

DANVILLE REGIONAL UTILITIES
GRU
1990 ANNUAL REPORT



WILSON, J. L. &
F. R. - AUGUST 1990

Highlights for Fiscal 1989-90

	1990	1989	Percent Change
Financial:			
Net revenues after rate stabilization transfer	\$ 60,279,998	\$ 55,840,237	8.0%
Aggregate debt service	19,664,790	17,939,790	9.6%
Aggregate bond debt service ratio	3.07	3.11	(1.3%)
Total debt service ratio	2.27	2.28	(0.4%)
Long-term debt	425,431,493	428,384,388	(0.7%)
Net utility plant	413,203,351	387,901,564	6.5%
Cash and investment —			
Rate stabilization fund and revenue fund	45,581,971	39,561,351	15.2%
Customers (12 months average):			
Residential electric	53,579	51,579	3.9%
Non-residential electric	6,365	6,224	2.3%
Total electric	59,944	57,803	3.7%
Water	41,923	40,671	3.1%
Wastewater	37,997	36,800	3.3%
Natural gas	19,269	18,930	1.8%
Sales of energy (gigawatt hours):			
Large power	581.9	548.6	6.1%
Small power	594.5	570.8	4.2%
Loss	15.9	16.1	(1.2%)
Net sale	85.0	70.9	19.9%
Transmission	1,277.3	1,206.4	5.9%
Interchange	417.3	420.0	(0.6%)
Total	1,694.6	1,626.4	4.2%
Sales of water (million gallons):			
	6,499.7	6,717.9	(3.2%)
Wastewater treated (million gallons):			
	3,966.9	3,967.5	(0.0%)
Natural gas (million therms):			
	29.5	30.1	(2.0%)

Foreword

Gainesville is proud to be known as one of the most progressive communities in Florida. The city was recently rated the most livable city in the state and one of the best places to live in the nation by *Money* magazine.

As the heart of commerce, education and culture for north central Florida, Gainesville's diversified economy includes services, technology, manufacturing, banking, insurance, agriculture and government. The University of Florida, with 35,000 students and 18,000 employees, is the state's leading institution of higher learning. The 11,000 full and part-time students of Santa Fe Community College also contribute to making Gainesville one of the most educationally enriched communities in the nation. Gainesville's medical complex, unrivaled in the state and one of the largest in the southeastern United States, is composed of four major hospitals and many supporting clinics and medical businesses.

Gainesville is a leader in arts and culture, with live professional theater, music and dance, as well as major museums of art and natural history. Natural beauty is also abundant in "Tree City, U.S.A.," where rich foliage displays a bountiful combination of semi-tropical and temperate species of spectacular flora and fauna.

The people who live in this community care about the quality of life, carefully balancing beneficial economic development with an abiding concern for the environment. The employees of Gainesville Regional Utilities are members of the community and share these concerns. Their spirit is demonstrated every year not only by excellent job performance, but in their leadership in the March of Dimes and their award winning participation in the annual University of Florida Homecoming Parade. They are dedicated to providing excellence in service, product value, and care for the

quality and protection of the natural resources they use. Because of their continual dedication in making this a public utility in which the entire city can take pride, this annual report is dedicated to each and every one of Gainesville Regional Utilities' employees.

On the cover: Power generated by Gainesville Regional Utilities provides light for 60,000 customers. **Inserts:** Three major utilities, electric, gas and water/wastewater, are represented in addition to the computer used by customer service in its support role.

GAINESVILLE REGIONAL UTILITIES



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General service/large power	594.5	570.8	4.2%
Lighting	15.9	16.1	(1.2%)
Sales for resale	85.0	70.9	19.9%
Sub-total	1,277.3	1,206.4	5.9%
Interchange	417.3	420.0	(0.6%)
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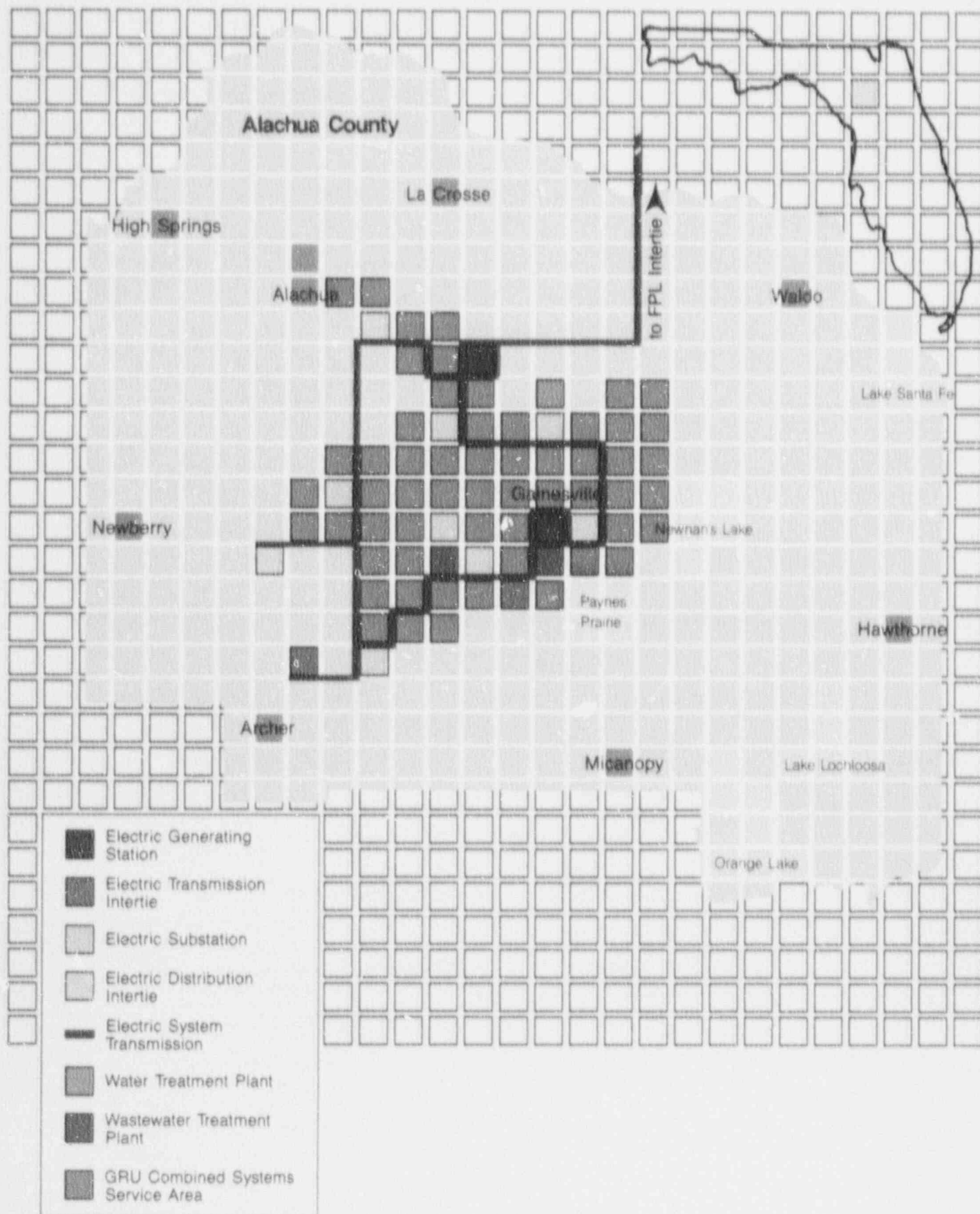
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Major Facilities of Combined Systems



To Our Owners and Customers

GRU is a strong and vital part of life in Gainesville, the result of the dedication, skill and initiative of its employees, to whom this report is dedicated.

Fiscal year 1990 was an exciting year of dynamic change, commitment to community, welfare, and continued financial strength for Gainesville Regional Utilities. GRU substantially increased its range of utility services with the addition of natural gas distribution, to the benefit of all customers. GRU's General Manager was established as a Charter Officer of the City of Gainesville, making the system more directly accountable to its owners. While continuing to keep its rates among the lowest in Florida, GRU increased production and revenue, further stabilized interchange sales, maintained superior bond ratings, and increased profitability.

Commitments to continued excellence were made in many ways, ranging from investments in new financial and customer information systems to the planning, design, construction and optimization of new and existing facilities. The accomplishments chronicled in this Annual Report all happened because of the dedication and hard work of GRU's employees. The sense of mission and the goals shared by the employees, if put into words might best be stated as follows:

Gainesville Regional Utilities will provide dependable electric, water, wastewater and natural gas services consistent with their individual needs, at competitive prices, and in a manner consistent with industry, government and community accepted reliability, health, safety and environmental standards, while continuing to provide the City of Gainesville with a competitive return on its investment and all of GRU's employees with a safe and productive work environment.

Customer Service: *Meet all customer service demands reliably, and at industry, community and environmentally accepted standards.*

Pricing: *Provide service at the lowest possible prices.*

Financial Strength: *Maintain the current financial strength and stability of the system.*

Operating Cost Performance: *Provide electric and gas pricing that is not tied to low fuel costs alone, but to the lowest possible non-fuel operating and maintenance costs, without sacrificing service quality.*

Community and Employee: *Contribute directly to the welfare of the employees and community while continuing to provide the City with a competitive return on its investment.*

GRU is proud of its achievements, which have been recognized by a number of statewide organizations. The Florida Water Pollution Control Operators Association, The Florida Public Relations Association, and the Florida Governor's Health and Safety Committee all gave GRU awards for its outstanding performance this year. GRU's commitment to the mission and goals expressed above is amply demonstrated by just a few highlights of the past year.

Dynamic Changes

Perhaps the most exciting event of fiscal year 1990 was GRU's acquisition on January 10, 1990 of the natural gas distribution system serving the Gainesville area. By offering electric, water, wastewater and natural gas services, GRU is able to offer its customers a unified billing and service system that is able to provide greater efficiency, lower rates, and a united front for the most efficient matching of energy types to end uses.

On July 1, 1990, the City Commission of Gainesville officially recognized the importance of GRU to the stability and economic well-being of our community by establishing GRU's General Manager as a Charter Officer of the City. This allows the General Manager greater freedom to guide the Utilities in matters affecting its financial and organizational health, directly reporting to the City Commission and our customer-owners.

Service Delivery Commitment

December of 1989 brought an ice and snow storm unparalleled in Florida history. The weight of ice caused tree limbs to knock out lines throughout our service area over the Christmas holidays. Through a diligent, selfless round-the-clock effort in sub-freezing conditions, GRU's employees left their families to restore power to most affected customers within 24 hours, with isolated areas back in service within 72 hours.

Major facility projects initiated to assure cost effective, reliable service delivery included the Westside Service Center which will house construction and maintenance personnel to better serve GRU's growing western service area, significant upgrades to both the Main Street and Kanapaha Wastewater Treatment Plants, and the expansion of the Murphree Water Treatment Plant.

These projects and many others of importance to the continued growth and development of the Gainesville area are described in the system sections of this report.

GRU continues to develop new programs to inform and improve relations with our customers. This year saw the formation of the GRU Speakers Bureau to serve local business organizations and civic groups, and of "Power Lunches" in which randomly selected customers offer suggestions for improving services through a dialogue with GRU's top managers. A new financial and customer information system was designed and acquired to improve service quality and flexibility.

Financial Strength

GRU's net revenues for fiscal year 1990 were as follows: \$48,351,420 for the Electric System, \$5,840,821 for the Wastewater System, \$5,038,089 for the Water System, and \$1,049,667 for the Natural Gas System (with GRU ownership and operation commencing on January 10, 1990).

As the result of a successful year, GRU's transfer to the City of Gainesville's General Fund increased from \$13,029,871 in Fiscal Year 1989 to \$15,154,322 this year. The General Fund transfer is based on a formula that ties the transfer directly to the profitability of the combined utilities system.

GRU maintained its "double A" bond ratings from both Standard & Poor's and Moody's investment services. GRU is very proud of these ratings which indicate that our bonds are among the soundest of any municipal utility in the nation. At the same time, our rates are among the lowest in the state.

GRU staff coordinated the formation of and became an active member of the Florida Gas Utility, an organization of municipal gas utilities formed in the fall of 1989. Florida Gas Utility is designed to use group purchasing to take advantage of "Open Access," a Federal Energy Regulatory Commission mandate that allows natural gas purchasers the right to purchase on the open market. This helps GRU fulfill its commitment to purchase fuels at the lowest possible price.

Community Welfare

GRU is committed to help re-vitalize and restore historically important sections of our community. GRU contributed to the aesthetics of our community by restoring the Boulware Springs Waterworks and making it into a park, the site of Gainesville's original water supply and a location of great historical significance to the area. "Showcase

Lighting" and "Downtown Underground" projects re-routed and placed underground many overhead electric facilities, and replaced older less attractive street lighting facilities with modern and more aesthetic fixtures in downtown Gainesville, greatly improving its appearance.

Ground breaking for GRU's new administration building took place in February of 1990 with occupancy expected in the fall of 1991. The four story 69,000 square foot building will centralize administrative, engineering and customer service functions, greatly increasing the efficiency of communications and operations, and enhancing customer accessibility. The attractively designed structure will add to the aesthetics of downtown Gainesville, proudly

displaying a commissioned sculpture at the entrance as part of Florida's Art in Public Places program.

Annual Report Organization

The annual report is organized to reflect the major functional areas of GRU: the Electric System; the Water and Wastewater Systems; the Natural Gas System; and Customer and Administrative Services. Major events and achievements are chronicled for each area, in order to bring to life the statistical and financial data which measure GRU's excellent performance. GRU is a strong and vital part of life in Gainesville, the result of the dedication, skill and initiative of its employees, to whom this report is dedicated.



Gainesville Mayor Courtland Collier and General Manager for Utilities Michael L. Kurtz review blueprints for the new GRU administration building scheduled for completion in September 1991.

The Electric System

GRU's Electric System is a cooperative effort between Power Systems — the people who buy the fuel and generate the power — and Electric Systems Operations — the people who deliver the power to our residential, commercial, wholesale and interchange customers. Long-range planning of the Electric System is conducted by Strategic Planning. The dedication and skill of these employees has made GRU one of the best municipal electric systems in the country.

Power Systems

GRU owns and operates two electric generating stations. The John R. Kelly Generating Station, located near downtown Gainesville, has been in operation since 1912. The Kelly Station presently operates two oil/natural gas-fired steam units and three oil/natural gas-fired combustion turbines with a net generating

capacity of 103 megawatts (MW). The Deerhaven Generating Station presently operates one coal-fired steam unit, one oil/natural gas fired steam unit and two oil/natural gas-fired combustion turbines with a net generating capacity of 334 MW. Additionally, GRU owns a 1.4 percent share of Florida Power Corporation's Crystal River generating unit. This ownership share entitles GRU to approximately 11 MW. The combined net generating capacity of GRU's generating system is 448 MW. Deerhaven's Unit 2, the largest in the system, achieved an operating availability of 90.7% during fiscal year 1990. This is 6.9% above the national average for units in this class.

The effectiveness of Power Systems' continuing safety programs was demonstrated when employees of the John R. Kelly Generating Station completed a record 450,000 man hours (2,000 days) without incurring a lost-time accident or major property damage. For this admirable accomplishment they were presented the Governor's Annual Occupational Safety and Health Award by Florida's Governor Bob Martinez.

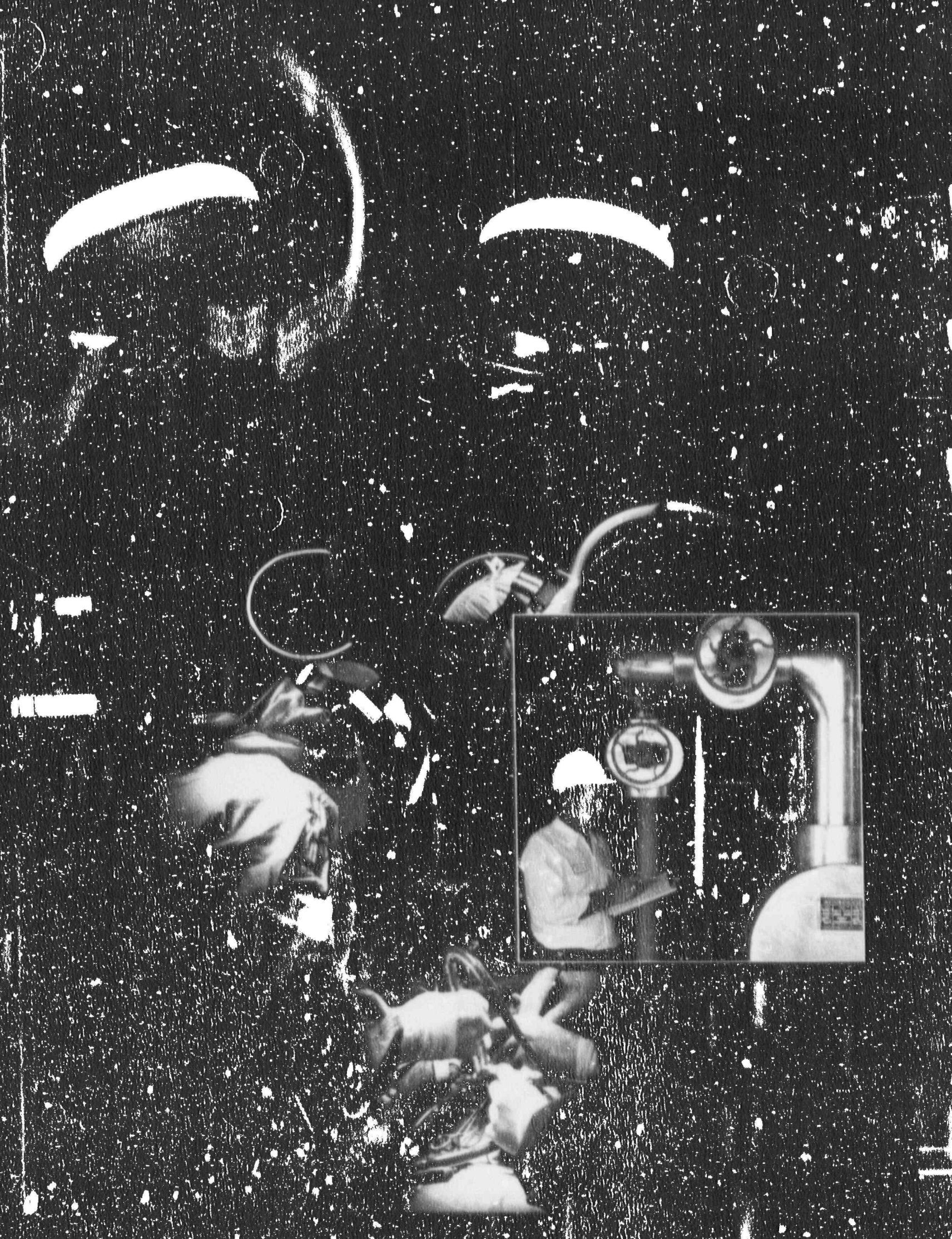
Access to low-cost fuel continued to be a primary focus for GRU in 1990. Several events occurred in 1990 that should afford more economical procurement of fuels by GRU.

Effective August 1, 1990, Florida Gas Transmission Company (FGT) became an "open access" pipeline, thereby providing GRU and other customers of FGT with the ability to purchase natural gas directly from producers and marketers. Buying natural gas on the open market is projected to save GRU's electric and natural gas customers an estimated two to three million dollars annually.

An interlocal agreement between GRU and the municipal utilities of Starke, Homestead, Kissimmee and Sebring formed the Florida Gas Utility. As a member, GRU is better able to take advantage of the savings opportunities offered by open access through gas pooling and quantity purchasing by member companies. By contract, GRU's Fuels Management Department performs all purchasing and dispatching services for Florida Gas Utility.

Left: With a combination of balance, skill and technical know-how, Rick Tolbert, electrical lineman, and Joe Campbell, apprentice lineman, replace an overhead transformer. **Right:** Providing power during routine medical procedures is as important to GRU employees as keeping services available during emergency or disaster conditions. **Inset:** Tommy Bieling, instrument and electrical supervisor, checks gauges at the John R. Kelly Generating Station, where employees won the Governor's Annual Occupational Safety and Health Award in 1990.





GRU requires a train to transport its low-sulphur coal supply to the Deerpark Generating Station. The decision was made to replace GRU's existing steel car fleet with aluminum cars based on an economic evaluation which considered the reduced maintenance costs of an aluminum fleet, a transportation rate reduction for aluminum cars, and the excellent market for GRU's used rail cars. GRU sold its 106-car fleet of steel rail cars, but will continue to use the GNFX fleet on a leased basis until completion of the new train in mid-1991.

Electric Systems Operations

Electric Systems Operations (ESO) is responsible for the economic and reliable delivery of electric power to GRU's customers. ESO operates, maintains and constructs the electric power distribution network. Initiatives to enhance the performance and reliability of the system during fiscal year 1990 included the application of advanced digital technologies, and intensive system planning, maintenance and renewal. Safety and training continues to be a top priority and key ingredient in the daily work practices of ESO. As part of its safety and training programs, ESO also administers a wellness facility, with services offered to all employees of the City.

Disaster Response: The performance and reliability of the electric distribution system was put to the test during the 1990 Christmas Holidays by the first documented ice storm in GRU's history. Ice damage resulted in the interruption of service to approximately 30% of the system's electric distribution customers. Unsurpassed commitment, dedication and courage came from GRU personnel during this

crisis, who left their families to perform an amazing customer restoration feat under extremely severe conditions. By the end of the first day, 71% of affected customers were restored, and all customers had service restored by the third day.

Advanced Technologies: The first phase of the Distribution Automation Project and the placement in operation of several Remote Telemetry Units (RTU's) was completed. An RTU monitors and controls the operation of electric equipment at strategic locations throughout the electric network. Full implementation of this project will allow for significantly improved remote control and "real-time" analysis capabilities, and reduce present requirements for on-site switching personnel. GRU continued to strengthen its ability to thoroughly analyze events associated with service interruptions by increasing the number of distribution substations containing Digital Fault Recording Devices to four out of six.

GRU is one of a very few municipal utilities which has converted its electric distribution system record drawings to an electronic media. The Geographic Information System (GIS) uses digital maps to allow more efficient record keeping and facilities management.

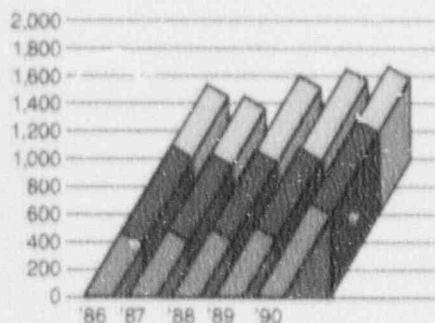
Initiatives taken in the past year to realize the enormous potential benefits of the GIS system included: development of lighting system data for the rental and public lighting program; creating software tools to extract, analyze and report on existing data; and creating specialized maps of GRU's electric network to aid in major customer restoration efforts and trouble analysis. A new agreement for computer services from Alachua County was negotiated with

savings of approximately \$150,000 per year.

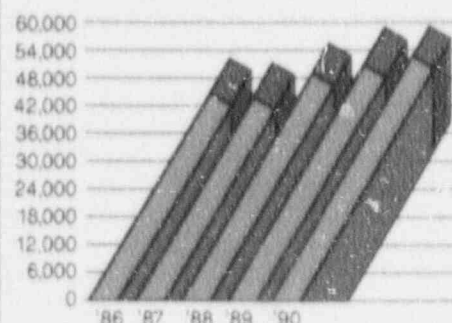
System Integrity: During fiscal year 1990, ESO, in conjunction with the Strategic Planning staff, performed a long-range distribution study that examined the requirements for future substations and distribution lines over the next twenty years. A result of this study is the budgeting by ESO for the addition of a 33 MVS substation transformer, and two new distribution circuits in 1991.

More than 120,000 feet of reconductoring projects, as well as a number of switch gear replacement projects were completed and the newly modified vegetation management program was aggressively pursued. Several projects were completed which improved the aesthetics of primary roadways in downtown Gainesville: installation of alternative street lighting fixtures, undergrounding overhead facilities, and re-routing of distribution lines.

Electric System Energy Sales
(Gigawatt Hours)



Electric System Number of Retail Customers
(Annual Average)



Interchange (417.3)
Commercial and Industrial (695.4)
Residential (581.9)

Commercial and Industrial (6,365)
Residential (53,579)

The Water and Wastewater Systems

GRU's Water and Wastewater Systems work together to provide and protect the most precious commodity on earth — safe, clean drinking water. The combined initiatives of the planning, engineering and operations staff in the past year have been successful in finding the optimal use, reuse and development of available resources.

The Florida Department of Environmental Regulation's (FDER) "Best Operated System" and safety awards to the Murphree Water Treatment Plant, Water Distribution Department, Main Street Plant, and the Wastewater Collection Department staff are only one testimony to the dedication, hard work, pride, and excellence of GRU's water and wastewater employees.

An American Water Works Landmark

Boulware Springs was Gainesville's first public water works facility, was the site of the naming of Gainesville at a community picnic in 1854, and provided the free water supply used to attract the University of Florida to Gainesville in 1905. The facility, which had been abandoned and had fallen into disrepair, is a classic example of an infiltration gallery water supply. GRU, after pursuing and obtaining matching funds from a State of Florida Historic Preservation Grant, completed the restoration of Boulware Springs this year. Now the facility is a state and nationally registered historic landmark, and has been designated an American Water Works Landmark by the American Water Works Association.

Water Supply and Treatment

GRU obtains its water from a confined region of the Floridan aquifer which is under artesian pressure and has ample reserves to meet Gainesville's growing needs. This water supply is protected both by thick impermeable layers of clay and the tendency for water in the aquifer to leak upward, a double measure of water quality protection from surface contamination.

The City's well field currently has eight production wells with a combined pumping capacity of 40 MGD (million gallons per day). To accommodate the forecasted increase in customer demands, the first of three planned new wells has been constructed and will go into production in 1991. This well was carefully designed to select only the zones of the Floridan aquifer with the least mineral content in order to minimize

the costs of softening. Results from this well show that the three new wells will not only provide 11.5 MGD of additional capacity, but will pay for themselves in reduced treatment costs by allowing other wells to be used less frequently. The Murphree Water Treatment Plant, located northeast of Gainesville, is GRU's lime-softening facility which also chlorinates, fluoridates and filters prior to distribution to provide a superior quality of water. The Murphree Plant has been re-rated from a maximum day capacity of 30 MGD to 34 MGD. This new rating is based on a number of plant improvements and performance measurements performed by GRU staff in the past year, including performance evaluations of the plant's reactor-clarifiers, installation of additional gravity sludge thickening and vacuum filter press capacity, and filter weir plate modifications.

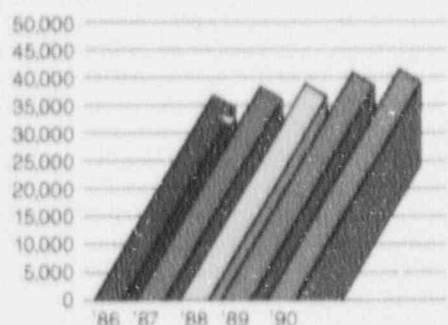
The gravity thickener and vacuum filter press were obtained from GRU's retired downtown water plant. These facilities were refurbished and installed at the Murphree Plant by GRU's staff at minimal cost and are in excellent operating condition. GRU's staff also performed

the analysis, pilot testing and construction of weir modifications which now allow the filters to operate at as much as 40 MGD, and performed the operation and analysis to certify that the reactor-clarifiers would perform well at loadings as much as 50% higher than their nominal ratings. The plant is designed to accommodate expansions up to 60 MGD of capacity, and will meet Gainesville's needs for many years to come.

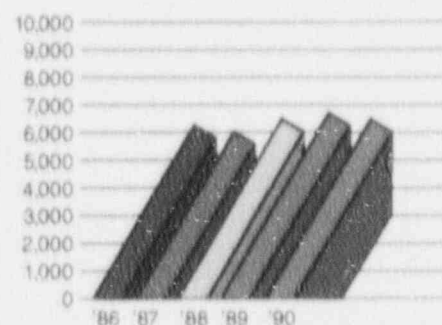
Water Distribution

GRU's water distribution system includes two elevated storage tanks with a combined capacity of 1.5 million gallons and approximately 780 miles of transmission and distribution facilities. Major facility improvements in the past year included renovation of the Depot Avenue pump station downtown and a 16 inch diameter transmission main along the northern boundary of the University of Florida. These facilities were constructed as part of a master plan to serve the growing southwest and northwest portions of GRU's service area.

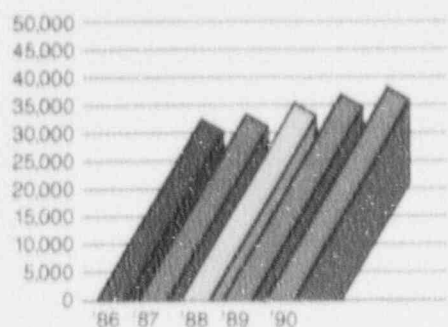
**Wastewater System
Number of Customers
(Annual Average)**



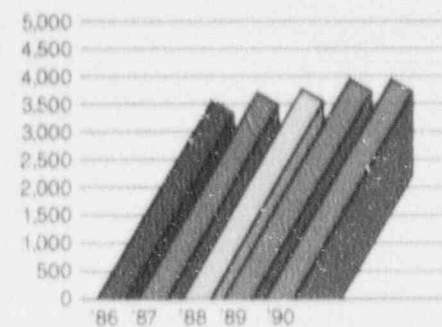
**Water System Sales
(Million Gallons)**



**Water System
Number of Customers
(Annual Average)**



**Wastewater System Billings
(Million Gallons)**



The Depot Avenue repump station project included renovation of a retired million gallon tank previously associated with GRU's downtown water plant and installation of new pumps and controls. It enhances fire flows, pressures and service reliability in the downtown area.

The 16 inch diameter transmission main was constructed on campus along the northern boundary of the University of Florida. It provides much needed transmission capacity across town and significantly improves fire protection and pressures on campus and in the College Park area. Cooperation from the University of Florida substantially reduced the cost of otherwise routing the facility along heavily developed streets.

Wastewater Treatment

GRU operates two wastewater treatment plants with a total combined capacity of 17.5 MGD. The Main Street Wastewater Treatment Plant located just south of downtown Gainesville is rated at 7.5 MGD and discharges to Sweetwater Branch, a small picturesque stream which eventually flows into Paynes Prairie. The Kanapaha Water Reclamation Plant is a 10 MGD advanced wastewater treatment plant located in south-

west Gainesville adjacent to Lake Kanapaha. It is the only municipal wastewater treatment plant in Florida designed to meet drinking water standards and permitted to directly recharge the lower zones of the Floridan aquifer.

Construction of a \$15,700,000 upgrade at the Main Street Wastewater Treatment Plant began this year. The project is entirely devoted to upgrading the treatment ability of the plant to meet new state standards designed to better protect Sweetwater Branch. This project will replace obsolete trickling filters with state-of-the-art extended aeration activated sludge process units. Additional new facilities include effluent filtration, gravity belt sludge thickeners, and major improvements to the plant headworks to control odors and improve plant reliability. The project is being constructed in a phased manner to assure continued operation of the plant while bringing new processes on line as soon as possible, and will be completed in mid-1992. Federal grant funding in excess of \$8,700,000 was secured for construction of the upgrade.

Construction of new \$2,900,000 sludge digestion and solids thickening facilities at the Kanapaha Plant were nearly completed in 1990. The project included a third aerobic sludge digester, gravity belt sludge thickeners, plant service water and headworks facilities. The new digester was added to comply with recent EPA changes in rules governing the amount of digestion required prior to employing the sludge for agricultural purposes. Federal funding of \$1,300,000 was obtained for construction of these facilities and acquisition of new sludge hauling equipment.

A major optimization study of the Kanapaha Plant, co-funded by the National Science Foundation (NSF) and performed by University of Florida researchers, was completed in fiscal year 1990. The study, conducted by the University of Florida, indicated that with minor modifications the Kanapaha Plant has 20% more treatment capability than its original design values and will allow the deferral of several major capital expenses.

Additional major projects completed at the Kanapaha Plant include an energy reduction study and the award of an engineering contract for the rehabilita-

tion of the plant's filter systems. Energy costs are substantial for wastewater treatment, and the study found potential savings of up to 20%. The filter rehabilitation project, scheduled for completion by mid-1991, will achieve improved capacity and reliability. GRU's Plan of Study to determine the feasibility of using Lake Kanapaha for high quality effluent disposal was approved by the FDER. This concept is one of several reuse projects GRU is pursuing in southwest Gainesville. Due to the hyper-eutrophic character of Lake Kanapaha, the proposed discharge could act to improve the fishing and recreational uses of the lake.

Wastewater Collection

Major efforts in Wastewater Collection include the maintenance and repair of existing facilities, infiltration and inflow reduction, and construction of facilities to accommodate new and increased wastewater flow. Two major pipe sealing rehabilitation projects were completed, resulting in the sealing of approximately 3,800 feet of pipe and rehabilitating 81 services in the Ormand Leigh and Lincoln Estates areas. GRU added its 134th lift station (Lift Station 22) which will service the commercial area around North Florida Regional Hospital. Design of another master lift station to service the Tower Road area was completed and the station is scheduled to go into service in fiscal year 1991.

GatorNationals

The GatorNationals is one of the largest annual drag racing events in the United States, generating in excess of \$16 million annually in local revenue. The National Hot Rod Association (NHRA), wishing to expand attendance at the event and attract sponsors for another major event, found the lack of sanitary facilities to be a major stumbling block. Recognizing the potential benefits for the Gainesville community to be realized by helping the NHRA, GRU teamed with the University of Florida's Institute of Food and Agricultural Sciences (IFAS) to develop an innovative treatment method to solve the NHRA's problems. The system incorporates conventional treatment and aquatic plants to remove pollutants. Most of the year, the system will provide treatment for fish production ponds, and will store and treat GatorNationals wastewater the remainder of the year. The project will be funded in part by a \$200,000 state grant due to the project's demonstration of a technique to resolve a major problem confronting aquaculture in Florida — treatment of fish wastes.



Above: GRU customer enjoys a warm shower and uses a water-saving shower head distributed free of charge by GRU. **Right:** Sandy Barnes, senior laboratory technician, uses state-of-the-art diagnostic and testing equipment to analyze samples. **Inset:** Florida's warm summer days mean cool, sweet water to Kate Harrell.



The Natural Gas System

GRU's Natural Gas System distributes an efficient, clean burning source of energy well suited to end uses requiring heat. GRU acquired the system in January, 1990 in order to obtain a variety of benefits, not only for natural gas customers, but for the combined utility system as well. The acquisition involved careful planning to best protect the interests of the gas system employees while obtaining the desired benefits.

Gas Facilities

The natural gas distribution system consists primarily of 410 miles of underground distribution and service lines. The system is configured in a series of large service loops with valves strategically located to enable the isolation of either large or small segments of the system to provide for emergency repair or routine maintenance. Although the gas system has existed since 1887, most of the distribution system has been installed since 1960.

The gas system serves approximately 20,000 customers. Gas service is provided within the city limits and in the unincorporated parts of the county immediately adjacent to the city. The area served is approximately 94 square miles and includes the University of Florida (the largest customer). The six largest customers are served under interruptible service delivery provisions.

Natural gas is delivered through four points to the gas system from the Florida Gas and Transmission Company (FGT). Recently implemented regulations have

placed the nation's natural gas pipelines under open access, with the advantages described in the Power Systems section of this report. These savings are being passed directly to customers in the form of lower purchased gas adjustments.

System Acquisition

The provision of natural gas service by private firms had been franchised by the City since 1887. The most recent franchise agreement with the Gainesville Gas Company was a 30-year agreement that expired in August of 1989. Prompted by this expiration, the City evaluated its options under the expiring agreement and determined that GRU could provide the same level of gas service at lower costs with the savings being passed directly to the public. The City began negotiations with the Gainesville Gas Company and in January 1990, entered into an "Asset Purchase Agreement" with Gainesville Gas Company wherein the ownership of the natural gas distribution system was conveyed to the City. The cost of purchasing the gas system was established at approximately \$13,000,000.

One of the City's objectives during the acquisition was to retain and provide comparable employment opportunities for all former Gainesville Gas Company employees, excepting top corporate officers. A comprehensive planning and evaluation effort allowed GRU to fulfill this objective. GRU's insightful planning made the transfer of ownership and operation of the gas system practically unnoticeable to gas customers.

A tangible financial benefit for the public occurred immediately upon acquisition. The City abolished a previously existing 4% franchise fee concurrent with the transfer of ownership. Prior to the acquisition, Gainesville Gas Company was actively pursuing a rate increase before the Florida Public Service Commission. This rate increase request was withdrawn by the City, providing further financial benefit to the customers. Additional benefits include a unified billing and customer service system, GRU's low costs of capital, and economies of scale for fuel and other commodity purchases.

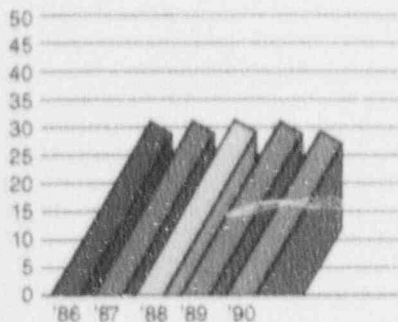
Operation and Expansion

GRU is one of the few natural gas systems which conducts leak surveys throughout the entire distribution system on an annual basis. This important safety precaution requires employees to physically walk the entire length of main and service lines throughout the distribution network. GRU maintains an active damage prevention program designed to inform contractors of the presence of natural gas lines in areas of construction. The looped system distribution system configuration helps to minimize loss of service to customers due to line breaks. As a result of these practices, GRU has achieved and will continue to maintain an excellent safety and reliability record, complying with all state and federal guidelines for construction, maintenance and safety in the operation of the natural gas distribution system.

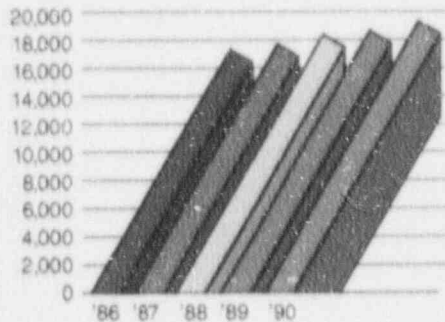
Since the acquisition, major gas projects completed by GRU include the completion of an 8-inch steel gas main extension along NW 39th Avenue designed to continue south and tie into an existing line at Newberry Road. Also completed was an extension of gas facilities through Haile Plantation. These six-inch and four-inch lines will allow future expansion and will support system expansion in the southwest sector of the service area.

GRU will continue to promote natural gas as a safe and economical resource to fulfill a portion of this community's energy requirements. GRU's gas distribution system extension policies are comparable to policies for electric, water and wastewater extension, and will accommodate and facilitate continuing development in this community.

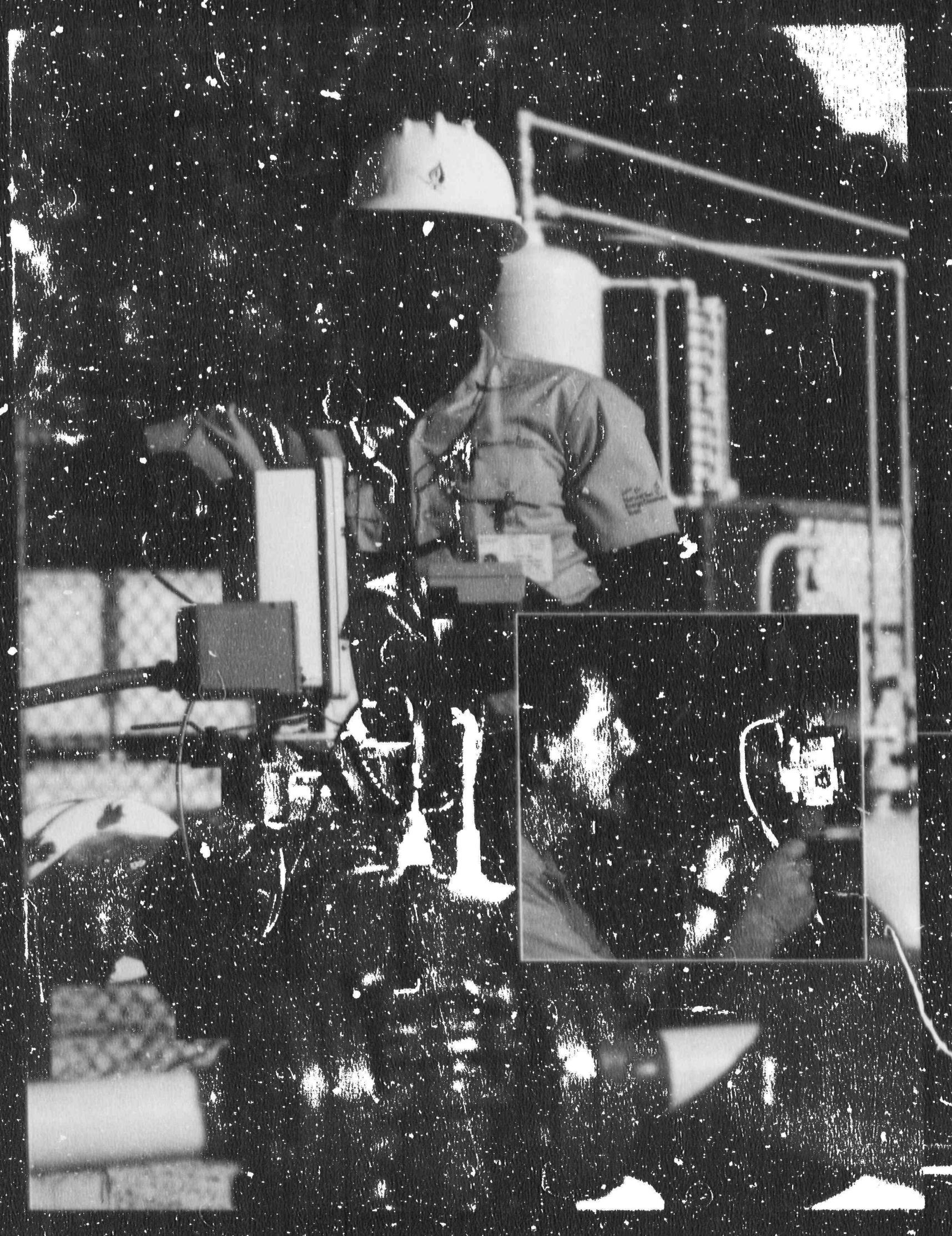
Natural Gas
(Million Therms)



Natural Gas
Number of Customers
(Annual Average)



Right: Measurement and Maintenance Technician Warren Lang keeps a close eye on gas transmission pipelines. **Inset:** T. J. Shear, a Class A fitter, repairs and adjusts a gas furnace to ensure optimum heating.



Customer and Administrative Services

Customer and Administrative Services encompasses a wide range of services provided directly to GRU customers as well as support functions for other areas of utility operations. The diverse services and functions provided range from servicing individual customer accounts, providing and maintaining information systems hardware and software, to managing the design and construction of the new GRU administration building, and performing budget, finance and accounting functions.

Customer Operations

Several new programs were instituted in the past year to improve the communication between customers and employees. A Speakers Bureau was established, in which specially trained and equipped employees are prepared to present a series of programs about GRU's services, facilities and policies to local business organizations and civic groups. A series of "Power Lunches" were held, a form of market research designed to solicit ideas and suggestions about customer wants and needs. Randomly selected customers were introduced to top GRU management in

an informal atmosphere to encourage meaningful dialogue. GRU frequently performs surveys designed to assess service delivery and trends in appliance usage. A significant finding was a measured high readership of GRU's customer newsletter, the "GRU Bulletin" and appreciation of the public service announcements contained therein. The excellence of this newsletter and the quality of GRU produced educational videos received statewide recognition as recipients of this year's prestigious "Golden Image" awards presented by the Florida Public Relations Association.

Information Systems

A new Customer and Billing Information System was designed and purchased and will be on line by the fall of 1991. Requiring new equipment, as well as software, the system design was the outcome of an extensive planning process evaluating the information needs of the entire utility operation. As a result, the system will not only greatly enhance customer responsiveness and flexibility, but will provide critical information for integrated facility planning and improved rate structure design and implementation.

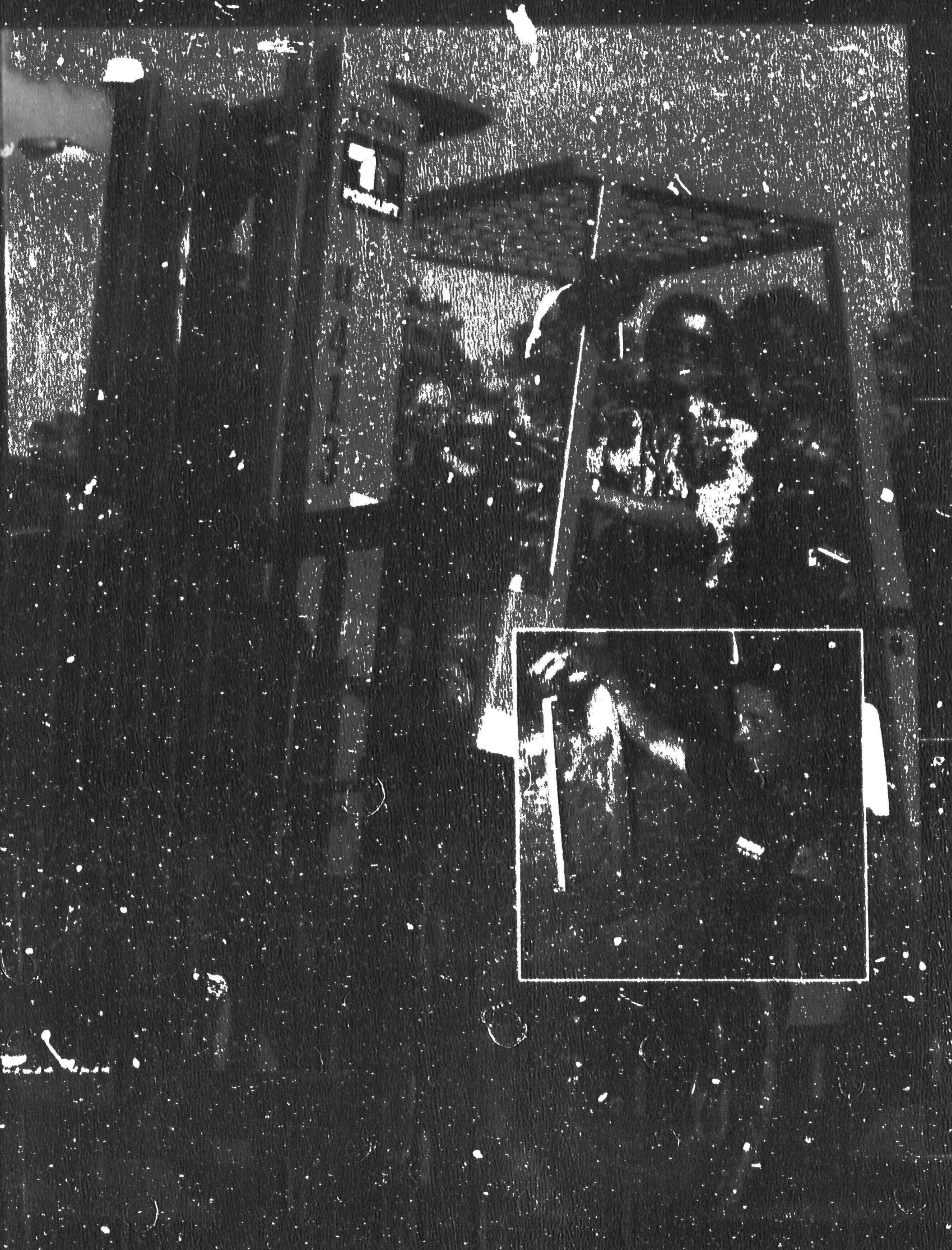
Administrative Services

Design of the new GRU administration building was completed and ground-breaking took place in February of 1990. The four story 69,000 square foot building will centralize administrative, engineering and customer service functions, greatly increasing the efficiency of communications and improving customer accessibility. The building will demonstrate some advanced architectural design features which will reduce electrical consumption, enhance space use flexibility, and improve the productivity of the occupants. The building's step-back profile was designed intentionally to blend with the surrounding environment and a commissioned sculpture will be displayed at the entrance in support of Florida's Art in Public Places program. A heavy emphasis on value engineering and cost-effectiveness in the design phase resulted in a construction contract of \$5,300,000, 16% under the initial budget estimate.

Two major initiatives undertaken by this group to reduce operating costs addressed travel time and inventory control. In cooperation with Electric Operations, location planning and acquisition of a site for a new Westside Operations center was completed. The land was acquired for 23% less than the land's appraised price. This facility will house construction and maintenance personnel to better serve Gainesville's growing western service area by reducing travel time. By application of improved inventory management techniques, overall inventory was reduced by 10% without increasing material order delays, despite addition of the new Gas Department's substantial inventory.



Above: Meter Reader Roger Waller feeds raw data from electrical usage meters into his hand-held computer. **Right:** Marsha Andress, Storekeeper I, moves an 8,000 lb. transformer to its proper place at GRU storage facilities. **Inset:** Free energy audits are conducted for GRU customers by a specially trained team, including Ron Bauldree, Conservation Analyst II.



Financial Summary

Gainesville Regional Utilities' financial performance continued to exceed expectations. Combined system revenues were higher than budgeted with each experiencing increase over the previous year.

GRU's four systems produced combined net revenues for the fiscal year of \$60,279,998, creating an aggregate bond debt service ratio (net revenues divided by aggregate debt service) of 3.07 and a total debt service ratio (net revenues divided by total debt service) of 2.27. The total number of retail customers for the electric, gas, water, and wastewater systems increased over the previous year by 3.7%, 1.8%, 3.1%, and 3.3%, respectively.

On January 10, 1990, GRU purchased the local natural gas distribution system from the Gainesville Gas Company — a privately held company. As of September 30, 1990, the gas system had net plant assets of \$13,504,764 and net revenues for the year of \$1,049,667. This purchase is projected to increase GRU's net revenues while reducing gas costs to retail customers.

GRU was once again in a favorable position to make electric interchange sales — both firm and non-firm — to other Florida utilities. Energy sales increased by 16.8% over FY 1989, providing gross revenues for the year of \$16,173,685. These sales also generated net revenues of \$6,821,577. Although interchange sales continue to be an important part of GRU's revenues, the system recognizes the need to provide financial stability to this income source. Pursuant to that goal, GRU continued to contract firm energy sales agreements with the Florida Municipal Power Agency (FMPA), the City of Starke, Florida, and has further stabilized firm sales by initiating a ten-year agreement with the Reedy Creek Improvement District (servicing Disney World) for 30 megaWatts of firm energy sales. This latest agreement began this fiscal year. Additionally, GRU completed the second year of a five year agreement with Seminole Electric Cooperative (SEC) for the provision of energy when SEC units are off-line or de-rated in capability. These firm and reserve capacity energy sales accounted for 76% of the net revenues from interchange sales in 1990.

The balance in the Rate Stabilization Fund (RSF), less accrued interest, was \$19.7 million at the beginning of the year. Rate stabilization activity for the fiscal year included the following: \$426,959 was withdrawn from the water system. A deposit of \$1,762,353 was made for the electric system, \$756,479 for the wastewater system, and \$1,740,325

for the gas system. The balance, less accrued interest, was \$23,600,000 at the end of the year.

GRU continues to operate under a formula which determines the amount of transfer to the City's General Government operations. Based on this formula, GRU transferred \$15,154,322 in fiscal year 1990 representing a 16.3% increase over fiscal year 1989.

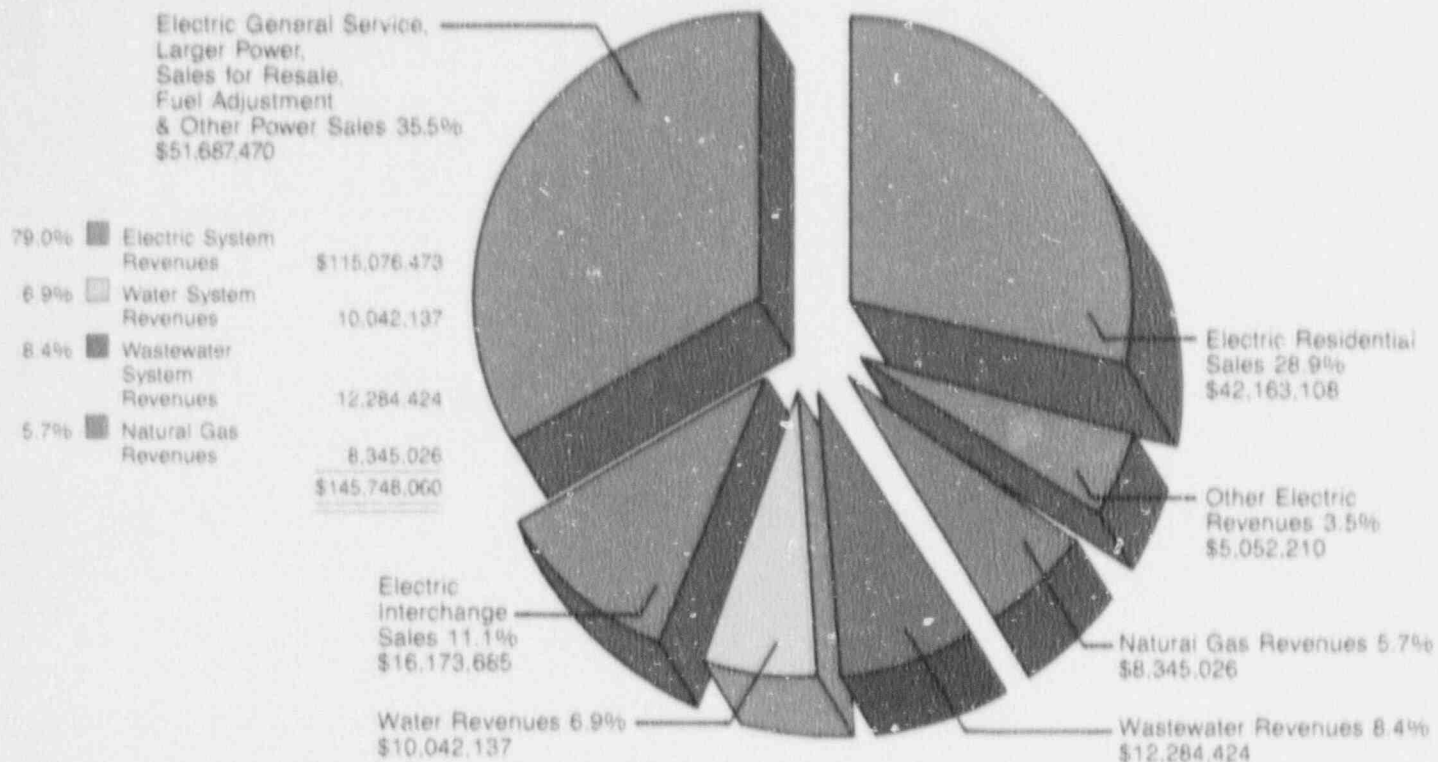
GRU's Tax Exempt Commercial Paper (TECP) program continues to produce considerable savings for GRU's rate-payers. The average interest rate on the outstanding paper was 5.83% for the year. This ranged from a high of 6.94% in September to a low of 5.10% in February. The average maturity of outstanding paper was 68 days. Demand for GRU's commercial paper remained strong, and credit ratings high, with a P1 from Moody's Investor Services and an A1+ from Standard and Poor's. At the end of the fiscal year, \$73,261,000 of TECP principal was outstanding, down \$1,542,000 from one year ago.

GRU maintained its "Aa" bond rating from Moody's Investor Services and its "AA" bond rating from Standard and Poor's, continuing its membership in an elite class of the best municipal utilities in the nation.

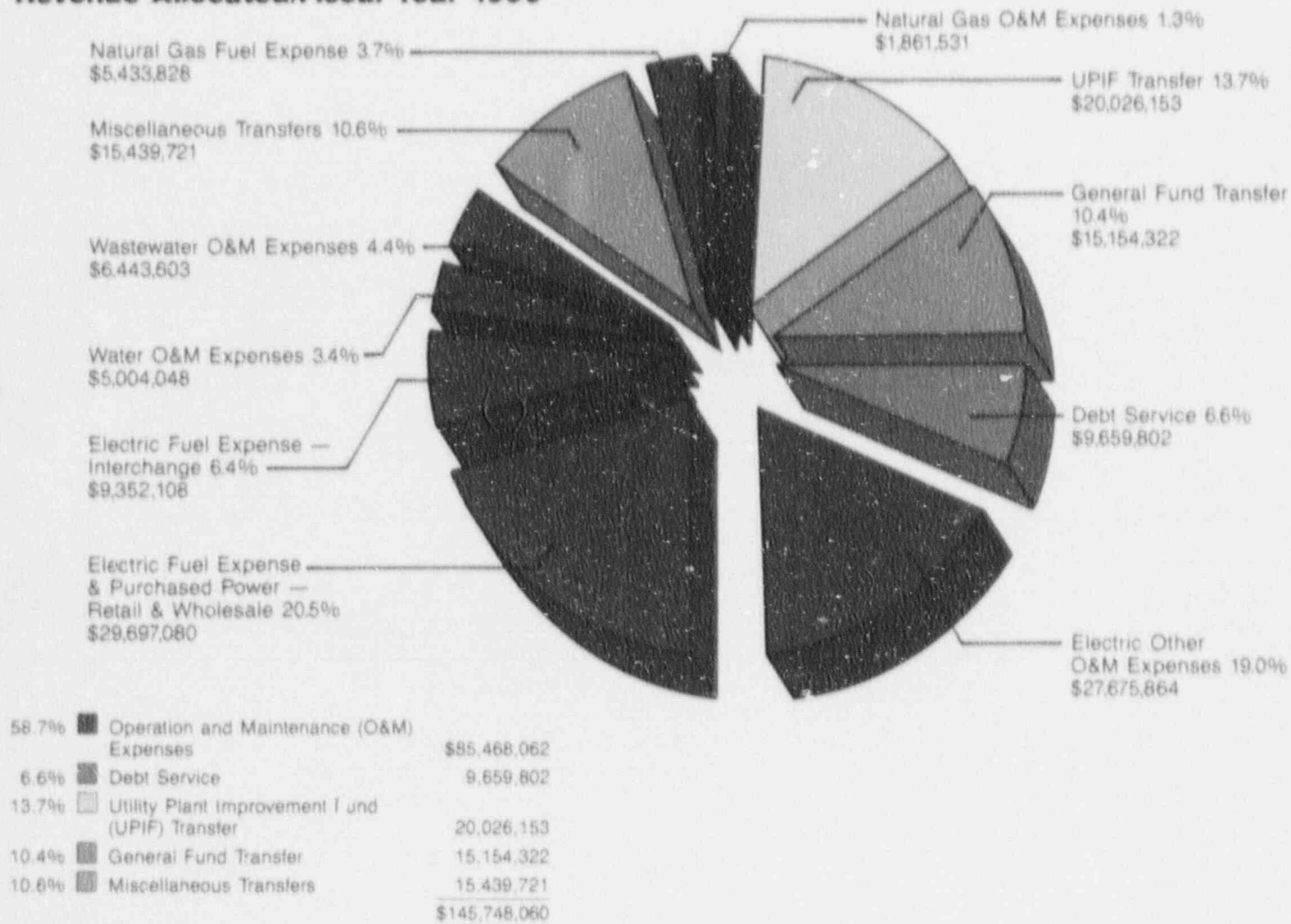
Capital improvement funding for the fiscal year 1990 amounted to \$23,200,000. Net utility plant increased \$25,300,000 during the year, to a balance of \$413,200,000 at the year's end.

Gainesville Regional Utilities continued its financial tradition as one of the most secure investments available. GRU's outstanding financial health is a matter of pride for its employees. They work hard for the privilege of telling their friends and neighbors that GRU offers among the lowest rates and most dependable service in Florida.

Revenue Earned/Fiscal Year 1990



Revenue Allocated/Fiscal Year 1990



Rates Schedule

Charges for services in effect at the close of the fiscal year September 30, 1990, for major customer classes.

Electric and Gas Rates

The following monthly rate schedules are "base rates" and include an electric fuels charge of 25 mills per kilowatt hour. The additional variable monthly fuel adjustment charge is not included. Gas rates shown do not include the purchased gas adjustment per therm factor which varies monthly as well. The minimum bill is the Customer Charge plus any applicable demand charge.

Residential Electric

Customer Charge	\$4.71
Energy charge per kilowatt hour (kWh)	
First 750 kWh	\$0.0649/kWh
Over 750 kWh	\$0.0688/kWh

General Service Non-Demand

(A demand of 50 kilowatts (kW) or greater has not been established)

Customer Charge	\$9.13
Energy Charge	\$0.0764/kWh

General Service Demand

(Established demand of 50 kW, but less than 1,000 kW)

Customer Charge	\$15.82
Energy Charge	\$0.0540/kWh
Demand Charge	\$4.87/kW

Large Power

(Established demand of 1,000 kW or greater)

Customer Charge	\$60.84
Energy Charge	\$0.0473/kWh
Demand Charge	\$4.26/kW

Residential Gas

Customer Charge	\$6.00
Non-fuel Energy Charge	\$.22010 per therm

General Service Gas (Firm)

Customer Charge	\$15.00
Non-fuel Energy Charge	\$10317 per therm

Water

(The minimum bill is the Customer Charge.)

Customer Charge	\$2.90
Water Rate	\$0.82/Kgal

Wastewater

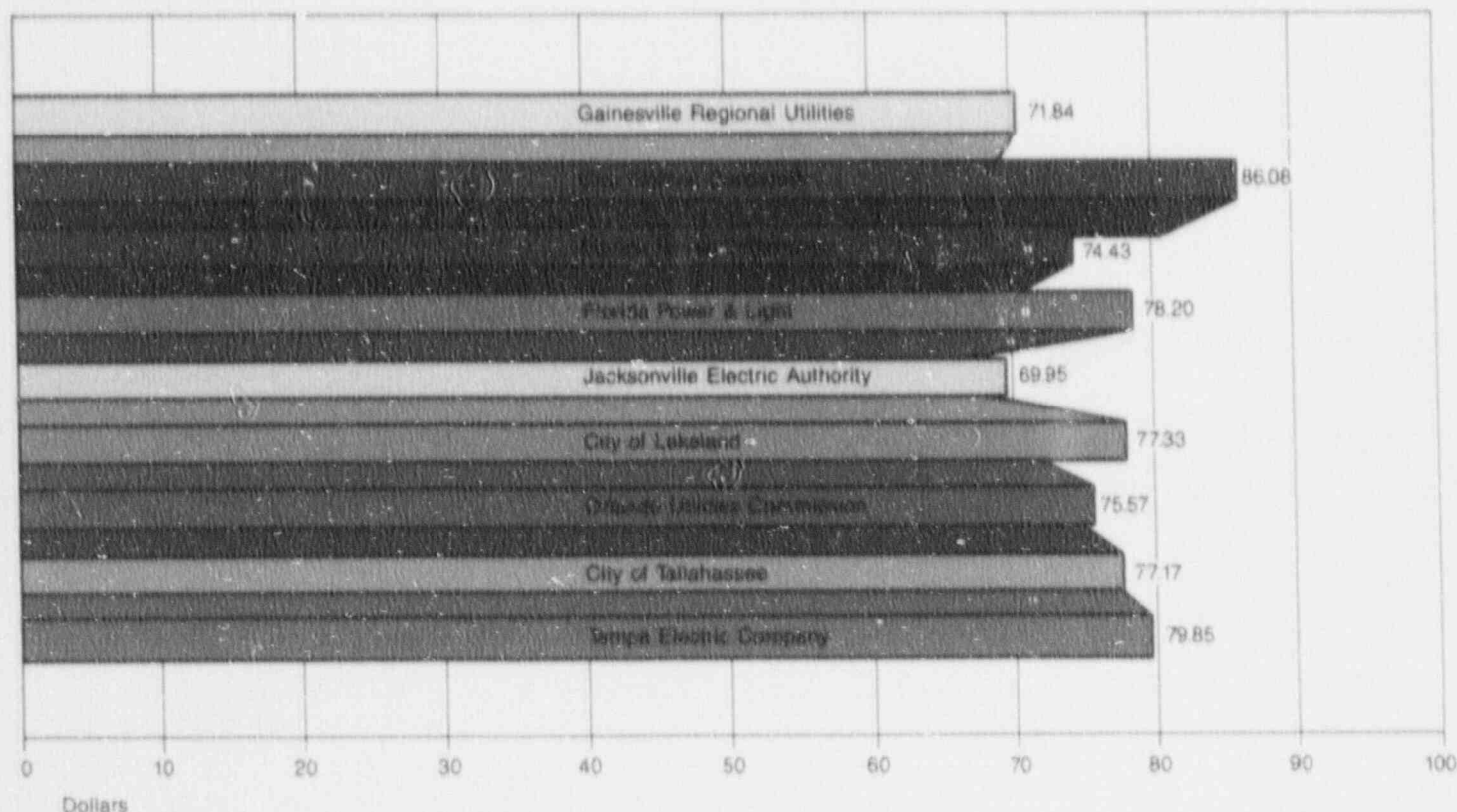
(The minimum bill is the Customer Charge.)

Customer Charge	\$2.11
Wastewater Charge	\$2.11/Kgal

Additional rate schedules, available upon request, include: Time-Of-Use rate for electric customers, wastewater rates for residential customers not connected to the system but subject to rates and charges, wastewater rates for residential customers obtaining water from unmetered private wells and discharging into the system and interruptible gas rates.

Fiscal Year 1990 Residential Rate Comparisons

1000 kWh Consumption



GAINESVILLE REGIONAL UTILITIES

The Combined Utility Funds of The City of Gainesville, Florida
Report on Audit of Financial Statements and Supplemental Data
for the years ended September 30, 1990 and 1989

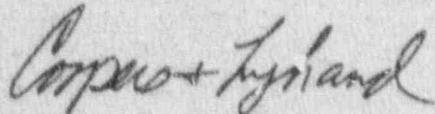
Report of Independent Accountants

The Honorable Mayor and Members
of the City Commission
City of Gainesville
Gainesville, Florida 32601

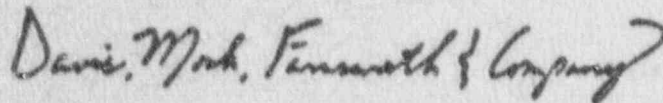
We have audited the accompanying balance sheets of Gainesville Regional Utilities (the Combined Utility Funds of the City of Gainesville, Florida) as of September 30, 1990 and 1989, and the related statements of revenue and expense and retained earnings, and changes in financial position for the years then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gainesville Regional Utilities as of September 30, 1990 and 1989, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.



Coopers & Lybrand
Jacksonville, Florida



Davis, Monk
Farnsworth & Company
Gainesville, Florida

November 30, 1990

GAINESVILLE REGIONAL UTILITIES

Balance Sheet

September 30, 1990 and 1989

ASSETS

	1990	1989
Utility plant:		
Utility plant in service	\$ 559,950,769	\$ 527,814,939
Construction in progress	21,444,253	10,892,842
	<u>581,395,022</u>	<u>538,707,781</u>
Less: Accumulated depreciation and amortization	(168,191,671)	(150,806,217)
<i>Net utility plant</i>	<u>413,203,351</u>	<u>387,901,564</u>
Restricted assets:		
Capital facilities — Cash and investments	1,329,212	1,338,139
Utility deposits — Cash and investments	3,070,818	2,891,173
Debt service fund — Cash and investments	98,549,051	90,677,590
Rate stabilization fund — Cash and investments	23,005,740	19,729,209
Construction fund —		
Cash and investments	66,874,270	99,709,721
Contracts-in-progress	—	1,059,775
Due from other funds	337,283	—
Utility plant improvement fund —		
Cash, investments, and receivables	5,915,454	3,233,808
<i>Total restricted assets</i>	<u>199,081,828</u>	<u>218,639,415</u>
Current assets:		
Cash and short-term investments	22,576,231	19,832,142
Decommissioning reserve — Cash and investments	965,368	672,481
Water pollution emergency reserve — Cash and investments	50,000	50,000
Accounts receivable (net of allowance for uncollectible accounts, \$651,000 in 1990 and \$431,000 in 1989)	22,564,309	16,833,668
Due from other funds	—	1,506,370
Prepaid expenses	308,909	19,845
Inventories —		
Fuel	7,955,943	5,311,709
Materials and supplies	5,121,107	4,897,623
<i>Total current assets</i>	<u>59,541,867</u>	<u>49,123,838</u>
Deferred debits	<u>37,196,674</u>	<u>35,869,918</u>
<i>Total assets</i>	<u>\$ 709,023,720</u>	<u>\$ 691,534,735</u>

See accompanying notes.

LIABILITIES AND FUND EQUITY

	1990	1989
Long-term debt and fund equity:		
Long-term debt —		
Utilities system revenue bonds	\$ 359,508,692	\$ 361,233,692
Utilities system commercial paper notes	73,261,000	74,803,000
	432,769,692	436,036,692
Less: Unamortized bond discount	(7,338,199)	(7,652,304)
Total long-term debt	425,431,493	428,384,388
Fund equity —		
Contributions in aid of construction	69,751,130	63,433,834
Retained earnings	172,906,926	169,697,926
Total fund equity	242,658,056	233,131,760
Total long-term debt and fund equity	668,089,549	661,516,148
Payable from restricted assets:		
Utility deposits	3,447,427	2,891,173
Utilities system revenue bonds payable-current	1,725,000	—
Accrued interest payable	15,660,997	15,586,545
Construction fund —		
Accounts, contracts and retainages payable	—	1,166,512
Due to other funds	—	2,085,670
Utility plant improvement fund —		
Accounts payable and accrued liabilities	505,177	340,668
Due to other funds	408,735	—
Total payable from restricted assets	21,747,336	22,070,568
Current liabilities:		
Fuels payable	4,359,612	3,759,125
Accounts payable and accrued liabilities	7,300,831	3,421,240
Due to other funds	669,043	—
Total current liabilities	12,359,486	7,180,365
Deferred credits	6,827,349	767,654
Total liabilities and fund equity	\$ 705,023,720	\$ 691,534,735

GAINESVILLE REGIONAL UTILITIES

Statements of Revenue and Expenses and Retained Earnings

for the years ended September 30, 1990 and 1989

	1990	1989
Operating revenue:		
Sales and service charges	\$ 136,952,392	\$ 116,904,632
Other operating revenue	1,535,254	1,057,588
Total operating revenue	138,487,646	117,962,220
Operating expenses:		
Operations and maintenance	68,567,758	54,910,824
Administrative and general	16,900,304	18,536,907
Depreciation and amortization	18,497,701	16,380,034
Total operating expenses	103,965,763	89,827,765
Operating income	34,521,883	28,134,455
Non-operating revenue (expense):		
Interest revenue	17,540,390	16,119,648
Interest expense	(35,551,650)	(33,443,185)
Total non-operating revenue (expense)	(18,011,260)	(17,323,537)
Income before operating transfers	16,510,623	10,810,918
Operating transfer to general fund	(15,154,322)	(13,029,871)
Net income/(loss)	1,356,301	(2,218,953)
Retained earnings, beginning	169,697,926	170,176,690
Amortization of contributions in aid of construction	1,852,699	1,740,180
Retained earnings, ending	\$ 172,906,926	\$ 169,697,926

See accompanying notes.

GAINESVILLE REGIONAL UTILITIES

Statements of Changes in Financial Position

for the years ended September 30, 1990 and 1989

	1990	1989
Source of working capital:		
Net income (loss)	\$ 1,356,301	\$ (2,218,953)
Items not requiring outlay of working capital:		
Depreciation and amortization	18,497,701	16,380,034
Working capital provided from operations	19,854,002	14,161,081
Utility plant sales and retirements	1,106,130	1,717,297
Contributions in aid of construction	8,169,997	4,947,588
Increase in utility system revenue bonds	—	100,366,361
Increase (decrease) in unamortized bond discount	314,105	(797,120)
Increase in deferred credits	5,968,514	49,940
Decrease in restricted assets	19,557,587	—
Increase (decrease) in payable from restricted assets	(846,062)	4,231,988
Total source of working capital	54,124,273	124,677,135
Use of working capital:		
Utility plant additions	30,195,570	20,226,221
Decrease in utility system revenue bonds	1,725,000	—
Increase in deferred debits	2,291,954	3,097,695
Increase in restricted assets	—	94,320,749
Payments on utilities system commercial paper notes	1,542,000	1,482,000
Acquisition of Gainesville Gas Company	13,357,469	—
Total use of working capital	49,111,993	119,126,665
Change in working capital	\$ 5,012,280	\$ 5,550,470
Changes in working capital by component:		
Current assets — increase (decrease):		
Cash and short-term investments	\$ 3,035,876	\$ 7,894,629
Accounts receivable	4,195,889	1,704,158
Due from other funds	(1,506,370)	1,023,692
Prepaid expenses	(24,347)	(80,817)
Fuel, materials and supplies inventories	2,690,626	(2,265,811)
Current liabilities — decrease (increase):		
Fuels payable	(630,487)	(1,655,256)
Due to other funds	(669,043)	—
Accounts payable and accrued liabilities	(2,079,864)	(1,070,125)
Change in working capital	\$ 5,012,280	\$ 5,550,470

See accompanying notes.

GAINESVILLE REGIONAL UTILITIES

Notes to Financial Statements

September 30, 1990 and 1989

1. Summary of Significant Accounting Policies:

Organization

Gainesville Regional Utilities (GRU) is a combined municipal utility system operating an electric, gas, water and wastewater utility. The gas utility system was acquired January 10, 1990, for approximately \$13,000,000, when GRU purchased the natural gas distribution system from a privately-held company whose thirty-year franchise agreement expired. Accordingly, there are no comparative figures for the year ending September 30, 1989, for the gas utility. The acquisition has been accounted for as a purchase.

Basis of Accounting

GRU consists of the Combined Utility Funds of the City of Gainesville, Florida (City). The financial statements are presented on the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred. Rates are designed to recover debt service and operating fund requirements and exclude depreciation expense and other noncash 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 effect of these differences are recognized in the determination of net income in the period that they occur in accordance with GRU's accounting principles. GRU has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission.

Investments

Investments are stated at amortized cost. Premium or discount is amortized over the investment's maturity based on the interest method.

Inventories

Inventories are stated at cost using the weighted average unit cost method for materials, and the last-in, first-out (LIFO) method for fuel. Obsolete and unusable items are reduced to estimated salvage values.

Utility Plant

Property and equipment are recorded at cost or estimated original cost where applicable. Maintenance and repairs are charged to operating expense as incurred. The average cost of depreciable plant retired is eliminated from the plant accounts and such cost, plus removal expense less salvage, is charged to accumulated depreciation.

Depreciation and Nuclear Generating Plant Decommissioning

Depreciation of utility plant is computed using the straight-line method over estimated service lives ranging from 20 to 40 years. Depreciation was equivalent to 3.12% and 2.89% of average depreciable property for 1990 and 1989, respectively. Depreciation expense includes a provision for decommissioning costs related to the jointly-owned nuclear power plant (see Note 5) at an annual rate of 3.6% of GRU's share of the estimated costs.

Amortization of Nuclear Fuel

The cost of nuclear fuel, including estimated disposal cost, is charged to operating expenses. These costs are charged to customers through increased rates or through the fuel adjustment clause.

Notes to Financial Statements, continued

Utility Revenue Recognition

Utility revenue is recorded as earned. Fuel adjustment revenue is recognized based on the actual fuel costs. Amounts charged based on estimated costs are adjusted monthly for any differences between the actual and estimated costs once actual costs are known.

Interfund Transactions

Interfund transactions and contributions are generally made as required. Interfund transactions and balances, except direct billings for utility services (see Note 4), are eliminated for the Combined Utility Funds. Interfund loans do not bear interest.

Funds in Accordance with Bond Resolutions

Certain restricted funds of GRU are administered in accordance with bond resolutions. These funds are as follows:

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

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

The Subordinated Indebtedness Fund, grouped in the debt service fund for financial reporting purposes, accounts for funds accumulated to pay principal and interest on subordinated indebtedness.

The Rate Stabilization Fund accounts for funds accumulated to stabilize rates over future periods through the transfer of funds to and from Revenue Funds as necessary.

The Construction Fund accounts for funds accumulated for the Cost of Acquisition and Construction.

The Utility Plant and Improvement Fund accounts for funds used to pay for certain capital projects or debt service, the purchase or redemption of bonds, or otherwise provide for the payment of bonds.

Allowance for Funds Used During Construction

An allowance for interest on borrowed funds used during construction of \$373,000 in 1990 and \$327,000 in 1989 is included in construction in progress and as a reduction of interest expense. These amounts are computed by applying the effective interest rate on the funds borrowed to finance the projects to the monthly balance of projects under construction. The effective interest rates were approximately 5.7% and 5.9% for 1990 and 1989, respectively.

Deferred Debits

Deferred debits represent costs incurred that can be recovered from future revenue through the rate-making process over a period usually ranging from five to thirty years.

Contributions in Aid of Construction

Utility plant in service for the water and wastewater funds includes assets received from contributions in aid of construction. The amount of amortization expense included in the statement of revenue and expense and retained earnings relating to the contributed assets is credited to retained earnings to reflect the transfer of this amount to the related contributions account.

Reclassification

Certain amounts for 1989 have been reclassified to conform with the 1990 presentation.

Notes to Financial Statements, continued

2. Long-Term Debt:

Long-term debt outstanding at September 30, consisted of the following:

	<u>1990</u>	<u>1989</u>
Utility System Revenue Bonds, Series 1983 (1983 Bonds) Principal payable semi-annually to October 1, 2014; interest at various rates between 6% to 10.25%	\$ 184,275,000	\$ 186,000,000
Utilities System Revenue Bonds, 1987 Series A (1987 Bonds) Principal payable semi-annually to October 1, 2017; interest at various rates between 5.6% to 8.4%	74,867,331	74,867,331
Utilities System Revenue Bonds, Series A 1989 (1989 Subordinated Bonds) Principal payable semi-annually to October 1, 2013; interest at various rates between 6.4% to 7.25%	100,366,361	100,366,361
Utilities System Commercial Paper Notes, Series B (Series B Notes) Principal payable no later than October 20, 1992; interest at various market rates	73,261,000	74,803,000
	432,769,692	436,036,692
Less: unamortized bond discount	(7,338,199)	(7,652,304)
Total long-term debt	<u>\$ 425,431,493</u>	<u>\$ 428,384,388</u>

GRU is required to deposit monthly into separate accounts an amount equal to the pro-rata share of the amount of principal and interest becoming payable on the payment due dates (April 1 and October 1).

2. Long-Term Debt, continued:

The following table lists the Debt Service Requirements on the bonds outstanding at September 30, 1990.

<u>Period Ending October 1</u>	<u>Senior Lien Bonds (1), (2)</u>	<u>1989 Subordinated Bonds (2)</u>	<u>Total Net Debt Service Requirements (3)</u>
1991	\$ 26,756,070	\$ 1,966,151	\$ 28,722,221
1992	26,754,555	3,366,377	30,120,932
1993	26,755,675	4,814,006	31,569,681
1994	26,755,900	7,678,628	34,434,528
1995	26,751,350	7,874,147	34,625,497
1996	26,749,450	7,878,373	34,627,823
1997	26,755,360	7,877,372	34,632,732
1998	26,751,820	7,876,018	34,627,838
1999	26,753,588	7,873,837	34,627,425
2000	26,302,841	7,873,838	34,176,679
2001	26,751,443	7,873,837	34,625,280
2002	26,750,188	7,873,838	34,624,026
2003	26,752,383	7,873,837	34,626,220
2004	26,750,640	7,873,838	34,624,478
2005	26,751,027	7,873,837	34,624,864
2006	26,752,640	7,873,838	34,626,478
2007	26,751,627	15,213,837	41,965,464
2008	26,753,627	17,623,962	44,377,589
2009	26,758,921	17,629,412	44,388,333
2010	26,753,827	17,623,600	44,377,427
2011	26,751,403	17,622,900	44,374,303
2012	26,752,378	17,622,238	44,374,616
2013	26,755,827	17,626,538	44,382,365
2014	26,754,527	—	26,754,527
2015	6,761,540	—	6,761,540
2016	6,761,300	—	6,761,300
2017	6,763,762	—	6,763,762
	<u>\$ 661,913,669</u>	<u>\$ 233,284,259</u>	<u>\$ 859,197,928</u>

25

(1) Includes the 1983 Bonds and 1987 Bonds.

(2) Includes principal, sinking fund installments and interest, net of capitalized interest.

(3) Excludes debt service payments on Series B Notes.

2. Long-Term Debt, continued:

The 1983 Bonds maturing on or after October 1, 1994 (except those maturing on October 1, 2014), are subject to redemption at the option of the City on and after October 1, 1993, at a redemption price of 102½% in 1993, and 102% to 100% thereafter. The 1983 Bonds maturing on October 1, 2014, are subject to redemption at the option of the City on or after October 1, 1993, at a redemption price of 100%.

The 1987 Bonds maturing on or after October 1, 1998 (other than GAINS Securities), are subject to redemption at the option of the City on and after October 1, 1997, as a whole at any time or in part on interest payment dates, at a redemption price of 102% in 1997 and 101% to 100% thereafter. The 1987 Bonds maturing on October 1, 2007 to October 1, 2017, are subject to redemption through mandatory sinking fund installments beginning on October 1, 2003 through October 1, 2017. The GAINS Securities, in the amount of approximately \$1,827,000, are grouped with the 1987 Bonds, and are subject to redemption at the option of the City on or after October 1, 2020, as a whole at anytime or in part on October 1, or April 1, at a redemption price of 102% in 2000 and 101% thereafter.

Under the terms of the Bond Resolution relating to the sale of the Bonds, payment of the principal and interest is secured by an irrevocable lien on GRU's net revenues (exclusive of any funds which may be established pursuant to the Bond Resolution for decommissioning and certain other specified purposes), including the investments and income, if any, thereof.

The Bond Resolution contains certain restrictions and commitments, including GRU's covenant to establish and maintain rates and other charges to produce revenues sufficient to pay operation and maintenance expenses, amounts required for deposit into the rate stabilization fund, amounts required for deposit in the debt service funds, and amounts required for deposit into the utility plant improvement fund.

The 1989 Subordinated Bonds maturing on October 1, 2008 and 2013, are subject to redemption at the option of the City on and after October 1, 1998, as a whole or in part at any time, at a redemption price of 102% through September 30, 1999, and 101% to 100% thereafter. The Capital Appreciation Bonds, in the amount of \$3,621,000, are grouped with the 1989 Subordinated Bonds and, other than those maturing on October 1, 1999, are subject to redemption prior to maturity at the option of the City on and after October 1, 1999, as a whole or in part at any time at redemption prices of 103% through September 30, 2000, and 102½% to 100% thereafter.

The 1989 Subordinated Bonds are direct and special obligations of the City secured as to the payment of the principal or sinking fund redemption price and interest thereon, in accordance with their terms and the provisions of the Subordinated Resolution, by the Subordinated Indebtedness Fund, the Subordinated Debt Service Reserve Account and the Subordinated Bond Payment Account. The 1989 Subordinated Bonds are subordinated in all respects to bonds issued as first lien bonds ("Senior Lien Bonds") under the Utilities System Revenue Bond Resolution. Payment of principal and interest on the 1989 Subordinated Bonds when due are insured by a municipal bond insurance policy issued by AMBAC Indemnity Corporation.

The Series B Notes are outstanding under a Revolving Credit and Term Loan Agreement dated October 1, 1987 (Series B Agreement).

Under the terms of the Series B Agreement, GRU has the ability to borrow with same day availability, up to \$78,000,000 on a revolving basis until October 20, 1992, at which time it may convert borrowings to a term loan.

Series B Notes of \$1,542,000 were redeemed during 1990.

Notes to Financial Statements

3. Deposits and Investments:

Deposits are held in an institution insured by the Federal Depositary Insurance Corporation and as required by the Utility's Bond Resolution in 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 \$10,000,000. Deposits to the extent possible are invested.

In accordance with state laws and the Utility's Bond Resolution, GRU is authorized to invest in obligations which are unconditionally guaranteed by the United States of America or its agencies or instrumentalities, repurchase agreements obligations unconditionally guaranteed by the USA or its agencies, corporate indebtedness, direct and general obligations of any state of the United States of America (provided such obligations are rated by a nationally recognized bond rating agency in either of its two highest rating categories), public housing bonds, and certain certificates of deposit. Investments in corporate indebtedness must be rated in the highest rating category of a nationally recognized rating agency and in one of the two highest rating categories of at least one other nationally recognized rating agency.

Investments are categorized in the table below in accordance with Governmental Accounting Standards Board Statement No. 3. Category 1 includes investments that are insured or registered or held by the Utility or its agent in GRU's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in GRU's name.

September 30, 1990	Carrying Value	Market Value	Category	
U.S. Government Securities	\$ 85,716,748	\$ 86,912,358	1	27
U.S. Government Bonds	44,266,221	43,517,074	1	
Corporate Commercial Paper	80,981,668	80,981,668	1	
Repurchase Agreements	11,371,507	11,371,507	2	
Total	\$ 222,336,144	\$ 222,782,607		

September 30, 1989	Carrying Value	Market Value	Category	
U.S. Government Securities	\$ 79,842,782	\$ 78,639,450	1	
U.S. Government Bonds	48,561,845	47,810,269	1	
Corporate Commercial Paper	93,476,862	93,476,862	1	
Repurchase Agreements	16,124,371	16,124,371	2	
Total	\$ 238,005,860	\$ 236,050,952		

4. Interfund Direct Utility Billings:

Included in revenues are the following interfund direct billings for utility services:

	<u>1990</u>	<u>1989</u>
Revenues:		
Sales of electricity	\$ 1,813,242	\$ 1,814,428
Sales of gas	738	—
Sales of water	106,150	126,651
Wastewater service charges	<u>5,540</u>	<u>2,693</u>
<i>Total revenues</i>	<u>\$ 1,925,670</u>	<u>\$1,943,772</u>

Included in expenses are the following interfund direct billings for utility services:

	<u>1990</u>	<u>1989</u>
Expenses:		
Electric fund	\$ 278,807	\$ 288,503
Gas fund	12,372	—
Water fund	819,294	816,880
Wastewater fund	<u>815,197</u>	<u>838,389</u>
<i>Total expenses</i>	<u>\$ 1,925,670</u>	<u>\$ 1,943,772</u>

Notes to Financial Statements, continued

5. Jointly-Owned Electric Plant:

GRU-owned resources for supplying electric power and energy requirements include its 1.4079% undivided ownership interest in the Crystal River Unit 3 (CR3) nuclear power plant operated by Florida Power Corporation. CR3 operating and maintenance costs, which represent GRU's part of expenses attributable to operation of CR3, are recorded in accordance with the instructions as set forth in the Uniform System of Accounts. Payments are made to Florida Power Corporation in accordance with the CR3 participation agreement.

6. Contributions in Aid of Construction:

Contributions in aid of construction are as follows:

	1990	1989	
Contributions in aid of construction:			
Utility plant, property, and equipment contributed by municipality	\$ 3,982,274	\$ 3,982,274	
Federal and state grants in aid of construction	17,140,845	13,023,841	
Contributions from customers and developers:			
Plant contributed by developers	34,076,925	32,241,685	
Connection charges	34,423,067	32,205,314	
	89,623,111	81,453,114	
Accumulated amortization	(19,871,981)	(18,019,280)	
Contributions in aid of construction	<u>\$ 69,751,130</u>	<u>\$ 63,433,834</u>	29

Notes to Financial Statements, continued

7. Retained Earnings:

Retained earnings reserved for debt service and unappropriated are as follows:

	1990	1989
Reserved for debt service	\$ 81,176,611	\$ 75,091,045
Unappropriated	91,730,315	94,606,881
<i>Total retained earnings</i>	<u>\$ 172,906,926</u>	<u>\$ 169,697,926</u>

Retained earnings balances at September 30, included in debt service fund accounts, are as follows:

	1990	1989
Sinking fund account	\$ 10,668,528	\$ 9,393,775
Reserve account	37,450,795	37,958,113
Debt service account	17,195,210	20,818,049
Subordinated bond payment account	9,590,423	15,025,720
Subordinated indebtedness fund account	595,271	520,130
Bond amortization account	23,034,076	6,844,493
Commercial paper note payment account	14,747	117,310
	98,549,050	90,677,590
Less: Amounts appropriated for current interest and principal payable	(17,372,439)	(15,586,545)
	<u>\$ 81,176,611</u>	<u>\$ 75,091,045</u>

8. Retirement Plans:

The City sponsors and administers one retirement plan and one deferred compensation plan that includes GRU and other City employees.

The Employees Pension Plan (Employees Plan), a defined benefit, primary contributory pension plan, covers all employees of GRU, except certain personnel who elect to participate only in the Deferred Compensation Plan.

The City accounts for, and funds the costs of, the Employees Plan as they accrue. Such costs are based on contribution rates determined by the most recent actuarial valuation. The total contributions by GRU, including amortization of prior service costs, for the years ended September 30, 1990 and 1989, was \$1,046,000 and \$1,047,000, respectively.

In the opinion of the City of Gainesville, GRU has no obligation for any unfunded past service or other cost of the pension fund in excess of the required annual contributions.

Certain employees are eligible to participate in a defined contribution deferred compensation plan managed by the International City Management Association as fiscal agent for the City. Under this plan, the City contributes 6% of an employee's annual salary and employees may contribute either a specified percentage or dollar amount. Total deferred compensation cost for GRU for the years ended September 30, 1990 and 1989 was \$296,417 and \$180,700, respectively.

9. Transfers to General Fund:

GRU makes transfers to the City's general government based on a formula that ties the transfer directly to the profitability of the system. The transfer to the general fund may be made only to the extent such monies are not necessary to pay debt service on the Outstanding Bonds and subordinated debt or to make other necessary transfers under the Resolution. The fund transfer to the general fund for the years ended September 30, 1990 and 1989 was \$15,154,322 and \$13,029,871, respectively.

10. Deferred Debits:

Included in deferred debits is the unamortized balance of \$23,760,000 remaining of the original payment of \$27,375,000 made to Island Creek Coal Sales Company on February 10, 1988, in full settlement in connection with the city's cancellation of a contract for supply of coal to Deerhaven II generating plant. The settlement payment, funded with Series B Notes, is being recovered through future utility fuel adjustment revenue through the year 2003.

The remaining balance in deferred debits is comprised of bond issuance costs and miscellaneous items which are being amortized over periods from 5 to 30 years.

Report of Independent Accountants on Supplemental Data

The Honorable Mayor and Members
of the City Commission
City of Gainesville
Gainesville, Florida 32601

Our audits are made for the purpose of forming an opinion on the basic financial statements taken as a whole. (We have previously audited the financial statements for 1988, 1987 and 1986 — none of which are presented herein — and we expressed unqualified opinions on those financial statements.) The accompanying schedules of combined net revenues in accordance with bond resolutions for the years ended September 30, 1990, 1989, 1988, 1987 and 1986, net revenues in accordance with bond resolutions — electric utility fund, gas utility fund, water utility fund, and wastewater utility fund for the years ended September 30, 1990 and 1989, combining balance sheet at September 30, 1990, combining statement of revenue and expense and retained earnings for the year ended September 30, 1990, and schedules of utility plant properties and accumulated depreciation and amortization for the year ended September 30, 1990, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Coopers & Lybrand
Jacksonville, Florida

Davis, Monk,
Farnsworth & Company
Gainesville, Florida

November 30, 1990

GAINESVILLE REGIONAL UTILITIES

Schedules of Combined Net Revenues in Accordance with Bond Resolution

for the years ended September 30, 1990, 1989, 1988, 1987 and 1986

	1990
Revenues:	
Electric fund:	
Sales of electricity	\$ 110,024,263
Other electric revenues	(527,726)
Interest income	4,815,098
Total electric fund revenues	114,311,635
Gas fund:	
Gas sales	8,632,123
Other gas revenues	(1,611,307)
Interest income	1,324,210
Total gas fund revenues	8,345,026
Water fund:	
Sales of water	7,989,116
Other water revenues	1,471,167
Interest income	528,693
Total water fund revenues	9,988,976
Wastewater fund:	
Wastewater billings	10,306,388
Other wastewater revenues	588,674
Interest income	1,225,251
Total wastewater fund revenues	12,231,813
Total revenues	144,877,452
Operation and maintenance expenses:	
Electric fund:	
Fuel expense	39,049,188
Operation and maintenance	16,336,485
Administrative and general	11,339,379
Total electric fund expenses	66,725,052
Gas fund:	
Fuel expense	5,433,828
Operation and maintenance	555,631
Administrative and general	1,305,900
Total gas fund expenses	7,295,359
Water fund:	
Operation and maintenance	3,156,677
Administrative and general	1,847,371
Total water fund expenses	5,004,048
Wastewater fund:	
Operation and maintenance	4,035,949
Administrative and general	2,407,654
Total wastewater fund expenses	6,443,603
Total operation and maintenance expenses	(85,468,062)
Net revenues in accordance with bond resolution:	
Electric	47,586,583
Gas	1,049,667
Water	4,984,930
Wastewater	5,768,210
Net revenues before interest income from sinking fund	59,409,390
Interest income from sinking fund	870,603
Total net revenues in accordance with bond resolution	\$ 60,279,998
Aggregate bond debt service	\$ 19,664,790
Aggregate bond debt service coverage ratio	3.07
Total debt service	\$ 26,556,817
Total debt service coverage ratio	2.27

See note on page 39

1989	1988	1987	1986
\$ 99,922,883	\$ 92,340,561	\$ 87,098,001	\$ 86,410,497
1,847,656	3,275,765	4,379,922	2,876,553
4,995,756	4,113,275	3,403,152	3,932,750
<u>106,566,295</u>	<u>99,729,601</u>	<u>94,881,075</u>	<u>93,219,800</u>
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7,492,051	6,738,109	6,373,085	6,268,636
1,589,085	321,927	545,593	411,099
1,153,248	947,890	499,279	461,627
<u>10,234,384</u>	<u>8,008,126</u>	<u>7,418,551</u>	<u>7,141,362</u>
9,489,697	8,091,895	7,771,522	7,461,805
(9,744)	(1,140,327)	(51,176)	(368,856)
1,900,626	1,516,602	696,693	594,118
<u>11,380,579</u>	<u>8,468,170</u>	<u>8,410,339</u>	<u>7,687,067</u>
<u>126,181,258</u>	<u>116,205,897</u>	<u>110,716,665</u>	<u>108,048,229</u>
36,208,675	33,719,557	33,741,345	36,028,210
12,691,332	11,767,141	12,148,298	9,732,748
13,244,443	13,182,328	11,957,936	10,349,225
<u>62,144,450</u>	<u>58,669,026</u>	<u>57,847,579</u>	<u>56,110,183</u>
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2,755,419	2,720,775	2,634,446	2,360,823
2,047,026	1,949,109	1,507,224	1,571,940
<u>4,802,445</u>	<u>4,669,884</u>	<u>4,141,670</u>	<u>3,932,563</u>
3,255,397	3,193,659	3,124,386	2,779,057
2,841,943	2,193,204	2,111,412	1,976,408
6,097,340	5,386,863	5,235,798	4,755,465
<u>(73,044,235)</u>	<u>(68,725,773)</u>	<u>(67,225,047)</u>	<u>(64,798,211)</u>
44,421,845	41,060,575	37,033,496	37,109,617
5,431,939	3,338,242	3,276,881	3,208,794
5,283,239	3,081,307	3,181,241	2,931,302
55,137,023	47,480,124	43,491,618	43,250,018
703,214	552,250	466,034	347,086
<u>\$ 55,840,237</u>	<u>\$ 48,032,374</u>	<u>\$ 43,957,652</u>	<u>\$ 43,597,106</u>
<u>\$ 17,939,790</u>	<u>\$ 17,939,790</u>	<u>\$ 17,939,790</u>	<u>\$ 17,939,790</u>
3.11	2.68	2.45	2.43
<u>\$ 24,439,236</u>	---	---	---
2.28	---	---	---

GAINESVILLE REGIONAL UTILITIES

Schedules of Net Revenues in Accordance with Bond Resolution Electric Utility Fund

for the years ended September 30, 1990 and 1989

	1990	1989
Revenue:		
Sales of electricity:		
Residential sales	\$ 42,163,108	\$ 38,469,330
General service and large power	41,389,103	39,688,277
Fuel adjustment	1,392,268	336,799
Street and traffic lighting	2,019,703	1,632,077
Utility surcharge	2,359,681	2,110,442
Sales for resale	4,526,715	3,833,513
Interchange sales	16,173,685	13,852,445
Total sales of electricity	110,024,263	99,922,883
Other revenue:		
Transfers from (to) rate stabilization	(1,762,333)	630,000
Service charges	957,433	781,208
Pole rentals	131,626	129,878
Miscellaneous	145,568	106,570
Total other revenue	(527,726)	1,647,656
Interest income	4,815,098	4,995,756
Total revenue	114,311,635	106,566,295
36 Operation and maintenance expense:		
Operation and maintenance:		
Fuel expense:		
Retail and purchased power	29,697,080	27,994,444
Interchange	9,352,108	8,214,231
Total fuel expense	39,049,188	36,208,675
Power production	11,048,200	8,995,600
Transmission	576,580	559,906
Distribution	4,711,705	3,135,826
Total operation and maintenance	55,385,673	48,900,007
Administrative and general:		
Customer accounts	1,979,558	1,454,436
Administrative and general	9,359,822	11,790,007
Total administrative and general	11,339,380	13,244,443
Total operation and maintenance expense	66,725,053	62,144,450
Net revenue in accordance with bond resolution:		
Retail	40,765,005	38,783,631
Interchange	6,821,577	5,638,214
Net revenue before interest income		
from sinking fund	47,586,582	44,421,845
Interest income from sinking fund	764,838	617,781
Total net revenue in accordance with bond resolution	\$ 48,351,420	\$ 45,039,626

See note on page 39.

GAINESVILLE REGIONAL UTILITIES

Schedules of Net Revenues in Accordance with Bond Resolution Gas Utility Fund

for the year ended September 30, 1990

	<u>1990</u>
Revenue:	
Sales of gas:	
Residential	\$ 3,246,023
Interruptible/commercial	5,019,216
Other — energy conservation	366,884
Total sales of gas	<u>8,632,123</u>
Other revenue:	
Transfers to rate stabilization	(1,740,325)
Net income — jobbing	71,356
Service charges	57,662
Total other revenue	<u>(1,611,307)</u>
Interest income	<u>1,324,210</u>
Total revenue	<u>8,345,026</u>
Operation and maintenance expense:	
Operation and maintenance:	
Fuel expense	5,433,828
Operation and maintenance	555,631
Total operation and maintenance	<u>5,989,459</u>
Administrative and general:	
Customer accounts	361,345
Administrative and general	944,555
Total administrative and general	<u>1,305,900</u>
Total operation and maintenance expense	<u>7,295,359</u>
Net revenue before interest income from sinking fund	1,049,667
Interest income from sinking fund	<u>—</u>
Total net revenue in accordance with bond resolution	<u>\$ 1,049,667</u>

See note on page 39.

GAINESVILLE REGIONAL UTILITIES

Schedules of Net Revenues in Accordance with Bond Resolution Water Utility Fund

for the years ended September 30, 1990 and 1989

	1990	1989
Revenue:		
Sales of water:		
General customers	\$ 5,969,502	\$ 5,588,025
University of Florida	584,760	562,995
Fire protection	768,931	743,383
Generating stations	89,926	77,094
Utility surcharge	575,999	520,554
Total sales of water	7,989,118	7,492,051
Other revenue:		
Transfers from rate stabilization	426,959	550,000
Connection charges	1,002,245	1,021,317
Miscellaneous	41,963	17,768
Total other revenue	1,471,167	1,589,085
Interest income	528,693	1,153,248
Total revenue	9,988,978	10,234,384
Operation and maintenance expense:		
Operation and maintenance:		
Source of supply	1,527	6,096
Pumping	847,636	879,771
Water treatment	1,392,304	1,280,941
Transmission and distribution	915,210	588,611
Total operation and maintenance	3,156,677	2,755,419
Administrative and general:		
Customer accounts	465,419	310,980
Administrative and general	1,381,952	1,736,046
Total administrative and general	1,847,371	2,047,026
Total operation and maintenance expense	5,004,048	4,802,445
Net revenue before interest income from sinking fund	4,984,930	5,431,939
Interest income from sinking fund	53,159	42,938
Total net revenue in accordance with bond resolution	\$ 5,038,089	\$ 5,474,877

See note on page 39.

GAINESVILLE REGIONAL UTILITIES

Schedules of Net Revenues in Accordance with Bond Resolution Wastewater Utility Fund

for the years ended September 30, 1990 and 1989

	1990	1989
Revenue:		
Wastewater billings:		
Billings	\$ 9,482,492	\$ 8,754,640
Utility surcharge	824,396	735,057
Total wastewater billings	<u>10,306,888</u>	<u>9,489,697</u>
Other revenue:		
Transfers to rate stabilization	(756,479)	(1,325,000)
Connection charges	1,215,506	1,293,093
Miscellaneous	129,647	22,163
Total other revenue	<u>588,674</u>	<u>(9,744)</u>
Interest income	<u>1,336,251</u>	<u>1,900,626</u>
Total revenue	<u>12,231,813</u>	<u>11,380,579</u>
Operation and maintenance expense:		
Operation and maintenance:		
Collection	844,758	433,615
Treatment and pumping	<u>3,191,191</u>	<u>2,821,782</u>
Total operation and maintenance	<u>4,035,949</u>	<u>3,255,397</u>
Administrative and general:		
Customer accounts	433,562	262,259
Administrative and general	<u>1,974,092</u>	<u>2,579,684</u>
Total administrative and general	<u>2,407,654</u>	<u>2,841,943</u>
Total operation and maintenance expense	<u>6,443,603</u>	<u>6,097,340</u>
Net revenue before interest income from sinking fund	<u>5,788,210</u>	<u>5,283,239</u>
Interest income from sinking fund	<u>52,611</u>	<u>42,495</u>
Total net revenue in accordance with bond resolution	<u>\$ 5,840,821</u>	<u>\$ 5,325,734</u>

NOTE: "Net revenues in accordance with bond resolution" differs from "Net income/(loss)" which is determined in accordance with generally accepted accounting principles. Following are the more significant differences:

- Interest income does not include interest earned on construction funds and on certain debt service accounts which can only be used for certain restricted purposes.
- Operation and maintenance expenses do not include depreciation, amortization, or interest expense.
- Other water and wastewater revenues include fees for connection, installation, front footage, and backflow prevention.
- Transfers to the general fund are not included.
- Other revenues include transfers (to) from the rate stabilization fund.
- Extraordinary items are not included.

GAINESVILLE REGIONAL UTILITIES
Schedule of Combining Balance Sheet

September 30, 1990

ASSETS

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
Utility plant:					
Utility plant in service	\$377,812,921	\$ 19,052,331	\$ 70,297,315	\$ 92,788,202	\$559,950,769
Construction in progress	5,397,152	1,432,967	3,311,319	11,302,815	21,444,253
	<u>383,210,073</u>	<u>20,485,298</u>	<u>73,608,634</u>	<u>104,091,017</u>	<u>581,395,022</u>
Less: Accumulated depreciation and amortization	<u>(112,333,923)</u>	<u>(6,980,534)</u>	<u>(21,174,560)</u>	<u>(27,702,654)</u>	<u>(168,191,671)</u>
<i>Net utility plant</i>	<u>270,876,150</u>	<u>13,504,764</u>	<u>52,434,074</u>	<u>76,388,363</u>	<u>413,203,351</u>
Restricted assets:					
Capital facilities —					
Cash and investments	—	—	—	1,329,212	1,329,212
Utility deposits —					
Cash and investments	2,979,399	91,419	—	—	3,070,818
Debt service fund —					
Cash and investments	74,909,681	2,411,900	9,981,539	11,245,931	98,549,051
Rate stabilization fund —					
Cash and investments	6,335,175	1,752,103	3,774,828	11,143,634	23,005,740
Construction fund —					
Cash and investments	41,248,575	1,810,153	11,339,542	12,476,000	66,874,270
Due from (to) other funds	(2,155,819)	(19,960)	(136,938)	2,650,000	337,283
Utility plant improvement fund —					
Cash, investments and receivables	4,297,556	494,465	666,655	456,778	5,915,454
<i>Total restricted assets</i>	<u>127,614,567</u>	<u>6,540,080</u>	<u>25,625,626</u>	<u>39,301,555</u>	<u>199,081,828</u>
Current assets:					
Cash and short-term investments	16,901,028	357,794	973,540	4,343,869	22,576,231
Decommissioning reserve —					
Cash and investments	965,368	—	—	—	965,368
Water pollution emergency reserve —					
Cash and investments	—	—	50,000	—	50,000
Accounts receivable, net	20,411,274	844,585	839,207	469,243	22,564,309
Prepaid expenses	21,597	284,903	1,749	660	308,909
Inventories —					
Fuel	7,955,943	—	—	—	7,955,943
Materials and supplies	4,899,771	221,336	—	—	5,121,107
<i>Total current assets</i>	<u>51,154,981</u>	<u>1,708,618</u>	<u>1,864,496</u>	<u>4,813,772</u>	<u>59,541,867</u>
Deferred debits	<u>33,974,034</u>	<u>837,286</u>	<u>1,014,194</u>	<u>1,371,160</u>	<u>37,196,674</u>
<i>Total assets</i>	<u>\$483,619,732</u>	<u>\$ 22,590,748</u>	<u>\$ 80,938,390</u>	<u>\$121,874,850</u>	<u>\$709,023,720</u>

LIABILITIES AND FUND EQUITY

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
Long-term debt and fund equity:					
Long-term debt --					
Utilities system revenue bonds	\$257,660,446	\$ 18,829,133	\$ 35,431,090	\$ 47,588,023	\$359,508,692
Utilities system commercial paper notes	57,013,287	—	5,660,439	10,587,274	73,261,000
Less: Unamortized bond discount	(6,112,446)	(86,352)	(546,141)	(593,260)	(7,338,199)
Total long-term debt	<u>308,561,287</u>	<u>18,742,781</u>	<u>40,545,388</u>	<u>57,582,037</u>	<u>425,431,493</u>
Fund equity --					
Contributions in aid of construction	—	—	24,878,767	44,872,363	69,751,130
Retained earnings	148,451,784	875,380	12,655,402	10,924,360	172,906,926
Total fund equity	<u>148,451,784</u>	<u>875,380</u>	<u>37,534,169</u>	<u>55,796,723</u>	<u>242,658,056</u>
Total long-term debt and fund equity	<u>457,013,071</u>	<u>19,618,161</u>	<u>78,079,557</u>	<u>113,378,760</u>	<u>668,089,549</u>
Payable from restricted assets:					
Utility deposits	2,979,398	468,020	—	—	3,447,427
Utility system revenue bonds payable current	1,515,429	—	105,329	104,242	1,725,000
Accrued interest payable	11,590,473	705,593	1,444,568	1,920,863	15,660,997
Utility plant improvement fund --					
Accounts payable and accrued liabilities	401,754	—	62,904	40,519	505,177
Due to other funds	—	408,735	—	—	408,735
Total payable from restricted assets	<u>16,487,054</u>	<u>1,581,857</u>	<u>1,612,801</u>	<u>2,065,624</u>	<u>21,747,336</u>
Current liabilities:					
Fuels payable	3,886,266	503,346	—	—	4,389,612
Accounts payable and accrued liabilities	5,238,039	431,848	598,463	1,032,481	7,300,831
Due to (from) other funds	(4,681,940)	119,719	320,029	4,911,235	669,043
Total current liabilities	<u>4,442,365</u>	<u>1,054,913</u>	<u>918,492</u>	<u>5,943,716</u>	<u>12,359,486</u>
Deferred credits	<u>5,677,242</u>	<u>335,817</u>	<u>327,540</u>	<u>486,750</u>	<u>6,827,349</u>
Total liabilities and fund equity	<u>\$483,619,732</u>	<u>\$ 22,590,748</u>	<u>\$ 80,938,390</u>	<u>\$121,874,850</u>	<u>\$709,023,720</u>

GAINESVILLE REGIONAL UTILITIES

Schedule of Combining Statements of Revenue and Expense and Retained Earnings

for the year ended September 30, 1990

	Electric	Gas	Water	Wastewater	Combined
Operating revenue:					
Sales and service charges	\$110,024,263	\$ 8,632,123	\$ 7,989,118	\$ 10,306,888	\$136,952,392
Other operating revenue	1,234,626	129,018	41,963	129,647	1,535,254
<i>Total operating revenue</i>	<u>111,258,889</u>	<u>8,761,141</u>	<u>8,031,081</u>	<u>10,436,535</u>	<u>138,487,646</u>
Operating expenses:					
Operations and maintenance	55,385,674	5,989,458	3,156,677	4,035,949	68,567,758
Administrative and general	11,339,380	1,305,900	1,847,371	2,407,653	16,900,304
Depreciation and amortization	13,562,561	805,697	1,745,150	2,384,293	18,497,701
<i>Total operating expense</i>	<u>80,287,615</u>	<u>8,101,055</u>	<u>6,749,198</u>	<u>8,827,895</u>	<u>103,965,763</u>
Operating income	<u>30,971,274</u>	<u>660,086</u>	<u>1,281,883</u>	<u>1,608,640</u>	<u>34,521,883</u>
Non-operating revenue (expense):					
Interest revenue	11,232,158	1,780,370	1,732,978	2,794,884	17,540,390
Interest expense	(27,041,081)	(1,461,848)	(2,992,012)	(4,056,709)	(35,551,650)
<i>Total non-operating revenue (expense)</i>	<u>(15,808,923)</u>	<u>318,522</u>	<u>(1,259,034)</u>	<u>(1,261,825)</u>	<u>(18,011,260)</u>
Income before operating transfers	15,162,351	978,608	22,849	346,815	16,510,623
Operating transfer to general fund	(11,703,799)	(187,500)	(1,461,936)	(1,801,087)	(15,154,322)
Net income (loss)	3,458,552	791,108	(1,439,087)	(1,454,272)	1,356,301
Retained earnings, beginning	143,682,785	—	14,337,078	11,678,063	169,697,926
Residual equity transfers	1,210,447	84,272	(890,276)	(504,443)	—
Amortization of contributions in aid of construction	—	—	647,687	1,205,012	1,852,699
Retained earnings, ending	<u>\$148,451,784</u>	<u>\$ 875,380</u>	<u>\$ 12,655,402</u>	<u>\$ 10,924,360</u>	<u>\$172,906,926</u>

GAINESVILLE REGIONAL UTILITIES
Schedule of Utility Plant Properties
Combined Utility Fund
 September 30, 1990

	Utility Plant Properties			
	Balance 9/30/89	Additions	Sales and Retirements	Balance 9/30/90
Plant in service				
<i>Electric utility fund:</i>				
Production plant	\$241,788,782	\$ 2,246,532	\$ 184,306	\$243,851,008
Nuclear fuel	4,167,339	3,991	—	4,171,330
Transmission and distribution plant	109,201,387	7,977,509	893,345	116,285,641
General and common plant	14,638,003	1,668,880	2,801,942	13,504,941
Plant unclassified	377,830	—	377,830	—
<i>Total electric utility fund</i>	<u>370,173,341</u>	<u>11,897,002</u>	<u>4,257,423</u>	<u>377,812,920</u>
<i>Gas Utility Fund:</i>				
Distribution plant	—	13,786,723	—	13,786,723
General plant	—	759,944	—	759,944
Plant acquisition adjustment	—	4,505,664	—	4,505,664
<i>Total gas utility fund</i>	<u>—</u>	<u>19,052,331</u>	<u>—</u>	<u>19,052,331</u>
<i>Water utility fund:</i>				
Supply, pumping and treatment plant	12,320,786	13,982	1,499,781	10,834,987
Transmission and distribution plant	53,375,667	3,894,715	248,954	57,021,428
General plant	2,407,072	342,735	308,908	2,440,899
<i>Total water utility fund</i>	<u>68,103,525</u>	<u>4,251,432</u>	<u>2,057,643</u>	<u>70,297,314</u>
<i>Wastewater utility fund:</i>				
Pumping and treatment plant	32,577,057	675,990	74,941	33,178,106
Collection plant	53,337,387	2,630,716	75,007	55,893,096
General plant	2,623,629	446,163	352,790	3,717,002
<i>Total wastewater utility fund</i>	<u>89,538,073</u>	<u>3,752,869</u>	<u>502,738</u>	<u>92,788,204</u>
<i>Total plant in service</i>	<u>\$527,814,939</u>	<u>\$ 38,953,634</u>	<u>\$ 6,817,804</u>	<u>\$559,950,769</u>
Construction in progress				
<i>Construction fund:</i>				
Electric utility fund	\$ 2,564,769	\$ 1,087,714	\$ 1,596,480	\$ 2,056,003
Gas utility fund	—	1,432,967	—	1,432,967
Water utility fund	1,046,659	2,673,977	1,059,467	2,661,169
Wastewater utility fund	2,914,943	9,182,300	1,239,594	10,857,649
<i>Total construction fund</i>	<u>6,526,371</u>	<u>14,376,958</u>	<u>3,895,541</u>	<u>17,007,788</u>
<i>Utility plant improvement fund:</i>				
Electric utility fund	2,969,256	10,927,577	10,555,684	3,341,149
Water utility fund	906,037	996,001	1,251,889	650,149
Wastewater utility fund	491,178	895,300	941,311	445,167
<i>Total utility plant improvement fund</i>	<u>4,366,471</u>	<u>12,818,878</u>	<u>12,748,884</u>	<u>4,436,465</u>
<i>Total construction in progress</i>	<u>\$ 10,892,842</u>	<u>\$ 27,195,836</u>	<u>\$ 16,644,425</u>	<u>\$ 21,444,253</u>

GAINESVILLE REGIONAL UTILITIES

Schedule of Accumulated Depreciation and Amortization

Combined Utility Fund

September 30, 1990

	Balance 9/30/89	Additions	Sales and Retirements	Balance 9/30/90
<i>Electric utility fund:</i>				
Production plant	\$ 70,204,344	\$ 7,031,450	\$ 187,333	\$ 77,048,462
Nuclear fuel	2,649,237	300,825	—	2,950,062
Transmission and distribution plant	24,789,265	3,064,672	779,140	27,074,796
General and common plant	6,171,317	1,415,721	2,326,435	5,260,602
<i>Total electric utility fund</i>	<u>103,841,633</u>	<u>11,812,668</u>	<u>3,292,908</u>	<u>112,333,922</u>
<i>Gas Utility Fund:</i>				
Operating fund	—	6,762,765	—	6,762,765
Plant acquisition adjustment	—	217,769	—	217,769
<i>Total gas utility fund</i>	<u>—</u>	<u>6,980,534</u>	<u>—</u>	<u>6,980,534</u>
<i>Water utility fund:</i>				
Supply, pumping and treatment plant	5,178,063	347,213	1,664,844	3,860,432
Transmission and distribution plant	14,476,047	1,229,431	248,954	15,456,524
General plant	1,732,735	224,021	99,152	1,857,604
<i>Total water utility fund</i>	<u>21,386,845</u>	<u>1,800,665</u>	<u>2,012,950</u>	<u>21,174,560</u>
<i>Wastewater utility fund:</i>				
Pumping and treatment plant	9,921,218	1,068,270	74,937	10,914,551
Collection plant	12,970,822	1,078,434	75,007	13,974,249
General plant	2,713,169	356,560	255,875	2,813,855
<i>Total wastewater utility plant</i>	<u>25,605,209</u>	<u>2,503,264</u>	<u>405,819</u>	<u>27,702,655</u>
<i>Totals</i>	<u>\$150,806,217</u>	<u>\$ 23,097,131</u>	<u>\$ 5,711,677</u>	<u>\$168,191,671</u>



Investor Information

Qualified Public Debt Instruments

Chapman & Lybrand and
Monk, Farnsworth & Company

Revenue Bonds

Trustee/Registrar/Paying Agent

Morgan Guaranty Trust Company
New York, New York

Tax Exempt Commercial Paper

Dealer

Goldman Sachs and Company
New York, New York

Paying Agent

Manufacturers Hanover
Trust Company
New York, New York

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1990

1998