization Fund to no more than five years.

**Credit Risk**

GRU's investment policy and Resolution limit investments in state and local taxable or tax-exempt debt, corporate fixed income securities, and other corporate indebtedness to investments that are rated by at least one NRSRO. Investments in corporate indebtedness must be at a minimum acceptable level at time of purchase, in its highest short-term (ST) or three highest long-term (LT) rating categories (A-1/P-1, A-/A3, or equivalent) by Standard and Poor's, Moody's Investor Service, and/or equivalent.

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**2. Deposits and Investments (concluded)**

**Credit Risk (concluded)**

The table below illustrates GRU's holdings with investment ratings from Standard and Poor's (S&P), Moody's Investor Service, and Fitch Ratings.

	2024			2023		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Commercial Paper	A-1 or A-1+	P-1	N/A, F1, or F1+	A-1	N/A or P-1	N/A or F1
Corporate Indebt.	A or better	A2 or better	N/A, A, or better	A- or better	A3 or better	N/A, A or better
FFCB	AA+	Aaa	AA+	AA+	Aaa	NR
FHLMC	A-1+ or AA+	P-1 or Aaa	F1+ or AAA	AA+	Aaa	NR
FHLB	A-1 or AA+	P-1 or Aaa	N/A	A-1 or AA+	P-1 or Aaa	NR
FNMA	A-1	P-1	F1+	A-1+	P-1	F1+

**Concentration of Credit Risk**

State law does not limit the amount that may be invested in any one issuer. It does require, however, that investments be diversified to control risk of loss from an over concentration of assets. As of September 30, GRU had more than 5% of the investment portfolio invested with the following issuers:

	<b>Percent of Total Investments</b>	
	<b>2024</b>	<b>2023</b>
Federal Home Loan Mortgage Corporation	<b>12.47%</b>	4.65%
Federal Farm Credit Bank	<b>6.11%</b>	4.16%
Federal Home Loan Bank	<b>12.94%</b>	24.05%
Federal National Mortgage Association	<b>15.42%</b>	6.52%

Gainesville Regional Utilities  
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**3. Investment in The Energy Authority**

GRU has an equity investment in The Energy Authority (TEA), an energy marketing corporation comprised of seven municipal utilities as of September 30, 2024: Grand River Dam Authority (Oklahoma), Jacksonville Electric Authority (Florida), South Carolina Public Service Authority, Nebraska Public Power District, GRU, City Utilities of Springfield (Missouri), and American Municipal Power, Inc. (Ohio). TEA provides energy products and resource management services to equity members and non-members and allocates transaction savings and operating expenses to equity members pursuant to Settlement Procedures under the Operating Agreement.

In the Statement of Revenues, Expenses, and Changes in Net Position, GRU's sales to and purchases from TEA are recorded in sales and service charges and operations and maintenance expenses, respectively. Sales to TEA were \$2 million and \$4.3 million, and purchases from TEA were \$6.7 million and \$7.2 million, for the years ended September 30, 2024 and 2023, respectively. GRU's equity interest was 5.9% for fiscal year 2024 and 6.0% for fiscal year 2023, and accounted for using the equity method of accounting. As of September 30, 2024 and 2023, GRU's investment in TEA was \$11 million and \$9.6 million, respectively.

Through a combination of agreements, GRU guaranteed credit received by TEA for \$44.5 million and \$36.4 million as of September 30, 2024 and 2023, respectively. TEA evaluates its credit needs periodically and requests equity members to adjust their guarantees accordingly. The guarantee agreements are intended to provide credit support for TEA when entering into transactions on behalf of equity members. Such guarantees are within the scope of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and would require the equity members to make payments to TEA's counterparties if TEA failed to deliver energy, capacity, or natural gas as required by contract, or if TEA failed to make payment for the purchases of such commodities. If guarantee payments are required, GRU has rights with other equity members that such payments be apportioned based on certain criteria. The guarantees generally have indefinite terms; however, GRU can terminate its guarantee obligations by providing notice to counterparties and others, as required by the agreements. Such terminations would not pertain to any transactions TEA entered into prior to notice being given. As of September 30, 2024 and 2023, GRU had not recorded a liability related to these guarantees.

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**3. Investment in The Energy Authority (concluded)**

The table below contains unaudited condensed financial information for TEA for the nine months ended September 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Condensed statement of operations:		
Total revenue	<b>\$ 2,347,669</b>	\$ 3,132,281
Total cost of sales and expense	<b>(2,251,995)</b>	(3,026,014)
Operating income	<b>95,674</b>	106,267
Nonoperating income (expense)	<b>5,164</b>	3,887
Change in net position	<b>100,838</b>	110,154
Net position, beginning of period	<b>155,682</b>	145,932
Capital contributions	<b>26,137</b>	1,252
Member distributions	<b>(94,130)</b>	(98,449)
Net position, end of period	<b><u>\$ 188,527</u></b>	<b><u>\$ 158,889</u></b>
Condensed balance sheet:		
Assets:		
Current assets	<b>\$ 421,758</b>	\$ 355,758
Noncurrent assets and deferred outflows	<b>47,047</b>	61,959
Total assets and deferred outflows	<b><u>468,805</u></b>	<b><u>417,717</u></b>
Liabilities:		
Current liabilities	<b>261,257</b>	236,091
Noncurrent liabilities and deferred inflows	<b>19,021</b>	22,737
Total liabilities and deferred inflows	<b><u>280,278</u></b>	<b><u>258,828</u></b>
Total net position	<b><u>188,527</u></b>	<b><u>158,889</u></b>
Total liabilities, deferred inflows and net position	<b><u>\$ 468,805</u></b>	<b><u>\$ 417,717</u></b>

GRU's accounts receivable due from TEA totaled approximately \$210,000 and \$442,000, for the years ended September 30, 2024 and 2023, respectively.

**Gainesville Regional Utilities**  
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September 30, 2024 and 2023

**4. Capital Assets**

Net capital assets as of September 30, 2024, are \$1.9 billion. A summary of capital assets, changes in accumulated depreciation and amortization for the year ending September 30, 2024, follows (in thousands):

	<b>Balance October 1, 2023</b>	<b>Additions</b>	<b>Less Sales, Retirements and Transfers</b>	<b>Balance September 30, 2024</b>
<u>Utility Plant in Service</u>				
Treatment	\$ 257,524	\$ 22,696	\$ (3,641)	\$ 276,579
Generation	1,494,446	19,587	(6,475)	1,507,558
Transmission, Distribution, and Collection	1,135,072	85,499	(14,417)	1,206,154
General	229,684	6,820	(2,811)	233,693
Construction in Progress	139,385	115,828	(134,908)	120,305
Right-of-use Leases	754	245	-	999
Right-of-use SBITA	10,708	1,077	-	11,785
Combined	<u>\$ 3,267,573</u>	<u>\$ 251,752</u>	<u>\$ (162,252)</u>	<u>\$ 3,357,073</u>
	<b>Balance October 1, 2023</b>	<b>Depreciation / Amortization Expense</b>	<b>Less Retirements / Adjustments</b>	<b>Balance September 30 2024</b>
<u>Accumulated Depreciation and Amortization</u>				
Treatment	\$ 133,635	\$ 9,414	(2,769)	\$ 140,280
Generation	545,344	49,542	(2,500)	592,386
Transmission, Distribution, and Collection	599,840	38,580	(9,591)	628,829
General	129,214	8,687	(2,271)	135,630
Construction in Progress	n/a	n/a	n/a	n/a
Right-of-use Leases	407	195	(1)	601
Right-of-use SBITA	2,396	2,610	(1,129)	3,877
Combined	<u>\$ 1,410,836</u>	<u>\$ 109,028</u>	<u>\$ (18,261)</u>	<u>\$ 1,501,603</u>

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2024 and 2023

**4. Capital Assets (concluded)**

Net capital assets as of September 30, 2023, are \$1.9 billion. A summary of capital assets, changes in accumulated depreciation and amortization for the year ending September 30, 2023, follows (in thousands):

	Balance October 1, 2022	Additions	Less Sales, Retirements and Transfers	Balance September 30, 2023
<u>Utility Plant in Service</u>				
Treatment	\$ 257,524	\$ -	\$ -	\$ 257,524
Generation	1,480,926	14,132	(612)	1,494,446
Transmission, Distribution, and Collection	1,089,157	51,222	(5,307)	1,135,072
General	230,621	1,661	(2,598)	229,684
Construction in Progress	106,912	102,806	(70,333)	139,385
Right-of-use Leases	759	-	(5)	754
Right-of-use SBITA	-	10,708	-	10,708
Combined	<u>\$ 3,165,899</u>	<u>\$ 180,529</u>	<u>\$ (78,855)</u>	<u>\$ 3,267,573</u>
	Balance October 1, 2022	Depreciation / Amortization Expense	Less Retirements / Adjustments	Balance September 30, 2023
<u>Accumulated Depreciation and Amortization</u>				
Treatment	\$ 124,671	\$ 8,964	-	\$ 133,635
Generation	498,327	46,906	111	545,344
Transmission, Distribution, and Collection	565,702	36,439	(2,301)	599,840
General	122,763	8,981	(2,530)	129,214
Construction in Progress	n/a	n/a	n/a	n/a
Right-of-use Leases	264	148	(5)	407
Right-of-use SBITA	-	2,396	-	2,396
Combined	<u>\$ 1,311,727</u>	<u>\$ 103,834</u>	<u>\$ (4,725)</u>	<u>\$ 1,410,836</u>

Gainesville Regional Utilities  
Notes to Financial Statements  
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**5. Fuel and Purchased Gas Adjustment Levelization**

Electric and natural gas customers are billed a monthly fuel and purchased gas adjustment charge based on a number of factors, including fuel and fuel-related costs. GRU establishes this fuel and purchased gas adjustment charge based on ordinances approved by the City Commission. A fuel and purchased gas adjustment levelization fund is utilized to stabilize the monthly impact of the fuel and purchased gas adjustment charge included in customer billings.

The following table represents total revenues and expenses associated with the fuel and purchased gas adjustment and the subsequent impact on the fuel and purchased gas levelization balance as of September 30, 2024 (in thousands):

	<b>Fuel Adjustment</b>	<b>Purchased Gas Adjustment</b>	<b>Total</b>
Revenues	\$ 84,291	\$ 11,436	\$ 95,727
Expenses	(83,162)	(9,550)	(92,712)
To (From) Levelization Fund	<u>\$ 1,129</u>	<u>\$ 1,886</u>	<u>\$ 3,015</u>
Levelization Fund Beginning Balance	\$ 4,541	\$ 1,896	\$ 6,437
To (From) Levelization Fund	1,129	1,886	3,015
Levelization Fund Ending Balance	<u>\$ 5,670</u>	<u>\$ 3,782</u>	<u>\$ 9,452</u>

The following table represents total revenues and expenses associated with the fuel and purchased gas adjustment and the subsequent impact on the fuel and purchased gas levelization balance as of September 30, 2023 (in thousands):

	<b>Fuel Adjustment</b>	<b>Purchased Gas Adjustment</b>	<b>Total</b>
Revenues	\$ 135,006	\$ 17,424	\$ 152,430
Expenses	(109,347)	(12,826)	(122,173)
To (From) Levelization Fund	<u>\$ 25,659</u>	<u>\$ 4,598</u>	<u>\$ 30,257</u>
Levelization Fund Beginning Balance	\$ (21,118)	\$ (2,702)	\$ (23,820)
To (From) Levelization Fund	25,659	4,598	30,257
Levelization Fund Ending Balance	<u>\$ 4,541</u>	<u>\$ 1,896</u>	<u>\$ 6,437</u>

Gainesville Regional Utilities  
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## 6. Long-Term Debt

On September 30, 2024 and 2023, total debt outstanding was (in thousands):

Bond Series	Rate	Maturity	Original Issuance	2024	2023
2005C	Variable <sup>1</sup>	2026	\$ 55,135	\$ -	\$ 3,090
2006A	Variable <sup>1</sup>	2026	53,305	-	2,985
	5.147% -				
2009B	5.655%	2039	156,900	<b>117,905</b>	123,310
2010A	5.874%	2030	12,930	<b>12,930</b>	12,930
2010B	6.024%	2040	132,445	<b>132,445</b>	132,445
2012B	Variable <sup>1</sup>	2042	100,470	<b>88,545</b>	98,610
	3.250% -				
2014A	5.000%	2044	37,980	<b>35,035</b>	36,000
	3.125% -				
2014B	5.000%	2036	30,970	<b>11,830</b>	12,085
	4.000% -				
2017A	5.000%	2040	415,920	<b>327,705</b>	357,750
2019A	5.000%	2047	153,820	<b>153,115</b>	153,820
2019B	3.875%	2047	26,665	<b>26,665</b>	26,665
2019C	Variable <sup>1</sup>	2047	67,355	<b>66,745</b>	67,355
2020A	2.060%	2034	10,665	<b>10,300</b>	10,620
2021A	5.000%	2051	95,760	<b>95,760</b>	95,760
2022A	1.510%	2028	66,600	<b>53,325</b>	66,600
2022B	2.847%	2038	232,880	<b>225,345</b>	232,880
2023A	Variable <sup>2</sup>	2047	160,000	<b>160,000</b>	160,000
2023B	Variable <sup>3</sup>	2044	105,000	<b>105,000</b>	105,000
2023C	Variable <sup>4</sup>	2053	151,210	<b>151,210</b>	151,210
				<b>\$ 1,773,860</b>	<b>\$ 1,849,115</b>

<sup>1</sup> Bonds are subject to daily variable rate resets

<sup>2</sup> Bonds are subject to 79% of 1M SOFR plus .57% bank fee

<sup>3</sup> Bonds are subject to 80% of 1M SOFR plus .53% bank fee

<sup>4</sup> Bonds are subject to 81.5% of 1M SOFR plus .57% bank fee



Gainesville Regional Utilities  
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**6. Long-Term Debt (continued)**

The table below shows the changes in long-term debt balances that occurred during the years ended September 30, 2024 and 2023 (in thousands).

	September 30	
	2024	2023
Long-term Debt outstanding at beginning of year	\$ 1,849,115	\$ 1,731,945
Changes in Long-term debt		
2023 Series A Issuance	-	160,000
2023 Series B Issuance	-	105,000
2023 Series C Issuance	-	151,210
Fixed and Variable Rate debt redeemed	(35,680)	(30,580)
2005 Series C Full Redemption	(3,090)	-
2006 Series A Full Redemption	(2,985)	-
2012 Series B Redemption	(10,065)	-
2014 Series B Redemption	(255)	-
2017 Series A Defeasance	(15,650)	(3,460)
2017 Series B Refunded		(45,000)
2017 Series C Refunded	-	(115,000)
2019 Series A Defeasance	(705)	
2019 Series C Redemption	(610)	
2020 Series A Redemption	(275)	
2020 Series B Refunded	-	(105,000)
2022 Series A Redemption	(1,200)	
2022 Series B Redemption	(4,740)	
Long-term Debt outstanding at end of year	<u>\$ 1,773,860</u>	<u>\$ 1,849,115</u>

Gainesville Regional Utilities  
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**6. Long-Term Debt (continued)**

**Debt Service Requirements for Long-Term Debt**

Annual debt service requirements to maturity for long-term debt as of September 30, 2024 (in thousands):

<b>BONDS</b>			
<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
2025	\$ 21,835	\$ 52,309	\$ 74,144
2026	17,250	50,723	67,973
2027	16,460	49,875	66,335
2028	12,595	49,141	61,736
2029	30,300	48,056	78,356
2030-2034	176,770	194,948	371,718
2035-2039	274,450	140,573	415,023
2040-2044	262,915	67,419	330,334
2045-2049	220,700	25,021	245,721
2050-2054	35,405	2,713	38,118
2054-2058	-	-	-
	<u>\$ 1,068,680</u>	<u>\$ 680,778</u>	<u>\$ 1,749,458</u>

<b>DIRECT PLACEMENTS</b>			
<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
2025	13,505	\$ 28,492	\$ 41,997
2026	22,470	28,059	50,529
2027	22,805	27,555	50,360
2028	20,510	27,082	47,592
2029	20,905	26,638	47,543
2030-2034	112,225	125,205	237,430
2035-2039	76,550	109,487	186,037
2040-2044	122,745	93,452	216,197
2045-2049	161,385	51,026	212,411
2050-2054	132,080	18,107	150,187
	<u>\$ 705,180</u>	<u>\$ 535,103</u>	<u>\$ 1,240,283</u>

See Note 7 Hedging Activities for additional debt service requirements for interest rate swaps.

Gainesville Regional Utilities  
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**6. Long-Term Debt (continued)**

**Debt Service Requirements for Long-Term Debt (continued)**

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, the interest requirement for variable-rate debt was determined using the interest rates that were in effect as of September 30, 2024. Interest rates on variable-rate long-term debt were valued to be equal to 4.05% for the 2012 Series B Bonds, 3.98% for the 2019 Series C Bonds, 5.25% for the 2023 Series A Bonds, 5.20% for the 2023 Series B Bonds, and 4.80% for the 2023 Series C Bonds.

The 2009 Series B and 2010 Series B Bonds receive a federal interest subsidy of 33% of the annual interest expense and are assumed to remain at said rate through the sequestration period of 2030. The sequestration rate will be applied unless and until a law is enacted that cancels or otherwise affects the sequestration reduction rate. The subsidy is recorded as non-operating revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

GRU's revenues net of specified operating expenses are pledged as security of the above Utilities System Revenue Bonds and Lines of Credit. For fiscal years 2024 and 2023, principal and interest paid were \$149 million and \$109.7 million, respectively. For fiscal years 2024 and 2023, total pledged revenues were \$466.9 million and \$475.5 million, respectively. As of September 30, 2024, annual principal and interest payments are expected to require 22% of pledged revenues on average.

For GRU's utilities system variable rate demand obligations (VRDO), support is provided in connection with tenders for purchase with various liquidity providers pursuant to Stand-by Bond Purchase Agreements (SBPA) or credit agreements relating to that series of obligations. The purchase price of the obligations tendered or deemed tendered for purchase is payable solely from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA or credit agreement. The current stated termination dates of the SBPA and credit agreements range from April 25, 2025, to November 21, 2027. Each of the SBPA and credit agreement termination dates may be extended. At September 30, 2024, there were no outstanding draws under any of the SBPAs. Available credits including interest, under each VRDO are as follows: \$90 million for 2012 Series B, and \$68 million for 2019 Series C.

The revolving credit agreements with commercial banks to provide liquidity support for its commercial paper notes were terminated on April 29, 2022, along with the programs those facilities support, such as the tax-exempt Commercial Paper Notes Series C and the taxable Commercial Paper Notes Series D.

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**6. Long-Term Debt (continued)**

**Debt Service Requirements for Long-Term Debt (concluded)**

Liquidity Facilities and Direct Placements, as of September 30, 2024:

LIQUIDITY FACILITIES							
Series	Series Type	Facility	Term Date	Fee	Remarketing Agent	Par (000) O/S or LOC	Amounts Drawn
2012B	Daily VRDO	Truist	04/24/27	43 bps	JP Morgan	88,545	0
2018A (LOC)	TE LOC	SunTrust	11/21/27	25 bps	NA	25,000	0
2019C	Daily VRDN	Bank of America	04/25/25	34 bps	Bank of America	66,745	0
2020A (LOC)	Taxable LOC	Truist	11/21/27	30 bps	NA	50,000	0
2022A/B	TE/Taxable	US Bank	04/29/25	17 bps	NA	150,000	0

DIRECT PLACEMENTS						
Series	Series Type	Bank	Term Date	Fee	GRU Pays	Par (000) O/S or LOC
2020A	Fixed	Bank of America	10/01/34	-	2.06%	10,300
2022B	Fixed	Bank of America	10/01/38	-	2.847%	225,345
2022A	Fixed	Bank of America	10/01/28	-	1.51%	53,325
2023A	Monthly	Truist	05/01/26	57 bps	79% 1M SOFR	160,000
2023B	Monthly	TD Bank	05/01/26	53 bps	80% 1M SOFR	105,000
2023C	Monthly	TD Bank	06/22/26	57 bps	81.5% 1M SOFR	151,210

**Revocable Trust Account**

On October 28, 2021, a portion of the October 1, 2025, 2009 Series B maturity, totaling \$1.1 million, was allocated to a revocable trust specifically established to ensure future payments on the outstanding debt. This strategic move aimed to achieve short-term savings in debt service, targeting anticipated spikes in debt service payments during the Fiscal Years 2022-2026, thereby making them more manageable. The transaction facilitated GRU's continued receipt of the Build America Bonds (BABs) subsidy while circumventing the high costs associated with a make-whole call redemption. It also enabled GRU to focus on a single maturity effectively. An escrow agreement was established with U.S. Bank N.A., and the account was fully funded at closing. A total of \$1.3 million was deposited into the escrow account to purchase securities, including a cash deposit of \$29,000. Cash flow from the escrow account is anticipated to fund payment dates covering the period from April 1, 2022, to October 1, 2025. The revocable trust account has a market value of \$1.2 million at September 30, 2024.

**Irrevocable Trust Account**

As of September 30, 2024 and 2023, the amounts of outstanding bonds considered defeased are \$16.4 million and \$3.5 million, respectively. The irrevocable trust accounts have recorded balances of \$29 million and \$10.8 million at September 2024 and September 2023, respectively, from prior lien bonds defeased in October 2021, October 2022, and September 2024. These balances are deemed sufficient to service and redeem the defeased bonds currently outstanding.

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**6. Long-Term Debt (continued)**

**Events of Default and Remedies of Bondholders**

To further comply with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, GRU states Article VIII Events of Default and Remedies of Bondholders, Section 801, in the Second Amended and Restated Utilities System Revenue Bond Resolution adopted September 21, 2017, in order to provide more information as it relates to (1) events to default with finance-related consequences, (2) termination events, and (3) subjective acceleration clauses.

**SECTION 801.Events of Default.** If one or more of the following Events of Default shall happen:

- i. if default shall be made in (a) the due and punctual payment of the principal or Redemption Price of any Bond (other than Parity Reimbursement Obligations) when and as the same shall become due and payable, whether at maturity or by call or proceedings for redemption, or otherwise, (b) in the due and punctual payment of any amounts due on Parity Reimbursement Obligations (after the lapse of any notice requirements or grace periods, or both, as provided by the applicable Parity Reimbursement Obligation);
- ii. if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment, when and as such interest installment or Sinking Fund Installment shall become due and payable;
- iii. the Revenues in any Fiscal Year shall be inadequate to comply with the requirements of Section 710 hereof, unless the City promptly takes remedial action to ensure compliance thereafter consistent with the determination of the Consulting Engineer rendered pursuant to paragraph 4 of Section 713 hereof;
- iv. if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall have continued for a period of 90 days after written notice specifying such default and requiring that it shall have been remedied and stating that such notice is a "Notice of Default" hereunder is given to the City by the Trustee or to the City and to the Trustee by the Holders of not less than 25% in principal amount of the Bonds Outstanding; provided, however, the City shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the City in good faith institutes applicable curative action and within 90 days of such notice diligently pursues such action until the default has been corrected;
- v. a court having jurisdiction in the premises shall enter a decree or order providing for relief in respect of the City in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the City or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 90 days; or

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**6. Long-Term Debt (continued)**

**Events of Default and Remedies of Bondholders (concluded)**

- vi. the City shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the City or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any action in furtherance of the foregoing; then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the City and the Co-Trustee, if any), or the Holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to the City, the Trustee and the Co-Trustee, if any), may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the Holders of not less than 25% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest on the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee and the Co-Trustee, if any, and all other sums then payable by the City under the Resolution, including, without limitation, Parity Hedging Contract Obligations then due (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration), shall either be paid by or for the account of the City or provision satisfactory to the Trustee and the Co-Trustee, if any, shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of 25% in principal amount of the Bonds Outstanding, by written notice to the City, the Trustee and the Co-Trustee, if any, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of 25% in principal amount of the Bonds Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default shall ipso facto be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

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**6. Long-Term Debt (concluded)**

**Changes in Long-Term Liabilities**

Long-term liabilities activity for the year ended September 30, 2024, was as follows (in thousands):

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Utilities system revenue bonds	\$ 1,849,115	\$ -	\$ (75,255)	\$ 1,773,860	\$ 35,340
Add: Issuance premiums	92,539	-	(10,912)	81,627	-
Total bonds payable	1,941,654	-	(86,167)	1,855,487	35,340
Lease Liability	357	395	(346)	406	143
SBITA Liability	5,101	402	(853)	4,650	2,634
Fair value of derivative instruments	6,128	14,185	(17,955)	2,358	-
Reserve for insurance claim	1,960	-	(618)	1,342	-
Reserve for environmental liability	1,096	22	-	1,118	410
Net pension liability	47,617	-	(47,617)	-	-
Net other post-employment benefits liability	3,416	-	(3,416)	-	-
Due to other funds	108,055	7,921	(1,232)	114,744	8,825
Other noncurrent liabilities and regulatory liabilities	409	193	(334)	268	-
	<u>\$ 2,115,793</u>	<u>\$ 23,118</u>	<u>\$ (158,538)</u>	<u>\$ 1,980,373</u>	<u>\$ 47,352</u>

Long-term liabilities activity for the year ended September 30, 2023, was as follows (in thousands):

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Utilities system revenue bonds	\$ 1,731,945	\$ 416,210	\$ (299,040)	\$ 1,849,115	\$ 35,680
Add: Issuance premiums	101,034	-	(8,495)	92,539	-
Total bonds payable	1,832,979	416,210	(307,535)	1,941,654	35,680
Lease Liability	503	2	(148)	357	148
SBITA Liability	-	5,101	-	5,101	2,232
Fair value of derivative instruments	-	19,927	(13,799)	6,128	-
Reserve for insurance claim	1,960	-	-	1,960	-
Reserve for environmental liability	939	157	-	1,096	388
Net pension liability	80,910	-	(33,293)	47,617	-
Net other post-employment benefits liability	4,194	-	(778)	3,416	-
Due to other funds	109,519	2,046	(3,510)	108,055	9,406
Other noncurrent liabilities and regulatory liabilities	2,779	179	(2,549)	409	-
	<u>\$ 2,033,783</u>	<u>\$ 443,622</u>	<u>\$ (361,612)</u>	<u>\$ 2,115,793</u>	<u>\$ 47,854</u>

**Interest Rate Swaps**

GRU is a party to certain interest rate swap agreements. GRU applies hedge accounting where applicable. See Note 7 Hedging Activities for additional information.

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## 7. Hedging Activities

### Interest Rate Hedges

Under GRU's interest rate swap programs, GRU either pays a variable rate of interest, which is based on various indices, and receives a fixed rate of interest for a specific period of time (unless earlier terminated), or GRU pays a fixed rate of interest and receives a variable rate of interest, which is based on various indices, for a specified period of time (unless earlier terminated). These indices are affected by changes in the market. The net amounts received or paid under the swap agreements are recorded as an adjustment to interest on debt in the statements of revenues, expenses, and changes in net position. No money is initially exchanged when GRU enters into a new interest rate swap transaction.

### Terms, Fair Values, and Counterparty Credit Ratings

The terms, fair values, and counterparty credit ratings of the outstanding swaps as of September 30, 2024, were as follows (in thousands):

<b>Associated Bond Issue</b>	<b>2005C*</b>	<b>2006A*</b>	<b>2023A*</b>	<b>2023A*</b>
Notional amount	\$4,560	\$4,400	\$45,000	\$115,000
Effective date	11/16/2005	7/6/2006	5/1/2023	5/1/2023
Fixed payer rate	3.200%	3.224%	1.868%	1.410%
Variable receiver rate	60.36% of 10YR SOFR Conversion	68.00% of 10YR SOFR Conversion less .365%	79.00% of 1MO SOFR	70.00% of 10 YR SOFR less .355%
Fair value	(\$49)	(\$53)	(\$1,092)	\$742
Termination date	10/1/2026	10/1/2026	10/1/2044	10/1/2047
Counterparty credit rating	Aa2/A+/AA	Aa2/AA-	Aa3/A+/A+	Aa3/A+/A+
<b>Associated Bond Issue</b>	<b>2023B*</b>	<b>2023C*</b>	<b>2014A*</b>	<b>2019A*</b>
Notional amount	\$105,000	\$151,210	\$34,025	\$153,820
Effective date	5/1/2023	6/22/2023	10/1/2024	10/1/2029
Fixed payer rate	2.112%	2.421%	1.054%	2.586%
Variable receiver rate	80.00% of 1MO LIBOR fallback conversion	81.50% of 1MO SOFR	70.00% of 1MO LIBOR fallback conversion	70.00% of 1MO SOFR
Fair value	\$4,120	\$9,349	\$4,201	\$2,189
Termination date	10/1/2044	10/1/2053	10/1/2044	10/1/2047
Counterparty credit rating	A1/A+/A+	Aa2/A+/AA-	Aa1/A+/AA	A1/A+/A+

\* See Basis Risk section



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**7. Hedging Activities (continued)**

**Fair Value**

As of September 30, 2024, all swap agreements, with the exception of the 2005C, 2006A, and 2023A (\$45 million notional) swaps, demonstrated a positive fair value. Swaps that exhibit positive fair values tend to have a variable receiver interest rate higher than the corresponding fixed payer interest rate (in thousands):

	<b>Fair Value of Interest Rate Swaps at September 30, 2024</b>	<b>Changes in Fair Value</b>	<b>Changes in Deferred (Inflow)/Outflow</b>	<b>Changes in Regulatory (Assets) Liability for Ineffective Instruments</b>
2005C	\$ (49)	\$ (1)	\$ -	\$ 1
2006A	(53)	(2)	-	2
2023A	(1,092)	(2,351)	2,351	-
2023A	742	(3,058)	3,058	-
2023B	4,120	(6,208)	6,208	-
2023C	9,349	(7,437)	7,437	-
2014A	4,201	(774)	774	-
2019A	2,189	(5,168)	5,168	-
	<u>\$ 19,407</u>	<u>\$ (24,999)</u>	<u>\$ 24,996</u>	<u>\$ 3</u>

All of the swap agreements, except for the 2005C and 2006A swaps, had a positive fair value as of September 30, 2023. The swaps with the positive fair values have a higher variable receiver interest rate as compared to their fixed payer interest rate due to an increasing interest rate environment (in thousands):

	<b>Fair Value of Interest Rate Swaps at September 30, 2023</b>	<b>Changes in Fair Value as of May 1, 2023</b>	<b>Changes in Deferred (Inflow)/Outflow</b>	<b>Changes in Regulatory (Assets) Liability for Ineffective Instruments</b>
2005C	\$ (49)	\$ 85	\$ -	\$ (85)
2006A	(51)	92	-	(92)
2023A	1,259	1,259	(1,259)	-
2023A	3,800	3,800	(3,800)	-
2023B	10,328	10,328	(10,328)	-
2023C	16,786	16,786	(16,786)	-
2014A	4,975	1,414	(1,414)	-
2019A	7,358	7,358	(7,358)	-
	<u>\$ 44,406</u>	<u>\$ 41,122</u>	<u>\$ (40,945)</u>	<u>\$ (177)</u>

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**7. Hedging Activities (continued)**

**Interest Rate Swap Payments**

Debt service requirements on the interest rate swaps using interest rates in effect at September 30, 2024, are as follows (in thousands):

<b>Year Ending September 30,</b>	<b>Debt Service</b>
2025	\$ (6,545)
2026	(7,343)
2027	(6,507)
2028	(6,478)
2029	(6,448)
2030-2034	(38,448)
2035-2039	(38,527)
2040-2044	(30,678)
2045-2049	(13,721)
2050-2054	(4,646)
	<u>\$ (159,341)</u>

**Credit Risk**

As of September 30, 2024, although most of the fair value of the interest rate swaps were positive, GRU has structured its swap agreements to minimize credit risk. To mitigate the potential for credit risk, GRU has negotiated additional termination event and collateralization requirements in the event of a ratings downgrade. Failure to deliver the Collateral Agreement to GRU as negotiated and detailed in the Schedule to the International Swaps and Derivative Agreements (ISDA) master agreement for each counterparty would constitute an event of default with respect to that counterparty.

**Basis Risk**

The board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York formed the Alternative Reference Rates Committee, known as the ARRC. ARRC recommended and provided alternative reference rates to replace the USD LIBOR ICE swap rates, which ended June 30, 2023.

To avoid disruption to the existing swap contracts, ARRC suggested certain fallback provisions using conversion formulas for the 10 YR LIBOR ICE swap rate, by incorporating the 10YR SOFR ICE rate, USISSO10. ARRC also suggested using the fallback ICE LIBOR 1M index, VUS0001M, to replace the 1M USD LIBOR rate, US0001M. The fallback conversion formula, suggested by ARRC, was published in the ARRC White Paper in March 2021.

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**7. Hedging Activities (continued)**

**Basis Risk (concluded)**

*The Swaps Expose GRU to Basis Risk*

- The 2005 Series C Swap, \$4.6 million notional, is exposed to basis risk through the potential mismatch of 60.36% of 10-year LIBOR, which has been replaced by the fallback conversion formula using the 10YR SOFR index, and the variable 31-day rollover rate. As a result, savings may not be realized. As of September 30, 2024, the fallback conversion rate was at 3.598%.
- The 2006 Series A Swap, \$4.4 million notional, is exposed to basis risk through the potential mismatch of 68% of 10-year LIBOR less .365%, which has been replaced by the fallback conversion formula using the 10YR SOFR index, and the variable 31-day rollover rate. As a result, savings may not be realized. As of September 30, 2024, the fallback conversion rate was at 3.598%.
- The 2023 Series A Swap, \$45 million notional, is exposed to the difference between 79% of the one-month SOFR and 79% of the one-month SOFR plus .57% bank fee. As a result, savings may not be realized. As of September 30, 2024, the one-month SOFR rate was 4.846%.
- The 2023 Series A Swap, \$115 million notional, is exposed to the difference between 70% of the ten-year SOFR less .355% and 79% of the one-month SOFR plus .57% bank fee. As a result, savings may not be realized. As of September 30, 2024, the ten-year SOFR rate was 3.311%.
- The 2023 Series B Swap, \$105 million notional, is exposed to the difference between 80% of the one-month LIBOR, and 80% of the one-month SOFR plus .53% bank fee. Due to the cessation of the USD LIBOR swap indices on June 30, 2023, a fallback conversion rate is implemented. As a result, savings may not be realized. As of September 30, 2024, the fallback conversion rate was 4.970%.
- The 2023 Series C Swap, \$151.2 million notional, is exposed to the difference between 81.5% of the one-month SOFR and 81.5% of the one-month SOFR plus .57% bank fee. As a result, savings may not be realized. As of September 30, 2024, the one-month SOFR rate was 4.846%.
- The 2014 Series A and the 2019 Series A Swaps are forward starting swaps (FSS) with effective dates of October 1, 2024, and October 1, 2029, respectively. The 2014 Series A Swap, \$34 million notional, will be exposed to the difference between 70% of the one-month LIBOR and the variable rollover rate. The index for the 2014 Series A will be amended when economic decisions are made on the forward starting swap before the effective date. The 2019 Series A Swap, \$153.8 million notional, will be exposed to 70% of the one-month SOFR as amended in December 21, 2022, and the variable rollover rate.

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**7. Hedging Activities (continued)**

**Termination Risk**

The swap agreement will be terminated at any time if certain events occur that result in one party not performing in accordance with the agreement. The swap can be terminated due to illegality, a credit event upon merger, an event of default, or if credit ratings fall below established levels.

**Interest Rate Risk**

This risk is associated with the changes in interest rates that will adversely affect the fair values of GRU's swaps, derivatives and fuel hedges. GRU mitigates this risk by actively reviewing and negotiating its swap agreements.

**Rollover Risk**

GRU is exposed to this risk when its interest rate swap agreements mature or terminate prior to the maturity of the hedged debt. When the counterparty to the interest rate swap agreements chooses to terminate early, GRU will be re-exposed to the rollover risk. Currently, there is no early termination option being exercised by any of GRU's interest rate swap counterparties.

**Market Access Risk**

This risk is associated with the event that GRU will not be able to enter credit markets for interest rate swap agreements or that the credit market becomes more costly. GRU maintains a strong credit rating of Aa3 from Moody's, A from Standard and Poor's, and A+ from Fitch Ratings. Currently, GRU has not encountered any credit market barriers.

**Price Risk**

This risk is associated with the decline in value of a commodity due to price volatility. GRU minimizes price risk through exercising fuel hedges for natural gas.

**Fuel Hedges**

GRU enters into natural gas futures and options to reduce the risk of price fluctuations during the fiscal year. As of September 30, 2024, GRU had financial hedge positions with a notional amount of 16.4 Metric Million British Thermal Units (MMBtu). Results of fuel hedge activities were recorded as an increase in fuel costs of \$12.7 million for the year ended September 30, 2024, and an increase of \$15.8 million for the year ended September 30, 2023.

Fair value as related to fuel hedging is recorded as fair value of derivative instruments in the Statement of Net Position and recognized in fuel expense as costs are incurred. The fair value of fuel hedges at September 30, 2024, is recorded as a noncurrent liability of \$2.4 million. The fair value of fuel hedges at September 30, 2023, was recorded as a noncurrent liability of \$6.1 million. Changes in fair value related to fuel hedging contracts are recorded as deferred inflows and outflows in the Statement of Net Position. GRU incurred a net change in fair value for fuel hedges of \$3.8 million as of September 30, 2024.

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**7. Hedging Activities (concluded)**

**Effectiveness**

Of the eight interest rate swap agreements, six were deemed effective, while two were deemed ineffective as of September 30, 2024. The ineffective portion related to interest rate swap agreements is recorded as a regulatory asset in the amount of \$103,000 and \$100,000 as of September 30, 2024 and 2023, respectively.

The unrealized loss on interest rate swap agreements was \$25 million representing a decrease in fair value of hedging derivatives at September 30, 2024, as compared to an unrealized gain of \$41.1 million on September 30, 2023. The change in fair value of \$25 million is based on the fair value 'at-the-market' as of September 30, 2024. There were no realized gains or losses related to interest rate swaps as of September 30, 2024 and 2023.

GRU utilizes futures and options contracts to hedge the effects of fluctuations in the prices of natural gas. Fuel hedging contracts are comprised of 87% Futures and 13% Options and meet the requirements of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

The fuel hedges were tested for effectiveness using two effectiveness testing methods as of September 30, 2024. The ineffective portion is recorded as a regulatory asset in the amount of \$841,000 and \$473,000 as of September 30, 2024 and 2023, respectively.

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## 8. Fair Value Measurement

GRU records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement.

Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. U.S. Treasury securities, U.S. agencies, corporate bonds, and financial hedges are examples of Level 2 inputs.
- Level 3 inputs are unobservable inputs that reflect GRU's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Valuation methods of the primary fair value measurements are as follows:

- U.S. Treasury securities are valued using market prices of similar assets (Level 2 inputs).
- Investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating.
- Commodity derivatives, such as futures, swaps, and options, which are ultimately settled using prices at locations quoted through clearinghouses, are valued using Level 2 inputs.
- Other hedging derivatives, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on pricing algorithms using observable market quotes.

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**8. Fair Value Measurement (continued)**

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Utility's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels. GRU's fair value measurements are performed on a recurring basis. The following table presents fair value balances and their levels within the fair value hierarchy as of September 30, 2024 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Fair Value Investments				
Commercial Paper	\$ -	\$ 109,743	\$ -	\$ 109,743
U.S. Treasuries	-	20,536	-	20,536
U.S. Agencies:				
Federal Home Loan Mortgage Corp.	-	34,919	-	34,919
Federal National Mortgage Assn.	-	43,181	-	43,181
Federal Home Loan Bank	-	36,237	-	36,237
Federal Farm Credit Bank	-	17,078	-	17,078
Corporate bonds:				
Principal Life Global	-	3,827	-	3,827
National Sec. Clearing	-	3,270	-	3,270
New York Life	-	3,103	-	3,103
Home Depot Inc.	-	3,358	-	3,358
Schwab Corp.	-	4,763	-	4,763
Total fair value investments	-	280,015	-	280,015
Fair Value Financial instruments				
Effective interest rate swaps	-	19,509	-	19,509
Ineffective interest rate swaps	-	(102)	-	(102)
Total financial instruments	-	19,407	-	19,407
Total Assets Fair Value	\$ -	\$ 299,422	\$ -	\$ 299,422
<b>Liabilities</b>				
Fair Value Derivatives				
Effective fuel hedge derivatives	\$ -	\$ 1,518	\$ -	\$ 1,518
Ineffective fuel hedge derivatives	-	841	-	841
Total fair value derivatives	-	2,359	-	2,359
Total Liabilities Fair Value	\$ -	\$ 2,359	\$ -	\$ 2,359

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**8. Fair Value Measurement (concluded)**

Fair value balances and their levels within the fair value hierarchy as of September 30, 2023, are represented in the following table (in thousands):

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Fair Value Investments				
Commercial Paper	\$ -	\$ 131,397	\$ -	\$ 131,397
U.S. Treasuries	-	23,758	-	23,758
U.S. Agencies:				
Federal Home Loan Mortgage Corp.	-	13,815	-	13,815
Federal National Mortgage Assn.	-	19,389	-	19,389
Federal Home Loan Bank	-	71,475	-	71,475
Federal Farm Credit Bank	-	12,358	-	12,358
Corporate bonds:				
Principal Life Global	-	3,572	-	3,572
Met Life	-	4,751	-	4,751
National Sec. Clearing	-	3,068	-	3,068
New York Life	-	2,983	-	2,983
Pacific Life	-	2,431	-	2,431
Schwab Corp.	-	4,433	-	4,433
GA Global	-	3,776	-	3,776
Total fair value investments	-	297,206	-	297,206
Fair Value Financial instruments				
Effective interest rate swaps	-	44,506	-	44,506
Ineffective interest rate swaps	-	(100)	-	(100)
Total financial instruments	-	44,406	-	44,406
Total Assets Fair Value	\$ -	\$ 341,612	\$ -	\$ 341,612
<b>Liabilities</b>				
Fair Value Derivatives				
Effective fuel hedge derivatives	\$ -	\$ 5,655	\$ -	\$ 5,655
Ineffective fuel hedge derivatives	-	473	-	473
Total fair value derivatives	-	6,128	-	6,128
Total Liabilities Fair Value	\$ -	\$ 6,128	\$ -	\$ 6,128



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**9. Restricted Net Position**

Certain assets are restricted by the Resolution and other external requirements as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Restricted net position:		
Debt service	\$ 38,120	\$ 38,636
Utility plant improvement	30,453	55,981
Net pension asset	21,403	-
Net other post-employment benefits asset	2,868	-
Other	67	2,361
Restricted net position	<u>\$ 92,911</u>	<u>\$ 96,978</u>

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## 10. Leases

### Lessee

GRU leases communication tower antenna ground space, fiber optics, and equipment from third parties. Lease terms range from 1 to 6 years. Several leases have an option to extend the lease term after completion of the contracted term. GRU uses an incremental borrowing rate of 3.5% to calculate the lease liability. GRU leased assets are amortized over the life of the leases; the accumulated amortization is included in Note 4 Capital Assets. There were no commitments prior to the commencement of the lease contracts, and no lease impairments as of September 30, 2024.

GRU has four variable lease contracts that split one-half of the ground space revenue collected from the communication tower with the University of Florida (UF) Foundation. The Lessee payment to the UF Foundation is dependent upon the Lessor rent payments and escalation revenue stated in the Lessor contract. GRU accounts for the total rent collected as revenue and one-half of the rent amount payment to the UF Foundation as an expense.

The following table summarizes future principal and interest payments as of September 30, 2024 (in thousands):

Year Ended September 30,	Principal	Interest	Total
2024	\$ 143	\$ 12	\$ 155
2025	131	7	138
2026	69	3	72
2027	51	1	52
2028	12	-	12
Total	<u>\$ 406</u>	<u>\$ 23</u>	<u>\$ 429</u>

### Lessor

GRU leases communication tower antenna space to various third-party wireless communications service providers on eleven communication towers and two water towers throughout our service territory. Two of the five transmitter sites for the countywide public safety radio system are also located on these communication towers.

GRU lease contract terms vary from 1 to 40 years, which includes options to extend. There was no receipt of variable or other lease payment prior to the commencement of the contracts. The incremental borrowing rate was 3.5% as of September 30, 2024, and September 30, 2023. Lease interest income was \$697,000 for September 30, 2024, and \$702,000 for September 30, 2023. Lease revenue was \$1.7 million for September 30, 2024, and \$1.5 million for September 30, 2023.

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**11. Subscription-Based Information Technology Arrangements**

GRU uses subscription-based information technology arrangements in providing services to our customers. SBITA base terms range from 1 to 5 years while some have an option to extend the arrangement beyond the base term. GRU uses an incremental borrowing rate of 4.5%, unless otherwise provided within the arrangement documentation, to calculate the SBITA liability. Subscription agreements that have terms of more than one year are recorded as a right-of-use asset and are amortized over the life of the arrangement term. GRU's subscription assets and the related accumulated amortization are included in Note 4, Capital Assets. There were no commitments prior to the commencement of the subscription agreements and no subscription impairments as of September 30, 2024.

The following table summarizes future subscription fees and the accrued interest as of September 30, 2024 (in thousands):

<b>Year Ended September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 2,634	\$ 151	\$ 2,785
2026	1,417	51	1,468
2027	396	13	409
2028	100	6	106
2029	103	3	106
Total	<u>\$ 4,650</u>	<u>\$ 224</u>	<u>\$ 4,874</u>

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**12. Transfer to City of Gainesville General Fund**

GRU transfers monies monthly to the City's General Fund. The General Fund Transfer (GFT) may be made only to the extent such monies are not necessary to pay operating and maintenance expenses and to pay debt service on the outstanding bonds and subordinated debt or to make other necessary transfers under the Resolution.

On July 19, 2021, the Commission approved Resolution No. 210116. This resolution reduced the general fund transfer by two million dollars a year through fiscal year 2027.

On May 4, 2023, the Commission approved Resolution No. 2023-417. This resolution renamed the GFT to the Government Services Contribution (GSC) and established a formula to determine the level of the GSC from GRU to the City's General Fund. The formula consists of a property tax calculation component and a franchise fee component. The property tax calculation component will use the total insured values included in the most recent property insurance policy, discounted to 70% of total insured values. The franchise fee component of 5% will be applied to the most recently audited electric system revenues less fuel and rate stabilization fund transfers.

For the years ended September 30, 2024, and 2023, the transfer was \$15.3 million and \$34.3 million, respectively.

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### **13. Commitments and Contingencies**

#### **General**

The primary factors currently affecting the utility industry include environmental regulations, Operating, Planning and Critical Infrastructure Protection Standards promulgated by NERC under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida.

The role of municipalities as telecommunications providers pursuant to the 1996 Federal Telecommunications Act resulted in a number of state-level legislative initiatives across the nation to curtail this activity. In Florida, this issue culminated in the passage, in 2005, of legislation codified in Section 350.81, Florida Statutes that defined the conditions under which municipalities are allowed to provide retail telecommunications services. GRU has special status as a grandfathered entity under this legislation.

#### **Environmental and Other Natural Resource Regulations**

GRU and its operations are subject to federal, state, and local environmental regulations which include, among other things, control of emissions of particulates, mercury, acid gases, SO<sub>2</sub> and NO<sub>x</sub> into the air; discharges of pollutants, including heat, into surface or ground water; the disposal of wastes and reuse of products generated by wastewater treatment and combustion processes; management of hazardous materials; and the nature of waste materials discharged into the wastewater system's collection facilities. Environmental regulations in general are becoming more numerous and more stringent and may substantially increase the costs of the Utility's services by requiring changes in the operation of existing facilities as well as changes in the location, design, construction, and operation of new facilities. This includes both facilities that are owned and operated by GRU as well as from facilities the Utility purchases output, services, commodities, and other materials. There is no assurance that the facilities in operation, under construction, or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations. Compliance with applicable regulations could result in increases in the costs of construction and/or operation of affected facilities, including associated costs such as transmission and transportation, as well as limitations on the operation of such facilities. Failure to comply with regulatory requirements could result in reduced operating levels or the complete shutdown of those facilities not in compliance, as well as the imposition of civil and criminal penalties.

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**13. Commitments and Contingencies (continued)**

**EPA Air Emissions Reduction Initiative**

On June 19, 2019, the EPA issued the final Affordable Clean Energy (ACE) rule to replace the Clean Power Plan (CPP) to restore the rule of law and empower states to continue to reduce emissions while providing affordable and reliable energy. The ACE rule adheres to the Clean Air Act and gives states the regulatory certainty they need to continue to reduce emissions and provide a dependable, diverse, and affordable supply of electricity. The ACE rule establishes emissions guidelines for states to use in limiting carbon dioxide emissions (CO<sub>2</sub>) at their coal-fired power plants. Specifically, ACE identifies heat rate improvements as the best system of emission reduction (BSER) for CO<sub>2</sub> from coal-fired plants, and these improvements can be made at individual facilities. Also contained in the rule are new implementing regulations for ACE and future existing source rules under Clean Air Act Section 111(d). These guidelines will inform states as they set unit-specific standards of performance. The states were given three years to submit plans, which is in line with planning timelines under the Clean Air Act.

On January 19, 2021, the D.C. Circuit vacated the ACE rule and remanded it to the EPA for further proceedings consistent with its opinion.

On June 30, 2022, the Supreme Court issued a landmark decision that Congress did not give the EPA the authority under Section 111 of the Clean Air Act to set emission standards for existing power plants that prescribe the market share of certain types of power generation. The Court reversed the D.C. Circuit ruling striking down the Trump-era ACE rule, which repealed the Obama-era CPP and replaced it with more limited regulations of CO<sub>2</sub> emissions from existing power plants.

On September 19, 2022, based on the Supreme Court's June 30 decision reversing and remanding the DC Circuit's decision, the DC Circuit ordered the parties to file Motions to govern further proceedings. On October 3, 2022, EPA/DOJ, along with the states, industry and NGOs, filed a Joint Motion, requesting that the DC Circuit (a) withdraw its March 5, 2021 Partial Mandate, (b) issue a new Partial Mandate denying the challenges to the CPP repeal and granting the challenges to the revisions to the 111(d) implementing rules, and (c) place the remaining, unresolved challenges to the ACE rule in abeyance until EPA promulgates a replacement rule.

On October 27, 2022, the DC Circuit issued an Order granting the Joint Motion, as described above. Accordingly, the CPP was repealed, the 111(d) implementing rules were vacated, and the remaining challenges to the ACE rule are in abeyance until EPA promulgates a replacement rule.

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**13. Commitments and Contingencies (continued)**

**EPA Air Emissions Reduction Initiative (concluded)**

On March 7, 2023, the EPA extended the due date for state plans under the ACE rule until April 15, 2024. Because the ACE rule's July 8, 2022, deadline passed while the rule was vacated by the D.C. Circuit, and because states had no reason to continue to work on their plans during the period when the ACE rule was vacated, it is necessary to extend the deadline for state plan submittal. By extending the deadline, this action makes clear the EPA does not expect states to take immediate action to develop and submit plans under the Clean Air Act section 111(d) with respect to greenhouse gas emissions from power plants at this time. This is a final rule that will be effective upon publication in the Federal Register.

On May 5, 2023, the EPA proposed ACE replacement/TTTT rule.

On November 20, 2023, the EPA published a supplemental proposed ACE replacement/TTTT rule; comments were due December 20, 2023, with a proposed final ruling in April 2024.

On May 9, 2024, the U.S.EPA published final regulations addressing greenhouse gas (GHG) emissions from fossil fuel-fired electric generating units (EGUs or EGs). Additionally, the Affordable Clean Energy (ACE) rule, or Subpart UUUUa, has been repealed.

**Coal Combustion Products**

The EPA published a final rule (40 CFR 257), effective October 14, 2015, to regulate the disposal of coal combustion residuals (CCR) as solid waste under subtitle D of the Resource Conservation and Recovery Act (RCRA). The rule includes national minimum criteria for existing and new CCR landfills and existing and new CCR surface impoundments. GRU is subject to the requirements of the promulgated rule that are applicable to CCR ponds and landfill at Deerhaven if the fuel burned consists of more than 50% coal on a total heat or mass input basis.

On August 28, 2020, EPA's Closure Part A rule was published in the Federal Register with the final rule effective date of September 28, 2020. As part of this rule revision, EPA required the closure of all unlined CCR surface impoundments. Therefore, if GRU combusts more than 50% coal, GRU will need to install a lined surface impoundment, or line (i.e., retrofit) the existing surface impoundment system, which is currently undergoing closure.

**Storage Tanks**

GRU is required to demonstrate financial responsibility for the costs of corrective actions and compensation of third-parties for bodily injury and property damage arising from releases of petroleum products and hazardous substances from storage tank systems. GRU has 11 fuel oil storage tanks. The South Energy Center has two underground distillate (No. 2) oil tanks. The J.R. Kelly Station (JRK) has four above-ground distillate oil tanks, which are out of service, and two above-ground No. 6 oil tanks, which are also out of service. DH has one above-ground distillate and two above-ground No. 6 oil tanks, one of which is out of service.

All of GRU's fuel storage tanks have secondary containment and/or interstitial monitoring as required by regulations, and the Utility is insured for the requisite amounts.

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**13. Commitments and Contingencies (continued)**

**Remediation Sites**

Several site investigations have been completed at the JRK Station. According to previous assessments, the horizontal extent of impacted soils extends from the northern containment wall of the above-ground storage tanks (ASTs) to the wastewater filter beds and from the old plant building to Sweetwater Branch Creek. The results of the most recent soil assessment documented the presence of Benzo(a)*purine* in one soil sample at a concentration greater than its default commercial/industrial direct exposure based soil cleanup target levels (SCTLs). Four of the soil samples contained Benzo(a)*pyrene* equivalents at concentrations greater than its default commercial/industrial direct exposure based SCTLs. In addition, two of the soil samples contained total recoverable petroleum hydrocarbons (TRPH) at concentrations greater than its default commercial/industrial direct exposure based SCTLs.

Following the submittal of the August 2013 No Further Action Proposal, the Florida Department of Environmental Protection (FDEP) prepared comments regarding the No Further Action Proposal and provided them to GRU in a letter dated January 10, 2014. In August of 2014, GRU provided responses to the FDEP's January 2014 comment letter. In March of 2016, an attempt was made to meet with the FDEP, but a time was not set up for the meeting. The delay in responding to GRU's comments was due in part to the FDEP's waiting on resolution of the request to use an active hydraulic containment system as an engineering control. Ultimately, the FDEP rejected the use of the active containment system as an engineering control. On April 17, 2017, the FDEP provided comments on GRU's August 2014 response to the FDEP's January 2014 comment letter. The FDEP requested further assessment of the extent of No. 6 fuel oil in the subsurface. GRU's response proposed additional soil investigation to assess the extent of No. 6 fuel oil, both as a non-aqueous phase liquid and as stained soils. GRU also proposed temporarily shutting down the groundwater recovery system and evaluating whether free product returns to the wells. This information will be used to evaluate what actions will be needed to recover free product, if any is detected.

The Florida Department of Environmental Protection (FDEP) had requested a supplemental site assessment (SSA) be conducted to assess the nature and extent of non-aqueous phase liquids (NAPL), soil impacts, and groundwater quality impacts at the J.R. Kelly site. Environmental Consulting & Technology (ECT) – one of GRU's consultants, conducted a supplemental site assessment and submitted the results to the FDEP in the June 2022 Supplemental Site Assessment Report. On July 19, 2022, the FDEP sent a response letter requesting additional assessment to complete delineation of target analytes at the J.R. Kelly Generating Station site.

The results of the additional assessment were submitted to FDEP with the findings that the extent of impact has not been fully defined. FDEP has requested GRU conduct additional assessment such that complete delineation is achieved, and a Remedial Action Plan (RAP) can be developed to address all impacts to all media. In March and July 2023, an additional assessment was conducted, and the results are in review for the development of a report to submit to FDEP.



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**13. Commitments and Contingencies (continued)**

**Remediation Sites (concluded)**

In January 2024, a Supplemental Site Assessment Report was submitted to the FDEP recommending additional soil assessment in the southern portion of the site. In June 2024, GRU received a comment letter from the FDEP regarding the January 2024 Supplemental Site Assessment Report requesting additional assessment beyond the initial recommendations.

In August 2024, ECT prepared a response to the FDEP's request. In October 2024 the FDEP concurred with ECT's recommendations.

ECT proposes to conduct additional soil sampling activities based on the FDEP comment/approval letter dated October 17, 2024, for the further assessment of the extent of target analytes at the site as required by Chapter 62-780, F.A.C.

**Manufactured Gas Plant**

Gainesville's natural gas system originally distributed blue water gas, which was produced in town by gasification of coal using distillate oil. Although manufactured gas was replaced by pipeline gas in the mid-1950's, coal residuals and spilt fuel contaminated soils remain on and adjacent to the manufactured gas plant (MGP) site. When the natural gas system was purchased, GRU assumed responsibility for the investigation and remediation of environmental impacts related to the operation of the former MGP. GRU has pursued recovery for the MGP from past insurance policies and, to date, has recovered \$2.2 million from such policies. GRU received final approval of its Remedial Action Plan which included the excavation and landfilling of impacted soils. This plan was implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State.

A soil excavation was conducted to remove visibly stained soils and soils containing free phase coal tar. During the soil excavation it was discovered that the extent of the stained soils and coal tar was exceeded beyond the limits of the planned excavation. Following the removal of the contaminated soils and construction of the park, groundwater sampling was conducted to evaluate the groundwater quality and evaluate the effects of the coal tars that were not removed during the soil excavation. Currently the site is in a monitoring phase to assess the extent of the dissolved coal tar constituents in the aquifer and evaluate options for site closure.

Following remediation, the property has been redeveloped by the City as a park with storm water ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. The duration of the groundwater monitoring program is unknown, and that timeframe is open to the results of the sampling data.

Based upon GRU's analysis of the cost to clean up this site, GRU has accrued a liability to reflect the costs associated with the cleanup effort. During fiscal years 2024 and 2023, expenses were \$1.2 million and \$1.1 million, respectively. The reserve balance at September 30, 2024 and 2023, was \$1.1 million.

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**13. Commitments and Contingencies (continued)**

**Manufactured Gas Plant (concluded)**

GRU is recovering the costs of this cleanup through customer charges. A regulatory asset was established for the recovery of remediation costs from customers. Customer billings were \$1.2 million and \$1.1 million as of September 30, 2024 and 2023 respectively. The regulatory asset balance was \$5.4 million and \$6.5 million as of September 30, 2024 and 2023, respectively.

Although some uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have an adverse material effect on GRU's financial position, results of operations, or liquidity.

**Water Use Restrictions**

Pursuant to Florida law, a water management district in Florida may mandate restrictions on water use for non-essential purposes when it determines such restrictions are necessary. The restrictions may be either temporary or permanent. The St. Johns River Water Management District (SJRWMD) has mandated permanent district-wide restrictions on residential and commercial landscape irrigation. The restrictions limit irrigation to no more than two days per week during Daylight Savings Time and one day per week during Eastern Standard Time. The restrictions apply to centralized potable water as provided by the Utility as well as private wells. All irrigation between the hours of 10:00 a.m. and 4:00 p.m. is prohibited.

In addition, in April 2010, the County adopted, and the City subsequently opted into, an Irrigation Ordinance that codified the above-referenced water restrictions, which promote and encourage water conservation. County personnel enforce this ordinance, which further assists in reducing water use and thereby extending the Utility's water supply.

The SJRWMD and the Suwannee River Water Management District (SRWMD) each have promulgated regulations referred to as "Year-Round Water Conservation Measures" for the purpose of increasing long-term water use efficiency through regulatory means. In addition, the SJRWMD and the SRWMD each have promulgated regulations referred to as a "Water Shortage Plan" for the purpose of allocating and conserving the water resources during periods of water shortage and maintaining a uniform approach towards water use restrictions. Each Water Shortage Plan sets forth the framework for imposing restrictions on water use for non-essential purposes when deemed necessary by the applicable water management district.

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**13. Commitments and Contingencies (continued)**

**Water Use Restrictions (concluded)**

On August 7, 2012, in order to assist the SJRWMD and the SRWMD in the implementation and enforcement of such Water Conservation Measures and such Water Shortage Plans, the Board of County Commissioners of Alachua County enacted an ordinance creating year-round water conservation measures and water shortage regulations (the "County Water Use Ordinance"), thereby making such Water Conservation Measures and such Water Shortage Plans applicable to the unincorporated areas of the County. On December 20, 2012, the City Commission adopted a resolution to opt into the County's year-round water conservation measures and water shortage regulations ordinances in order to give the Alachua County Environmental Protection Department the authority to enforce water shortage orders and water shortage emergencies within the City.

The St. Johns River Water Management District issued GRU consumptive use permit (CUP) number 11339-6 (GRU CUP) on September 10, 2014. The GRU CUP authorizes GRU to withdraw 10,950 million gallons per year (30 million gallons per day, or MGD, annual average) for public water supply purposes through September 10, 2034.

By an Order dated May 11, 2021, the District determined that Lakes Brooklyn and Lake Geneva were not meeting (i.e., were below) the new minimum flows and levels (MFLs) rule. Withdrawals authorized by individual consumptive use permits, individually or cumulatively, were in violation of the MFLs for Lakes Brooklyn and Lake Geneva. Per an agreement fully executed on August 6, 2021, GRU elected to participate financially in the construction, operation, and maintenance of the Black Creek Water Resource Development Project (Black Creek WRD) to address GRU's impacts to the Lakes Brooklyn and Geneva MFLs.

Per the fully executed agreement, GRU agreed to pay 0.25 feet of lift or \$2.1 million based on the 0.1-foot lake level increase construction cost estimate, along with GRU's share of the Black Creek WRD operation and maintenance costs of \$616,000, for a combined total of \$2.7 million, to be paid in two installments. The payments are to be delivered, in escrow, to the Florida Department of Financial Services (DFS), per the terms of the Escrow Agreement between GRU, the District, and DFS. Each installment represents one-half of GRU's total proportional share of the Black Creek WRD construction costs of \$1 million, and the operation and maintenance costs of \$308,000, for a combined total of \$1.4 million.

On October 28, 2021, per the terms of the Escrow Agreement, GRU delivered, in escrow, the first payment of \$1.4 million to the Florida Department of Financial Services.

On October 30, 2023, per the terms of the Escrow Agreement, GRU delivered the final installment of \$1.4 million, in escrow, to the Florida Department of Financial Services.

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**13. Commitments and Contingencies (concluded)**

**Purchase Commitments**

On July 16, 2020, the City Commission approved a Power Purchase Agreement (PPA) for solar electric to add 50 megawatts of solar generation to our service area by December 2022. On July 21, 2020, GRU entered into a 20-year contract with the option for two additional five-year terms and a purchase opportunity at years 8, 12, and 16, and at change in control. On April 20, 2023, the City Commission authorized the General Manager or designee to execute a contract amendment to the Power Purchase Agreement to extend the commercial operation date until the fourth quarter of calendar year 2024 or the first quarter of calendar year 2025, and to expand the facility size from 50 megawatts of solar generation to 74.9 megawatts to mitigate cost impacts. However, due to a recent surge in construction-related costs, construction of this project has not started. GRU is currently in negotiations with the solar developer to terminate the agreement. Neither GRU nor the solar developer will have further obligations related to the project once the agreement is terminated.

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#### 14. Retirement Plans

The City sponsors and administers the Employees' Pension Plan (Employees' Plan).

##### Defined Benefit Plans

###### *Employees' Plan*

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, including GRU, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Plan. That report may be obtained by writing to the City of Gainesville, Department of Financial Services, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

The Employees' Plan provides retirement, disability, and death benefits.

Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service. The fixed percent of final average earnings varies depending on the date of hire as follows:

<u>Date of Hire</u>	<u>Fixed percent of FAE (multiplier)</u>	<u>Final Average Earnings</u>
On or before 10/01/2007	2.0%	Highest 36 consecutive months
10/02/2007 – 10/01/2012	2.0%	Highest 48 consecutive months
On or after 10/02/2012	1.8%	Highest 60 consecutive months

For service earned prior to 10/01/2012, the lesser number of unused sick leave or personal critical leave bank credits earned on or before 09/30/2012 or the unused sick leave or personal critical leave bank credits available at the time of retirement may be credited towards the employee's years of service for that calculation. For service earned on or after 10/01/2012, no additional months of service will be credited for unused sick leave or personal critical leave bank credits.

Retirement eligibility is also tiered based on date of hire as follows:

Employees are eligible for normal retirement:

- If the date of hire occurred on or before 10/02/2007, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.

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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Employees' Plan (continued)*

- If the date of hire was between 10/02/2007 and 10/01/2012, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.
- If the date of hire was on or after 10/02/2012, after accruing 30 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.

Employees are eligible for early retirement:

- If the date of hire occurred on or before 10/01/2012, after accruing 15 years of pension service credit and reaching age 55 while still employed.
- If the date of hire was on or after 10/02/2012, after accruing 20 years of pension service credit and reaching age 60 while still employed.
- Under the early retirement option, the benefit is reduced by 5/12ths of one percent for each month (5% for each year) by which the retirement date is less than the date the employee would reach age 65.
- Employees receive a deferred vested benefit if they are terminated after accruing five years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 65.

A 2% cost of living adjustment (COLA) is applied to retirement benefits each October 1st if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree had at least 20 years of credited service prior to 10/01/2012 and had at least 20 years but less than 25 years of credited service upon retirement, COLA begins after reaching age 62.
- If the retiree had at least 20 years of credited service prior to 10/01/2012 and had at least 25 years of credited service upon retirement, COLA begins after reaching age 60.
- If the retiree was hired on or before 10/01/2012 and had less than 20 years of credited service on or before 10/01/2012 and 25 years or more of credited service upon retirement, COLA begins after reaching age 65.
- If the retiree was hired after 10/01/2012 and had 30 years or more of credited service upon retirement, COLA begins after age 65.

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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Employees' Plan (continued)*

Employees hired on or before 10/01/2012 are eligible to participate in the deferred retirement option plan (DROP) when they have completed 27 years of credited service and are still employed by the City. Such employees retire from the Employees' Plan but continue to work for the City. The retirement benefit is calculated as if the employee had terminated employment and is paid to a DROP account held within the pension plan until the employee actually leaves the employment of the City. While in DROP, these payments earn a guaranteed rate of annual interest, compounded monthly. For employees who entered DROP on or before 10/01/2012, DROP balances earn 6% annual interest. For employees who entered DROP on or after 10/02/2012, DROP balances earn 2.25% annual interest. Employees may continue in the DROP for a maximum of five years or until reaching 35 years of service, whichever occurs earlier. Upon actual separation from employment, the monthly retirement benefits begin being paid directly to the retiree and the retiree must take their DROP balance plus interest as a lump-sum cash disbursement, roll into a retirement account or choose a combination of the two options.

Death benefits are paid as follows:

- If an active member retires after reaching normal retirement eligibility and has selected a tentative benefit option, benefit payments will be made to the beneficiary in accordance with the option selected.
- If an active member who is married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, the plan assumes the employee retired the day prior to death and elected the Joint & Survivor option naming their spouse as their beneficiary.
- If an active member who is not married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, or if an active member dies prior to reaching normal retirement eligibility, or if a non-active member with a deferred vested benefit dies before age 65, the death benefit is a refund of the member's contributions without interest to the beneficiary on record.
- Continuation of retirement benefits after the death of a retiree receiving benefits is contingent on the payment option selected upon retirement. If the retiree has chosen a life annuity and dies prior to receiving benefits greater than the retiree's contributions to the plan, a lump sum equal to the difference is paid to the beneficiary on record.

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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Employees' Plan (continued)*

Disability benefits are paid to eligible regular employees of the City who become totally and permanently unable to perform substantial work for pay within a 50-mile radius of the home or city hall, whichever is greater, and who are wholly and continuously unable to perform any and every essential duty of employment, with or without a reasonable accommodation, or of a position to which the employee may be assigned. The basic disability benefit is equal to the greater of the employee's years of service credit times 2%, with a minimum of 42% for in line of duty disability and a minimum of 25% for other than in line of duty disability, times the employee's final average earnings as would be otherwise calculated under the plan. The benefit is reduced by any disability benefit percent, up to a maximum of 50%, multiplied by the monthly Social Security primary insurance amount to which the employee would be initially entitled as a disabled worker, regardless of application status. The disability benefit is limited to the lesser of \$3,750 per month or an amount equal to the maximum benefit percent, less reductions above and the initially determined wage replacement benefit made under workers' compensation laws.

At September 30, the following City employees were covered by the benefit terms:

	<u>2024</u>	<u>2023</u>
Active members	<u>1,636</u>	1,644
Retirees members/beneficiaries currently receiving benefits	<u>1,537</u>	1,507
Terminated members/beneficiaries entitled to benefits but not yet receiving benefits	<u>548</u>	529
Total	<u><u>3,721</u></u>	<u><u>3,680</u></u>

The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City contributes the difference between the actuarially determined rate and the contribution rate of employees. Plan members are required to contribute 5% of their annual covered salary. The rates were 7.11% and 5.09% of covered payroll for the years ended September 2024 and 2023, respectively. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003A and the Special Obligation Revenue Bonds, Series 2020 issued by the City. The proceeds from these issues were utilized to retire the unfunded actuarial accrued liability at the time of issuance in the Employees' Plan. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are



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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Employees' Plan (concluded)*

financed through investment earnings. The Taxable Pension Obligation Bonds, Series 2003A have an interest rate of 1.71% to 6.19%, with a final maturity on October 1, 2032, with principal payments due October 1 and interest payments due October 1 and April 1 payable solely from non-ad valorem revenues and not subject to redemption prior to maturity. On September 29, 2020, the City of Gainesville issued \$206.1 million in Special Obligation Revenue Bonds, Series 2020. The proceeds of these bonds were deposited into the Employees' Plan and Consolidated Police Officers' and Firefighters' Plan for September 30, 2020, to retire 95% of the unfunded actuarial accrued liability existing at that time in these plans. The Special Obligation Revenue Bonds, Series 2020 have an interest rate of 2.61%, and a final maturity on October 1, 2042, with principal payments due October 1, and interest payments due October 1 and April 1. These bonds are payable solely from legally available non-ad valorem revenues. GRU recorded a due to other funds for its share of the pension contribution expense related to these bonds. The total outstanding at September 30, 2024, was \$110.1 million with \$106 million not expected to be paid within the current year. The total outstanding at September 30, 2023, was \$102.2 million with \$98.6 million not expected to be paid within the current year.

During the fiscal year ended September 30, 2024, GRU revised the allocation for Series 2020 Pension Obligation Bonds based on the unfunded pension liability at the time of issuance. The change in estimate was necessitated by the need to equitably allocate the obligation between the City and GRU. The revised estimate increased the total outstanding at September 30, 2024, by \$11.4 million, from \$84.2 million to \$95.6 million. This change in estimate is accounted for prospectively, as required by GASB Statement 100.

The net pension liability (asset) related to the Employees' Plan was measured as of September 30, 2024 and 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of October 1, 2023, and October 1, 2022, for September 30, 2024 and 2023, respectively.

The net pension liability (asset) applicable to GRU as an enterprise fund of the City was \$(21.4) million and \$48 million at September 30, 2024 and 2023, respectively.

The total pension liability as of September 30, 2024, was determined based on a roll-forward of the entry age normal liabilities from the October 1, 2023, actuarial valuation. Below is a summary of the key actuarial assumptions used in the October 1, 2023, and October 1, 2022, actuarial valuations:

Inflation	2.50%
Salary Increases	Service based
Investment Rate of Return	7.75%
Discount Rate	7.75%

Gainesville Regional Utilities  
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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Mortality Rate*

Mortality rates were based on the PubG.H-2010 Mortality Tables projected generationally with Mortality Improvement Scale MP-2018.

The mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021, FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) were developed for each major asset class. These estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024 and 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	47.0%	7.5%
International Equity	28.0%	8.5%
Domestic Fixed Income	8.0%	2.5%
Real Estate	12.0%	4.5%
Alternative	5.0%	7.0%
Total	<u>100.0%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 7.75% as of September 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Net Pension Liability (Asset)*

Changes in the Net Pension Liability (Asset) for GRU for the years ended September 30, 2024 and 2023 (in thousands):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 10/01/2023	\$ 444,850	\$ 397,233	\$ 47,617
Changes for the year:			
Service cost	6,535	-	6,535
Interest	33,638	-	33,638
Differences between expected and actual experience	541	-	541
Contributions - employer	-	5,494	(5,494)
Contributions - employee	-	3,908	(3,908)
Net investment income	-	100,302	(100,302)
Benefit payments, including refunds and DROP payouts	(27,913)	(27,913)	-
Administrative expense	-	(334)	334
Other changes *	(3,396)	(3,032)	(364)
Net changes	9,405	78,425	(69,020)
Balances at 09/30/2024	\$ 454,255	\$ 475,658	\$ (21,403)

\* Reflects a change in GRU's portion of the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 10/01/2022	\$ 381,436	\$ 300,527	\$ 80,909
Changes for the year:			
Service cost	6,480	-	6,480
Interest	33,002	-	33,002
Differences between expected and actual experience	(335)	-	(335)
Contributions - employer	-	3,717	(3,717)
Contributions - employee	-	3,651	(3,651)
Net investment income	-	76,403	(76,403)
Benefit payments, including refunds and DROP payouts	(27,298)	(27,298)	-
Administrative expense	-	(393)	393
Other changes *	51,565	40,626	10,939
Net changes	63,414	96,706	(33,292)
Balances at 09/30/2023	\$ 444,850	\$ 397,233	\$ 47,617

\* Reflects a change in GRU's portion of the Net Pension Liability (Asset)

Gainesville Regional Utilities  
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**14. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following presents GRU's portion of the net pension liability (asset), calculated using the discount rate of 7.75% as of September 30, 2024 and 2023, as well as what GRU's portion of the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

Sensitivity for GRU's Portion:	<b>2024</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.75%</b>	<b>Discount Rate 7.75%</b>	<b>8.75%</b>
Net pension liability (asset)	<u>\$ 29,268</u>	<u>\$ (21,403)</u>	<u>\$ (63,955)</u>

Sensitivity for GRU's Portion:	<b>2023</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.75%</b>	<b>Discount Rate 7.75%</b>	<b>8.75%</b>
Net pension liability (asset)	<u>\$ 97,515</u>	<u>\$ 47,617</u>	<u>\$ 5,731</u>

Detailed information about the pension plan's fiduciary net position is available in the separately issued Employees' Plan financial report.

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**14. Retirement Plans (concluded)**

**Defined Benefit Plans (concluded)**

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the years ended September 30, 2024 and 2023, GRU recorded a pension expense of \$4.7 million and \$3.3 million, respectively. At September 30, 2024 and 2023, the City and GRU reported deferred outflows of resources and deferred inflows of resources related to the Employees' Plan from the following sources (in thousands):

	<b>2024</b>	
	<b>Deferred Outflows of Resources GRU's Portion</b>	<b>Deferred Inflows of Resources GRU's Portion</b>
Differences between expected and actual experience	\$ 5,059	\$ 216
Net difference between projected and actual investment earnings on pension plan investments	-	48,244
Change to assumptions	3,419	-
Total	<u>\$ 8,478</u>	<u>\$ 48,460</u>

	<b>2023</b>	
	<b>Deferred Outflows of Resources GRU's Portion</b>	<b>Deferred Inflows of Resources GRU's Portion</b>
Differences between expected and actual experience	\$ 6,249	\$ 302
Net difference between projected and actual investment earnings on pension plan investments	12,791	-
Change to assumptions	4,615	-
Total	<u>\$ 23,655</u>	<u>\$ 302</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Employees' Plan will be recognized in pension expense as follows (in thousands):

<b>Year Ending September 30,</b>	<b>Net Deferred Outflows/(Inflows) of Resources</b>
2025	\$ (8,761)
2026	4,321
2027	(21,554)
2028	(13,988)
2029	-
Thereafter	-
Total	<u>\$ (39,982)</u>

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**15. Other Post-employment Benefits Plan**

*Plan Description*

By ordinance enacted by the City Commission, the City has established the Retiree Health Care Plan (RHCP), providing for the payment of a portion of the health care insurance premiums for eligible retired employees. Management of the RHCP is vested in the RHCP Board of Trustees, which consists of the seven members of the City Commission who are elected by the citizens of Gainesville for four-year terms. The City of Gainesville issues a publicly available financial report that includes financial statements and the required supplementary information for the RHCP. That report may be obtained by writing to the City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

*Benefits Provided*

The RHCP is a single-employer defined benefit health care plan administered by the City which provides medical insurance benefits to eligible retirees and their beneficiaries.

*Employees Covered by Benefit Terms*

At September 30, the following employees were covered by the benefit terms:

	<u>2024</u>	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefit payments	<b>896</b>	1,466
Inactive employees entitled to but not yet receiving benefit payments	<b>647</b>	-
Active employees	<u><b>2,029</b></u>	<u>2,117</u>
Total	<u><b>3,572</b></u>	<u>3,583</u>

*Contributions*

The contribution policy of the City is established and may be amended by the City at any time. The annual contribution consists of the normal cost amount developed annually plus, given there is any unfunded actuarial accrued liability (UAAL), an amount to amortize said UAAL over 10 years from inception.

For the years ended September 30, 2024 and 2023, GRU contributed \$1.2 million and \$524,000, respectively, for other post-employment benefits.

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**15. Other Post-employment Benefits Plan (continued)**

*Investment Policy*

The following reflects the current target allocation and expected returns as provided by Morgan Stanley. These allocations and long term rates of return were provided as of September 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Large Cap Value Equity	22.50%	7.00%
Large Cap Growth Equity	22.50%	8.40%
Small Cap Value Equity	10.00%	7.20%
Small Cap Growth Equity	10.00%	8.40%
International Value Equity	10.00%	7.80%
International Growth Equity	10.00%	7.80%
Core Fixed Income	5.00%	2.50%
Private Real Estate	10.00%	4.50%
Total	<u>100.00%</u>	

*Net OPEB Liability*

The net OPEB liability related to the RHCP was measured as of September 30, 2024 and 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2023, for September 30, 2024 and 2023.

*Actuarial Assumptions*

The total OPEB liability as of September 30, 2024, was determined based on a roll-forward of the October 1, 2023, actuarial valuation. Below is a summary of the key actuarial assumptions used in the October 1, 2023, actuarial valuation:

Inflation Rate	3.00%
Salary Increase Rate(s)	Service Based
Discount Rate	7.75%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	38
Investment Rate of Return	7.75%

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**15. Other Post-employment Benefits Plan (continued)**

*Actuarial Assumptions (concluded)*

GASB Statement No. 75 requires that the total OPEB liability should be determined either by an actuarial valuation as of the measurement date, or by utilizing update procedures to roll the OPEB liability forward to the measurement date. The update procedures should include amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end.

*Mortality Rate*

All mortality rates were based on the Pub-2010 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2023, Florida Retirement System (FRS) valuation report. All rates are using mortality improvement scale MP-2018.

*Discount Rate*

The discount rates used to measure the total OPEB liability was 7.75% compounded annually, net of investment expenses, as of September 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City Contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



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**15. Other Post-employment Benefits Plan (continued)**

*Changes in Net OPEB Liability (Asset) for GRU*

Changes in Net OPEB Liability (Asset) for GRU for the years ended September 30, 2024 and 2023 (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balances at 10/01/2023	\$ 27,698	\$ 24,282	\$ 3,416
Changes for the year:			
Service cost	603	-	603
Interest	1,986	-	1,986
Differences between expected and actual experience	(1,774)	-	(1,774)
Changes in assumptions	(1,043)	-	(1,043)
Contributions - employer	-	1,216	(1,216)
Net investment income	-	4,888	(4,888)
Benefit payments	(2,516)	(2,516)	-
Administrative expense	-	(8)	8
Other changes *	327	287	40
Net changes	(2,417)	3,867	(6,284)
Balances at 09/30/2024	\$ 25,281	\$ 28,149	\$ (2,868)

\* Reflects a change in GRU's portion of the Net OPEB Liability (Asset) as of September 30, 2024, and a change in asset value as of September 30, 2023.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balances at 10/01/2022	\$ 27,469	\$ 23,276	\$ 4,193
Changes for the year:			
Service cost	551	-	551
Interest	2,058	-	2,058
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	524	(524)
Net investment income	-	2,786	(2,786)
Benefit payments	(1,786)	(1,786)	-
Administrative expense	-	(15)	15
Other changes *	(594)	(503)	(91)
Net changes	229	1,006	(777)
Balances at 09/30/2023	\$ 27,698	\$ 24,282	\$ 3,416

\* Reflects a change in GRU's portion of the Net OPEB Liability (Asset) as of September 30, 2023, and a change in asset value as of September 30, 2022.

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**15. Other Post-employment Benefits Plan (continued)**

*Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rates*

The following presents GRU's portion of the net OPEB liability (asset), calculated using the discount rate of 7.75% as of September 30, 2024 and 2023, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (in thousands):

<b>2024</b>			
	<b>1% Decrease 6.75%</b>	<b>Current Discount Rate 7.75%</b>	<b>1% Increase 8.75%</b>
Net OPEB liability (asset)	\$ (307)	\$ (2,868)	\$ (5,060)

<b>2023</b>			
	<b>1% Decrease 6.75%</b>	<b>Current Discount Rate 7.75%</b>	<b>1% Increase 8.75%</b>
Net OPEB liability (asset)	\$ 6,210	\$ 3,416	\$ 1,329

*Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rates*

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates (in thousands):

<b>2024</b>			
	<b>1% Decrease 3.00% - 7.50%</b>	<b>Health Care Cost Trend Rate 4.00% - 8.50%</b>	<b>1% Increase 5.00% - 9.50%</b>
Net OPEB liability (asset)	\$ (5,460)	\$ (2,868)	\$ 201

<b>2023</b>			
	<b>1% Decrease</b>	<b>Health Care Cost Trend Rate</b>	<b>1% Increase</b>
Net OPEB liability (asset)	\$ 633	\$ 3,416	\$ 7,078

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**15. Other Post-employment Benefits Plan (continued)**

*OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued RHCP financial report.

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At September 30, 2024 and 2023, the City and GRU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<b>2024</b>	
	<b>Deferred Outflows of Resources GRU's Portion</b>	<b>Deferred Inflows of Resources GRU's Portion</b>
Differences between expected and actual experience	\$ -	\$ 2,960
Change in assumptions	1,251	2,971
Net difference between projected and actual investment earnings on OPEB plan investments	-	985
Total	<u>\$ 1,251</u>	<u>\$ 6,916</u>

	<b>2023</b>	
	<b>Deferred Outflows of Resources GRU's Portion</b>	<b>Deferred Inflows of Resources GRU's Portion</b>
Differences between expected and actual experience	\$ 180	\$ 1,817
Change in assumptions	1,610	2,737
Net difference between projected and actual investment earnings on OPEB plan investments	2,278	-
Total	<u>\$ 4,068</u>	<u>\$ 4,554</u>

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**15. Other Post-employment Benefits Plan (concluded)**

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (concluded)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

<b>Year Ending September 30,</b>	<b>Net Deferred Outflows/(Inflows) of Resources</b>
2025	\$ (1,298)
2026	(580)
2027	(2,023)
2028	(960)
2029	(402)
Thereafter	(402)
Total	<u>\$ (5,665)</u>

Gainesville Regional Utilities  
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**16. Risk Management**

GRU is exposed to various risks of loss related to the theft of, damage to and destruction of assets; errors and omissions; employee injuries; and natural disasters. GRU is also subject to risk of loss arising from the ordinary course of business, including, but not limited to, claims for damages for personal injuries, employment-related claims, and breach of contract.

The risks of workers' compensation, auto liability and general liability are accounted for under the City of Gainesville General Insurance Fund. The City is self-insured for workers' compensation, auto liability and general liability but also carries excess coverage for workers' compensation, auto liability and general liability. Third-party coverage is currently maintained for workers' compensation claims in excess of \$350,000. GRU maintains an insurance reserve for the self-insured portion and uses a commercial carrier to purchase plant and machinery insurance. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage for the past three fiscal years. GRU reimburses the City for premiums and claims paid on its behalf, recording the appropriate expense.

In fiscal year 2022, the liability was adjusted to align with a three-year average of outstanding claims. In fiscal year 2024, the liability was further adjusted to align with GRU's estimation that there will be a reduction of future claims. For fiscal years 2024, 2023, and 2022, all claims were paid from current-year revenues.

Changes in the insurance reserve as of September 30 (in thousands):

<b>Year Ending September 30,</b>	<b>Beginning Balance</b>	<b>Claims</b>	<b>Payments</b>	<b>Change in Reserve</b>	<b>Ending Balance</b>
2024	\$ 1,960	\$ 752	\$ (752)	\$ (618)	\$ 1,342
2023	\$ 1,960	\$ 863	\$ (863)	\$ -	\$ 1,960
2022	\$ 3,337	\$ 1,503	\$ (1,503)	\$ (1,377)	\$ 1,960

Gainesville Regional Utilities  
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## 17. Litigation

*Jacob Rodgers v. William Stormant and City of Gainesville, d/b/a Gainesville Regional Utilities;* Case No. 01-2016-CA-000659 in the Circuit Court of the Eighth Judicial Circuit in and for Alachua County, Florida.

On October 7, 2015, a City-owned vehicle driven by a City employee collided with a vehicle. In February 2016, the plaintiff filed suit against the City employee, personally, and added the City as a defendant in June 2017. The trial was conducted in early May 2021. The jury reached a verdict of \$120 million against the City. The trial court denied the City's motion for a new trial, but granted a remittitur, reducing the overall award to \$18.3 million.

The plaintiff rejected the remittitur and filed a notice of appeal. The City subsequently filed a cross-appeal as to the court's orders denying its motion for new trial and motion for directed verdict. Briefs were filed with Florida's First District Court of Appeal, and oral argument was scheduled for January 25, 2023. On January 18, 2023, however, the First District Court of Appeal issued an order cancelling the oral argument and relinquishing jurisdiction to the trial court to enter a Final Judgment. On January 30, 2023, the trial court entered the final judgment proposed by the Plaintiff/Appellant, awarding him the remitted damages, so that the appellate proceedings may go forward with a new date for oral argument. The City's cross-appeal persisted to oral argument. On September 7, 2023, the court heard oral argument from both parties, and subsequently issued an opinion on November 29, 2023, affirming the trial court's holding that the law of the case precluded the City from reasserting the issue of sovereign immunity, and reversing and remanding for a new trial limited to the issue of the alleged comparative negligence of Plaintiff/Appellee in failing to wear a seatbelt. The Court determined that the remitted damages award cannot be retried. Thus, the remitted damages award will operate as a cap on damages. On retrial, the City can seek to reduce its liability based on the comparative fault of the plaintiff and plaintiff's driver without facing the risk that the jury will award damages above the remitted amount. Also, the plaintiff will need to present his case on liability without presenting to the jury any evidence related to his damages.

Prior to the re-trial of Plaintiff's comparative fault, the parties reached a mediated settlement fully resolving all remaining claims, which was formally approved by the GRU Authority and finalized on September 4, 2024. Accordingly, the trial court ordered the clerk to close the case file for Case No. 01-2016-CA-000659, and on October 30, 2024, the trial court entered a final judgment pursuant to the mediated settlement agreement adjudging that Plaintiff recover from the City the sum of \$11 million, for which let execution issue up to \$200,000, and which shall bear interest at the legal rate. In January 2025, the \$200,000 agreed settlement was paid to the Plaintiff.

The parties' settlement agreement specifically reserved all rights for the Plaintiff to pursue a legislative claim bill, and the City's rights to defend against entry of a legislative claim bill. On December 12, 2024, Florida State Senator Mack Bernard from District 24 (Palm Beach County) filed a legislative claim bill seeking relief for Plaintiff. The City intends to defend against the claim bill.

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**17. Litigation (concluded)**

Any claim bill must be heard and approved by both houses of the Florida Legislature and signed by the Governor. In the event a claim bill is approved directing the City to appropriate and pay plaintiff a sum in excess of \$200,000, the City plans to request the legislature structure such payment over a term of years that would allow the City to cover such liability with currently available operating funds or through a borrowing.

Gainesville Regional Utilities  
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September 30, 2024 and 2023

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**18. Subsequent Events**

**Natural Gas Prepay Transaction**

On November 6, 2024, GRUA authorized the CEO or his designee to negotiate and execute a natural gas prepay agreement subject to certain execution parameters. On December 11, 2024, GRUA approved a resolution which approves a natural gas supply agreement with Municipal Gas Authority of Georgia reflecting a natural gas prepayment agreement with Main Street Natural Gas. Expected savings from the first segment of this transaction are 52 cents per MMBTU committed to the transaction or approximately \$1.9 million per year. On December 18, 2024, GRU signed the agreement with Municipal Gas Authority of Georgia.

**\$150 Million Utilities System Variable Rate Subordinated Revenue Bond, 2022 Series A**

On December 11, 2024, GRUA approved a resolution to amend a credit agreement between GRUA and U.S. Bank National Association to extend the maturity date of the agreement as well as a modification of the applicable interest rate index. On December 20, 2024, the amendment was executed to extend the life of the agreement three years and will utilize the “Monthly Reset Term Secured Overnight Financing Rate (SOFR)” as the applicable index.



## **OTHER REPORT**

**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

**Independent Auditors' Report**

To the Gainesville Regional Utilities Authority of  
Gainesville Regional Utilities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Gainesville Regional Utilities (the GRU), which comprise the GRU's statement of financial position as of September 30, 2024, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the GRU's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GRU's internal control. Accordingly, we do not express an opinion on the effectiveness of the GRU's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the GRU's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin  
February 14, 2025



## Gainesville Regional Utilities Authority Agenda Item Report

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**File Number:** 2025-178

**Agenda Date:** March 12, 2025

**Department:** Gainesville Regional Utilities

**Title:** 2025-178 State of the Utility FY25 January (B)

**Department:** Chief Operating Officer

**Description:** A monthly operational update to Authority members to ensure they are aware of important projects and relevant utility measurements and benchmarks. This report provides information from December 2024. We will be assessing the most effective methods for delivering the report in addition to the most relevant information as it continues to evolve.

**Fiscal Note:** No fiscal note.

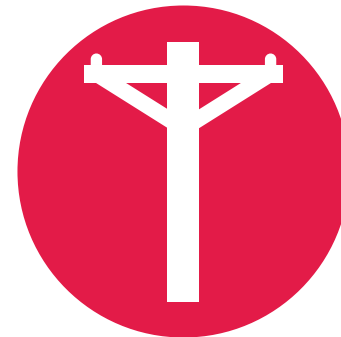
**Recommended Motion:** The GRU Authority hear a monthly update from the utility's operational areas.

**FY25**  
**January**  
**State of the Utility**



# State of the Utility

**FY25**  
**January**



# Energy Supply

## Major Figures & Achievements

Recordable  
Injuries

0

Regulatory  
Compliance  
Issues

0

## Safety

Energy Supply has achieved over three years without a recordable injury as of Dec. 21, 2024.

Two property damage reports were conducted at DHR:

- A Wagner dozer operator accidentally struck a concrete slab, breaking a hydraulic line. This is being treated both as property damage and a near-miss safety incident, as hydraulic fluid sprayed onto the hot turbo and ignited. The operator responded correctly, moving the machine off the pile and activating the fire suppression system, which extinguished the fire as designed. No injuries occurred. The incident is being reviewed as serious safety scenario
- A biomass fuel truck driver, while exiting the plant, drove a tire off the outbound scale. While no plant property was damaged, the truck sustained damage. The incident is under investigation by Fuels/BRM. This had potential safety implications if the truck had rolled over.

## Regulatory Compliance (NERC)

- Continuing work on SERC recommendations regarding VAR-002 voltage regulation status, a collaborative effort between PAS, plants, System Control, OT, and the Relay department.
- Trial database underway with Compliance to improve accuracy in granting and removing security access to NERC areas, currently being tested at the JRK site.
- Collaborating with ED and OT to ensure RTAC (Real-Time Automation Controllers) are properly identified, documented by owners, and secured for the NERC audit. Developing a plan for spare units and programming backups.
- Addressing incomplete battery test data that is recorded automatically and electronically. PAS Engineer assisting with resolution

# Energy Supply

## Major Bi-Weekly Milestones

- DH1 PA fan #2 repaired and returned to service; awaiting unit restoration from economy outage for testing.
- DH2 heater drain pump installed.

## Significant Challenges & Solutions

- Successfully restored DHR on Jan. 28. Unit tuning completed on Feb. 11, with a new load rating of 105.5 MW net.
- DH2 Cooling Tower #9 and #10 repairs are being coordinated by PAS. No impact on DH2 load capabilities. Solicitation process is complete, vendor selected, and Purchase Order in progress. Repairs targeted for completion by June 2025.

## Department Updates

### BSA

- Vacancy rate in ES: 6%
- Interviews:
  - Production Manager (DH) – Darrin Cowart, interview scheduled for 2/17/2025
  - Production Tech (DHR) – Pending offers for two positions
- FY26-27 Annual Budget Process: Internal budget meetings wrapping up next week.
- Internal Control:
  - P-Card Statement Folder Review in progress, aligned with GRU's Internal Control Quarterly Review.
  - Deficiencies reviewed and responses completed on 2/7/2025.

## Deerhaven Renewable (DHR)

- Unit online after maintenance, ramp rate improved to 2.5 MW/min, max load at 105 MWnet. Further load increases under review.
- Auto Reclaimer repair (40 ft chain section) scheduled for Feb. 17-20; operators manually moving fuel in the meantime.
- One Wagner at Fleet for engine repairs; new Wagner on-site with minor issues to address.

## Deerhaven (DH)

- Common: Addressing main plant drain leak, fuel oil tank inspections, deep well pump breaker failure, and sludge cell cleanout.
- DH1: Unit in economic outage; PA fan #2 repaired. Governor valve adjustments ongoing. Generator breaker 615 experiencing operational delays.
- DH2: Online, coal ops testing weekly. Boiler feed pump MOV issue unresolved; temp fixes in place. South slurry pump breaker failure under repair.



# Energy Supply

## **Kelly Generating Station (JRK)**

- Outage prep in progress.
- CT4 experiencing combustion issues; compressor cleaning scheduled for outage starting Feb. 21.
- ST8 tripped on Jan. 29 due to communication issues; investigation ongoing.
- CC1 operating with temporary battery system; permanent replacement planned for spring outage.
- Scheduling network switch replacement to prevent ST8 indication loss.

## **South Energy Center (SEC)**

- Wartsila and Solar engines operational.
- Steam Chiller outage expanded due to rotor shaft damage; replacement lead time 35 weeks, alternative solutions under review
- Ongoing water intrusion mitigation efforts.
- Heating Hot Water project activated on Feb. 3, steam supply stopped on Feb. 14; UF Health prepared for full abandonment.
- UF Health collaboration meeting scheduled for Feb. 19.

## **GTs**

- GT1 & GT2 available on dual fuel.

## **Planning**

- Working with S&L on RICE cost estimate at Deerhaven.
- Evaluating economic benefits of adding wall burners to DHR.

## **Environmental**

- Various instrumentation upgrades, permit renewals, and compliance filings underway.
- MSGP/SWPPP training scheduled post-DHR outage.
- Insurance claims in progress for DHR stacker reclaimer bearing and turbine rotor first-stage blade replacement.

## **Other Items**

- Insurance claims in progress for DHR stacker reclaimer bearing and turbine rotor first-stage blade replacement.
- Production and PAS/MMG reviewing trade skill (Mech/ICE) JTLs.

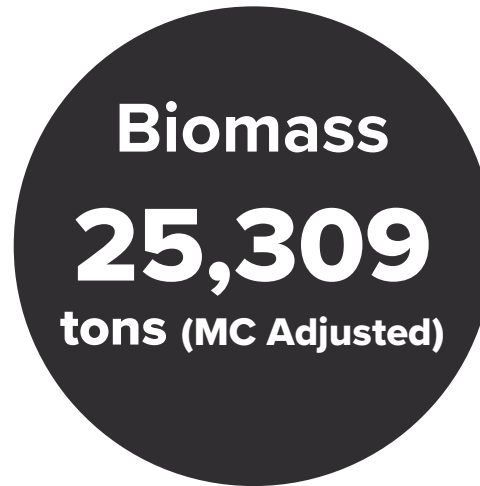
# Energy Supply

## Fuels Management

### Inventory

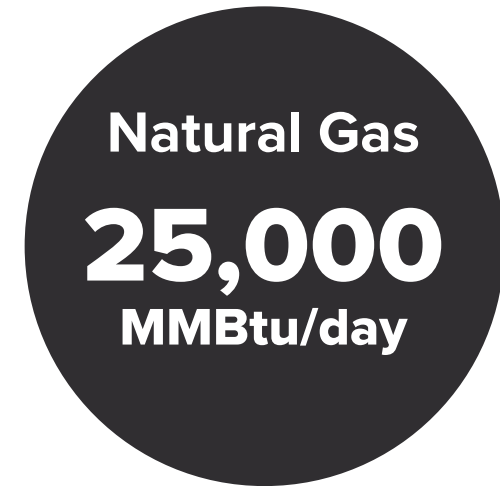


43 days at full load;  
86 days at half load.



8.3 days at full load;  
12.4 days at half load;  
12.9 days at most recent  
burn rate.

### Usage



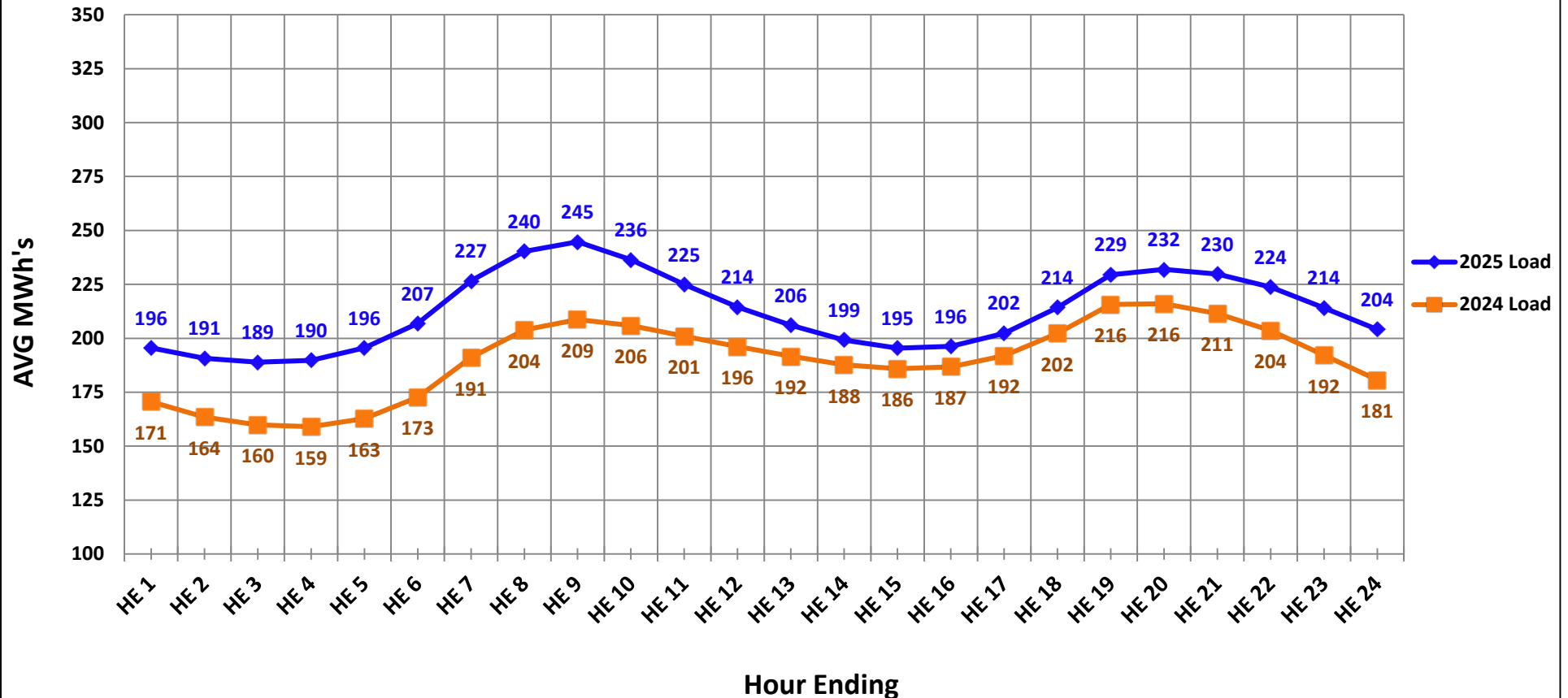
## Estimated Expenses & Budget

**Generation:** \$9,047,959.75 (\$2,437,657.21 over budget due to higher gas prices during cold weather).

**Purchase Power:** \$573,540.35 (\$7,444.57 below budget).

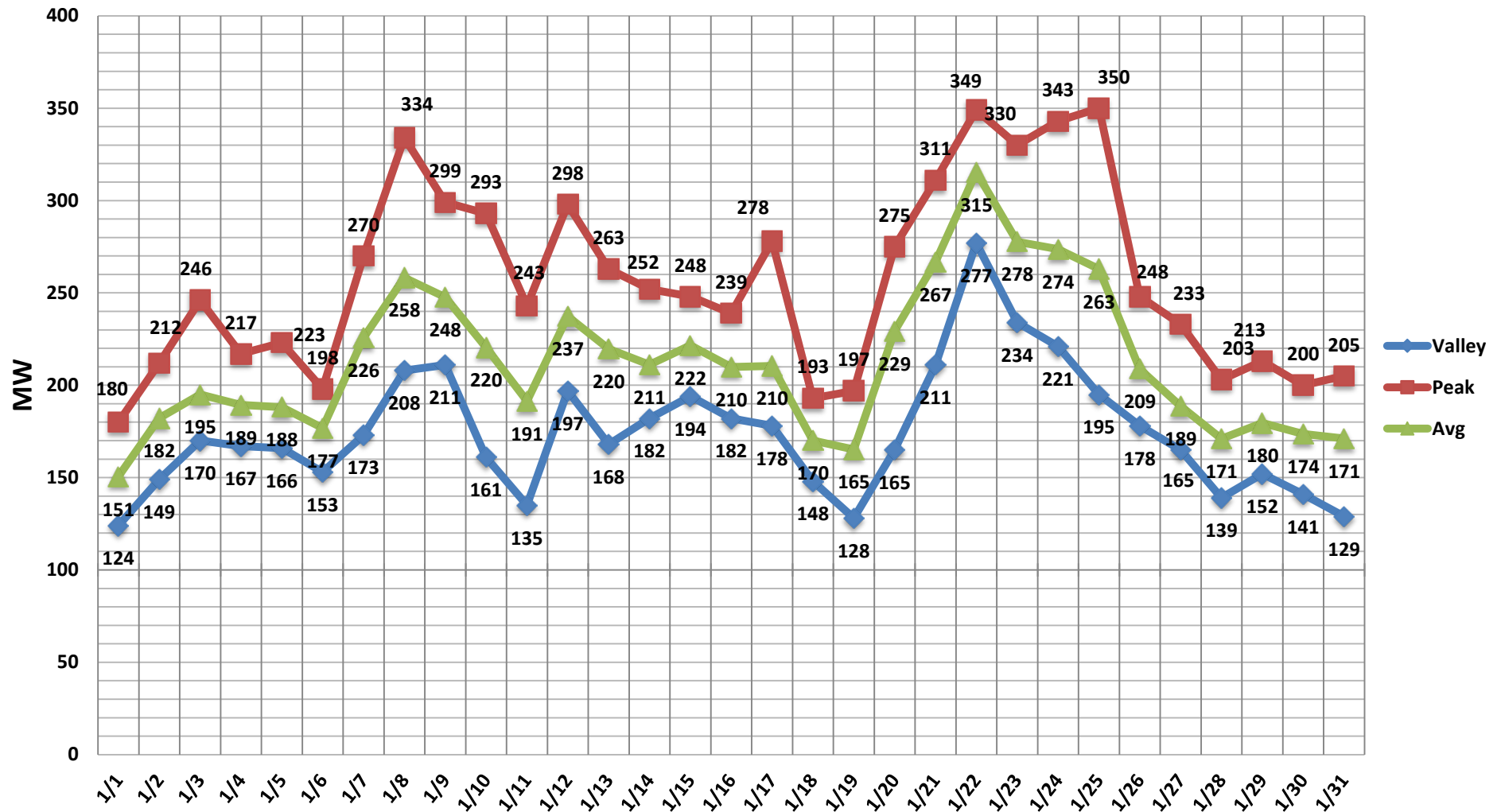
# Energy Supply

January 2025 vs January 2024  
Average Hourly Loads



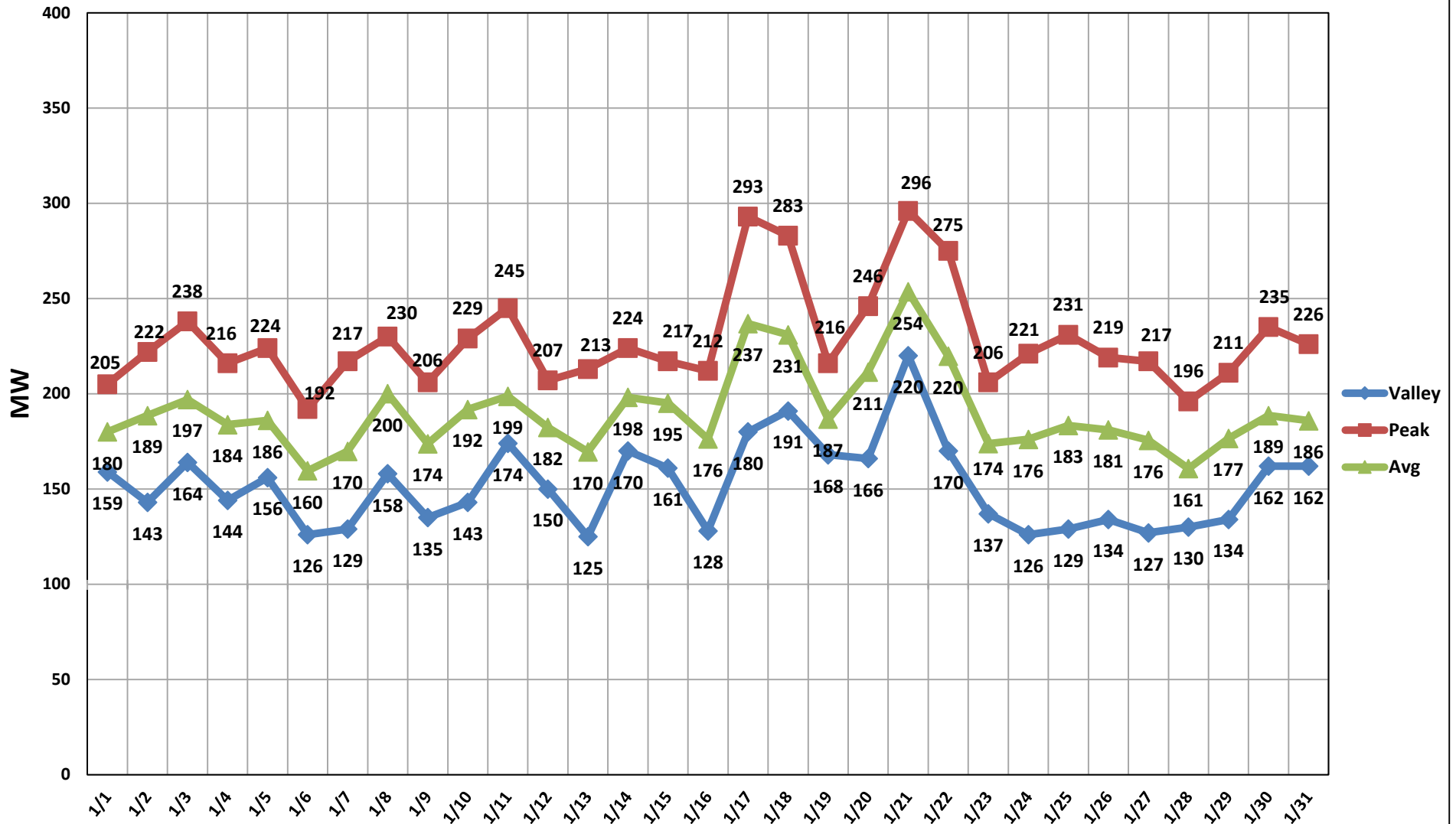
# Energy Supply

January 2025  
Peak, Valley, and Average Loads



# Energy Supply

January 2024  
Peak, Valley, and Average Loads



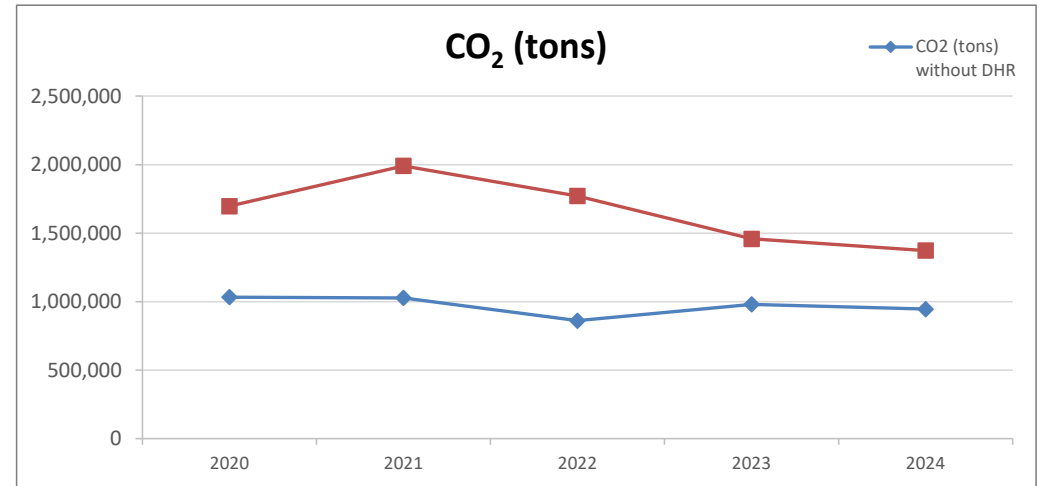
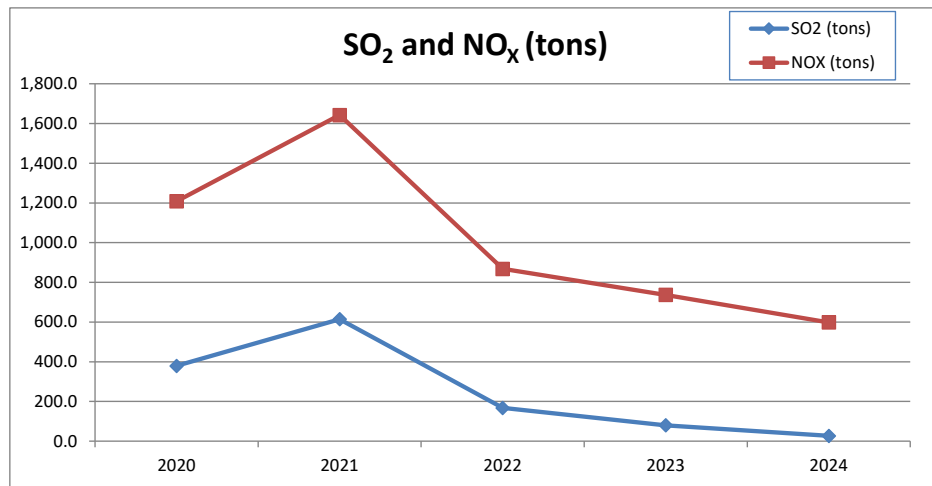
# Energy Supply

## Emissions Data

### Yearly Emissions

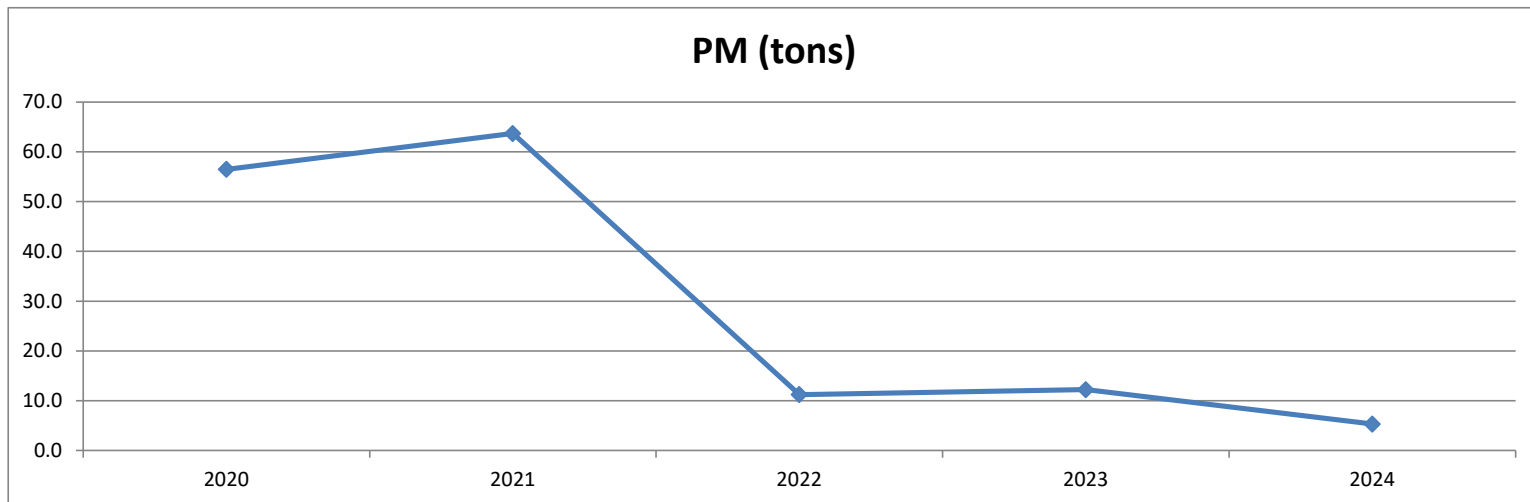
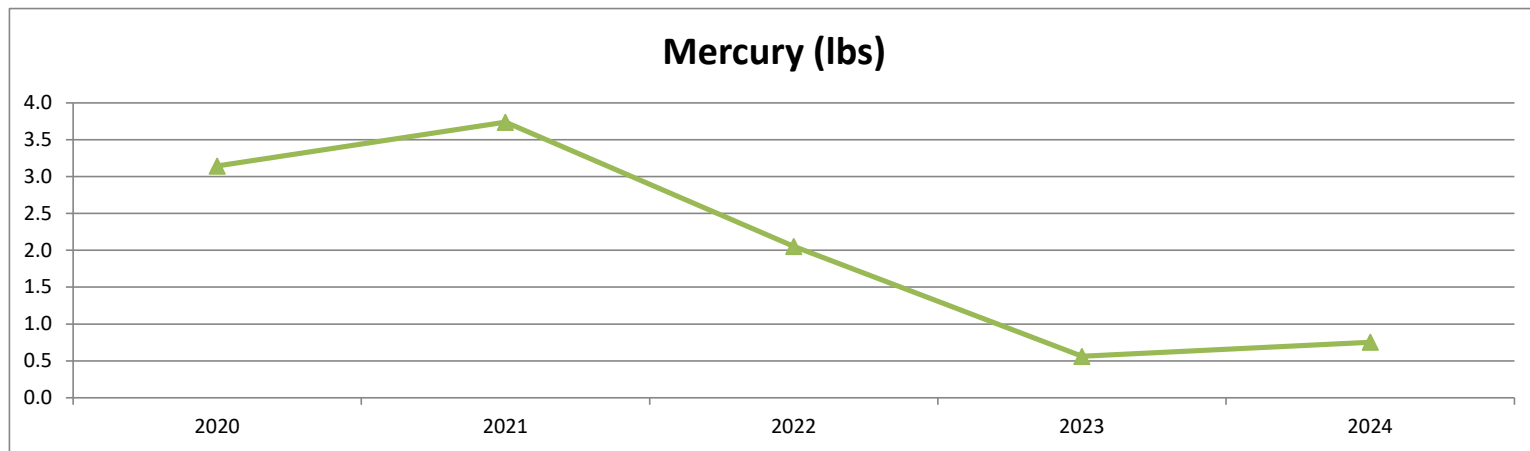
	SO <sub>2</sub> (tons)	NO <sub>x</sub> (tons)	Mercury (lbs)	PM (tons)	CO <sub>2</sub> (tons) without DHR	CO <sub>2</sub> (tons) with DHR
2020	379.3	1,208.3	3.1	56.5	1,033,389.5	1,697,218.5
2021	614.7	1,643.0	3.7	63.7	1,027,918.9	1,991,487.9
2022	167.4	867.8	2.1	11.2	861,824.7	1,771,204.7
2023	80.2	737.1	0.6	12.2	980,726.2	1,458,824.3
2024	26.5	598.4	0.8	5.3	946,129.6	1,373,862.4

Mercury and Particulate values are for Unit 2 only.



# Energy Supply

Yearly Emissions



# Energy Supply

## Emissions Data

2024 (thru December)

	SO <sub>2</sub> (tons)	NO <sub>x</sub> (tons)	Mercury (lbs)	PM (tons)	CO <sub>2</sub> (tons)	SO <sub>2</sub> Rate (lb/MMBtu)	NO <sub>x</sub> Rate (lb/MMBtu)	HTIP (MMBtu)	GEN (MW-hours)
DH1	1.2	152.6			126,131.0			2,122,026.4	178,796.6
DH2	14.7	253.6	0.75	5.3	416,617.6			7,013,262.6	634,789.5
DHCT3	0.0	0.4			1,240.1			20,868.3	1,627.6
JRKCC1	2.0	70.8			402,141.0			6,766,833.9	823,073.4
DHR	8.6	121.0			427,732.7			4,101,776.7	295,362.8
<b>TOTAL</b>	<b>26.5</b>	<b>598.4</b>	<b>0.75</b>	<b>5.3</b>	<b>1,373,862.4</b>			<b>20,024,767.9</b>	<b>1,933,649.9</b>

TOTALS without DHR

	SO <sub>2</sub> (tons)	NO <sub>x</sub> (tons)	Mercury (lbs)	PM (tons)	CO <sub>2</sub> (tons)	SO <sub>2</sub> Rate (lb/MMBtu)	NO <sub>x</sub> Rate (lb/MMBtu)	HTIP (MMBtu)	GEN (MW-hours)
DH1	1.2	152.6			126,131.0			2,122,026.4	178,796.6
DH2	14.7	253.6	0.75	5.3	416,617.6			7,013,262.6	634,789.5
DHCT3	0.0	0.4			1,240.1			20,868.3	1,627.6
JRKCC1	2.0	70.8			402,141.0			6,766,833.9	823,073.4
<b>Total Without DHR</b>	<b>18.0</b>	<b>477.4</b>	<b>0.753</b>	<b>5.3</b>	<b>946,129.6</b>			<b>15,922,991.2</b>	<b>1,638,287.1</b>



# Energy Supply

## Emissions & Compliance Data

	December	Calendar Year to Date (December)
Notices of Violation	0	0
<b>Emissions</b>		
DH1, DH2, DHCT3, JRKCC1		
CO <sub>2</sub> (tons)	88,318.5	946,129.6
NO <sub>x</sub> (tons)	39.5	477.4
SO <sub>2</sub> (tons)	1.3	18.0
DH Unit 2 (only)		
PM <sub>FILT</sub> (tons)	0.5	5.3
Hg (lbs)	0.1	0.8
DHR		
CO <sub>2</sub> (tons)	0.0	427,732.7
NO <sub>x</sub> (tons)	0.0	121.0
SO <sub>2</sub> (tons)	0.0	8.6

# Energy Supply

## Availability & Capacity

	Month	FY25 YTD	FY24 YTD	Month	FY25 YTD	FY24 YTD
DH-2	100%	100%	74.32%	32.85%	31.86%	29.13%
DH-1	100%	100%	90.96%	28.12%	23.51%	20.76%
Kelly CC	100%	100%	88.78%	99.17%	100%	81.90%
DH CT-1	100%	100%	95.09%	0.01%	0.01%	0.06%
DH CT-2	100%	99.78%	94.75%	0.01%	0.01%	0.02%
DH CT-3	100%	100%	99.09%	0.00%	0.00%	0.29%
DHR	10.90%	2.73%	84.30%	0.00%	32.09%	33.83%

## Fuel Consumed

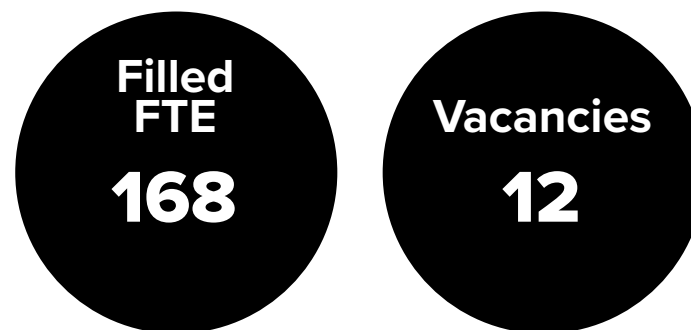
	Month	YTD	Budget YTD	Delta Budget
Coal (Tons)	3,554	3,667	-	3,667
Gas (MCF)	1,453,001	5,912,750	5,310,877	601,873
Fuel Oil (Gal)	60,983	61,118	-	61,118
Biomass (Tons)	6,269	6,269	2,284	3,985

# Energy Supply

## Vacancies and Retirements

Status	Title	Filled?	Group	Vacant Date
Vacant	Engineer and Utility Designer IV	N	GRU Deerhaven Plant	12/01/23
Vacant	Power Plant ICE Technician	N	GRU Deerhaven Plant	07/08/24
Vacant	Power Plant Mechanic Journeyman	N	GRU Deerhaven Plant	04/03/23
Vacant	Power Plant Mechanic Journeyman	N	GRU Deerhaven Plant	09/13/22
Vacant	Power Plant Mechanic Journeyman	N	GRU Deerhaven Plant	07/27/23
Vacant	Power Plant MMG ICE Supervisor	N	GRU Deerhaven Plant	05/22/23
Vacant	Process Plant Operator II	N	GRU Deerhaven Plant	01/22/25
Vacant	Major Maintenance Leader	N	GRU Deerhaven Plant	12/09/24
Vacant	Power Plant Journeyman Operator	Y	GRU Deerhaven Plant	09/17/24
Vacant	Power Plant Shift Supervisor	Y	GRU Kelly Plant	12/06/24
Vacant	Production Manager III	Y	GRU Deerhaven Plant	12/09/24
Vacant	Production Technician	Y	Deerhaven Renewables	12/26/24
Vacant	Production Technician	Y	Deerhaven Renewables	01/06/25

## Personnel



# Energy Supply

**END OF SECTION**

# Energy Delivery

## Reliability Statistics



### Outage Causes

Cause	Overhead	Underground	Both
Undetermined	7	0	0
Weather	0	0	0
Vegetation	8	0	0
Animals	2	0	0
Foreign Interference	2	0	0
Human Cause	8	1	0
Equipment Failure	12	5	2
Other	1	0	0
<b>Total</b>	<b>38</b>	<b>5</b>	<b>2</b>

# Energy Delivery

## Electric System Consumption

	2025		2024	
	CONSUMPTION (kWh)	CUSTOMERS	CONSTUMPION (kWh)	CUSTOMERS
Feed-in-Tariff - Residential	1,389	86	235	93
Feed-in-Tariff - General Service	6,575	145	3,812	149
Electric - GS - Demand - Regular	43,536,904	1,119	41,597,851	1,126
Electric - General Service Demand PV	1,443,007	30	1,425,239	28
Electric - GS - Kanapaha w Curtail Cr	1,029,600	1	1,068,000	1
Electric - GS - Demand - Large Power	8,700,400	10	7,336,200	7
Electric - GS - Murphree Curtail Credit	1,423,200	1	1,339,200	1
Electric - GS - Large Demand PV	712,800	1	3,153,600	2
Electric - GS - Non Demand	13,491,885	10,157	13,529,450	10,186
Electric - General Service PV	143,562	82	150,528	83
Electric - Lighting - Rental	820,381	1,841	823,530	7,040
Electric - Lighting - Street - City	403,981	15	385,576	15
Electric - Lighting - Street - Country	127,313	1	127,313	1
Electric - Lighting - Traffic	144	1	144	1
Electric - Residential - Non TOU	61,757,582	90,811	62,065,905	90,725
Electric - Residential PV	882,770	1478	824,200	1,335
<b>Total Retail Electric</b>	<b>134,481,493</b>	<b>103,922</b>	<b>133,830,783</b>	<b>103,737</b>

# Energy Delivery

## Gas System Consumption

	CONSUMPTION (THM)	CUSTOMERS
Gas - GS - Regular Service (Firm)	1,046,542 THM	1,269
Gas - GS - Regular Service (Small)	38,467 THM	485
Gas - GS - Interruptible - Regular Serv	20,213 THM	1
Gas - GS - Interruptible - Large Volume	511,564 THM	8
Gas - Residential - Regular Service	1,280,560 THM	35,572
<b>Total Retail Gas</b>	<b>2,897,346</b>	<b>37,355</b>

## Major Projects

### Electric Engineering / T&D Construction

- **North Florida Regional Medical Center at Archer** – Design completed; construction underway. Temporary power installations and underground circuit reliability improvements are complete, awaiting civil work for permanent power.
- **Oaks Preserve Phase 2** – Residential subdivision. Electrical installations in progress.
- **Butler Plaza Center Cup** – Commercial development. Design completed; construction started.
- **Archer Place Apartments** – Mixed-use development with apartments and retail. Overhead-to-underground electrical conversion is ongoing. Permanent power will be completed after road improvements and building construction.
- **Evergreen Apartments at Oaks Mall** – Five multistory apartment buildings and a fitness center. Design completed; awaiting developer to begin electrical installations.
- **Hawthorne Heights** – Affordable housing. Finalizing design details in ProjectDox.
- **Natura** – Multifamily apartment complex with nine three-story buildings, clubhouse, garages, and amenities. Design work is ongoing.
- **Hammock Preserve** – Mixed-use residential and commercial development. Construction in progress.
- **Tesla at Wawa (Archer Road)** – New fast-charging station. Construction starting soon.
- **Airport Parking Garage** – Construction in progress.
- **Gilbane Collegiate Apartments** – Multistory apartments on NW 20th Ave. Construction starting soon.
- **Tesla at Oaks Mall** – New fast-charging station. Construction starting soon.
- **Main St. WWW Plant** – In design phase. New underground power source installation planned.

# Energy Delivery

- **Evergreen** – Developer is installing conduits.
- **203-205 Feeders Reconductoring (GRIP Grant Project)** – Work order released; awaiting DOE approval.
- **Transmission Line 15 (GRIP Grant Project)** – Pole and insulator replacements 98% complete. Over 100 wood poles replaced with ductile iron. Remaining work will be scheduled during a future outage.
- **TACTICS 931** – Hardening lines and adding a tie point to improve reliability. 65% complete.
- **New Distribution Feeder #1038** – Pre-design phase.
- **Santa Fe College 12kV System Enhancement** – Surveying near completion.
- **County Criminal Court Complex Expansion** – New project.
- **Bradford Transmission Line 15** – Pole and insulator replacements. Construction began 1/6 but paused on 1/8 due to Seminole's request. Coordinating with System Control for a new schedule.

## Substation & Relay

- **Parker Autotransformers** – Factory design drawings for T-76 replacement reviewed and approved. Contractor's 30% drawing packet reviewed; 60% milestone set for late February.
- **McMichen T-42 Transformer** – Old transformer and foundation removed. New foundation construction underway.
- **Line 16 Upgrade** – Replacing two 138kV breakers, two sets of 138kV gang switches, and two line protection relays. Design in progress.
- **Line 8 Upgrade** – Replacing one 138kV breaker, two sets of 138kV gang switches, and five line protection relays. Adding one new line protection relay. Design in progress.
- **Fort Clarke T-81 & T-82 Relay Upgrade** – In-house design and engineering underway for transformer differential relay installation. Scope defined, parts ordered. Scheduled for summer FY25.

## Gas Engineering

- **Bridlewood Subdivision** – 6" main extension under construction. Rerouting 6" main to avoid sinkhole.
- **Parker Road Backfeed to Archer Road** – Design completed; construction underway.
- **Convergence Research Park Phase 3** – Design submitted; contractor estimates completion by late April.
- **UF Backfeeds** – Quoted prices for additional gas backfeeds to improve system reliability.
- **UF Cogen Test** – Scheduled nitrogen delivery; revising plan for upcoming test.
- **Flint Rock Phase 2** – Builder requested gas service. Design complete; coordinating joint trench with electric contractor.



# Energy Delivery

## Gas T&D

- **Museum Road Pit Relocation** – UF approved relocating the underground regulator station to Center Dr. GRU Land Rights coordinating final location and easement details with UF's Electrical Distribution team.
- **FDLE Work Camp** – Extended 3,300 ft. of 3" gas main to reopened FDLE facility at 700 NE 55th Blvd. Construction complete.
- **UF Co-Generation Transmission Pipeline Testing** – Testing scheduled for April 6. Road closures expected on SW Archer Rd and campus. Coordinating with E911, UF, VA, and FGT.
- **Mi Apa Restaurant (Alachua)** – Extending 820 ft. of 3" gas main. Construction starts Feb. 18.
- **Gainesville Housing Authority (2626 E. University Ave.)** – Replacing 3,520 ft. of old bare steel pipe with poly (2" & 1¼"). Regulatory best practice. May be delayed due to Bridlewood project expenses.
- **Bridlewood Subdivision (External & Phase 1)** – Extending 9,400 ft. of 6" gas main from US 441 to Bridlewood. Installing 5,367 ft. of 4", 3", 2", and ¾" gas main for Phase 1. Construction 50% complete.
- **Archer Place Apartments (3101 Old Archer Rd)** – Installed 1,550 ft. of 3" poly. 90% complete. Construction finished.
- **Lugano Subdivision Phase 4** – Installed 2,780 ft. of poly (3" & ¾"). Project complete except for remaining tie-ins.
- **Flint Rock Subdivision Phases 2 & 3** – Extending 2,980 ft. of 3", 2", and ¾" gas main. Construction 75% complete.
- **Convergence Research Park Subdivision** – Extending 4,840 ft. of 3", 1¼", and ¾" gas main. Awaiting developer's construction schedule.
- **24 PSI Backfeed** – Securing property for a new regulation station. Will enhance redundancy and reduce service disruptions on Williston Rd.
- **System Protection Project (Williston Rd & SW 23rd St.)** – Installing 200 ft. of 4" gas main to connect an unlinked section of the GRU distribution system.
- **System Growth Project (UF Broward Hall)** – Installing 450 ft. of 1¼" gas main to accommodate increased gas demand from up-graded appliances.

# Energy Delivery

## Advanced Metering Infrastructure (AMI)

Category	Electric	Water	Natural Gas	Total
Remote Reading	103,482	53,110	31,851	188,443
AMI Devices	103,508	53,967	31,996	189,471
Non-AMI Devices	347	23,953	6,300	30,600
Total Devices	103,855	77,920	38,296	220,071
Saturation %	99.7%	69.3%	83.5%	86.1%

## Standard Industry Comparisons

Comparison	Actual	Goal
SAIDI	0.69	4.5
CAIDI	49.88	55
SAIFI	0.01	0.08
ASAI	99.99	

For all except ASAI, lower is better.

SAIDI: System Average Interruption Duration Index.

CAIDI: Customer Average Interruption Duration Index.

SAIFI: System Average Interruption Frequency Index.

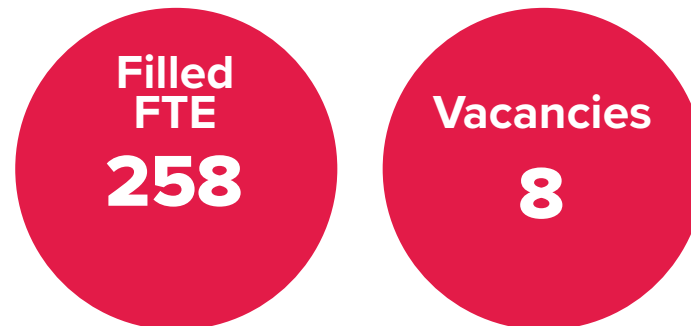
ASAI: Average Service Availability Index.

# Energy Delivery

## Vacancies and Retirements

Status	Title	Filled?	Group	Vacant Date
Vacant	Electric Line Clearance Coordinator	N	T&D Vegetation Management	Nov. '24
Vacant	Principal Engineer and Utility Designer	N	ED Electric Engineering	March '24
Vacant	Energy Delivery Facilities Specialist II	N	ED Electric Engineering	March '24
Vacant	Engineer & Utility Designer III	N	ED Electric Engineering	Jan. '24
Vacant	Substation Electrician Apprentice	N	Substation Operations	Sept. '24
Vacant	Substation Electrician	N	Substation Operations	Sept. '24
Vacant	Relay Technician	N	Relay Operations	March '24
Vacant	Analyst, Senior	N	ED GIS Operations and Standards	May '23
Vacant	Energy Delivery Facilities Specialist II	Y	ED Electric Engineering	Feb. '25
Vacant	Meter Reader	Y	Electric Meter Measurement Operations	Feb. '25
Retiring June '25	Power Systems Application Engineer	Y	Systems Control Operations	June '25
Retiring July '25	Electric Line Worker	Y	T&D Construction	Sept. '25
Retiring Sept. '25	GIS and Operational Systems Specialist I	Y	ED GIS Operations and Standards	July '25

## Personnel



**END OF SECTION**

# Water/Wastewater

Production						
Murphree Water Treatment Plant (Operations Normal)						
		Month (mgd)	FY 25 YTD (mgd)	FY 24 (mgd)	Permitted Capacity (mgd)	FY 25 YTD % of Permitted Capacity
	Average Daily Flow	22.3	23.0	23.2	30	77%
	Max Daily Peak Flow	28.3	30.7	35.4	54	57%
Main Street Water Reclamation Facility (Operations Normal, Reclaimed Water On)						
		Month (mgd)	FY 25 YTD (mgd)	FY 24 (mgd)	Permitted Capacity (mgd)	FY 25 YTD % of Permitted Capacity
	Average Daily Flow	5.4	5.9	6.2	7.5	79%
	Max Daily Peak Flow	9.1	13.1	16.1	NA	NA
Kanapaha Water Reclamation Facility (Operations Normal, Reclaimed Water On)						
		Month (mgd)	FY 25 YTD (mgd)	FY 24 (mgd)	Permitted Capacity (mgd)	FY 25 YTD % of Permitted Capacity
	Average Daily Flow	10.3	10.7	11.1	14.9	72%
	Max Daily Peak Flow	17.9	19.1	24.7	NA	NA

# Water/Wastewater

Environmental Compliance			
Water Distribution System			
	Month	FY 25 YTD	FY 24
Precautionary Boil Water Notices:	3	7	25
Wastewater Collection System			
	Month	FY 25 YTD	FY 24
Sanitary Sewer Overflows (SSOs)	3	8	22
SSOs By Type:			
Residential Grease & Toiletries		1	8
Infrastructure	1	5	4
Third-Party Damage	2	2	3
Wet Weather			0
Named Storms			7

# Water/Wastewater

## Water/Wastewater January 2025

### Maintenance

#### Water Distribution System

	Month	FY 25 YTD	FY 24	Monthly Goal
Dispatched Water Work Orders	550	1,852	3,866	-
Water Leaks	352	1,159	2,400	-
Water Damages (by 3rd Parties)	46	126	N/A	-
Other Water Work Orders	152	567	1,466	-
AMI Large Meter Changeouts	33	250	1,057	-
Number of Water Services Replaced	45	232	1,280	83
Feet of Water Main Replaced	2,002	5,435	22,487	2,200

#### Wastewater Collection System

	Month	FY 25 YTD	FY 24	Monthly Goal
Dispatched Sewer Work Orders	73	272	776	-
Sewer Stoppages	21	75	168	-
Sewer Damages (by 3rd Parties)	5	16	N/A	-
Other Sewer Work Orders	47	181	608	-
SWAMP Program				
Miles of Gravity Main Inspected	16.2	54.3	215.0	12.5
Number of Manholes Inspected	453	1,350	5,216	200

# Water/Wastewater

## Major Projects

**Water Distribution** – Alachua County Public Works project for NW 23rd Ave, two water main relocations completed on schedule.

**Wastewater Collection – SW 24th Ave. Force Main Improvements Project (Grant Funded)** – Construction submittal reviews underway, Construction scheduled to begin early February 2025.

**Wastewater Collection – Fort Clarke Gravity Main Improvements Project (Grant Funded)** – Preconstruction meeting held, submittal reviews underway, construction to begin by July 2025.

**Main Street Water Reclamation Facility – Capacity and Renewal Upgrade Project Phase 1 (Grant Funded)** – Influent piping work complete, doing performance test, bypass pumping in place until piping work completed in January 2025. Construction has started on master pump station.

**Kanapaha Water Reclamation Facility** – No major projects underway in January. Planning Phase 3 of Headworks Restoration Project to begin in April 2025.

**Murphree Water Treatment Plant** – Lime slaking equipment manufacturer selected based on best value. Engineer working on 90% design submittal. Contractor working on early equipment package submittal.

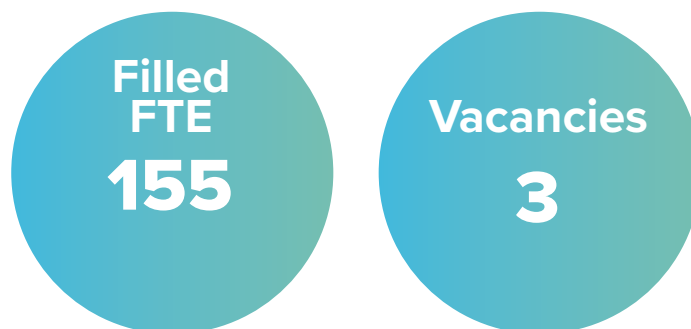


# Water/Wastewater

## Vacancies and Retirements

Status	Title	Filled?	Group	Vacant Date
Vacant - Posting Soon	Wastewater ICE Tech	N	Water Reclamations	Nov. '24
Vacant - Interviewing	New Development Engineer 1-4	N	W/WW Engineering	Dec. '24
Vacant - Posting Soon	Crew Leader	N	Water Distribution	Jan. '25
Retiring July '25	Senior Technical Support Specialist	Y	W/WW Engineering	N/A
Retiring Sept. '25	Technical Support Specialist III	Y	W/WW Engineering	N/A
Retiring Sept. '25	Plant Supervisor	Y	Water Reclamations	N/A

## Personnel



**END OF SECTION**

# Safety & Training

## Safety Data

### January Injury Statistics



Department	First Aid Given	Recordable Injuries	DART*
Administration	1	1	0
W/WW	0	0	0
Energy Supply	0	0	0
Energy Delivery & Gas	0	0	0
GRUCom	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>

\*DART: Days away, restricted or transferred.

### Fiscal YTD Injury Statistics



Department	First Aid Given	Recordable Injuries	DART*
Administration	1	1	0
W/WW	0	1	0
Energy Supply	0	0	0
Energy Delivery & Gas	0	2	0
GRUCom	0	0	0
<b>Total</b>	<b>1</b>	<b>4</b>	<b>0</b>

# Safety & Training

## January Vehicle Collisions & Miles Driven



Department	Miles Driven	Recordable Collisions	Preventable Collisions
Administration	8,854	0	0
W/WW	73,790	2	0
Energy Supply	4,298	0	0
Energy Delivery & Gas	105,314	0	1
GRUCom	6,284	0	0
<b>Total</b>	<b>198,540</b>	<b>2</b>	<b>1</b>

## Fiscal YTD Vehicle Collisions & Miles Driven



Department	Miles Driven	Recordable Collisions	Preventable Collisions
Administration	31,891	0	0
W/WW	285,137	2	0
Energy Supply	11,820	0	0
Energy Delivery & Gas	419,642	4	2
GRUCom	21,478	2	1
<b>Total</b>	<b>769,968</b>	<b>8</b>	<b>3</b>

# Safety & Training

## Injury Details

- None reported.

## Collision Details

- Jan. 21, 2025 – Employee was rear ended in a hit and run.
- Jan. 30, 2025 – Employee while parked and away from vehicle was hit at back tailgate.

**END OF SECTION**

# Customer Support Services

## Revenue Assurance

Referred  
to Collections  
**\$247,615.71**

**YTD: \$3,053,280.32**

Funds  
Collected  
**\$63,434.92**

Bankruptcies  
**\$15,574.70**

**YTD: \$186,948.26**

Prior Indebtedness  
Funds Collected  
**\$34,761.57**

**YTD: \$127,070.82**

Disconnections  
**2,717**

Reconnections  
**2,578**

## Billing & Customer Solutions

- Invoicing rating: **99.4%**
- Meter rereads: **326**
- Locked reads: **8,817**
- Solar invoicing rating: **100%**
- Processed emails: **1,329/1,507**  
(94%)

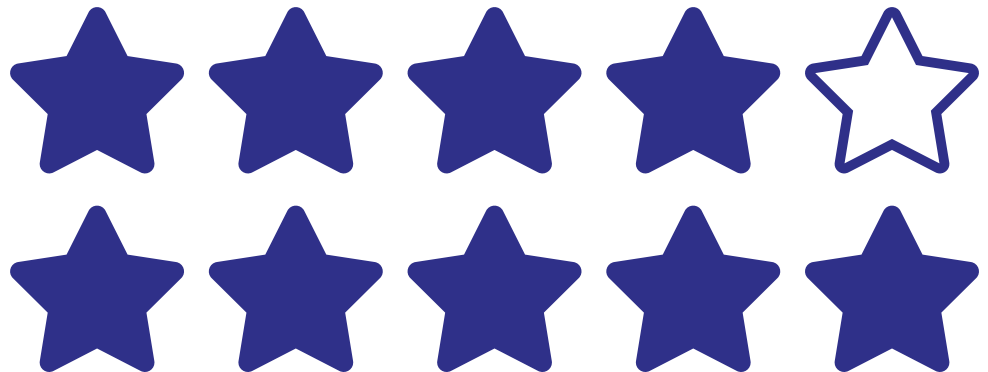
## Customer Experience

Transactional  
Survey

**4.2**

Lobby  
Survey

**4.9**



# Customer Support Services

## New Services

Active Projects	Amount
City	166
County	45
<b>Building Permit Reviews</b>	<b>106</b>
New Installations	Amount
Electric	45
Water	53
Wastewater	50
Gas	26
Solar Reviews	Amount
Plan Reviews for November	6
PVs Completed on Time	6
PV Installations	4



# Customer Support Services

## Customer Service

### Answer Speed

Call Type	Actual	YTD	Goal
Residential	17:13	7:18	5:00
Non-residential	2:27	1:25	3:00

### Handle Time

Call Type	Actual	YTD	Goal
Residential	7:18	7:25	6:00
Non-residential	9:07	8:36	6:00

Total  
Calls

**13,850**

## Other Statistics

Payments  
Returned

**713**

Lobby  
Visits

**3,373**

Project  
Share

**\$3,740.30**

Social  
Service Vouchers

**65**

⋮  
**\$299,031.60**

⋮  
**\$50,578.52**

# Customer Support Services

## Payment Type Details

Payment Type	Instances	Instances YTD	\$ Amount	\$ Amount YTD
Drop Box	128	920	\$42,914.69	\$772,031.93
Mailed	18,234	73,830	\$12,757,474.50	\$61,079,255.12
Office Payment	31	138	\$23,981.51	\$56,665.11
Drive Thru	4,520	17,365	\$2,993,807.69	\$10,901,411.60
Kubra Cash	203	751	\$37,674.13	\$141,508.94
Check Free	6,600	27,046	\$2,179,314.93	\$9,045,981.78
Kubra ACH	17,900	70,455	\$5,002,284.14	\$21,496,210.78
Collection Agency	25	75	\$11,046.49	\$36,235.58
Kubra CC/EZPAY	24,617	95,632	\$5,002,284.14	\$20,157,012.53
Lobby Walk-Ins	2,441	8,780	\$833,654.43	\$3,285,800.15
Direct Debit	302,243	400,038	\$8,759,531.51	\$36,440,629.61

**File Number:** 2025-175

**Agenda Date:** March 12, 2025

**Department:** Gainesville Regional Utilities

**Title:** 2025-175 Gainesville Regional Utilities MOU with the City for Stormwater Management Utility (SMU) and Solid Waste (SW) Billing services (B)

**Department:** GRU Budget, Finance & Accounting

**Description:** GRU and the City currently have a Memorandum of Understanding for Stormwater Management Utility (SMU) and Solid Waste (SW) Billing services. The SMU fees are charged to all owners or occupants of real property in the City based on an Equivalent Unit Rate and SW fees are charged to all residential owners or occupants of residential property in the City based on cart size. SMU and SW fees are collected monthly through GRU's billing system. This MOU will remain in effect until superseded by a more current MOU or termination by either party (GRU or COG). GRU is collaborating with the City to end the billing process by November 2026. This timing was advised by the tax collector.

**Fiscal Note:** The City pays GRU a fixed yearly fee for these billing services, \$800,786.78 for FY25.

**Recommended Motion:** GRU Authority hear a presentation and recommend GRU to continue to work with the City to remove these billings off GRU's bill no later than November 2026 given the scheduling requirements.

# Gainesville Regional Utilities

Stormwater & Refuse MOU with the City of  
Gainesville

March 12, 2025

- On 2/20/25, the City of Gainesville adopted Ordinance 2024-903 titled, Solid Waste Collection Fees
  - Ordinance change will increase residential solid waste collection rates by 20%

## Stormwater & Refuse

- GRU and the City currently have an MOU for Stormwater Management Utility (SMU) and Solid Waste (SW) Billing services
  - SMU fees are charged to all owners or occupants of real property in the City based on an Equivalent Unit Rate
  - SW fees are charged to all residential owners or occupants of residential property in the City based on cart size
  - SMU and SW fees are collected monthly through GRU's billing system
  - The city pays GRU a fixed yearly fee for such billing services, FY25 \$800,786.78
  - Will remain in effect until superseded by a more current MOU or termination by either party (GRU or COG).

## Recommended Motion:

- Recommend GRU to continue to work with the City to remove these billings off GRU's bill no later than November 2026 given the scheduling requirements.



**File Number:** 2025-177

**Agenda Date:** March 12, 2025

**Department:** Gainesville Regional Utilities

**Title:** 2025-177 Resolution of the Gainesville Regional Utilities Authority, a unit of city government of the City of Gainesville, Florida approving the execution, delivery, and performance of one or more natural gas supply agreements with Municipal Gas Authority of Georgia (the Gas Authority), and other documents respecting natural gas prepayment transactions with Main Street Natural Gas (B)

**Department:** Budget, Finance, and Accounting

**Description:** The resolution approves participation in a natural gas prepayment transaction between the Gas Authority and Citi Bank.

**Fiscal Note:** The initial discount is estimated at \$0.61 per MMBtu net of an administrative fee of the Gas Authority's Issuer entity. At \$0.61/MMBtu, annual savings are projected at \$1,639,760 on this deal with Citi Bank. Combined with the \$1,825,000 in projected savings on the first Citi Bank prepay deal, and the \$1,167,540 in projected savings on the TD Bank prepay deal, the combined projected annual savings on the three prepay deals is \$4,632,220.

**Explanation:** At their November 6, 2024 meeting GRUA delegated authority to the CEO or CFO to negotiate and execute one or more natural gas prepay agreements, cumulatively not to exceed 50% of GRU's projected average daily gas load.

Through this transaction, GRU has the opportunity to reduce its fuel costs by purchasing a portion of its projected future gas needs at a discounted price. The key elements of the proposed transaction are:

- GRU's obligation is limited to paying only for the natural gas delivered
- The transaction does not increase GRU's outstanding debt
- The transaction provides not less than \$0.30/MMBtu discount, for the initial term of the transaction, and after the initial term not less than \$0.23/MMBtu discount, in each case net of administrative fees.
- While the transaction is long term, GRU has the flexibility to transition from natural gas to electricity and still retain the discount
- The transaction will serve to diversify GRU's commodity supplier base
- In the event the transaction unwinds, GRU would simply revert to the current process for purchasing gas. The impact to GRU would be the loss of the discount.



**Recommended Motion:** GRUA adopt the proposed resolution authorizing participation in a natural gas prepayment transaction between the Gas Authority and Citi Bank.

RESOLUTION OF GAINESVILLE REGIONAL UTILITIES AUTHORITY, A UNIT OF CITY GOVERNMENT OF THE CITY OF GAINESVILLE, FLORIDA, APPROVING THE EXECUTION, DELIVERY AND PERFORMANCE OF ONE OR MORE NATURAL GAS SUPPLY AGREEMENTS WITH MUNICIPAL GAS AUTHORITY OF GEORGIA, AND OTHER DOCUMENTS RESPECTING NATURAL GAS PREPAYMENT TRANSACTIONS WITH MAIN STREET NATURAL GAS; AND FOR OTHER PURPOSES.

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**WHEREAS**, the Charter of the City of Gainesville, Florida (the "City") being Chapter 12760, Laws of Florida, as amended by Chapter 90-394, Laws of Florida was amended pursuant to House Bill 1645 and codified by Chapter No. 2023-348, Laws of Florida (the "Charter Amendment"), which such Charter Amendment, among other things, added Article VII to the Charter and thereby created the Gainesville Regional Utilities Authority (the "Authority"); and

**WHEREAS**, the City Commission of the City (the "City Commission") adopted Resolution No. 2023-1186 on December 22, 2023 (the "Transitional Resolution") to effectuate the orderly transition of the governance, operation, management, and control of all utility systems, properties and assets related to the electric utility, water utility system, wastewater utility system, natural gas utility system, communications utility system (collectively, the "System"), doing business as the Gainesville Regional Utilities, to the Authority; and

**WHEREAS**, the Authority is expressly authorized pursuant to the Charter Amendment to, among other things, enter into agreements for the future delivery of fuel or other commodities; and

**WHEREAS**, the System was formed, among other reasons, to acquire secure, reliable and adequate long-term supplies of natural gas for resale to governmentally owned customers for ultimate delivery to the residential, commercial, institutional, and industrial consumers in their areas of service and to achieve cost savings, economies of scale and reliability of supply; and

**WHEREAS**, the System has a need for long-term natural gas supplies; and

**WHEREAS**, Municipal Gas Authority of Georgia (the "Gas Authority") is participating in, and developing new, natural gas prepayment transactions from time to time with Main Street Natural Gas, Inc. ("Issuer") from the proceeds of certain tax-exempt bonds (each a "Prepayment Project"); and

**WHEREAS**, neither the Authority nor the City shall have any financial liability with respect to the tax-exempt bonds to be issued by the Issuer and the only obligation of the Authority, as a unit of the City government, shall be to make payments for natural gas deliveries made pursuant to the Agreement (as defined herein); and

**WHEREAS**, the Gas Authority and the Authority have caused to be prepared forms of Base Contract for Sale and Purchase of Natural Gas, Special Provisions to the NAESB Base Contract between the Gas Authority and the Authority, which modifies and supplements the NAESB Standard 6.3.1 Base Contract for the Sale and Purchase of Natural Gas (the "Base Contract") with the special provisions contained therein ("Special Provisions") and transaction confirmations to be entered into from time to time; and

**WHEREAS**, the Base Contract, including the General Terms and Conditions thereto, as modified by the Special Provisions, shall apply to all confirmed transactions between the Gas Authority and the Authority for the purchase and sale of gas unless otherwise specifically stated in a written confirmation executed by both parties; and

**WHEREAS**, the Authority will pay for gas supplies delivered pursuant to an Agreement only if and as such supplies are delivered; and

**WHEREAS**, the City Commission adopted on September 21, 2017, its Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the "Bond Resolution"); and

**WHEREAS**, pursuant to the Transitional Resolution, the City Commission authorized the Authority to, among other things, take all actions on behalf of the City under the Bond Resolution; and

**WHEREAS**, the Authority adopted Resolution 2024-920A on December 11, 2024 authorizing the Authority to execute, deliver and perform one or more natural gas supply agreements with the Gas Authority, and other documents in connection with natural gas prepayment transactions with the Issuer, and for other purposes; and

**WHEREAS**, on December 18, 2024, the Authority entered into an agreement with the Gas Authority defined as Citi2024E Gas Purchase Agreement for 10,000 MMBTu/day with an initial effective date of April 1, 2025; and

**WHEREAS**, on February 12, 2025, the Authority entered an agreement with the Gas Authority defined as TD2025A Gas Purchase Agreement for an annual average of 5,500 MMBTu/day with an initial effective date of not later than August 1, 2025; and

**WHEREAS**, the Authority proposes to enter into a new transaction confirmation under the same Base Contract and Special Provisions with the Gas Authority (collectively, the "Agreement") defined as Citi2025B Gas Purchase Agreement for an annual average of 5,500 MMBTu/day with an initial effective date of not later than November 1, 2025, with not less than a \$0.50/MMBtu discount off spot index, for the initial term of the transaction (until 2032) and, provided the Authority exercises certain contract rights, a minimum of \$0.20/MMBtu discount thereafter, in each case net of administrative fees (collectively, the "Purchase Terms"); and

**WHEREAS**, the purchase of gas delivered and paid by the Authority and all other fees, costs and expenses related thereto shall be an Operation and Maintenance Expense under the Bond Resolution;

**NOW, THEREFORE, BE IT RESOLVED** by the Authority, a unit of city government of the City, that the Agreement, and the Purchase Terms, transactions, purchases and obligations represented thereby, are hereby approved in substantially the form of the Agreement, forms of which are attached hereto, and the Chief Executive Officer/General Manager of the Authority, the Chief Financial Officer of the Authority, or any other officer, employee or agent of the City or the Authority pursuant to the Charter authorized to perform specific acts or duties by resolution duly adopted by the Authority (the "Authorized Officers"), or any of them, are hereby authorized to finalize one or more Agreements from time to time within the parameters of the Purchase Terms with such changes, additions, and deletions as are required, in their sole discretion, to complete the Agreement, and the execution of the Agreement by any Authorized Officer shall be conclusive evidence of any such approval; and

**FURTHER RESOLVED** that, when each such Agreement is so finalized, the Authorized Officers, or any of them, are hereby authorized to execute and deliver such Agreement in as many counterparts as may be required; and

**FURTHER RESOLVED** that the Authorized Officers, or any of them, are hereby authorized to execute and deliver all such additional certificates, documents and other instruments reasonably required or desirable to complete the transactions contemplated by each Agreement, including but not limited to any necessary tax certificates or documents necessary to evidence the Authority's compliance with any tax or continuing disclosure requirements arising as a result of the Authority's execution of the Agreement or as reasonably required.

**PASSED AND ADOPTED IN PUBLIC SESSION OF THE GAINESVILLE REGIONAL  
UTILITIES AUTHORITY, THIS 12<sup>TH</sup> DAY OF MARCH, 2025.**

GAINESVILLE REGIONAL UTILITIES  
AUTHORITY

By: \_\_\_\_\_  
C. Eric Lawson, Chairman

APPROVED AS TO FORM AND  
LEGALITY:

By: \_\_\_\_\_  
Utilities Attorney

Exhibit

Gas Supply Agreement

**TRANSACTION CONFIRMATION  
FOR IMMEDIATE DELIVERY**

Date: [Closing Date], 2025

Transaction Confirmation #: 3 \_\_\_\_\_

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated as of December 18, 2024. The terms of this Transaction Confirmation are binding upon execution unless otherwise specified in the Base Contract.

**SELLER:**

**MUNICIPAL GAS AUTHORITY OF GEORGIA**  
("Seller" or "Gas Authority")

104 TownPark Drive, Kennesaw, GA 30144

**BUYER:**

**GAINESVILLE REGIONAL UTILITIES AUTHORITY**  
("Buyer" or "Customer")

Attn: Jeff Billings

Phone: (770) 590-1000

Fax: 678-819-0948

EMAIL: jbillings@gasauthority.com

Base Contract No.

Transporter:

Transporter Contract Number:

Contract Price: Spot Index minus \$0.\_\_\_\_/MMBtu Discount plus the Index Premium as defined herein under Section 15H below. The Discount is subject to change as provided in Section 15I(2) below.

Delivery Period: Begin: \_\_\_\_\_ 1, 2025      End: \_\_\_\_\_, 2055, subject to Section 15A and Section 15I below.

**Performance Obligation and Contract Quantity:\***

Firm: Contract Quantity in MMBtu per day as set forth in Exhibit A.

**Delivery Point(s):**

See Exhibit A hereto for volumes and delivery points.\*

\*Pursuant to a certain Natural Gas Supply Agreement, dated as of [Closing Month 1], 2025, between Seller and Main Street Natural Gas, Inc. ("Main Street"), the volumes to be delivered to Buyer hereunder, as reflected in Exhibit A attached hereto, shall be sourced from Main Street's hereinafter defined CITI2025B Gas Purchase Agreement. Buyer has executed a Qualified Use Certificate in accordance with its purchase of the Gas from Seller under this Transaction Confirmation. A copy of such Qualified Use Certificate is attached to this Transaction Confirmation as Exhibit C and is a part of it and this Contract.

Special Conditions:

The following Special Conditions shall apply to the transaction set forth in this Transaction Confirmation:

*Amendment to Section 1.3 to the Base Contract:*

The second sentence of this paragraph is revised to read: "For a Transaction Confirmation using NAESB WGG Standard No. 6.4.2 dataset sent via ECS, the receiving party shall notify the sending party via ECS of receiving party's acceptance or dispute of the Transaction Confirmation."

*Amendment to Section 3.2 of the Base Contract:*

Subsection (ii) of Section 3.2 (Cover Standard) of the Base Contract is hereby amended to provide that, in the case of a breach by Buyer, Buyer's payment to Seller, if any, shall be determined using the Cover Standard and the 'Spot Index' as defined herein under new Section 15B.

*Amendment to Section 7.1 to the Base Contract:*

Section 7.1 is hereby amended by deleting the first sentence and inserting in lieu thereof a new first sentence to read in its entirety as follows:

"Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged, on the 15<sup>th</sup> day of each Month. For the avoidance of doubt, Buyer shall have no duty to pay Seller for Gas not delivered and received, including any Gas not delivered and received due to, force majeure or default by the Supplier under the CITI2025B Gas Purchase Agreement (as hereinafter defined in Section 15A below)."

*Amendment to Section 7.4 to the Base Contract:*

Section 7.4 is hereby amended by deleting Section 7.4 in its entirety and inserting in lieu thereof new Section 7.4 to read as follows:

"The invoiced party shall pay the invoice in full, including any disputed amounts, but excluding disputed amounts, if any, in excess of the Contract Price multiplied by the scheduled Gas deliveries for the prior month to which such invoice relates (e.g., such excluded, excess amounts include excess replacement costs and penalties). After such payment, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practices to support the amount paid and disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy at law or in equity, including but not limited to mandamus, to enforce its rights pursuant to this Section. The payment obligations of the Buyer under this Contract shall be absolute and unconditional without right of recoupment or setoff, and without regard to the existence of any claim, defense, reduction, abatement or other right to which the Buyer may have at any time against the Seller, including without limitation any defense related to force majeure."

*Amendment to Section 8.3 to the Base Contract:*

Section 8.3 is hereby amended by inserting the following language at the beginning of the second sentence thereof:

"To the extent permitted by law,"

In addition, the following is added to Section 8.3 after the second sentence thereof: "Notwithstanding the foregoing, to the extent that any such proceeding seeks enforcement based on tort or similar claim, in such case such defense is available only to the extent set forth under Section 768.28, Florida Statutes or other similarly applicable provision of law."

*Amendment to Section 10.2 to the Base Contract:*

Section 10.2 is hereby amended by deleting the period at the end thereof and inserting the following language: "; provided, however, that with respect to any Event of Default described in clauses (i) through (viii) above where Buyer is the Defaulting Party, Seller shall notify Buyer on the 19th Day of the Month that Seller shall, on the tenth Business Day following such Notice, withhold and/or suspend deliveries or payments and terminate or liquidate the transactions under this Contract in the manner provided in Section 10.3 of this Contract."

*Amendment to Section 10.6 of the Base Contract:*

Section 10.6 of the Base Contract is deleted in its entirety and replaced with a new Section 10.6 to read in its entirety as follows:

"The Non-Defaulting Party's remedies under this Section 10, those remedies expressly provided for in this Transaction Confirmation and any derivative rights of Buyer under the CITI2025B Gas Purchase Agreement (as hereinafter defined) are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date."

*Amendment to Section 15.2 to the Base Contract:*

Section 15.2 is hereby amended by deleting the period at the end thereof and inserting the following language: "; provided, however, that if such severability materially changes the economic benefits or risks of this Contract to either Party, the Parties shall negotiate in good faith and attempt to agree to an equitable adjustment to the provisions of this Contract to replicate to the best of their ability the economic benefits and risks of this Contract to both Parties."

*Amendment to Section 15.5 to the Base Contract:*

Section 15.5 is deleted in its entirety and replaced with a new Section 15.5 to read in its entirety as follows:

"This Contract shall be interpreted in accordance with the laws of the State of New York without regard to principles of law that would require the application of the laws of another jurisdiction, except that interpretation of the Contract with respect to the powers of Buyer shall be interpreted in accordance with the laws of the Buyer's state of organization without regard to principles of law that would require the application of the laws of another jurisdiction."

*A new Section 15A is added to the Base Contract:*

**"Source of Supply.** This Transaction Confirmation is entered into for the sale of gas by Seller to Buyer that Seller has purchased from Main Street, which Main Street has purchased from Citi Prepaid Energy LLC ("Citi" or "Supplier") under a certain Prepaid Natural Gas Purchase and Sale Agreement, between Main Street and Supplier, dated [Pricing Date], 2025 (the "CITI2025B Gas Purchase Agreement"). Main Street has paid the purchase price of the gas under the CITI2025B Gas Purchase Agreement from the proceeds of its Gas Supply Revenue Bonds, Series 2025B (the "Bonds") issued pursuant to a Trust Indenture, dated as of [Closing Month 1], 2025, between Main Street and U.S. Bank National Association, as trustee (the "Trustee"). The Seller's duty to deliver, and Buyer's duty to purchase, Gas to be delivered by Main Street from the Supplier pursuant to this Contract shall be terminated by Seller or Buyer, in whole or in part, upon the occurrence of an early termination of the CITI2025B Gas Purchase Agreement, in whole or in part, notwithstanding any other provision herein to the contrary, and any such termination by Seller or Buyer shall not constitute a breach of this Contract or a default under this Contract, such that in any such event, no early termination damages shall be owed by either Seller or Buyer under Section 10.3.1. In addition, any invocation of force majeure by the Supplier under the CITI2025B Gas Purchase Agreement shall automatically support an invocation of force majeure by Seller under this Contract and shall constitute an event of Seller force majeure."

*A new Section 15B is added to the Base Contract:*

**"Pricing.** The Contract Price under this Transaction Confirmation shall be the Index-based price as stated in this Transaction Confirmation. 'Spot Index' means, for a Delivery Point for any Month, the index price per MMBtu, stated in U.S. dollars, as published in the first issue for the Month (including corrections thereto in later issues) in which the event occurred that required calculation of the index price, of *Inside FERC's Gas Market Report*, a publication of S&P Global Platts, a division of S&P Global, in the section "Monthly Bidweek Spot Gas Prices (\$/MMBtu)", under the heading for such Delivery Point as is specified on Exhibit A hereto. If *Inside FERC's Gas Market Report* should cease to publish such first-of-the-month index prices or should cease to be published entirely, the Spot Index Price for a Delivery Point shall be the price per MMBtu, stated in U.S. dollars, for Gas to be delivered at such Delivery Point during the applicable Month as set forth in an alternative index as determined by Seller related to the CITI2025B Gas Purchase Agreement."

*A new Section 15C is added to the Base Contract:*

**"Annual Returns.** In addition to the monthly discount applicable to deliveries hereunder, Seller will provide such Annual Refund to Buyer as may be available for distribution following distribution of refunds to Seller by Main Street pursuant to the Indenture. Such Annual Refund, if any, will be paid by Seller to Buyer and the other Project Participants (Seller and other Customers, as defined in the Indenture) as soon as practicable following the receipt of funds for such purpose by Seller from Main Street under the terms of the Indenture. Buyer and the other Project Participants will be allocated a proportionate share of the refunds received by Seller in accordance with each Project Participant's Annualized Daily Quantity as a percentage of the aggregate Annualized Daily Quantities of all Project Participants for the applicable as distributed pursuant to the Indenture. Notwithstanding anything else herein to the contrary, Annual Returns provided for in this Section shall only be due to Buyer to the extent a corresponding Annual Return is received by Seller from Main Street."



*A new Section 15D is added to the Base Contract:*

**"Information Provisions:**

Buyer shall furnish the following information to the Seller:

- (1) Annual audited financial statements related to Buyer's purchase of gas under this Contract within 180 days after the end of the Buyer's fiscal year (together with a certification of Buyer that it is not aware of any default or Event of Default under this Contract); and
- (2) A full original transcript of authorizing resolutions and executed documents relating to the execution of any amendment, supplement, modification or waiver of this Contract.

*A new Section 15E is added to the Base Contract:*

**"Payments.** Payments to Seller pursuant to this Contract shall be made to Seller's Account maintained at Wells Fargo Bank, N.A., as follows:

Wire Transfer or ACH Number:  
BANK: Wells Fargo Bank, N.A.  
ABA: 121000248  
ACCT: 2000132133254"

*A new Section 15F is added to the Base Contract:*

**"Additional Purchases from Seller.** Buyer shall use its good faith efforts to purchase additional Gas supplies from Seller in the future so that Issuer can purchase such Gas from the Prepayment suppliers as necessary such that the interest on the Issuer's bonds shall remain excludable from the gross income of the holder of such bonds under the provisions of the Internal Revenue Code of 1986, as amended."

*A new Section 15G is added to the Base Contract:*

**"Sale of Buyer's Gas or Electric System.** If the governing body of Buyer sells Buyer's gas or electric system to an entity other than a governmental person within the meaning of Section 1.141-1(b) of the Treasury Regulations, as amended, for qualifying tax-exempt uses, Seller's duty to sell and deliver, and Buyer's duty to purchase and receive, Gas to be delivered pursuant to this Contract shall be terminated. Buyer shall notify Seller no later than 60 days prior to the effective date of such sale, or such earlier date as designated by Seller in a written notice to Buyer, and any such termination shall not constitute a breach of this Contract or a default under this Contract."

*A new Section 15H is added to the Base Contract:*

**"Index Premium (Discount).** The Index Premium (Discount) for each Delivery Point, which shall be established under the CITI2025B Gas Purchase Agreement and flowed through from Main Street to Seller and from Seller to Buyer, is set forth in Exhibit A and shall remain in effect through the date corresponding to each such Delivery Point. Thereafter, as to each Delivery Point, the Index Premium shall be subject to adjustment no more often than quarterly upon mutual agreement of Main Street and Supplier under the CITI2025B Gas Purchase Agreement, and such Index Premium shall be for a minimum period of at least three months. Seller shall notify Buyer at least 15 Days before the end of each Index Premium period to enable Buyer to participate in the process of establishing the new Index Premium, if any, prior to the beginning of the next Index Premium period. Upon adjustment of the Index Premium as to any Delivery Point, Seller and Buyer shall execute a revised Exhibit A reflecting the new Index Premium, if any."

*A new Section 15I is added to the Base Contract:*

**"(1) Early Termination Upon Termination of the CITI2025B Gas Purchase Agreement.** Notwithstanding the Delivery Period of this Transaction Confirmation, Buyer acknowledges and agrees that, in the event the CITI2025B Gas Purchase Agreement terminates prior to the end of the Delivery Period, (i) this Transaction Confirmation shall terminate on the date of early termination of the CITI2025B Gas Purchase Agreement, and (ii) Seller's obligation to deliver Gas under this Transaction Confirmation shall terminate on the same date on which the Supplier's obligation to deliver Gas to Main Street under the CITI2025B Gas Purchase Agreement terminates; provided, however, that in the event of such early termination, Seller agrees to continue to deliver to Buyer and Buyer agrees to purchase from Seller the Contract Quantity at the applicable Delivery Point for the remainder of the Month during which such early termination has occurred and for the remainder of the Index Premium period currently in effect, at a price equal to the Spot Index Price plus any Index Premium. Seller shall provide notice to Buyer of any early termination of this

Transaction Confirmation pursuant to this Section 15I, the date of such termination, and the date on which the obligation to purchase Gas at the Spot Index Price plus any Index Premium shall end.

**(2) Early Termination Upon a Remarketing Election at a Reset Period under the CITI2025B Gas Purchase Agreement.**

(i) **Reset Protocol.** The Discount provided in the Contract Price together with the Annual Returns is dependent on the pricing achieved under the CITI2025B Gas Purchase Agreement. Such pricing is subject to change at the end of a Reset Period. The Initial Reset Period ends on [Day Before Reset], 2032. For each Reset Period following the Initial Reset Period under the CITI2025B Gas Purchase Agreement, Seller shall provide to Buyer, at least nine (9) days prior to the applicable deadlines under the CITI2025B Gas Purchase Agreement, written notice setting forth the duration of such Reset Period and the estimated Discount available and Annual Returns, if any, for such Reset Period.

(ii) **Remarketing Event.** In the event the estimated Discount available ("Estimated Available Discount") for a Reset Period is less than 23 cents ("Minimum Discount") per MMBtu (a "Remarketing Event"), the notice provided pursuant to Section 15I(2)(i) above shall state (i) that a Remarketing Event has occurred and (ii) that Buyer may (A) continue to purchase and receive its Contract Quantity for each Gas Day of each Delivery Month during such Reset Period at a Contract Price that reflects the Discount available for the Reset Period (as finally determined as hereinafter described in Section 15I(2)(iv)), or (B) elect that such Contract Quantity be remarketed for the remainder of the Delivery Period (a "Remarketing Election") by providing a Remarketing Election Notice (as defined below in Section 15I(2)(iii)) prior to the Remarketing Election Deadline, which shall be set forth in the notice

(iii) **Remarketing Election; Early Termination.** If Buyer makes a Remarketing Election and thereby elects to have its Contract Quantity remarketed for the remainder of the Delivery Period following the occurrence of a Remarketing Event, Buyer shall provide written notice of such Remarketing Election to Seller (its "Remarketing Election Notice") not later than the applicable Remarketing Election Deadline. In the event Buyer provides a Remarketing Election Notice on or prior to the applicable Remarketing Election Deadline, the Delivery Period shall terminate as of the end of the last Gas Day of the last Delivery Month of the Reset Period then in effect, and this Transaction Confirmation shall terminate as of the last day of such Reset Period. Any such termination on the last Delivery Month of the Reset Period shall not constitute a breach of this Contract or a default under this Contract, such that in any such event, no early termination damages shall be owed by either Seller or Buyer under Section 10.3.1.

(iv) **Final Determination of Available Discount.** Buyer acknowledges and agrees that the final Discount available for any Reset Period following the Initial Reset Period shall be determined under the CITI2025B Gas Purchase Agreement, and that such Discount may differ from the estimate or estimates of such Discount provided to Buyer prior to the applicable Remarketing Election Deadline, provided that the final Discount shall not be less than the Minimum Discount per MMBtu unless Buyer affirmatively agrees to such a Discount or fails to provide a Remarketing Election Notice prior to the Remarketing Election Deadline."

*A new Section 15J is added to the Base Contract:*

**"Permanent Load Loss.** In the event of permanent load loss on Buyer's system due to (a) the permanent cessation of all or part of the operations of a large industrial customer or natural gas fired electric generation facilities, (b) a permanent reduction in requirements for Gas due to a change in Customer's generation requirements (including as a result of increased purchases of renewable generation or economic dispatch of other non-Gas-fired generation) or (c) the sale of the relevant utility system to any entity other than a governmental person ("Gas Need Reduction"), Customer may request the permanent reduction of its Contract Quantity for the remaining term of this Transaction Confirmation. If the Gas Authority consents to such request, which consent will not be unreasonably withheld, conditioned or delayed and subject to Section 15K, the Seller will reduce Customer's Contract Quantities through the remaining term of this Agreement accordingly. Any such reduction shall not constitute a breach of this Contract or a default under this Contract, such that in any such event, no early termination damages shall be owed by either Seller or Buyer under Section 10.3.1.

At Buyer's option, in lieu of a reduction in the Daily Contract Quantities through the remaining term of this Transaction Confirmation upon a Gas Need Reduction, and upon no less than 18 Months' advance notice and effective on the first day of a Reset Period, Buyer may request that the Gas Authority cause wholesale electricity to be provided to Customer in lieu of Gas, as provided for hereunder by taking assignment or causing an affiliate to take assignment of one or more power purchase agreements, to which Buyer is a party, in whole or in part. Upon receipt of any such notice, the Gas Authority will make good faith efforts to implement the requested transaction."

*A new Section 15K is added to the Base Contract:*

**"Priority of Gas.** The Customer covenants and agrees to take the Contract Quantity delivered by Seller under this Transaction Confirmation (a) in priority over and in preference to all other Gas available to the Customer that is not Priority Gas, and (b) in priority over and in preference to all other Priority Gas that first commences deliveries after the initiation of deliveries under this Transaction Confirmation. "Priority Gas" means the Gas to be purchased by the Buyer under this Agreement, together with Gas (i) purchased by the Buyer or a related joint powers authority using the proceeds of bonds, notes, or other obligations the interest on which is excluded from income for federal income tax purposes pursuant to a long-term prepaid gas purchase agreement or (ii) produced from oil and gas reserves in the ground owned by the Buyer or a related joint powers authority that were financed with the proceeds of bonds, notes, or other obligations the interest on which is excluded from income for federal tax purposes."

*A new Section 15L is added to the Base Contract:*

**"Remediation Event.** Upon a Remediation Event under the CITI2025B Gas Purchase Agreement with respect Gas hereunder, Customer will be relieved of its obligation to purchase and take delivery of Gas under this Transaction Confirmation as to those quantities of Gas to the extent of the Remediation Event; provided, however, not less than six months prior to a Remediation Event being declared, Customer may request that a Remediation Use be effected respecting the applicable quantities of Gas, and upon such request, Seller will work in good faith to effect the requested Remediation Use. Capitalized terms used herein but not defined have the meaning set forth in the CITI2025B Gas Purchase Agreement.

"Remediation Event" means that Disposition Proceeds have remained for two (2) years or more within the Disposition Proceeds Ledger without having been applied to a Remediation Use, unless there is a Favorable Opinion of Bond Counsel permitting other action.

"Remediation Use" means, with respect to Disposition Proceeds, any of the following:

(a) the purchase of Gas in an amount equal to such Disposition Proceeds and the sale of such Gas for a Qualifying Use (as evidenced by a Qualifying Use Certificate);

(b) the application of an amount equal to the Disposition Proceeds by the Gas Authority to the purchase of Gas which Gas is sold by the Gas Authority for a Qualifying Use; or

(c) the application of an amount equal to the Disposition Proceeds to the purchase of electricity in compliance with Treasury Regulation Section 1.148-1(e)(2)(iii)(B)(2)."

*A new Section 16A is added to the Base Contract:*

**"Delivery Point Exchange.** Buyer may effectuate an exchange of Delivery Points for Gas Purchased under this Contract on a Monthly basis. With the consent of the Seller, which will not be unreasonably withheld, conditioned or delayed, the seller will exchange Gas delivered at the Delivery Point ("Primary Point") to a delivery point on the same pipeline or another pipeline on which the Buyer has transportation receipt rights ("Alternate Point") pursuant to Exhibit A & B hereto."

Seller: MUNICIPAL GAS AUTHORITY OF GEORGIA	Buyer: GAINESVILLE REGIONAL UTILITIES AUTHORITY
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

**Exhibit A**

**INDEX – For Primary Delivery Point – Florida Gas Transmission Zone 3 will be:**

Source:	Inside FERC's Gas Market Report, published by S&P Global Platts, a Division of S&P Global, first issue of the month
Heading:	Monthly Bidweek Spot Gas Prices – Platts Locations (\$/MMBtu)
Index Point:	FGT Z3
Column:	"Index"
Contract Quantity:	MMBtu/day April – 7,000 May – 8,000 June – September - 7,000 October – 5,000 November – December – 3,000 January – 4,000 February – 3,000 March – 5,000
Primary Delivery Point:	FGT Z3

**Exchange Request:**      **Not Currently Applicable**

Exchange Summary						
	Primary Delivery Point			Alternate Delivery Point		
	FGT Z3			_____		
Delivery Period	Delivery Point Quantity (MMBtu/day)	Index Point	Exchange Cost	Delivery Point Quantity (MMBtu/day)	Index Point	Index Premium
TBD	_____	FGT Z3	\$0.xx	_____		\$TBD

Seller: MUNICIPAL GAS AUTHORITY OF GEORGIA

Buyer: GAINESVILLE REGIONAL UTILITIES AUTHORITY

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **Exhibit B**

### **Exchange Terms**

As provided in Section 15A of the Transaction Confirmation, dated [Closing Date], 2025 (the "Agreement"), between GAINESVILLE REGIONAL UTILITIES AUTHORITY ("Customer"), and Municipal Gas Authority of Georgia, a public body corporate and politic, a public corporation and an instrumentality created and existing under the laws of the State of Georgia (the "Exchange Provider"), as exchange provider, Customer may effectuate an exchange of Delivery Points for Gas purchased under the Agreement on a daily or Monthly basis. Upon written request, the Exchange Provider will exchange Gas delivered at the Delivery Point ("Primary Point") to a delivery point on another pipeline on which Customer has transportation receipt rights ("Alternate Point") pursuant to this Exhibit B and the Agreement.

Customer has contracted for the purchase of Gas ("Exchange Quantities"), at Primary Point (as defined in Exhibit A as updated from time to time, and hereby requests that Exchange Provider effect an exchange and deliver equivalent quantities of such Exchange Quantities as set forth in Exhibit A at Alternate Point ("Equivalent Quantities") approximately equivalent to such Exchange Quantities. The terms of the Agreement are incorporated herein by this reference and capitalized terms used herein but not defined have the meaning set forth therein; provided that such terms will apply to transactions contemplated hereby and Equivalent Quantities at Alternate Point in lieu of Exchange Quantities at Primary Point.

Customer will deliver or cause to be delivered for the account of Exchange Provider a quantity of gas equal to up to the Exchange Quantity attributable to Customer's source of supplies at Primary Point, and Exchange Provider will deliver or cause to be delivered for the account of Customer on each day from its sources of supplies such quantity of gas at Alternate Point. Greater or less than Exchange Quantity for any period will be exchanged hereunder upon mutual agreement of the parties.

Unless otherwise mutually agreed, the Exchange Quantity on any given day will be equal to quantities of gas available to Customer at Primary Point and will be equal to quantities and term shown in Exhibit A hereto.

On any day, Exchange Provider may determine in its reasonable judgment how to schedule and allocate gas at any or all of Primary Point for exchange under this Agreement, so long as Customer and third parties are not substantially harmed by Exchange Provider's allocation method. Customer will provide Exchange Provider all downstream contract information necessary so that Exchange Provider may schedule and deliver the gas at Alternate Point.

Customer will reimburse actual costs and expenses incurred, e.g., premium and other costs at Alternate Point(s), daily replacement costs, or other costs related to failures by the physical supplier for the Alternate Point, and minus actual benefits achieved in performance of service hereunder (the "Exchange Fee"). In return for this Exchange Fee, Exchange Provider will work in good faith with Customer respecting all nominations, scheduling, balancing, reporting, and other administrative activities related to this Agreement and each party will keep the other informed on a daily basis of the quantities confirmed as being exchanged under this Agreement.

**Exhibit C**

**QUALIFIED USE CERTIFICATE****[DATA TO BE UPDATED]**

This Qualified Use Certificate is executed in connection with the NAESB Transaction Confirmation dated [Closing Date], 2025 (the "Supply Agreement"), by and between the Municipal Gas Authority of Georgia (the "Gas Authority") and GAINESVILLE REGIONAL UTILITIES AUTHORITY, a unit of city government of the City of Gainesville, Florida ("Customer"). Capitalized terms used and not otherwise defined herein will have the meanings given to them in the Supply Agreement or in the Indenture.

WHEREAS Customer acknowledges that Main Street Natural Gas, Inc. has issued the Bonds to fund the prepayment price under the Prepaid Gas Agreement; and

WHEREAS the Bonds are intended to qualify for tax exemption under Section 103 of the Internal Revenue Code of 1986, as amended; and

WHEREAS Customer's use of Gas acquired pursuant to the Supply Agreement and certain funds and accounts of Customer will affect the Bonds' qualification for such tax exemption.

NOW, THEREFORE, CUSTOMER HEREBY CERTIFIES AS FOLLOWS:

Customer is a unit of city government of the City of Gainesville, Florida a municipal corporation of the State of Florida and owns and operates retail and wholesale electric systems.

Customer will either (a) resell all of the Gas acquired pursuant to the Supply Agreement to its retail gas customers within its natural gas service area or (b) utilize such Gas for purposes of electric generation, which will then be sold to retail electric system customers within the service area pursuant to regularly established and generally applicable tariffs or under authorized requirements contracts. For purposes of the foregoing sentence, the term "service area" means (x) the area throughout which Customer's identified customers provided Gas transmission or distribution service or electric generation at all times during the 5-year period ending on December 31, 2024, and from then until the date of execution of the Service Agreement (the "Closing Date"), and (y) any area recognized as the service area of Customer's customers under state or federal law.

The annual average amount during the most recently completed five-year testing period of Gas purchased by the specified customers of Customer (other than for resale) who are located within the service area of Customer is 16,687,403 MMBtu [the average shall not exceed the annual amount of Gas reasonably expected to be purchased by customers (other than for resale) within the service area of Customer who as of the date of issue of the Bonds February 20 are customer of the Customer]. The maximum annual amount of Gas in any year being acquired pursuant to the Supply Agreement is 2,013,000 MMBtu. The volumes of Gas being acquired annually pursuant to the Supply Agreement are 5,500 (\_\_\_\_\_ MMBtu per day). The maximum annual amount of Gas which Customer otherwise has a right to acquire, as of the Closing Date, is 3,660,000. The maximum annual amount of Gas which Customer holds in storage as of the Closing Date is 0 MMBtu, and the annual average amount of Gas which Customer holds in storage in the past year prior to the Closing Date is 0 MMBtu. The sum of (a) the maximum amount of Gas in any year being acquired pursuant to the Supply Agreement, (b) the amount of Gas which Customer otherwise has a right to acquire, and (c) the annual average amount of Gas which Customer holds in storage in the year described in the foregoing clause (a) is 5,676,000 MMBtu. Accordingly, the amount of Gas to be acquired under the Supply Agreement by Customer, supplemented by the amount of Gas otherwise available to Customer as of the Closing Date, during any year does not exceed the sum of (i) 34.01% of the annual average amount during the testing period of Gas purchased (other than for resale) by customers of Customer who are located within the service area of Customer, and (ii) the amount of Gas to be used to transport the prepaid Gas to Customer during such year. For purposes of this paragraph, the term "testing period" means the 5 calendar years ending December 31, 2024, and the term "service area" means (x) the area throughout which Customer's customers provided Gas transmission or distribution service or electric generation at all times during the testing period, (y) any area within a county contiguous to the area described in (x) in which retail customers of Customer's customers are located if such area is not also served by another utility providing Gas services, and (z) any area recognized as the service area of Customer's customers under state or federal law. However, the supplying of additional Gas pursuant to a contract to supply Gas to business customers (other than for resale) (the "Contract") within the service area after the close of the testing period and before the date of issue of the Bonds February 20 where Customer did not supply Gas to such property during the testing period or the ratable amount of Gas to be supplied to under the Contract is significantly greater than the ratable amount of Gas supplied to such property during the testing

period is \_\_0\_\_ MMBtu, which constitutes a permitted additional amount of Gas to be acquired under the Supply Agreement.

Customer expects to pay for Gas acquired pursuant to the Supply Agreement with funds derived from the resale of Gas to its customers as specified herein. Customer will pay for other Gas not acquired pursuant to the subject Supply Agreement in accordance with other appropriate contractual arrangements with its customers. Customer intends to pay for Gas purchased in accordance with the Gas Supply Agreement. Customer does not intend or expect to invest Bond proceeds for purposes of accruing interest, nor otherwise utilize any proceeds of the Bonds, either directly or indirectly, for any purpose other than that for which the Bonds were issued. The representations and warranties contained in the Supply Agreement are true and correct as of the date hereof.

[Closing Date], 2025

By: \_\_\_\_\_

[Authorized Representative]