

Gainesville Regional Utilities

Annual Report 2000/01



> More than Energy™

GAINESVILLE  
CITY COMMISSION

**Tom Bussing**  
Mayor

**John R. Barrow**  
Commissioner

**Chuck Chestnut**  
Commissioner

**Pegeen Hanrahan**  
Mayor-Commissioner  
Pro Tem

**Warren C. Nielsen**  
Commissioner

EXECUTIVE STAFF

**Michael L. Kurtz**  
General Manager  
(352) 334-3400 ext. 1007

**David E. Beaulieu**  
Assistant General Manager  
Energy Delivery  
(352) 334-3400 ext. 1513

**Randy Casserleigh**  
Interim Assistant  
General Manager  
Energy Supply  
(352) 334-3400 ext. 1789

**Karen S. Johnson**  
Assistant General Manager  
Customer and  
Administrative Services  
(352) 334-3400 ext. 1031

**Robert D. McVay**  
Assistant General Manager  
Water and  
Wastewater Systems  
(352) 334-3400 ext. 1612

**Edward J. Regan, Jr.**  
Director  
Strategic Utility Planning  
(352) 334-3400 ext. 1272

**Kim C. Simpson**  
Director  
Utility Finance  
(352) 334-3400 ext. 1312

**Kathy E. Viehe**  
Director  
Marketing and Communications  
(352) 334-3400 ext. 1035

**Raymond O. Manasco, Jr.**  
Utilities Attorney  
(352) 334-3400 ext. 1016

E-mail: [gru@gru.com](mailto:gru@gru.com)  
Web: [www.gru.com](http://www.gru.com)

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GRU provides one-stop shopping for

electric, natural gas, water, wastewater and telecommunications services.

These things are essential to the sustenance and growth of our community.

If that was all that we did, it would be plenty. But we are more. Much more.

> More than Energy™

Through an agreement with our shareholders, the City of Gainesville, we fund nearly 40 percent of the City's General Fund — dollars that help pay for vital city services.



General Manager Michael L. Kurtz (right) and Gainesville Mayor Tom Bussing meet in front of the ceremonial gate for the renovated campus of our John R. Kelly Generating Station. Kelly's new Combined Cycle Unit 1, now the second largest in our system, will provide needed energy for the growth of our community. This natural gas-fired unit produces five times the energy for one half the emissions of older gas-fired units.

### From the general manager

Through a revenue sharing agreement with our shareholders, the City of Gainesville, we fund nearly 40 percent of the City's General Fund — dollars that help pay for services such as police and fire protection. In 2001, this General Fund Transfer increased by 4.4 percent to \$24.4 million.

Driving this increase was our customer growth, which resulted in an increase in revenue in all systems. But in spite of this growth, there was still a need to increase gas prices. Several factors drove the need for an increase. Unseasonably warm weather in previous years caused lower than normal gas usage, and we also experienced increases in costs. For example, we began an environmental cleanup of land purchased when the assets of the privately owned Gainesville Gas Company were acquired by GRU in 1990. To help compensate for the decline in gas sales and increased costs, we implemented a 4.5 percent rate increase effective October 1, 2001. Even with this increase, we still boast the lowest gas rates in the state of Florida.

An important milestone occurred when we brought two new water wells on line prior to the

beginning of irrigation season. Because of the severe drought conditions that have plagued Florida, we took aggressive steps to bring these wells online sooner than planned. Two more wells will be added in the coming year, and these four wells will give us enough capacity to meet water demand through 2017.

But, we didn't feel that simply adding more supply was enough. So, to further encourage water conservation and more equitably assign costs, we instituted a third tier seasonal block price step in our water rates.

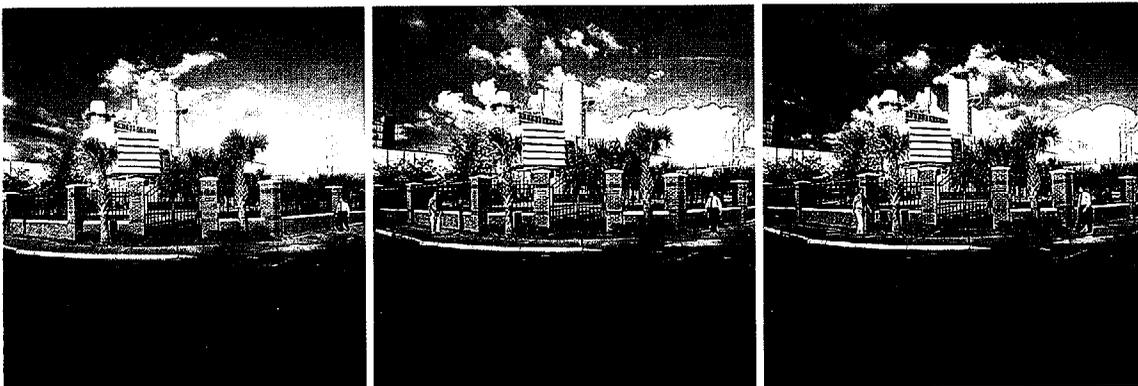
On the electric front, electric deregulation and fuel prices continued to dominate our thinking in 2001. However, thanks in large part to the California deregulation failure, retail electric deregulation discussions in Florida were delayed. The Governor's Energy 2020 Study Commission recommended that retail deregulation discussions be postponed until 2004, but continued development of a legislative proposal for wholesale electric deregulation. The proposal would allow the construction of merchant plants in Florida, something that is currently prohibited under the Power Plant Siting Act, but is supported by GRU and other municipal utilities throughout the state.

Despite the slowdown in retail electric deregulation, we are continuing our involvement in deregulation discussions both in Florida and around the nation, and we are continuing to prepare for competition.

This has been most evident in our ongoing efforts to control costs and decrease electric rates. One major factor in our cost cutting has been our employee attrition program. While system growth and the Consumer Price Index (CPI) have increased 30 percent or more since 1989, the number of employees at GRU has remained about the same. This has allowed us to minimize cost increases. We are planning a series of electric rate decreases in 2002.

In anticipation of our participation in a Regional Transmission Organization (RTO), we began to look at "unbundling" our rates. In the future we must be able to clearly delineate between generation, transmission and distribution facilities, and their associated costs. In Florida, no decision regarding the structure of an RTO had been determined.

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Our most difficult issue in 2001 was the huge spike in natural gas prices experienced across the nation this past winter. While many utilities struggled, we were pleased with our handling of this brief, but none-the-less critical situation, communicating with our customers and employing the same fuels strategy that we've found to be successful in the past. Our strategy is to minimize sharp price spikes as much as possible through quarterly fuel adjustments for electric, but still send the appropriate price signals to our customers. By doing this, our customers can then make energy use decisions that are best for them based on the true cost of energy.

In the generation arena, we reached a major milestone with the completion of the Kelly Generating Station Combined Cycle Unit 1. This \$42 million unit came in on time and on budget, and is helping reduce energy costs to our customers while also reducing emissions.

In our telecommunications division, GRUCom, revenues increased 56 percent from 2000. One contributing factor in this increase was the growth in the number of GRU.Net Internet customers from nearly 3,000 at the end of 2000 to 4,500 at the end of 2001. We will continue to expand our telecommunications business with additional offerings such as residential

broadband in large apartment complexes. So far, this has proven to be a successful strategy since the nearly 45,000 University of Florida students are required to have computers.

In the wastewater area, we completed 2001 by finalizing the design of an expansion at our Kanapaha Water Reclamation Facility. The first phase of the upgrade begins construction in early 2002. The originally proposed cost for the upgrade was \$13.2 million, but the projection has been brought down to \$10.5 million. The expansion will improve system reliability and give us adequate treatment capacity through 2010.

Our most important measure of success, however, is the satisfaction of our customers. Our Business Partners Program offers personal service for our commercial customers. This retention strategy builds alliances with our Business Partners by helping them improve their efficiency. Low pricing, in exchange for long-term contracts, is also a key component of the program.

Today, 91 percent of the revenue from our Top 100 customers is signed to a 10-year Business Partners agreement.

And while competitive prices are important, our customers want more. We are delivering it through value-added services like energy and

water use surveys, high-efficiency lighting retrofits and rebates for gas cooling. We also provide tips on the use of heat pumps and which source of energy, electric or gas, is the best for a particular application. We have also developed several proposals to provide distributed generation to some of our largest electric customers. We are seeing the payoff of these efforts. Of our Top 400 customers, 98 percent indicated satisfaction with GRU, and 68 percent indicated that they were very satisfied.

We continued to receive verification of our excellent financial strength. Both Moody's Investors Services and Standard and Poor's Corporation affirmed our Double A bond rating. And our ability to pay our debt was evident in our strong balance sheet and our Coverage Ratio, which was three times greater than our annual debt service requirement.

We are proud to present this report as a testimony to our vigorous growth and continued financial strength.

*Michael L. Kurtz*

Sincerely,  
Michael L. Kurtz  
General Manager

GRU Annual Report 2000/01 Highlights

	2001	2000	% chg
<b>Financial</b>			
Net revenues	90,284,791	84,465,494	6.9
Aggregate debt service	29,765,188	29,458,515	1.0
Aggregate bond coverage ratio	3.03	2.87	5.6
Total debt service coverage ratio	2.40	2.42	-0.8
Long-term debt	394,398,223	382,733,076	3.0
Net utility plant	642,356,808	615,874,795	4.3
Cash and investments:			
Rate stabilization fund and revenue fund	92,092,935	80,377,054	14.6
<b>Customers (12 month average)</b>			
Residential electric	71,975	69,837	3.1
Non-residential electric	8,574	8,313	3.1
Total electric	80,549	78,150	3.1
Water	58,845	57,280	2.7
Wastewater	52,260	50,901	2.7
Natural gas	28,845	27,930	3.3
<b>Sales of energy (gigawatt-hours)</b>			
Residential	820.6	776.7	5.7
General service/large power	871.9	837.6	4.1
Lighting	23.0	22.1	4.2
Sales for resale	125.5	115.9	8.3
Sub-total	1,841.0	1,752.3	5.1
Interchange	338.1	212.2	59.3
Total	2,179.1	1,964.5	10.9
<b>Sales of water (million gallons)</b>			
	8,469.0	8,389.1	1.0
<b>Wastewater billed (million gallons)</b>			
	5,486.3	5,291.4	3.7
<b>Natural gas (million therms)</b>			
	23.8	21.5	10.6



We are partners with  
our customers in this  
community — and  
that encourages us to  
make the best use  
of our resources.

Children from our adopted school, Williams Elementary, prepare to sing at our annual Electrifying Celebration. This event helps demonstrate our involvement in the community, which includes our financial support for police and fire protection and our mini-grant program for local schools.





public relations > loyalty > trust > branding >

### Connecting with our customers

At GRU, we understand the importance of building customer loyalty, and we have a long-standing commitment to forming relationships with our customers based on trust and value-added service.

Faith Popcorn, author of the best selling book, *The Popcorn Report*, calls this business strategy "Marketing the Corporate Soul," declaring that "companies that do good and are good will inspire trust." And consumer trust, she concludes, is great for business.

We display our corporate soul and citizenship in daily practice every chance we get — from protecting our community's drinking water supply to sponsoring community outreach programs.

**Positioning the GRU brand >** To enhance the relationship between the GRU brand and our consumers, we've adopted the slogan, "More than Energy," to emphasize that we're much more than a power company. And we've launched an informational campaign to help people in the

Gainesville community learn more about the many services and benefits we provide.

The "More than Energy"™ tagline is woven into a series of radio and television commercials and print ads to help distinguish us from our growing number of competitors.

The purpose of this "brand-positioning" effort is to bring desired words, phrases and images to mind when a person comes in contact with the GRU brand. The informational campaign not only touts our multitude of services and civic involvement, it also tells the story of how our revenues help fund essential municipal services such as police and fire protection.

"We provide several services, such as natural gas and telecommunications, that face stiff competition in the marketplace. We are seeing many more competitors from out of town advertising in our market, so it's even more important to get out our message and demonstrate how we're different and better than our competition," said Kathy Viehe, Director of Marketing and

Communications. "The benefits we provide make Gainesville a better place to live, and our customers tell us that this is important to them."

**Customer-friendly online services >** Besides spreading our message through conventional advertising media, we're also reaching out to Internet users who log on to our Web site, [www.gru.com](http://www.gru.com). Through surveys and focus groups, we're using customer feedback to make our existing Web site more interactive and useful.

"Most customers do business with us over the phone. Our new Web site takes convenience one step further so they can just log on to [www.gru.com](http://www.gru.com) and perform most transactions online, from turning on services and checking their bills to reporting a street light out or tracking their energy consumption," Viehe said. "Very soon, customers will be able to pay their bills online."

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Commitment to community involvement > Our informational campaign allows us to share the many things we do for the community and recognize our employees who make it all happen.

We support local schools through our Mini-grants program and our donation of refurbished computers.

Gator sports are important to our community, so we support the UF teams in men's and women's basketball, volleyball, baseball, softball and soccer as the Official Energy Sponsor of the Florida Gators. And we share the Gator excitement with area school children and their families through our Game Day with the Gators program.

Viehe calls the Gator Sponsor program "one of the most affordable, cost-effective marketing tools in our area when you consider how many people we reach." It definitely pairs us with another established winner — for 18 consecutive years, UF has ranked among the top 10 athletic programs in the nation.

Electrifying event illuminates > Thousands of customers joined us at our 5th annual Electrifying Celebration at Gainesville's Downtown Plaza. UF cheerleaders, the Dazzlers dance team, bucket truck rides, clowns, live musical performances and plenty of sunshine helped us light up the day. The popular customer appreciation event gives us a chance to say "thank you" to customers and Gainesville citizens in a celebration of their ownership of GRU.

You gotta have corporate soul > Community outreach is just one more example of how GRU is More than Energy.™ We're working, cheering and sharing side by side with our customers and the citizens we serve. We've learned first-hand that good citizenship really is good business — and it makes you feel good, too.



Gainesville is Gator country, and we show support for our community's favorite sports program as the Official Energy Sponsors of the University of Florida Gators. We involve local schoolchildren by taking them to sports events through our Game Day with the Gators program. Becky Burleigh, coach of the renowned Lady Gators soccer team, autographs posters for future stars.



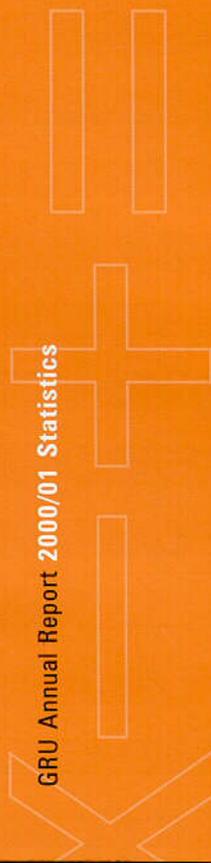
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GRU Annual Report 2000/01 Statistics



graph 01  
water total customers



graph 02  
water total sales



graph 03  
wastewater total customers



graph 04  
wastewater total billings

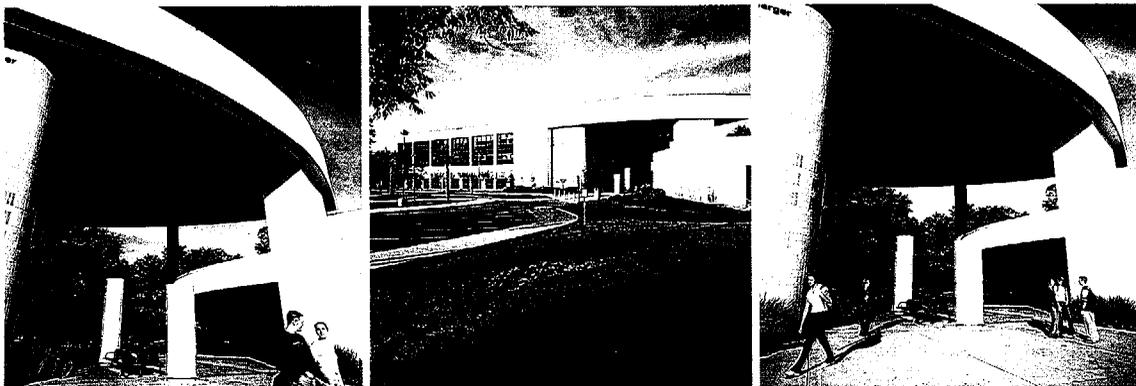


# Our GRUCom Telecommunications

Division provides the community with data transmission and tower space leasing services for businesses, trunked radio services for emergency agencies and Internet services for homes and businesses.

Santa Fe Community College, one of the leading community colleges in Florida, was GRUCom's first customer for our new 100-megabit data transport service. We have a long-term contract with them, and after a full conservation survey have begun a fighting retrofit program for their main campus.





partnerships > access > **facilitation** > competition >

## GRUCom: increasing value to our customers

Poised at her office computer inside Shands Hospital at the University of Florida medical center, a UF cancer specialist draws closer to the computer screen as it fills with the downloaded image of a patient's chest X-ray. Pressing the telephone to her ear, she studies the radiograph for a few moments, nods and smiles before announcing the good news — "no signs of a tumor" — into the phone to another UF physician sharing the same view on his monitor at an affiliated hospital in Lake City.

GRU gave tele-medicine, including long-distance physician consultations like this, a shot in the arm locally when we partnered with Shands HealthCare in 1994 to install a "fiber-optic ring" around Gainesville. The 171-mile network of fiber-optic cables provides high bandwidth transmission for voice, data and video communications, which allows Shands HealthCare to electronically share document-processing and medical imaging with its many community clinics and affiliated hospitals.

Our GRUCom telecommunications division now is a popular provider of low-cost, high-quality telecommunications services for many local businesses, government agencies, schools, emergency service groups and other telecommunications providers.

The formation of GRUCom continued our evolution as a diversified, multi-service utility, while our growth heightened the need to form even closer ties with our customers.

"The positive working relationships we have with developers and our large energy customers are really paying off, since these same companies are major users of our telecommunications service," said Director of Telecommunications Ed Hoffman. "A close working relationship with customers and understanding their needs is paramount."

For example, we provide electric, gas, water, wastewater and advanced telecommunications services for the University of Florida Hotel and Conference Center. We've also installed high-speed, dedicated Internet connections at six Gainesville apartment complexes, along with some 30 high-speed digital links between Alachua County's public schools and GRUCom's fiber-optic network.

Projects like these helped GRUCom generate 56 percent more revenue in 2001 than in 2000. As we prepare for inevitable deregulation of the utility industry and increased competition, GRUCom is helping us provide new services that increase our value to our customers and the community and enhance our business success.

**GRU.Net:** The Internet service provider of choice > Our reliable Internet service, GRU.Net, has quickly become one of the largest local Internet Service Providers. GRU.Net's key selling point, along with low cost and a friendly support staff, is "no busy signals." This year, GRU.Net's customer base increased by 53 percent, helped partially by our purchase of Gator.Net, another local Internet provider. Along with our regular dial-up Internet service, our high-speed, dedicated service is the area's plan of choice for larger Internet access needs.

**When opportunity knocks, we answer >** We always seek ways to turn potentially costly activities, initiated to meet pressing community needs, into revenue-producing opportunities. That savvy business strategy extends to GRUCom's other lines of business such as tower space leasing and trunked radio.

We lease antenna space on our 11 communication towers and two water towers to several wireless telephone service providers, expanding the area's communication services while reducing the number of new towers needed to provide

those services. These same wireless providers use the GRUCom fiber-optic network to transport calls from these cellular sites to their telephone switches.

We've also constructed a Trunked Radio System for use by city, county and University of Florida law enforcement agencies, fire departments and other public service agencies, and by year's end had activated more than 1,160 radios. Our Trunked Radio System replaces the existing outdated system and provides both voice and mobile data communications. Trunked radio technology also produces radio frequencies with more versatility, better reception and greater security.

"All public agencies in Alachua County are benefiting from the economies of scale and reasonable rates offered by the new Trunked Radio service," Hoffman said.

**We hold our own against national competition >** To meet our commitment to provide More than Energy™ to our customers, we often find ourselves competing with some pretty big corporate names such as Bell South, AOL and other Florida utilities. But, as Gainesville's community-owned utility, we tailor our services specifically to our customers — our neighbors and our friends.

Gaining community confidence  
through citizen input, we  
have repowered downtown  
Gainesville for the 21st century  
— and we spruced up the  
look of the neighborhood, too.



We charged up downtown revitalization by placing our newest generating unit in the historic Kelly Generating Station.

## Creating a powerful neighborhood focus

When Joe and Cindy Montalto gaze out the window of their fourth-floor reading loft of their 1885 "French Second Empire" house, GRU's Kelly Generating Station dominates the treetop view. From this neighborhood in Gainesville's Southeast Historic District, the power plant cranks out much-needed energy to a sizable chunk of the city.

And the Montaltos like what they see.

The electric generating station, Gainesville's first public power plant, has been a defining landmark in the downtown district since 1914, and the Montaltos and their neighbors have had a hand in planning the design and landscaping of a major "repowering" project at the Kelly station.

The project involved rebuilding existing equipment and adding cleaner technology to create a super-efficient electric generating unit. The \$42 million upgrade included several hundred thousand dollars worth of landscaping and a painted-aluminum fence around the perimeter with red-brick columns and an elegant arched

gate. GRU held public meetings to gather input to help design the new plant campus.

"Oh yeah, we love the new fencing and iron-work, and the landscaping. It really adds a lot to the neighborhood," Joe Montalto said. "We had put similar fencing around our property, so it's neat how well they go together."

The Montaltos bought their house in 1990 as a fix-me-up project and restored it into the Magnolia Plantation Bed and Breakfast Inn — Gainesville's first bed and breakfast. Magnolia Plantation, located two blocks northeast of the Kelly station, has since been selected twice by *Florida Living* magazine as the state's best bed and breakfast. So GRU's effort to keep up neighborhood appearances is doubly important to the innkeeping Montaltos.

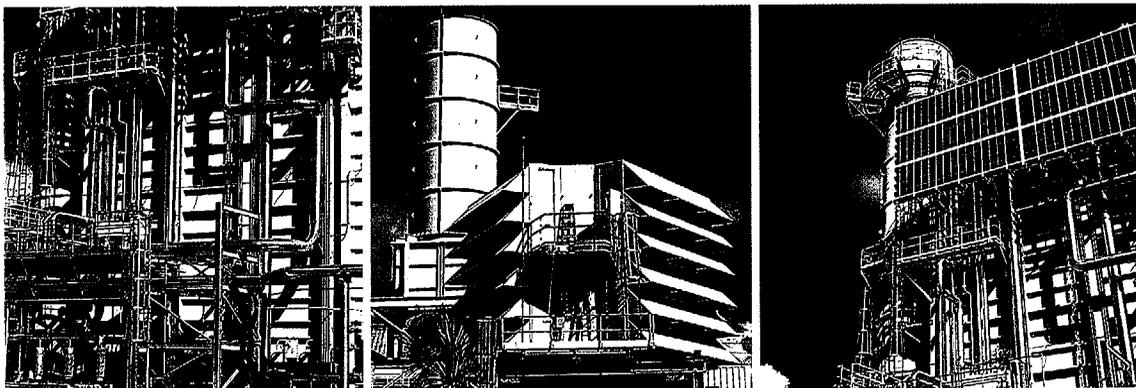
The Kelly station's new generator produces five times more energy with half the air emissions of older gas-fired units, and is now the second largest generating unit in our system. To residents living near the Kelly station, the refurbished power plant is the focal point for the neighborhood improvement effort going on in downtown Gainesville.

"The generating station has been part of our neighborhood for almost a century and it's an important part of Gainesville's history. These improvements are a real boost to the revitalization of the historic downtown area," Montalto said. "The plant's actually a neat landmark, especially when it's all lit up at night."

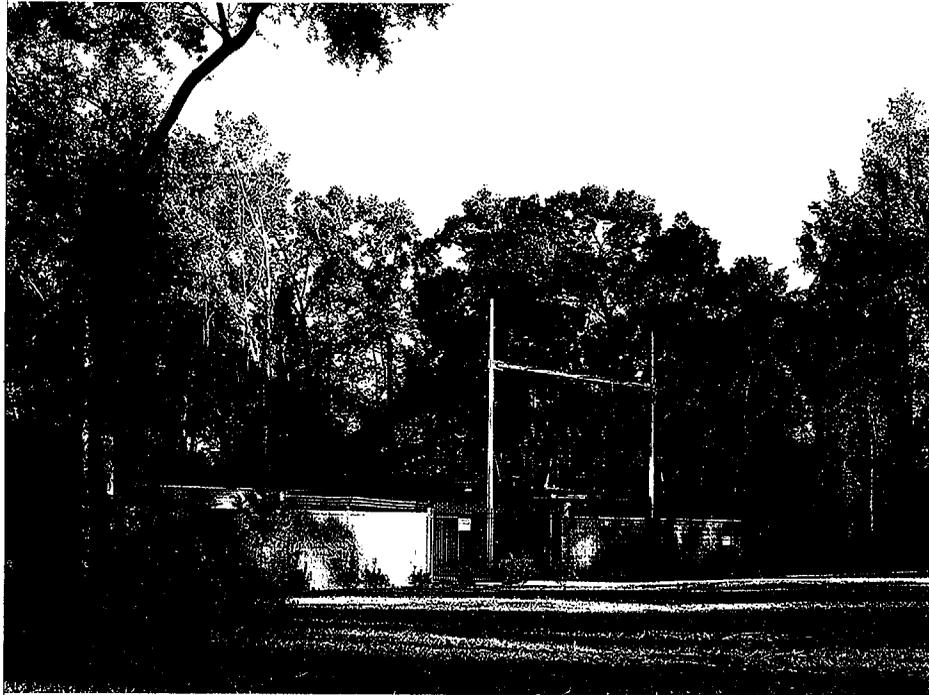
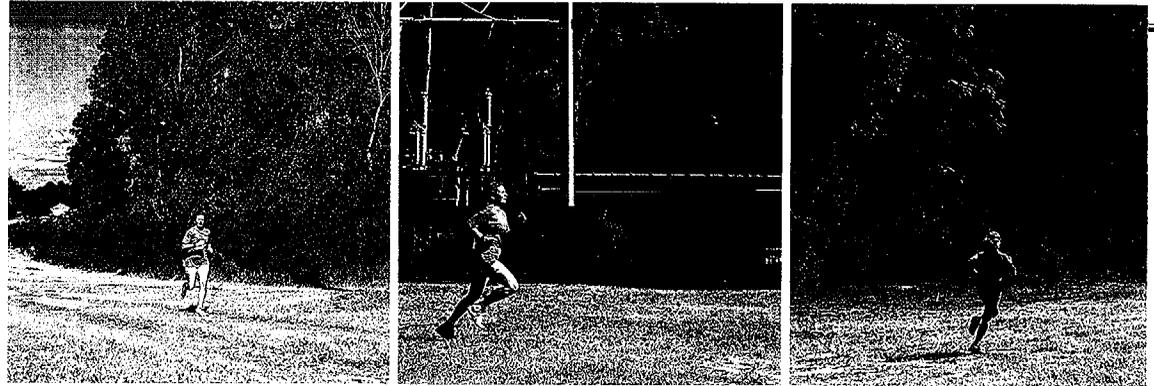
**Find the 'hidden' substations >** With new development in Gainesville fueling increasing demand for electricity, we have built the first of four planned electric substations to distribute energy to the rapid-growth areas. If you blink while driving past the substations, though, you may miss them — or you may want to stop and admire their landscaping.

Unlike most large electric substations, which occupy considerable acreage, the new substations will sit on land parcels no larger than most suburban backyards.

more >



A runner passes our Rocky Point substation on her way through Gainesville's urban forest. These compact substations are the wave of the future in Gainesville. They fit unobtrusively into our community's famous tree canopy, occupying less room than traditional substations while efficiently delivering power to our growing customer base.



"Our compact substations need only a fraction of space by comparison, so they'll be buffered by the landscape and less conspicuous from the road," said Reid Rivers, Engineering Manager for Energy Delivery. "We want our substations to leave very small footprints."

The new substations will lessen the power drain from our six larger distribution substations, and they deliver electricity more efficiently by reducing distribution line losses.

Reclaimed water provides a new park > Chapman's Pond Nature Trails in southwest Gainesville is one place we're extremely proud to leave our footprint.

We supply Chapman's Pond with high-quality reclaimed water from our Kanapaha Water Reclamation Facility, attracting dozens of bird

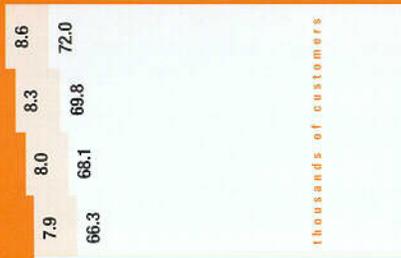
species and transforming the surrounding woods into an enhanced habitat for wildlife. The community park offers gently winding nature trails along shallow creeks and ponds for walking, jogging and biking, plus a picnic area, recreational fields and a bird observation platform created in cooperation with the Alachua County Audubon Society.

About one million gallons of reclaimed water are recycled each day at Chapman's Pond in a way that benefits our community by creating a pristine nature park that welcomes visitors. And it benefits our customers by saving us over one million dollars in comparison with any other treatment option available. Surrounded by chirping birds, butterflies, turtles and other wildlife, this park demonstrates that we're More than Energy.™

GRU Annual Report 2000/01 Statistics



graph 05  
electric total customers



98 99 00 01

graph 06  
electric total sales



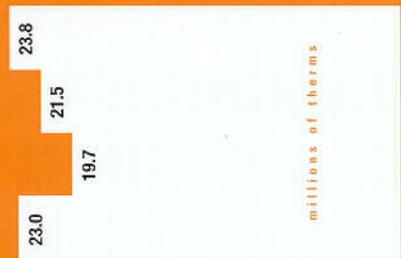
98 99 00 01

graph 07  
natural gas total customers



98 99 00 01

graph 08  
natural gas total sales

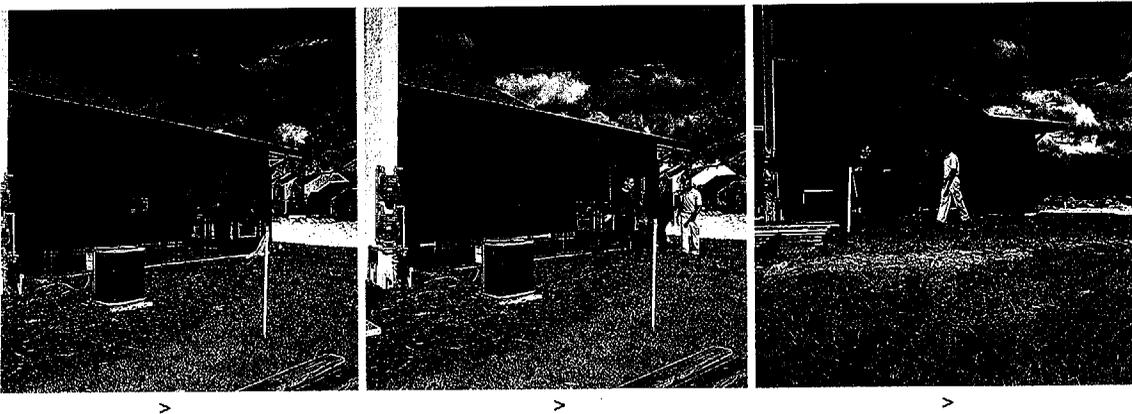


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We offer natural gas as an  
alternative energy source  
to help meet the diverse  
needs of our customers.

A GRU representative explains the benefits of an  
efficient central system that employs gas hydronics  
for heating and electric air conditioning for cooling.





solutions > innovation > conservation > success >

## Solving problems with gas — naturally

Our commitment to superior customer service and innovative problem-solving is one of the traits that makes GRU the natural utility choice — just as natural gas is the right energy choice for many of our customers.

"Building positive working relationships with our customers is key to our success, and we're always trying to come up with new options to meet their energy needs," said Mike Brown, Senior Sales Representative for Gas Marketing, whose customers are mainly developers, contractors and builders.

A new option is exactly what local home-builder Lucian Kragiel sought while considering fuel choices for the planned homes in a 125-acre pool-and-park community his company was building just outside of southwest Gainesville.

Kragiel, co-owner of Atlantic Design & Construction, was building the 340 homes of the new Mentone subdivision with smart design and energy efficiency in mind. He wanted a clean energy source for heating the air and water of his homes. He sought a system that was affordable, but didn't detract from the homes' attractive designs. Finally, he wanted the Mentone homes to qualify for the coveted "Energy Star™" label —

a designation from the U.S. Environmental Protection Agency and the Department of Energy to recognize homes built with superior energy performance.

For solutions, Kragiel turned to GRU, which had been recognized as the EPA's National "Outstanding Utility Ally."

"GRU worked with us in getting gas heat instead of electric for the first phases of construction in Mentone," Kragiel said, "and they came up with something new for the 100 homes in our final construction phase that was even more energy-efficient."

GRU staff convinced Kragiel to go with hydronic gas heating. The system, also called "combo heating," uses a gas-fired water boiler and coils, instead of a gas furnace, for space and water heating of buildings.

"Hydronics essentially is gas heat without a gas furnace," Brown explained. "It's not new, but it's just now catching on with builders and developers. It has great potential as an alternative energy option."

Combo heaters are simple and uncomplicated compared with heat pumps and gas furnaces, and also offer aesthetic and practical advantages over standard gas furnace installation.

Kragiel is having no problem selling prospective homebuyers on the advantages of hydronic heat and the Energy Star™ features.

"We sell the Energy Star™ package, including hydronic gas heat, as an option, but 100 percent of the 175 or so homebuyers we've sold to over the past three years have chosen the Energy Star™ features," Kragiel said.

Atlantic Design and GRU both take pride in the fact that Mentone was recognized as the Best Community in the Southeastern United States for 2001 by the National Association of Homebuilders.

"Hydronic technology has been used mainly for residential use, but GRU is promoting it for both single and multi-family applications," Brown said. "It's helping us expand our Gas System and penetrate building markets, including apartments."

Virtually every new subdivision within our service area is served by natural gas from GRU, giving homeowners greater energy options.

Local builder-developer Howard Wallace, owner of HKW Enterprises Inc., chose hydronic heat in 1997 when he built Florida's first-ever Energy Star™ home in one of his northwest

Gainesville subdivisions. GRU installed the required gas line connections.

"I made a decision a few years ago to only build Energy Star™ homes, and we decided hydronic gas would be the best and most energy-efficient heating system for our homes," said Wallace, who has made hydronic heating systems a standard feature in three new single-family subdivisions, totaling 134 homes, and in his new 112-unit apartment complex.

"For new construction, GRU offers a rebate for the use of gas appliances that helps absorb some of the higher equipment expenses for hydronic systems and other energy-efficient features," Wallace said.

Another Gainesville builder, Allen Stine of All America Homes, is making hydronic heat a standard feature of all 62 homes in his new Granite Park development in southwest Gainesville.

"Every home is an Energy Star™ home. We're one of the first subdivisions in the country to require that," Stine said. "The GRU (natural gas) reps are great to builders. They watch after me and make sure my gas service installations are on time."

Innovative problem solving, it seems, comes naturally to GRU. As natural as gas energy.

Using reclaimed water  
for irrigation saves drinking  
water for the future.



Hikers enjoy the natural beauty of our newly constructed Chapman's Pond Nature Trails — the largest passive recreation park in the area. Reclaimed water from our nearby Kanapaha Water Reclamation Facility provides water features such as ponds, streams, fountains and waterfalls.

C11

## Protecting our water

As summer 2001 drew to a close, you'd have never known from the many lush lawns and green woodlands that an ongoing drought that has parched North Central Florida was still with us.

Green lawns or not, Betty Kellette knew the three-year drought was still around. Whenever she turned on a water faucet in her southwest Gainesville home, the pipes spewed forth a trickle of rusty-red water with the spigot "spitting and sputtering" — sure signs the water in her private well had dropped to dangerously low levels.

GRU acted swiftly on Kellette's distress call, dispatching a crew to her southwest Gainesville home for emergency service.

"We have a code that means we need to solve the problem immediately, before it can get worse," said Bob McVay, Assistant General Manager for Water and Wastewater. "People in Betty's situation are placed in an emergency category and GRU water service must be provided in record time."

For Kellette, 74, GRU-to-the-rescue meant installing a new water pipe connection to hook up her home's plumbing to the City water system. The work was completed within two days.

"I couldn't have asked the GRU people to be any nicer than they were," Kellette said. "When you don't have anyone else to take care of things, you really appreciate their help on something like this."

We've handled many problems like Betty Kellette's over the past three years. Some of the driest weather in memory forced Gainesville into first-ever mandatory watering restrictions in the spring of 2000. Although summer showers in 2001 restored lawns and reduced the threat of forest fires, groundwater levels by summer's end were still about 7 to 8 feet below normal.

But, we were able to avoid mandatory water restrictions in 2001. We drilled two deep wells last spring that together add another 10 million gallons to the city's daily water capacity. We also installed a 20-inch water pipeline to improve water pressure in the rapidly growing southwestern portion of our service area.

"This three-year drought has forced all neighboring counties in our water management district to implement watering restrictions," said David Richardson, Senior Utility Engineer in Strategic Planning. "Without these improvements, we'd probably be observing mandatory irrigation restrictions now."

Water from the two new wells — the 12th and 13th at our Murphree Water Treatment Plant wellfield — increased daily capacity by 30 percent to 44 million gallons a day, and additional wells are proposed. These measures will give GRU the capacity of providing up to 60 million gallons per day, which is enough to supply projected needs until 2017.

Our goal is to provide a plentiful, safe water supply to all GRU customers, and we're continually designing new solutions to ensure that high-quality water is available on demand. One of the ways we do that is to reduce the demand for water pumped out of the ground by offering reclaimed water for irrigation purposes.

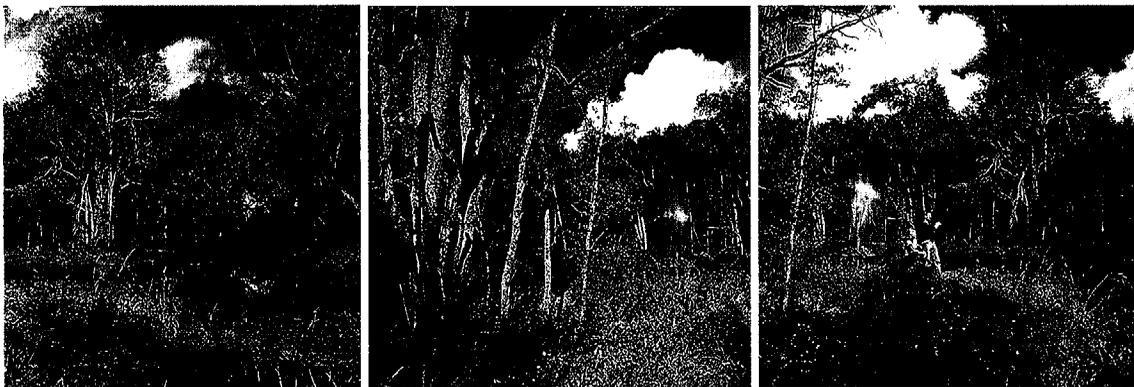
At our state-of-the-art Kanapaha Water Reclamation Facility, the reclaimed water is so pure that it's one of only two plants in the state permitted to return treated effluent directly into a drinking water aquifer. But, because it's treated to such high standards, we also reuse the water for public benefit. For example, the treated wastewater is piped to nearby Kanapaha Botanical Gardens to create natural looking spring boils, waterfalls, streams and bog gardens. Reclaimed water is used to supply two other water gardens, as well as irrigation for the

Veterans Memorial, the GRU-created Chapman's Pond Nature Trails, soccer fields, golf courses and nearby residential and commercial areas.

As a complement to GRU's latest water system improvements, we are extremely grateful for our customers' willing observation of voluntary water conservation efforts. Customers also have been receptive to a new three-tier system of water rate charges — the more you use the more you pay. But, average water customers see no rate increase and our rates remain consistently among the lowest in the state.

"We wanted to send the right price signals to our customers," Richardson said. "The cost of providing large amounts of water now is being borne by customers who impose the greatest demand on our water system. This encourages water conservation."

Through innovative reuse projects, continual improvements to our water system and promotion of community-wide conservation efforts, GRU is committed to protecting the clean water of our community now and for future Gainesville residents.



moderation > vigilance > reclamation > **preservation** >

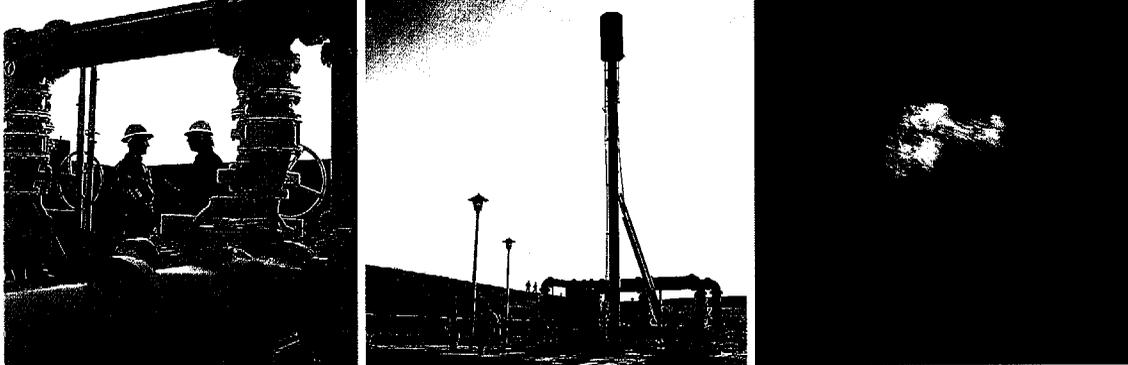
We respond to our  
community's desire for  
renewable energy  
resources and green  
building practices.

Gas from a closed landfill will soon be producing green electricity — enough to power 2,000 homes. Mark Spiller of GRU and Ron Bishop of the Alachua County Public Works Department examine the site, which will be producing energy by mid-summer 2002.



C12

C12



### Easier to be green

Every time Mark Spiller visits the Alachua County Southwest Landfill, his eyes fixate on the olympic-sized flame flaring into the atmosphere through a giant torch — the product of landfill gas created by a mountain of rotting garbage.

And every time, the same thought crosses his mind: What a terrible waste!

“Whenever I drive past the landfill, I see a renewable energy resource going up in flames,” said Spiller, an analyst in our Strategic Planning department with a strong background in energy conservation.

Spiller transforms his environmental concerns into passion for his work as one of the architects of a plan to convert the landfill gas to electricity. GRU has joined forces with the Alachua County Public Works Department to install four generators at the landfill and obtain other essential equipment. GRU will generate enough energy to power about 2,000 homes in the first year. The project is a race against time, though. Since the landfill closed last year and no longer receives garbage, the amount of gas being produced will decline each year. In 15 years,

there will be enough gas for only 200 homes. We hope to douse the landfill flame and start powering homes and businesses with the converted landfill gas by mid-2002.

GRU and the County both expect to recover all costs and actually generate revenue during the life of the project. Marketing Manager Rosemary Fagler says we will sell this green electricity to residential and commercial customers. Because it costs slightly more to produce, customers who want green electricity will pay a little more for it.

“People in Alachua County are so environmentally conscious. I think there are plenty of customers who will want green electricity if it helps the environment. And it won’t affect the utility bills of people who don’t want it,” Fagler said.

More green energy options are on the way. Because our customers say it’s important to them, we’re promoting additional Green Energy programs to encourage energy conservation and promote efficient use of renewable energy resources such as the sun.

We’re part of a community-wide effort to develop a green building program for the city

of Gainesville. We’re working with a diverse group of people — representing construction, city government, conservation advocates including the University of Florida Conservation Clinic, local utilities and real estate — to develop an incentive program for building homes and commercial buildings with superior energy performance.

Incentives being considered include reduced filing and permitting fees, priority status in the development and construction review process and density bonuses.

“Green-building involves reducing energy use, using a common-sense approach that should appeal to both builders and conservationists,” said Steve Stagliano, Manager of Energy and Business Services.

Green building advocates not only stress water and energy efficiency, but also encourage considerations such as indoor air quality, natural lighting and chemical-free and earth-friendly building materials.

more >



**Our conservation analysts look for ways to save energy and water. Here, the homeowner has taken advantage of our solar powered water heater rebate program with a roof mounted solar array.**

Selling or renting a building or home with green building certification can be a valuable marketing advantage for developers and apartment complex managers. For homeowners and tenants, lower energy consumption can translate into real savings on the utility bill and a higher home-resale value.

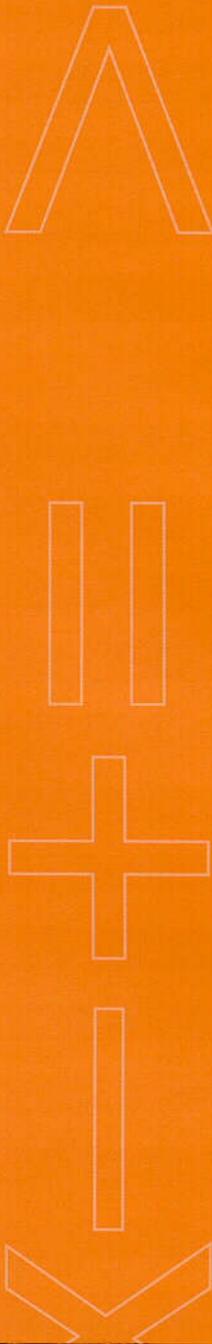
Two novel green-pricing programs in the works would give our many environmentally-minded customers new options for demonstrating their commitment to renewable energy sources. A student-interactive Solar for Schools program would outfit local middle schools with solar electric panels to generate green power. We're also planning to provide a similar system at the City-owned passenger terminal of Gainesville Regional Airport.

Solar electricity generated from the panels would be exported into our main power grid and paid for by any customers who wish to contribute to the program. We'd provide the solar equipment and develop interactive teaching tools for students to monitor and even modify energy output when needed.

"The most effective way to promote large-scale use of renewable energy technology is through our children," Spiller said. "This will give students a tangible demonstration of green energy technology at their schools."

As a multi-service utility, we're committed to green energy programs like these that help us meet the growing energy needs of our community and foster loyalty to GRU — today and for our next generations of customers.





# Gainesville Regional Utilities Financial Statements

Years ended

September 30, 2001 and 2000

With Report of

Independent Certified Public Accountants

**Gainesville Regional Utilities  
Financial Statements  
Years ended September 30, 2001 and 2000**

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**Financial Statements**  
**Gainesville Regional Utilities**

*Years ended September 30, 2001 and 2000*

**Report of Independent Certified**  
**Public Accountants**

The Honorable Mayor and  
 Members of the City Commission  
 City of Gainesville

We have audited the accompanying balance sheet of Gainesville Regional Utilities (the Combined Utility Funds of the City of Gainesville, Florida) as of September 30, 2001 and the related statements of revenue and expense and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Gainesville Regional Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Gainesville Regional Utilities for the year ended September 30, 2000, were audited by other auditors whose report dated December 14, 2000, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Gainesville Regional Utilities (the Combined Utility Funds of the City of Gainesville, Florida) and are not intended to present fairly the financial position of the City of Gainesville, Florida, and the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States.

In our opinion, the 2001 financial statements referred to above present fairly, in all material respects, the financial position of Gainesville Regional Utilities, as of September 30, 2001 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 6 to the financial statements, in 2001 Gainesville Regional Utilities changed its method of Accounting for certain capital contributions.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Financial statements for the years ended September 30, 2000, 1999, 1998, and 1997, were audited by other auditors. The supplementary information included in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that pertaining to the years ended September 30, 2000, 1999, 1998 and 1997, on which we express no opinion, has been subjected to the auditing procedures applied in the audit 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.

*Ernst & Young LLP*  
 Ernst & Young LLP  
 Orlando, Florida

November 21, 2001

**Balance Sheets**

September 30, 2001 and 2000

*(in thousands)***Assets**

	2001	2000
<b>Utility plant:</b>		
Utility plant in service	\$ 846,624	811,442
Plant held for future use	6,054	60,574
Plant unclassified	62,143	20,298
Construction in progress	<u>76,672</u>	<u>102,707</u>
	991,493	940,501
Less accumulated depreciation and amortization	<u>(349,136)</u>	<u>(324,627)</u>
Net utility plant	<u>642,357</u>	<u>615,874</u>
<b>Current assets:</b>		
Cash and short-term investments	13,098	7,688
Accounts receivable, net of allowance for uncollectible accounts of \$817,000 in 2001 and \$537,000 in 2000	28,501	28,590
Futures contracts	4,037	2,284
Prepaid rent — lease/leaseback	10,687	10,687
Deferred fuel charges	—	4,405
Inventories:		
Fuel	5,033	3,977
Materials and supplies	<u>5,683</u>	<u>4,869</u>
Total current assets	<u>67,039</u>	<u>62,500</u>
<b>Long-term investments</b>	592	1,660
<b>Restricted assets — cash and investments</b>	175,176	170,207
<b>Prepaid rent — lease/leaseback</b>	172,772	183,459
<b>Deferred charges</b>	<u>16,588</u>	<u>17,272</u>
Total assets	<u>\$ 1,074,524</u>	<u>1,050,972</u>

*(see accompanying notes to financial statements)*

**Balance Sheets**

September 30, 2001 and 2000

**Liabilities and fund equity**

	2001	2000
<b>Long-term debt and fund equity:</b>		
Long-term debt:		
Utilities system revenue bonds	\$ 330,395	341,380
Utilities system commercial paper notes	<u>95,533</u>	<u>75,109</u>
	425,928	416,489
Less unamortized loss on refinancing	(27,573)	(29,503)
Less unamortized bond discount	<u>(3,957)</u>	<u>(4,253)</u>
Total long-term debt	<u>394,398</u>	<u>382,733</u>
<b>Fund equity:</b>		
Contributions in aid of construction	98,320	102,231
Retained earnings	<u>305,319</u>	<u>276,782</u>
Total fund equity	<u>403,639</u>	<u>379,013</u>
Total long-term debt and fund equity	<u>798,037</u>	<u>761,746</u>
<b>Current liabilities:</b>		
Fuel payable	5,178	10,484
Accounts payable and accrued liabilities	6,607	7,214
Deferred fuel charges	143	-
Operating lease — lease/leaseback	12,462	12,461
Due to other funds	<u>1,920</u>	<u>3,244</u>
Total current liabilities	<u>26,310</u>	<u>33,403</u>
<b>Payable from restricted assets:</b>		
Utility deposits	3,693	3,932
Long-term debt payable — current	10,985	10,190
Accrued interest payable	9,736	9,948
Construction fund:		
Accounts payable and accrued liabilities	<u>394</u>	<u>1,805</u>
Total payable from restricted assets	<u>24,808</u>	<u>25,875</u>
<b>Operating lease — lease/leaseback</b>	201,453	213,916
<b>Other liabilities and deferred credits</b>	<u>23,916</u>	<u>16,032</u>
Total liabilities and fund equity	<u>\$1,074,524</u>	<u>1,050,972</u>

(see accompanying notes to financial statements)

**Statements of Revenue and Expense and Retained Earnings***Years ended September 30, 2001 and 2000**(in thousands)*

	2001	2000
<b>Operating revenue:</b>		
Sales and service charges	\$213,780	187,076
Other operating revenue	<u>5,734</u>	<u>5,639</u>
Total operating revenue	<u>219,514</u>	<u>192,715</u>
<b>Operating expenses:</b>		
Operation and maintenance	117,017	95,273
Administrative and general	19,287	18,588
Depreciation and amortization	<u>24,969</u>	<u>26,106</u>
Total operating expenses	<u>161,273</u>	<u>139,967</u>
<b>Operating income</b>	<u>58,241</u>	<u>52,748</u>
<b>Nonoperating income (expense):</b>		
Interest income	9,468	11,234
Interest expense, net of AFUDC	(23,447)	(24,097)
Gain (loss) on sale of investments	<u>8</u>	<u>(770)</u>
Total nonoperating expense	<u>(13,971)</u>	<u>(13,633)</u>
<b>Capital contributions</b>	<u>8,623</u>	<u>—</u>
<b>Net income</b>	52,893	39,115
<b>Retained earnings, beginning of year</b>	276,782	261,007
<b>Operating transfer to City of Gainesville General Fund</b>	<u>(24,356)</u>	<u>(23,340)</u>
<b>Retained earnings, end of year</b>	<u>\$305,319</u>	<u>276,782</u>

*(see accompanying notes to financial statements)*

**Statements of Cash Flows***Years ended September 30, 2001 and 2000**(in thousands)*

	2001	2000
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 218,178	180,136
Cash payments to suppliers for goods and services	(105,642)	(65,283)
Cash payments to employees for services	(26,964)	(32,742)
Cash payments for operating transactions with other funds	(4,065)	(4,449)
Other operating receipts	<u>3,959</u>	<u>3,865</u>
Net cash provided by operating activities	<u>85,466</u>	<u>81,527</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers to other funds	<u>(24,356)</u>	<u>(23,340)</u>
Net cash used in noncapital financing activities	<u>(24,356)</u>	<u>(23,340)</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal repayments on long-term debt	(14,778)	(12,845)
Proceeds from sale of property and equipment	56	34
Interest paid on long-term debt	(23,363)	(24,051)
Capital grants	20	120
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(56,492)	(66,108)
Proceeds from commercial paper issued	25,012	49,281
Cash received for connection charges	<u>3,921</u>	<u>3,709</u>
Net cash used in capital and related financing activities	<u>(65,624)</u>	<u>(49,860)</u>
<b>Cash flows from investing activities:</b>		
Interest received	7,333	6,574
Purchase of investments	(513,043)	(506,050)
Investment in The Energy Authority	(1,182)	(1,429)
Distribution from The Energy Authority	869	28
Proceeds from investment maturities	<u>514,492</u>	<u>490,908</u>
Net cash provided by (used in) investing activities	<u>8,469</u>	<u>(9,969)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>3,955</b>	<b>(1,642)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>4,348</u></b>	<b><u>5,990</u></b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>8,303</u></b>	<b><u>4,348</u></b>

*(continued)*

**Statements of Cash Flows, continued***Years ended September 30, 2001 and 2000*

	2001	2000
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$58,241	52,748
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	23,194	24,332
Receivables	4,636	(6,260)
Prepaid expenses	(1,753)	(2,284)
Inventories	(1,870)	9,328
Deferred charges	11,618	(1,857)
Accounts payable and accrued liabilities	(7,325)	3,403
Due to other funds	(1,324)	(83)
Utility deposits	(239)	(679)
Other liabilities and deferred credits	<u>288</u>	<u>2,879</u>
Net cash provided by operating activities	<u>\$85,466</u>	<u>81,527</u>

**Noncash, investing, capital and financing activities:**

Utility plant contributed by developers in aid of construction was \$4.7 million and \$2.0 million in 2001 and 2000 respectively.

*(see accompanying notes to financial statements)*

## Notes to Financial Statements

September 30, 2001 and 2000

### 1) Summary of Significant Accounting Policies

#### Organization

Gainesville Regional Utilities (GRU) is a combined municipal utility system operating electric, natural gas, water, wastewater, and telecommunications (GRUCom) utilities. GRU consists of the combined Utility Funds of the City of Gainesville, Florida (City). GRU is a unit of the City and, accordingly, the financial statements of GRU are included in the annual financial reports of the City.

#### Basis of Accounting

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. GRU applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in accounting for and reporting its operations. In accordance with government accounting standards, GRU has elected not to apply FASB pronouncements issued after that date. In accordance with the Utilities System Revenue Bond Resolution (Bond Resolution), rates are designed to cover operating and maintenance expense, debt service and other revenue requirements, which 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 is recognized in the determination of net income in the period that they occur, in accordance with GRU's accounting policies. GRU has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and substantially all provisions of the National Association of Regulatory Utility Commissioners (NARUC). Rates are approved at least annually by the City Commission.

#### Use of Estimates

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

#### Investments

GRU follows the provisions of Governmental Accounting Standards Board No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement No. 31 requires government entities to report investments at fair value in the balance sheet. All short-term commercial paper with maturities less than one year have been reported at cost which approximates fair value.

#### Futures Contracts

GRU uses futures contracts to hedge a portion of its commodity natural gas price risk. Natural gas contracts are traded on the New York Mercantile Exchange (NYMEX) in fixed units of 10,000 mmBtu. NYMEX requires both parties (buyers and sellers) to futures contracts to deposit cash or other assets (margins) with a broker at the time the contract is initiated. Brokers mark open positions to the market daily with the margin account requirements adjusted for market swings or changes in NYMEX requirements. At September 30, 2001 and 2000, GRU had net deposits of \$1.9 million and \$642,000, respectively, with brokers for margin accounts, included in current assets and \$4.0 million and \$2.3 million, respectively, included in the futures contracts line of the balance sheet. At contract maturity date, gains or losses on hedging transactions are recognized into operations and maintenance. At September 30, 2001, there was \$1.5 million in deferred losses from outstanding contracts and at September 30, 2000, there were \$1.1 million in deferred gains from outstanding contracts.

#### 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. The cost of fuel used for electric generation is charged to expense as consumed.

#### Utility Plant

Property and equipment are recorded at cost. 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 costs, plus removal costs less salvage, are charged to accumulated depreciation.

Plant unclassified includes property and equipment of capital projects placed into service that have not been classified in the related asset category within utility plant in service.

#### Depreciation and Nuclear Generating Plant Decommissioning

Depreciation of utility plant is computed using the straight-line method over estimated service lives ranging from 6 to 50 years. Depreciation was equivalent to 2.99% and 3.17% of average depreciable property for 2001 and 2000, respectively. Depreciation expense includes a provision for decommissioning costs related to the jointly owned nuclear power plant. (see Note 5)

#### Amortization of Nuclear Fuel

The cost of nuclear fuel, including estimated disposal cost, is amortized to fuel expense based on the quantity of heat produced for the generation of electric energy in relation to the quantity of heat expected to be produced over the life of the nuclear fuel core. These costs are charged to customers through the fuel adjustment clause.

(continued)

## Notes to Financial Statements

September 30, 2001 and 2000

### Revenue Recognition

Revenue is recorded as earned. GRU accrues for services rendered but unbilled, which amounted to approximately \$8.4 million and \$11.6 million for 2001 and 2000, respectively. Fuel adjustment revenue is recognized based on the actual fuel costs. Amounts charged to customers for fuel are based on estimated costs, which are adjusted for any differences between the actual and estimated costs once actual fuel costs are known. If the amount recovered through rates exceeds actual fuel costs, GRU records deferred fuel as a liability. If the amount recovered through rates is less than the actual fuel costs, GRU records deferred fuel as an asset, for amounts to be collected through future rates. As of September 30, 2001 and 2000, deferred fuel charges were \$(143,000) and \$4.4 million, respectively.

### Interfund Transactions

Interfund balances between electric, gas, water, wastewater and GRUCom funds are offset for the combined utility funds. Interfund revenue and expenses are not eliminated in the combined utility funds. Additionally, there are interfund transactions between GRU and general government operations of the City, which 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
- Construction Fund
- Utility Plant Improvement Fund

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

The 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 operations as necessary.

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

The Utility Plant 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 repayment of bonds.

### Allowance for Funds Used During Construction (AFUDC)

An allowance for interest on borrowed funds used during construction of \$882,000 and \$195,000 in 2001 and 2000, respectively, 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 rate was approximately 5.2%.

### Contributions in Aid of Construction

Utility plant in service for the water, wastewater and GRUCom funds includes assets received from contributions in aid of construction (CIAC) reported as a component of fund equity. Contributions in aid of construction are amortized on a straight-line method over the life of the related asset. The amount of amortization expense included in the statement of revenue and expense and retained earnings relating to the contributed assets is credited to depreciation and amortization expense and amounted to \$4.0 million and \$3.5 million in 2001 and 2000, respectively. As discussed in Note 6, GRU changed its method of accounting for CIAC during the 2001 fiscal year, and as a result, contributions for the year ended September 30, 2001 were reported as revenues in the operating statement rather than additions to the CIAC account.

### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank demand accounts, and overnight repurchase agreements.

### Unamortized Loss on Refinancing

Losses resulting from advance refinancing of bonds are deferred and amortized over the life of the bonds.

## 2) Rates and Regulation

GRU's rates are established in accordance with the Utilities System Bond Resolution and the Utilities System Subordinated Bond Resolution as adopted and amended. Under these documents, rates are set to recover Operation and Maintenance Expenses, Debt Service, Utility Plant Improvement Fund contributions and costs for any other lawful purpose such as the General Fund Transfer.

Each year during the budgeting process, and at any other time necessary, the City Commission approves rate changes and other changes to GRU's charges.

GRU's cost of fuel for the electric and natural gas systems is passed directly through to its customers. Each month, GRU staff estimates the cost of fuel and consumption for both the electric and natural gas systems. These estimates are combined with a true-up for actual costs from previous months into a current-month electric fuel adjustment and natural gas purchased gas adjustment. Amounts overbilled or underbilled are passed along to customers and are either accrued or deferred at year-end.

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

(continued)

## Notes to Financial Statements

September 30, 2001 and 2000

Currently, GRU prepares its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, and records various regulatory assets and liabilities. For a company to report under SFAS No. 71, the company's rates must be designed to recover its costs of providing services, and the company must be able to collect those rates from customers. If it were determined, whether due to competition or regulatory action, that these standards no longer applied, GRU could be required to write off its regulatory assets and liabilities. Management believes that GRU currently meets the criteria for continued application of SFAS No. 71, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

### 3) Long-Term Debt

GRU is required to make monthly deposits into separate accounts for an amount equal to the required share of principal and interest becoming payable for the revenue bonds on the payment dates of April 1 and October 1.

The table at right lists the Debt Service requirements (principal and interest) on the Long-Term Debt (excludes Utilities System Tax-Exempt Series C and Taxable Series D Commercial Paper) outstanding at September 30, 2001 (*in thousands*).

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

The Bond Resolution contains certain restrictions and commitments, including GRU's covenant to establish and maintain rates and other charges to produce revenue sufficient to pay operation and maintenance expenses, amounts required for deposit in the debt service fund, and amounts required for deposit into the utility plant improvement fund. (*see next page for table of outstanding long term debt*)

Period Ending October 1	Total Debt Service Requirements
2002	\$ 29,763
2003	29,770
2004	29,192
2005	28,036
2006	28,032
2007	32,224
2008	34,634
2009	34,635
2010	34,634
2011	34,634
2012	34,626
2013	34,642
2014	20,426
2015	18,653
2016	18,442
2017	18,251
2018	11,605
2019	9,507
2020	9,509
2021	9,512
2022	9,509
2023	3,950
2024	3,947
2025	3,951
2026	<u>3,950</u>
	<u>\$ 526,034</u>

The 1983 Bonds mature on October 1, 2014. Those Bonds are subject to redemption at the option of the City as a whole at any time or in part on any interest payment date, at a redemption price of 100% plus accrued interest to the date of redemption.

The 1992 A Bonds mature at various dates through October 1, 2002. Those Bonds are not subject to redemption.

The 1992 B Bonds mature at various dates from October 1, 2001, to October 1, 2017. Those Bonds maturing on or after October 1, 2003, through October 1, 2007, amounting to \$14.3 million are subject to redemption at the option of the City on and after October 1, 2002, as a whole at any time or in part on any interest payment date, at a redemption price of 102% in 2002, 101% in 2003 and 100% thereafter. The 1992 B Bonds maturing on October 1, 2017, amounting to \$22.3 million, are subject to redemption at the option of the City on and after October 1, 2002, as a whole at any time or in part on any interest payment date, at a redemption price of 100%.

The 1993 A and B Bonds mature at various dates through October 1, 2013. Those Bonds maturing on or after October 1, 2004, amounting to \$113.9 million are subject to redemption at the option of the City on and after October 1, 2003, as a whole at any time or in part on any interest payment date, at a redemption price of 102% in 2003, 101% in 2004 and 100% thereafter.

The 1996 A Bonds mature at various dates through October 1, 2026. Those Bonds maturing on or after October 1, 2010 are subject to redemption at the option of the City on or after October 1, 2006 as a whole or in part at any time at a redemption price of 102% in 2006, 101% in 2007, and 100% thereafter.

(continued)

**Notes to Financial Statements**

September 30, 2001 and 2000

Long-term debt outstanding at September 30, 2001 and 2000, consisted of the following (*in thousands*):

	2001	2000
<b>Utilities System Revenue Bonds:</b>		
Series 1983 (1983 Bonds) — interest payable semi-annually to October 1, 2014 at a rate of 6.0%	\$ 4,675	4,675
1992 Series A (1992 A Bonds) — interest payable semi-annually to October 1, 2002 at various rates between 5.9% and 6.1%	3,025	4,410
1992 Series B (1992 B Bonds) — interest payable semi-annually to October 1, 2017 at various rates between 6.0% and 7.5%	61,920	61,920
1993 Series A (1993 A Bonds) — interest payable semi-annually to October 1, 2006 at various rates between 4.75% and 5.3%	21,585	25,205
1993 Series B (1993 B Bonds) — interest payable semi-annually to October 1, 2013 at various rates between 4.75% and 5.5%	114,085	117,720
1996 Utilities System Revenue Bonds — 1996 Series A (1996 Series A) — interest payable semi-annually to October 1, 2026 at rates between 4.0% and 5.75%	136,090	137,640
<b>Utilities System Commercial Paper Notes, Series C (C Notes):</b>		
Interest at various market rates	78,440	63,028
<b>Utilities System Taxable Commercial Paper Notes, Series D (D Notes):</b>		
Interest at various market rates	<u>17,093</u>	<u>12,081</u>
Less current portion of long-term debt	436,913 (10,985)	426,679 (10,190)
Less unamortized loss on refinancing	(27,573)	(29,503)
Less unamortized bond discount	<u>(3,957)</u>	<u>(4,253)</u>
Total long-term debt	<u>\$ 394,398</u>	<u>382,733</u>

*(continued)*

## Notes to Financial Statements

September 30, 2001 and 2000

Utilities System Commercial Paper Notes, Series C Notes (tax-exempt) in a principal amount not to exceed \$85.0 million may continue to be issued to refinance maturing Series C Notes or provide for other costs. Liquidity support for the Series C Notes is provided under a long-term credit agreement dated as of March 1, 2000 with Bayerische Landesbank Girozentrale. The obligation of the bank may be substituted by another bank which meets certain credit standards and which is approved by GRU and the Agent. Under the terms of the agreement, GRU may borrow up to \$85.0 million with same day availability ending on the termination date, as defined in the agreement. Series C Notes of \$37.2 million were issued in May 2000. Series C Notes of \$4.6 million and \$2.7 million were redeemed during 2001 and 2000, respectively.

In June 2000, a Utilities System Commercial Paper Note Program, Series D (taxable) was established in a principal amount not to exceed \$25.0 million. Liquidity support for the Series D Notes is provided under a long-term credit agreement dated June 1, 2000 with SunTrust Bank. The obligation of the bank may be substituted by another bank that meets certain credit standards and is approved by GRU. Under the terms of the agreement, GRU may borrow up to \$25.0 million with same day availability ending on the termination date, as defined in the agreement.

On February 13, 2001 the City of Gainesville d/b/a Gainesville Regional Utilities ("GRU") committed to enter into an interest rate swap in a notional amount of \$37.3 million with Merrill Lynch Capital Services (the "Counterparty"), effective July 3, 2002.

Under the terms of the swap agreement, GRU will pay the Counterparty a fixed annual interest rate of 4.10% payable on April 1 and October 1 of each year, beginning October 1, 2002 and will receive a variable-rate payment each month beginning August 1, 2002. The variable-rate will be equal to the Bond Market Association (BMA) Municipal Swap Index.

The Counterparty has the right, but not the obligation, to terminate the swap if the BMA Municipal Swap Index exceeds 7% for any immediate preceding rolling consecutive 180 calendar day period. As of September 30, 2001, the termination value of the swap, if exercised, would have resulted in a payment to the Counterparty of approximately \$1.1 million.

Additionally, on or about July 3, 2002, GRU expects to issue approximately \$37.3 million of Utilities System Variable-Rate Revenue Bonds to refund a portion of its 1992B Bonds at the October 1, 2002 call date.

## 4) Deposits and Investments

Deposits are held in a qualified public depository institution insured by the Federal Depository Insurance Corporation and as required by the 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 \$10.0 million.

In accordance with state laws and the 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 agreement obligations unconditionally guaranteed by the United States of America or its agencies, corporate indebtedness, direct and general obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (provided such obligations are rated by 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. *(see table next page)*

*(continued)*

**Notes to Financial Statements**

September 30, 2001 and 2000

Investments are categorized in the following table in accordance with Governmental Accounting Standards Board Statement No. 3. All of the GRU's investments fall under category 1, which include investments that are insured or registered or held by the Utility or its agent in GRU's name.

	Fair (Carrying) Value (in thousands)
<b>September 30, 2001</b>	
U.S. Government securities	\$ 70,940
U.S. Government bonds	22,820
Corporate commercial paper	82,913
Total	<u>\$ 178,673</u>
<b>September 30, 2000</b>	
U.S. Government securities	\$ 78,108
U.S. Government bonds	21,299
Corporate commercial paper	74,048
Total	<u>\$ 173,455</u>

Cash and investments are contained in the following balance sheet accounts (*in thousands*):

	2001	2000
<b>Restricted assets:</b>		
Utility deposits	\$ 3,835	3,882
Debt service fund	60,300	57,399
Rate stabilization fund	78,403	71,029
Construction fund	15,589	11,322
Utility plant improvement fund	11,415	21,911
Decommissioning reserve fund	3,920	3,263
Investment in The Energy Authority	1,714	1,401
Total restricted assets	<u>175,176</u>	<u>170,207</u>
<b>Current assets:</b>		
Cash and short-term investments	13,098	7,688
<b>Long-term investments</b>	<u>592</u>	<u>1,660</u>
Total cash and investments	188,866	179,555
Less cash and cash equivalents	(8,303)	(4,348)
Less accrued interest receivable	<u>(1,890)</u>	<u>(1,752)</u>
Total investments	<u>\$ 178,673</u>	<u>173,455</u>

**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. GRU's net investment in CR3 at September 30, 2001 and 2000, is approximately \$7.8 million and \$8.9 million, respectively. CR3 operation 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 FERC uniform system of accounts. Payments are made to Florida Power Corporation in accordance with the CR3 participation agreement.

GRU, as a part of this participation agreement, is responsible for its share of future decommissioning costs. Decommissioning costs are funded and

expensed annually and are recovered through rates charged to customers. The most recent decommissioning cost estimates provided by Florida Power Corporation in December 2000, estimated GRU's share of total future decommissioning costs to be \$7.8 million. At September 30, 2001, GRU has funded \$3.9 million of this cost.

*(continued)*

**Notes to Financial Statements**

September 30, 2001 and 2000

**6) Contributions in Aid of Construction**Contributions in aid of construction are as follows at September 30 (*in thousands*):

	2001	2000
<b>Contributions in aid of construction:</b>		
Utility plant, property and equipment contributed by municipality	\$ 3,982	3,982
Federal and state grants in aid of construction	22,892	22,892
<b>Contributions from customers and developers:</b>		
Plant contributed by developers	59,016	59,016
Connection charges	<u>63,256</u>	<u>63,256</u>
	149,146	149,146
Accumulated amortization	<u>(50,826)</u>	<u>(46,915)</u>
Contributions in aid of construction	<u>\$ 98,320</u>	<u>102,231</u>

During the year ended September 30, 2001, GRU implemented the applicable provisions of Governmental Accounting Standards Board (GASB) No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which requires governments to recognize capital contributions as revenues instead of contributed capital. In previous periods, such capital contributions were recognized as additions to Contributions in Aid of Construction for GRU's water and wastewater funds. Implementation of this Statement did not affect the accounting for capital contributions to GRU's electric fund because the activities of this fund are accounted for under the FERC uniform system of accounts, pursuant to FASB Statement No. 71. This accounting change was implemented prospectively as required by Statement No. 33.

**7) Retained Earnings**Retained earnings reserved for debt service and unappropriated are as follows at September 30 (*in thousands*):

	2001	2000
Reserved for debt service	\$ 38,998	37,261
Unappropriated	<u>266,321</u>	<u>239,521</u>
Total retained earnings	<u>\$ 305,319</u>	<u>276,782</u>

Retained earnings balances at September 30, 2001 and 2000, reserved in debt service accounts are as follows (*in thousands*):

	2001	2000
Reserve account	\$ 38,874	37,064
Debt service account	20,419	20,000
Subordinated indebtedness fund account	371	326
Commercial paper note payment account	<u>55</u>	<u>9</u>
	59,719	57,399
Less amounts appropriated for current interest and principal payable	<u>(20,721)</u>	<u>(20,138)</u>
	<u>\$ 38,998</u>	<u>37,261</u>

*(continued)*

## Notes to Financial Statements

September 30, 2001 and 2000

### 8) Retirement Plans

The City sponsors and administers one defined benefit pension plan and two defined contribution plans (collectively, the Plans) that include GRU and other City employees. The Plans do not make separate measurements of assets and pension benefit obligations for individual units of the City. Such information is presented in the City of Gainesville, Florida, September 30, 2001, Comprehensive Annual Financial Report.

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

The City accounts for and funds the costs of the Employee 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, 2001 and 2000, were \$1.8 million and \$1.4 million, respectively.

Certain limited employees are eligible to participate in defined contribution plans managed by outside fiscal agents for the City. Under the first plan, the City contributes a percentage of an employee's annual salary and employees contribute a specified percentage. All employees have the option to participate in the second defined contribution plan. The total defined contribution cost for GRU for the years ended September 30, 2001 and 2000, was \$352,000 and \$347,000, respectively.

### 9) Postretirement Benefits

In addition to providing pension benefits, the City provides certain health care insurance benefits for retired employees of the City and GRU. The City also permits retirees to participate in the life insurance program. Most permanent full and part-time employees who are eligible for normal, early retirement, or disability are eligible for these benefits.

Individual benefits are the same for all employees, but the cost to the City may vary. Contributions by the City to fund these benefits are neither mandated nor guaranteed. Funds are appropriated annually to fund the actuarially determined costs of the health insurance program and to cover the costs of other programs. The City recognizes the cost of these benefits on a monthly basis by contributing a percentage of active payroll costs. The cost of providing these benefits for the GRU retirees for the fiscal years ended September 30, 2001 and 2000, was \$820,000 and \$776,000, respectively.

### 10) Transfers to General Fund

GRU makes transfers to the City's general government based on a formula that ties the transfer directly to the financial performance of the system. The transfer to the general fund may be made only to the extent such moneys are not necessary to pay operating and maintenance expenses and to pay debt service on the outstanding bonds and subordinated debt or to make other necessary transfers under the Bond Resolution. The formula-based fund transfer to the general fund for the years ended September 30, 2001 and 2000, was \$24.4 million and \$23.3 million, respectively.

### 11) Deferred Charges

Included in deferred charges at September 30, 2000 is the unamortized balance of \$1.1 million remaining of the original payment of \$27.4 million, in full settlement in connection with the City's cancellation of a contract for supply of coal to the Deerhaven II generating plant. The settlement payment was being recovered through future utility fuel adjustment revenue. That process was completed in fiscal 2001 and at September 30, 2001 there was no remaining unamortized balance.

The remaining balance in deferred charges at September 30, 2001 and 2000, is comprised of unamortized bond issuance costs of approximately \$3.1 million and \$3.2 million, respectively, amortized straight-line over the life of the bonds (which

approximates the effective interest method), environmental costs of \$10.1 million in 2001 and \$7.3 million in 2000 (see Note 12), and deferred acquisition cost of \$3.1 million in 2001 and \$3.3 million in 2000.

### 12) Environmental Liabilities

GRU is subject to numerous federal, state and local environmental regulations. Under the Comprehensive Environmental Response Compensation and Liability Act, commonly known as "Superfund," GRU has been named as a potentially responsible party at two hazardous waste sites. In addition, in January 1990, GRU purchased the natural gas distribution assets of a company and pursuant to the related purchase agreement, assumed responsibility for the investigation and remediation of environmental impacts related to the operation of the former manufactured gas plant. Based upon GRU's analysis of the cost to clean up these sites and other identified environmental contingencies, GRU has accrued a liability of \$10.1 million and \$7.3 million as of September 30, 2001 and 2000, respectively. Because GRU believes it is probable that it will recover the costs of environmental clean-up through future customer rates, a regulatory asset of equal amount has been reflected as a deferred charge in the accompanying balance sheet. Although uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect on GRU's financial position, results of operations or liquidity.

### 13) Lease/Leaseback

On December 10, 1998, GRU entered into a lease/leaseback transaction for all of the Deerhaven Unit 1 and a substantial portion of the Deerhaven Unit 2 generating facilities. Under the terms of the transaction, GRU entered into a 38-year lease and simultaneously a 20-year leaseback. At the end of

(continued)

## Notes to Financial Statements

September 30, 2001 and 2000

the leaseback period term, GRU has an option to buy out the remainder of the lease for a fixed purchase option amount. Under the terms of the transaction, GRU continues to own, operate, maintain and staff the facilities.

The proceeds received by GRU from this transaction were approximately \$249.0 million. From these proceeds, GRU deposited \$142.0 million as a payment undertaking agreement and a second deposit of \$72.0 million in the form of a collateralized Guaranteed Investment Contract (GIC), both with an AAA rated insurance company. The Deposit instruments will mature in amounts sufficient to meet the annual payment obligations under the leaseback including the end of term fixed purchase option if elected by GRU.

The net benefit of this transaction, after payment of transaction expenses, was approximately \$35.0 million and resulted in a deferred gain, which will be amortized as income on a straight-line basis over the leaseback period of 20 years. Of the \$35.0 million net benefit, approximately \$5.0 million was transferred to the City of Gainesville's General Fund with the remainder being used, along with other funds on hand, to pay off approximately \$43.0 million of tax-exempt commercial paper.

GRU accounted for the lease/leaseback transaction as an operating lease in 2000. Amortization of the net benefit was \$1.8 million in 2001 and 2000, and was reported as a component of other operating revenue.

### 14) Investment in The Energy Authority

In May 2000, GRU became an equity member of The Energy Authority (TEA), a power marketing joint venture. As of September 30, 2001, this joint venture was comprised of six municipal utilities across the nation. GRU's ownership interest was 7.14% and it accounted for this investment using equity accounting.

To become a member, GRU paid an initial capital contribution of \$1.0 million and a membership fee of \$867,360. The membership fee is to be amortized over 24 months. Included in deferred charges at September 30, 2001, is the unamortized balance of \$252,980. GRU has reflected the capital contribution as an investment in TEA. The investment balance has been adjusted for GRU's subsequent share of TEA's net income or loss. In calculating GRU's share of net income or loss, profit on transactions

between GRU and TEA have been eliminated. Such transactions primarily relate to purchases and sales of electricity between GRU and TEA. GRU had purchase transactions with TEA of \$13.3 million and \$2.8 million and sales transactions of \$7.9 million and \$2.4 million in fiscal years 2001 and 2000, respectively. TEA's profit on these transactions has been reflected as a reduction to GRU's reported revenue or expense. As of September 30, 2001, GRU's investment in TEA was \$1.7 million. Additionally, in accordance with the membership agreement between GRU and its joint venture members, GRU has provided TEA with guarantees of \$9.6 million to secure power marketing transactions. Of this amount, \$8.6 million is represented by a trade guarantee with the balance through a TEA letter-of-credit supported by a cash deposit of \$428,571.

(continued)

The following is a summary of the unaudited financial information of TEA for the twelve month periods ended September 30, 2001 and 2000 (in thousands):

	2001	2000
<b>Condensed statement of operations:</b>		
Total revenue	\$ 542,249	306,953
Total cost of sales and expenses	<u>425,277</u>	<u>221,305</u>
Operating income	<u>116,972</u>	<u>85,648</u>
Net revenue	<u>118,076</u>	<u>86,459</u>
<b>Condensed balance sheet:</b>		
Current assets	81,757	86,943
Noncurrent assets	<u>11,730</u>	<u>22,377</u>
Total assets	<u>93,487</u>	<u>109,320</u>
<b>Current liabilities:</b>		
Current liabilities	57,874	75,906
Noncurrent liabilities	10,000	20,510
Members' capital	<u>25,613</u>	<u>12,904</u>
Total equity and liabilities	<u>93,487</u>	<u>109,320</u>

TEA issues separate audited financial statements on a calendar-year basis.

## Notes to Financial Statements

September 30, 2001 and 2000

### 15) Segment Information

Segment information for GRU's Enterprise Funds for the fiscal years ended September 30, 2001 and 2000 is as follows (*in thousands*):

	Electric	Gas	Water	Wastewater	GRUCom
Operating Revenues	\$163,904	21,627	12,888	15,944	5,151
Depreciation and Amortization	19,675	1,200	1,345	1,203	1,546
Operating Income	43,042	3,456	4,442	6,472	829
Operating Transfers Out	(15,917)	(1,064)	(3,043)	(4,059)	(273)
Net Income	35,588	2,182	6,532	8,473	118
Property, Plant and Equipment:					
Additions	31,792	1,935	7,919	7,073	3,834
Deletions	(599)	(103)	(773)	(84)	—
Working Capital	38,817	3,119	(2,065)	(191)	1,049
Total Assets	749,450	42,240	109,050	150,647	22,994
Fund Equity	276,361	3,542	51,988	72,298	(550)
Long Term Debt	220,634	27,769	51,728	70,826	23,441
	Electric	Gas	Water	Wastewater	GRUCom
Operating Revenues	\$146,286	15,180	12,361	15,583	3,305
Depreciation and Amortization	20,115	1,268	1,825	1,943	956
Operating Income	40,714	2,282	3,903	5,372	476
Operating Transfers Out	(15,422)	(1,058)	(2,821)	(3,815)	(224)
Net Income	17,618	142	(623)	(734)	(628)
Property, Plant and Equipment:					
Additions	46,388	2,355	5,905	5,816	7,615
Deletions	—	—	—	—	—
Working Capital	34,915	(541)	(1,855)	(1,080)	(2,343)
Total Assets	731,952	41,754	105,366	147,456	24,444
Fund Equity	256,690	2,424	49,881	70,281	(264)
Long Term Debt	217,713	28,807	48,273	69,059	18,881

### 16) Risk Management

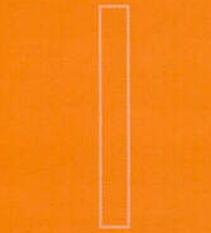
GRU is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters and insures against these losses. GRU purchases plant and machinery insurance from

a commercial carrier. The City is self-insured for workers' compensation, auto, and general liability. Settlements have not exceeded insurance coverage for each of the last three years. These risks are accounted for under the City of Gainesville's General Insurance Fund. GRU reimburses the City for premiums and claims paid on its behalf, record-

ing the appropriate expense. However, GRU does maintain its own insurance reserve, for the self-insured portion, in the amount of \$3.2 million, based on an actuarially computed liability. This reserve is recorded as a deferred credit, and has been fully amortized. Changes in the claims liability for the last two years are as follows (*in thousands*):

Fiscal Year	Beginning Balance	Claims	Payments	Ending Balance
2000-2001	\$3,152	499	499	3,152
2001-2001	3,152	542	542	3,152

# Gainesville Regional Utilities Supplemental Schedules



### Schedules of Combined Net Revenues in Accordance with Bond Resolution

Years ended September 30, 2001, 2000, 1999, 1998 and 1997

(in thousands)

	2001	2000	1999	1998	1997
<b>Revenue:</b>					
Electric fund:					
Sales of electricity	\$159,398	142,078	135,626	132,144	126,466
Lease/leaseback revenue	—	—	249,221	—	—
Other electric revenue	2,730	2,433	2,420	2,715	2,259
Transfers to rate stabilization	(6,311)	(6,791)	(12,199)	(6,441)	(2,200)
Interest income	<u>5,713</u>	<u>5,107</u>	<u>6,405</u>	<u>6,706</u>	<u>4,991</u>
Total electric fund revenue	<u>161,530</u>	<u>142,827</u>	<u>381,472</u>	<u>135,125</u>	<u>131,515</u>
Gas fund:					
Gas sales	21,638	15,276	12,310	14,422	14,712
Other gas revenue (expenses)	(11)	(96)	(6)	3	68
Transfers from (to) rate stabilization	(954)	(181)	306	(263)	642
Interest income	<u>463</u>	<u>483</u>	<u>456</u>	<u>561</u>	<u>310</u>
Total gas fund revenue	<u>21,136</u>	<u>15,483</u>	<u>13,067</u>	<u>14,724</u>	<u>15,733</u>
Water fund:					
Sales of water	12,879	12,356	12,184	11,521	10,646
Other water revenue	1,763	2,085	1,775	1,539	1,210
Transfers from (to) rate stabilization	1,084	43	(436)	(301)	(15)
Interest income	<u>1,266</u>	<u>1,280</u>	<u>1,265</u>	<u>1,169</u>	<u>862</u>
Total water fund revenue	<u>16,992</u>	<u>15,765</u>	<u>14,788</u>	<u>13,928</u>	<u>12,703</u>
Wastewater fund:					
Wastewater billing	15,697	15,364	15,116	14,155	14,146
Other wastewater revenue	2,414	1,968	2,371	1,924	1,558
Transfers from rate stabilization	1,893	1,673	468	593	239
Interest income	<u>1,733</u>	<u>1,915</u>	<u>1,854</u>	<u>1,893</u>	<u>1,467</u>
Total wastewater fund revenue	<u>21,737</u>	<u>20,919</u>	<u>19,809</u>	<u>18,565</u>	<u>17,411</u>
GRUCom fund:					
Sales to customers	4,168	2,002	1,226	556	966
Other GRUCom revenue	983	1,304	1,058	729	387
Transfers from (to) rate stabilization	(139)	—	—	62	728
Interest income	<u>183</u>	<u>27</u>	<u>8</u>	<u>86</u>	<u>98</u>
Total GRUCom fund revenue	<u>5,195</u>	<u>3,333</u>	<u>2,293</u>	<u>1,433</u>	<u>2,180</u>
Total revenue	<u>\$ 226,590</u>	<u>198,326</u>	<u>431,429</u>	<u>183,774</u>	<u>179,542</u>

(continued)

**Schedules of Combined Net Revenues in Accordance with Bond Resolution, continued**

Years ended September 30, 2001, 2000, 1999, 1998 and 1997

	2001	2000	1999	1998	1997
<b>Operation, maintenance and administrative:</b>					
Electric fund:					
Fuel expense	\$ 67,451	53,478	44,565	45,762	46,004
Operation and maintenance	23,256	22,541	19,121	19,426	18,648
Administrative and general	<u>10,480</u>	<u>9,438</u>	<u>11,476</u>	<u>11,807</u>	<u>10,897</u>
Total electric fund expense	<u>101,187</u>	<u>85,457</u>	<u>75,162</u>	<u>76,995</u>	<u>75,549</u>
Gas fund:					
Fuel expense	13,658	7,724	5,801	7,503	8,077
Operation and maintenance	484	730	542	574	556
Administrative and general	<u>2,829</u>	<u>3,177</u>	<u>2,936</u>	<u>2,943</u>	<u>3,074</u>
Total gas fund expense	<u>16,971</u>	<u>11,630</u>	<u>9,278</u>	<u>11,020</u>	<u>11,706</u>
Water fund:					
Operation and maintenance	4,693	4,142	3,631	3,605	3,438
Administrative and general	<u>2,408</u>	<u>2,491</u>	<u>2,734</u>	<u>2,627</u>	<u>2,633</u>
Total water fund expense	<u>7,101</u>	<u>6,633</u>	<u>6,365</u>	<u>6,232</u>	<u>6,071</u>
Wastewater fund:					
Operation and maintenance	5,442	5,239	4,628	4,712	4,965
Administrative and general	<u>2,827</u>	<u>3,029</u>	<u>3,533</u>	<u>3,385</u>	<u>3,152</u>
Total wastewater fund expense	<u>8,269</u>	<u>8,268</u>	<u>8,162</u>	<u>8,096</u>	<u>8,117</u>
GRUCom fund:					
Operation and maintenance	2,033	1,419	656	543	419
Administrative and general	<u>743</u>	<u>453</u>	<u>650</u>	<u>615</u>	<u>134</u>
Total GRUCom fund expense	<u>2,776</u>	<u>1,873</u>	<u>1,306</u>	<u>1,158</u>	<u>552</u>
Total operation, maintenance and administrative	\$ <u>136,304</u>	<u>113,861</u>	<u>100,273</u>	<u>103,501</u>	<u>101,995</u>
<b>Net revenue in accordance with bond resolution:</b>					
Electric	\$ 60,343	57,370	306,309	58,129	55,966
Gas	4,165	3,853	3,788	3,704	4,026
Water	9,891	9,131	8,423	7,696	6,632
Wastewater	13,468	12,652	11,647	10,468	9,295
GRUCom	<u>2,419</u>	<u>14,560</u>	<u>987</u>	<u>275</u>	<u>1,627</u>
Total net revenue in accordance with bond resolution	\$ <u>90,286</u>	<u>84,466</u>	<u>331,155</u>	<u>80,273</u>	<u>77,547</u>
Aggregate bond debt service	\$ <u>29,765</u>	<u>29,459</u>	<u>29,900</u>	<u>30,783</u>	<u>30,745</u>
Aggregate debt service coverage ratio	3.03	2.87	11.08	2.61	2.52
Total debt service	\$ <u>37,677</u>	<u>34,905</u>	<u>33,892</u>	<u>39,470</u>	<u>44,196</u>
Total debt service coverage ratio	2.40	2.42	9.77	2.03	1.75

*(see note on page 51)*

**Schedules of Net Revenues in Accordance With Bond Resolution — Electric Utility Fund**

Years ended September 30, 2001 and 2000

*(in thousands)*

	2001	2000
<b>Revenue:</b>		
Sales of electricity:		
Residential sales	\$ 45,604	44,289
General service and large power	38,592	37,921
Fuel adjustment	45,036	38,975
Street and traffic lighting	2,992	2,888
Utility surcharge	3,330	3,198
Sales for resale	6,398	5,347
Interchange sales	<u>17,446</u>	<u>9,461</u>
Total sales of electricity	<u>159,398</u>	<u>142,078</u>
Other electric revenue:		
Service charges	1,880	1,935
Pole rentals	724	124
Miscellaneous	<u>126</u>	<u>374</u>
Total other electric revenue	2,730	2,433
Transfers to rate stabilization	(6,311)	(6,791)
Interest income	<u>5,713</u>	<u>5,107</u>
Total revenue	<u>161,530</u>	<u>142,827</u>
<b>Operation, maintenance and administrative expense:</b>		
Operation and maintenance:		
Fuel expense:		
Retail and purchased power	58,456	48,450
Interchange	<u>8,995</u>	<u>5,027</u>
Total fuel expense	<u>67,451</u>	<u>53,478</u>
Power production	16,728	16,171
Transmission	483	658
Distribution	<u>6,045</u>	<u>5,712</u>
Total operation and maintenance	<u>90,707</u>	<u>76,019</u>
Administrative and general:		
Customer accounts	3,569	3,054
Administrative and general	<u>6,911</u>	<u>6,384</u>
Total administrative and general	<u>10,480</u>	<u>9,438</u>
Total operation, maintenance and administrative expense	<u>101,187</u>	<u>85,457</u>
<b>Net revenue in accordance with bond resolution:</b>		
Retail	51,891	52,937
Interchange	<u>8,452</u>	<u>4,433</u>
Total net revenue in accordance with bond resolution	<u>\$ 60,343</u>	<u>57,370</u>

*(see note on page 51)*

**Schedules of Net Revenues in Accordance With Bond Resolution — Gas Utility Fund**

Years ended September 30, 2001 and 2000

*(in thousands)*

	2001	2000
<b>Revenue:</b>		
Sales of gas:		
Residential	\$ 11,697	7,957
Interruptible/commercial	9,301	6,686
Other sales	<u>640</u>	<u>633</u>
Total sales of gas	21,638	15,276
Other gas revenue (expense)	(11)	(96)
Transfers to rate stabilization	(954)	(181)
Interest income	<u>463</u>	<u>483</u>
Total revenue	<u>21,136</u>	<u>15,483</u>
<b>Operation, maintenance and administrative expense:</b>		
Operation and maintenance:		
Fuel expense	13,658	7,724
Operation and maintenance	<u>484</u>	<u>730</u>
Total operation and maintenance	14,142	8,453
Administrative and general:		
Customer accounts	1,792	1,585
Administrative and general	<u>1,037</u>	<u>1,592</u>
Total administrative and general	2,829	3,177
Total operation, maintenance and administrative expense	<u>16,971</u>	<u>11,630</u>
Total net revenue in accordance with bond resolution	<u>\$ 4,165</u>	<u>3,853</u>

*(see note on page 51)*

**Schedules of Net Revenues in Accordance With Bond Resolution — Water Utility Fund**

Years ended September 30, 2001 and 2000

*(in thousands)*

	2001	2000
<b>Revenue:</b>		
Sales of water:		
General customers	\$10,140	9,700
University of Florida	617	623
Fire protection	995	990
Generating stations	27	43
Utility surcharge	<u>1,100</u>	<u>1,001</u>
Total sales of water	<u>12,879</u>	<u>12,356</u>
Other water revenue:		
Connection charges	1,754	2,080
Miscellaneous	<u>9</u>	<u>5</u>
Total other water revenue	<u>1,763</u>	<u>2,085</u>
Transfers from rate stabilization	1,084	43
Interest income	<u>1,266</u>	<u>1,280</u>
Total revenue	<u>16,992</u>	<u>15,765</u>
<b>Operation, maintenance and administrative expense:</b>		
Operation and maintenance:		
Source of supply	10	7
Pumping	1,274	1,002
Water treatment	2,106	1,963
Transmission and distribution	<u>1,303</u>	<u>1,170</u>
Total operation and maintenance	<u>4,693</u>	<u>4,142</u>
Administrative and general:		
Customer accounts	946	878
Administrative and general	<u>1,462</u>	<u>1,613</u>
Total administrative and general	<u>2,408</u>	<u>2,491</u>
Total operation, maintenance and administrative expense	<u>7,101</u>	<u>6,633</u>
Total net revenue in accordance with bond resolution	<u>\$ 9,891</u>	<u>9,131</u>

*(see note on page 51)*

**Schedules of Net Revenues in Accordance With Bond Resolution — Wastewater Utility Fund***Years ended September 30, 2001 and 2000**(in thousands)*

	2001	2000
<b>Revenue:</b>		
Wastewater billings:		
Billings	\$14,363	14,100
Utility surcharge	<u>1,334</u>	<u>1,263</u>
Total wastewater billings	<u>15,697</u>	<u>15,363</u>
Other wastewater revenue:		
Connection charges	2,167	1,748
Miscellaneous	<u>247</u>	<u>219</u>
Total other wastewater revenue	<u>2,414</u>	<u>1,967</u>
Transfers from rate stabilization	1,893	1,673
Interest income	<u>1,733</u>	<u>1,915</u>
Total revenue	<u>21,737</u>	<u>20,918</u>
<b>Operation, maintenance and administrative expense:</b>		
Operation and maintenance:		
Collection	1,214	1,392
Treatment and pumping	<u>4,228</u>	<u>3,847</u>
Total operation and maintenance	<u>5,442</u>	<u>5,239</u>
Administrative and general:		
Customer accounts	846	769
Administrative and general	<u>1,981</u>	<u>2,260</u>
Total administrative and general	<u>2,827</u>	<u>3,029</u>
Total operation, maintenance and administrative expense	<u>8,269</u>	<u>8,268</u>
Total net revenue in accordance with bond resolution	<u>\$13,468</u>	<u>12,652</u>

*(see note on page 51)*

**Schedules of Net Revenues in Accordance With Bond Resolution — GRUCom Utility Fund**

*Years ended September 30, 2001 and 2000*

*(in thousands)*

	2001	2000
<b>Revenue:</b>		
Sales to customers	\$ 4,168	2,002
Other GRUCom revenue	983	1,304
Transfers to rate stabilization	(139)	—
Interest income	<u>183</u>	<u>27</u>
Total revenue	<u>5,195</u>	<u>3,333</u>
 <b>Operation, maintenance and administrative expense:</b>		
Operation and maintenance	<u>2,033</u>	<u>1,419</u>
Total operation and maintenance	<u>2,033</u>	<u>1,419</u>
 Administrative and general:		
Customer accounts	224	125
Administrative and general	<u>519</u>	<u>328</u>
Total administrative and general	<u>743</u>	<u>453</u>
Total operation, maintenance and administrative expense	<u>2,776</u>	<u>1,873</u>
Total net revenue in accordance with bond resolution	<u>\$ 2,419</u>	<u>1,460</u>

*(See note on page 51)*

**Notes to Schedules of Net Revenues in Accordance With Bond Resolution***September 30, 2001*

"Net revenue in accordance with bond resolution" differs from "Net income," 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.
- Operation and maintenance expense do not include depreciation, amortization or interest expense.
- Transfers to the general fund are excluded.
- Other revenue includes transfers (to) from the rate stabilization fund.
- Revenue from lease/leaseback transaction. (see Note 13)

**Combining Balance Sheet**

September 30, 2001

(in thousands)

**Assets**

	Electric	Gas	Water	Wastewater	GRUCom	Combined
<b>Utility plant:</b>						
Utility plant in service	\$ 521,468	35,698	117,635	153,846	17,977	846,624
Plant held for future use	6,054	—	—	—	—	6,054
Plant unclassified	57,178	729	1,933	1,933	370	62,143
Construction in progress	<u>47,333</u>	<u>2,085</u>	<u>9,749</u>	<u>11,757</u>	<u>5,748</u>	<u>76,672</u>
	632,033	38,512	129,317	167,536	24,095	991,493
Less accumulated depreciation and amortization	(230,658)	(17,262)	(41,345)	(55,191)	(4,680)	(349,136)
Net utility plant	<u>401,375</u>	<u>21,250</u>	<u>87,972</u>	<u>112,345</u>	<u>19,415</u>	<u>642,357</u>
<b>Current assets:</b>						
Cash and short-term investments	12,138	3,355	(2,233)	384	(546)	13,098
Accounts receivable, net	23,244	1,221	1,436	1,947	653	28,501
Futures contracts	4,037	—	—	—	—	4,037
Prepaid rent — lease/leaseback	10,687	—	—	—	—	10,687
Inventories:						
Fuel	5,033	—	—	—	—	5,033
Materials and supplies	<u>3,896</u>	<u>261</u>	<u>561</u>	<u>—</u>	<u>965</u>	<u>5,683</u>
Total current assets	<u>59,036</u>	<u>4,837</u>	<u>(236)</u>	<u>2,331</u>	<u>1,072</u>	<u>67,039</u>
<b>Long-term investments</b>	592	—	—	—	—	592
<b>Restricted assets:</b>						
Utility deposits:						
Cash and investments	3,835	—	—	—	—	3,835
Debt service fund:						
Cash and investments	41,158	3,356	6,294	8,429	1,063	60,300
Rate stabilization fund:						
Cash and investments	46,917	3,037	11,917	16,532	—	78,403
Construction fund:						
Cash and investments	8,814	1,806	(185)	4,368	786	15,589
Utility plant improvement fund:						
Cash and investments	883	1,566	2,713	5,913	340	11,415
Decommissioning reserve fund:						
Cash and investments	3,920	—	—	—	—	3,920
Investment in the Energy Authority:						
Cash and investments	<u>1,714</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,714</u>
Total restricted assets	<u>107,241</u>	<u>9,765</u>	<u>20,739</u>	<u>35,242</u>	<u>2,189</u>	<u>175,176</u>
<b>Prepaid rent — lease/leaseback</b>	172,772	—	—	—	—	172,772
<b>Deferred charges</b>	<u>8,578</u>	<u>6,388</u>	<u>575</u>	<u>729</u>	<u>318</u>	<u>16,588</u>
<b>Total assets</b>	<u>\$ 749,593</u>	<u>42,240</u>	<u>109,050</u>	<u>150,647</u>	<u>22,994</u>	<u>1,074,524</u>

**Combining Balance Sheet**

September 30, 2001

**Liabilities and Fund Equity**

	Electric	Gas	Water	Wastewater	GRUCom	Combined
<b>Long-term debt and fund equity:</b>						
Long-term debt:						
Utilities system revenue bonds	\$ 194,913	25,827	48,016	61,639	—	330,395
Utilities system commercial paper notes	<u>48,552</u>	<u>3,119</u>	<u>7,472</u>	<u>12,949</u>	<u>23,441</u>	<u>95,533</u>
	243,465	28,946	55,488	74,588	23,441	425,928
Less unamortized loss on refinancing	(20,397)	(865)	(3,266)	(3,045)	—	(27,573)
Less unamortized bond discount	<u>(2,434)</u>	<u>(312)</u>	<u>(494)</u>	<u>(717)</u>	<u>—</u>	<u>(3,957)</u>
Total long-term debt	220,634	27,769	51,728	70,826	23,441	394,398
Fund equity:						
Contributions in aid of construction	—	—	38,496	59,185	639	98,320
Retained earnings	<u>276,361</u>	<u>3,542</u>	<u>13,492</u>	<u>13,113</u>	<u>(1,189)</u>	<u>305,319</u>
Total fund equity	<u>276,361</u>	<u>3,542</u>	<u>51,988</u>	<u>72,298</u>	<u>(550)</u>	<u>403,639</u>
Total long-term debt and fund equity	<u>496,995</u>	<u>31,311</u>	<u>103,716</u>	<u>143,124</u>	<u>22,891</u>	<u>798,037</u>
<b>Current liabilities:</b>						
Fuel payable	4,882	296	—	—	—	5,178
Accounts payable and accrued liabilities	4,240	471	775	954	167	6,607
Deferred fuel charges	143	—	—	—	—	143
Operating lease — lease/leaseback	12,462	—	—	—	—	12,462
Due (from) to other funds	<u>(1,509)</u>	<u>951</u>	<u>1,054</u>	<u>1,568</u>	<u>(144)</u>	<u>1,920</u>
Total current liabilities	<u>20,218</u>	<u>1,718</u>	<u>1,829</u>	<u>2,522</u>	<u>23</u>	<u>26,310</u>
<b>Payable from restricted assets:</b>						
Utility deposits	3,693	—	—	—	—	3,693
Long-term debt payable — current	7,712	323	1,227	1,723	—	10,985
Accrued Interest payable	5,694	780	1,380	1,882	—	9,736
Construction fund:						
Accounts payable and accrued liabilities	<u>307</u>	<u>—</u>	<u>13</u>	<u>4</u>	<u>70</u>	<u>394</u>
Total payable from restricted assets	<u>17,406</u>	<u>1,103</u>	<u>2,620</u>	<u>3,609</u>	<u>70</u>	<u>24,808</u>
<b>Operating lease — lease/leaseback</b>	201,453	—	—	—	—	201,453
<b>Other liabilities and deferred credits</b>	<u>13,521</u>	<u>8,108</u>	<u>884</u>	<u>1,392</u>	<u>10</u>	<u>23,916</u>
Total liabilities and fund equity	<u>\$ 749,593</u>	<u>42,240</u>	<u>109,050</u>	<u>150,647</u>	<u>22,994</u>	<u>1,074,524</u>

**Combining Statement of Revenue and Expense and Retained Earnings***Year ended September 30, 2001**(in thousands)*

	Electric	Gas	Water	Wastewater	GRUCom	Combined
<b>Operating revenue:</b>						
Sales and service charges	\$159,398	21,638	12,879	15,697	4,168	213,780
Other operating revenue	4,506	(11)	9	247	983	5,734
Total operating revenue	<u>163,904</u>	<u>21,627</u>	<u>12,888</u>	<u>15,944</u>	<u>5,151</u>	<u>219,514</u>
<b>Operating expenses:</b>						
Operation and maintenance	90,707	14,142	4,693	5,442	2,033	117,017
Administrative and general	10,480	2,829	2,408	2,827	743	19,287
Depreciation and amortization	19,675	1,200	1,345	1,203	1,546	24,969
Total operating expenses	<u>120,862</u>	<u>18,171</u>	<u>8,446</u>	<u>9,472</u>	<u>4,322</u>	<u>161,273</u>
Operating income	<u>43,042</u>	<u>3,456</u>	<u>4,442</u>	<u>6,472</u>	<u>829</u>	<u>58,241</u>
<b>Non-operating income (expense):</b>						
Interest income	5,928	435	1,216	1,630	259	9,468
Interest expense, net of AFUDC	(13,390)	(1,709)	(3,180)	(4,198)	(970)	(23,447)
Gain (loss) on sale of investments	8	—	—	—	—	8
Total non-operating expense	<u>(7,454)</u>	<u>(1,274)</u>	<u>(1,964)</u>	<u>(2,568)</u>	<u>(711)</u>	<u>(13,971)</u>
<b>Capital contributions</b>	<u>—</u>	<u>—</u>	<u>4,054</u>	<u>4,569</u>	<u>—</u>	<u>8,623</u>
Net income	35,588	2,182	6,532	8,473	118	52,893
<b>Retained earnings, beginning of year</b>	256,690	2,424	10,003	8,699	(1,034)	276,782
<b>Operating transfer to City of Gainesville General Fund</b>	<u>(15,917)</u>	<u>(1,064)</u>	<u>(3,043)</u>	<u>(4,059)</u>	<u>(273)</u>	<u>(24,356)</u>
<b>Retained earnings, end of year</b>	<u>\$276,361</u>	<u>3,542</u>	<u>13,492</u>	<u>13,113</u>	<u>(1,189)</u>	<u>305,319</u>

### Schedule of Utility Plant Properties — Combined Utility Fund

September 30, 2001

(in thousands)

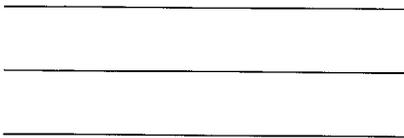
<i>Plant in service</i>	Balance September 30, 2000	Additions	Sales, Retirements and Transfers	Balance September 30, 2001
<b>Electric utility fund:</b>				
Production plant	\$ 282,102	407	(231)	282,278
Nuclear fuel	6,669	—	—	6,669
Transmission and distribution plant	186,101	4,972	(368)	190,705
General and common plant	38,067	3,749	—	41,816
Plant unclassified	<u>10,570</u>	<u>54,383</u>	<u>(7,775)</u>	<u>57,178</u>
Total electric utility fund	<u>523,509</u>	<u>63,511</u>	<u>(8,374)</u>	<u>578,646</u>
<b>Gas utility fund:</b>				
Distribution plant	26,841	2,573	(103)	29,311
General plant	1,411	325	—	1,736
Plant acquisition adjustment	4,651	—	—	4,651
Plant unclassified	<u>959</u>	<u>2,562</u>	<u>(2,792)</u>	<u>729</u>
Total gas utility fund	<u>33,862</u>	<u>5,460</u>	<u>(2,895)</u>	<u>36,427</u>
<b>Water utility fund:</b>				
Supply, pumping and treatment plant	18,164	2,396	—	20,560
Transmission and distribution plant	89,083	4,573	(773)	92,883
General plant	3,698	494	—	4,192
Plant unclassified	<u>3,040</u>	<u>6,216</u>	<u>(7,323)</u>	<u>1,933</u>
Total water utility fund	<u>113,985</u>	<u>13,679</u>	<u>(8,096)</u>	<u>119,568</u>
<b>Wastewater utility fund:</b>				
Pumping and treatment plant	57,413	3,398	—	60,811
Collection plant	81,471	3,598	(84)	84,985
Reclaimed water plant	2,085	35	—	2,120
General plant	5,257	673	—	5,930
Plant unclassified	<u>4,884</u>	<u>4,778</u>	<u>(7,729)</u>	<u>1,933</u>
Total wastewater utility fund	<u>151,110</u>	<u>12,482</u>	<u>(7,813)</u>	<u>155,779</u>
<b>GRUCom utility fund:</b>				
Distribution plant	8,139	9,354	—	17,493
General plant	290	194	—	484
Plant unclassified	<u>846</u>	<u>9,073</u>	<u>(9,549)</u>	<u>370</u>
Total GRUCom utility fund	<u>9,275</u>	<u>18,621</u>	<u>(9,549)</u>	<u>18,347</u>
Total plant in service	<u>\$ 831,741</u>	<u>113,753</u>	<u>(36,727)</u>	<u>908,767</u>
Plant held for future use — electric	<u>\$ 6,054</u>	<u>—</u>	<u>—</u>	<u>6,054</u>
<b>Construction in Progress</b>				
<b>Electric utility fund</b>	\$ 71,278	30,438	(54,383)	47,333
<b>Gas utility fund</b>	2,819	1,828	(2,562)	2,085
<b>Water utility fund</b>	8,186	7,779	(6,216)	9,749
<b>Wastewater utility fund</b>	9,437	7,098	(4,778)	11,757
<b>GRUCom utility fund</b>	<u>10,987</u>	<u>3,834</u>	<u>(9,073)</u>	<u>5,748</u>
Total construction in progress	<u>\$ 102,707</u>	<u>50,977</u>	<u>(77,012)</u>	<u>76,672</u>

### Schedule of Accumulated Depreciation and Amortization — Combined Utility Fund

September 30, 2001

(in thousands)

	Balance September 30, 2000	Additions	Sales, Retirements and Transfers	Balance September 30, 2001
<b>Electric utility fund:</b>				
Production plant	\$ 146,022	8,059	(249)	153,832
Nuclear fuel	5,862	307	—	6,169
Transmission and distribution plant	46,702	5,177	(560)	51,319
General and common plant	<u>16,070</u>	<u>3,200</u>	<u>68</u>	<u>19,338</u>
Total electric utility fund	<u>214,656</u>	<u>16,743</u>	<u>(741)</u>	<u>230,658</u>
<b>Gas utility fund:</b>				
Distribution plant	12,006	817	(130)	12,693
General plant	910	163	—	1,073
Plant acquisition adjustment	<u>3,196</u>	<u>300</u>	<u>—</u>	<u>3,496</u>
Total gas utility fund	<u>16,112</u>	<u>1,280</u>	<u>(130)</u>	<u>17,262</u>
<b>Water utility fund:</b>				
Supply, pumping and treatment plant	7,970	573	(124)	8,419
Transmission and distribution plant	28,310	2,102	(846)	29,566
General plant	<u>3,096</u>	<u>261</u>	<u>3</u>	<u>3,360</u>
Total water utility fund	<u>39,376</u>	<u>2,936</u>	<u>(967)</u>	<u>41,345</u>
<b>Wastewater utility fund:</b>				
Pumping and treatment plant	21,797	1,779	(125)	23,451
Collection plant	25,144	1,638	(115)	26,667
Reclaimed water plant	219	42	—	261
General plant	<u>4,315</u>	<u>496</u>	<u>1</u>	<u>4,812</u>
Total wastewater utility fund	<u>51,475</u>	<u>3,955</u>	<u>(239)</u>	<u>55,191</u>
<b>GRUCom utility fund:</b>				
Distribution plant	2,915	1,648	(18)	4,545
General plant	<u>92</u>	<u>43</u>	<u>—</u>	<u>135</u>
Total GRUCom utility fund	<u>3,007</u>	<u>1,691</u>	<u>(18)</u>	<u>4,680</u>
Total	<u>\$ 324,626</u>	<u>26,605</u>	<u>(2,095)</u>	<u>349,136</u>



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# Gainesville Regional Utilities

Dear Reader:

Your comments are important to us. Please share your thoughts and suggestions by filling in the enclosed questionnaire. It should take no more than 5 minutes to complete.

In appreciation for your time, all response cards will be entered in a drawing for a \$50 gift certificate from Amazon.com. Thank you for your help.

Kim Simpson, Utility Finance Director

1) Please rate the sections of the Gainesville Regional Utilities 2001 Annual Report by circling the appropriate number. Consider overall quality, communication effectiveness and readability of the sections.

	Poor	Fair	Good	Excellent
Letter from General Manager	1	2	3	4
Narrative on service, community, innovation, financial strength and stability	1	2	3	4
Financial Section	1	2	3	4
Financial Highlights	1	2	3	4
Fiscal Year Statistics	1	2	3	4

2) Please rate the annual report on the following characteristics:

	Poor	Fair	Good	Excellent
Appearance/design	1	2	3	4
Use of photography	1	2	3	4
Use of charts/graphs	1	2	3	4
Readability	1	2	3	4
Organization/ease of locating information	1	2	3	4
Helping you understand GRU	1	2	3	4
Showing how GRU is positioned for the future	1	2	3	4

3) As a whole, please rate the Gainesville Regional Utilities 2001 Annual Report by circling the number below that best describes your overall impression of this report and how it compares to other annual reports you receive from utility companies.

Overall, I feel the report is:	Poor	Fair	Good	Excellent
	1	2	3	4

4) How do you use the information from the report? \_\_\_\_\_

5) What information would you like to see added? \_\_\_\_\_

6) What do you like about this report? \_\_\_\_\_

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8) How could we better meet your needs? \_\_\_\_\_

9) Additional comments: \_\_\_\_\_

10) Please check the appropriate information that best describes you:

Male  Female Age:  0-21  22-40  41-50  51-65  65+

Name \_\_\_\_\_ Job Title \_\_\_\_\_

Address \_\_\_\_\_

I wish to continue receiving the GRU Annual Report.  I wish to be removed from your mailing list.

Please detach and drop in the mail. No postage is required.  
Thank you for reading the Gainesville Regional Utilities 2001 Annual Report and for answering this survey.

GRU Annual Report 2000/01 Statistics

**Energy Supply**

Deerhaven Generating Station	424 megawatts (MW)
Net Capability	
John R. Kelly Generating Station	
Net Capability	175 MW
Share Ownership of Crystal River 3	Net Capability 11 MW
Combined System	Net Capability 550 MW

**Energy Delivery**

Service Area	130 sq. miles
Transmission	116.5 miles of 138 kilovolts (kV)
2.5 miles of 230 kV — 119.0 total circuit miles	
Distribution	606 Overhead (OH) circuit miles at 12 kV
655 Underground (UG) circuit miles at 12 kV — 1,243 total circuit miles	
Distribution Substations	7 (138 kV/12kV)

**Natural Gas System**

Service Area	83 sq. miles
Distribution Mains	586 miles
Delivery Points	5

**Water System**

Walter E. Murphree Water Treatment Plant	
Treatment Capacity	40 million gallons/day (MGD), peak day
Storage Capacity	20.3 million gallons (MG)
Supply Wells	13
Water Service Area	118 sq. miles
Distribution Mains	959 miles

**Wastewater System**

Kanapaha Water Reclamation Facility	
Treatment Capacity	10 MGD, Avg. Annual Daily Flow (AADF)
Main Street Wastewater Treatment Plant	
Treatment Capacity	7.5 MGD, AADF
Combined Treatment Capacity	17.5 MGD, AADF
Collection Service Area	115 sq. miles
Gravity Mains	532 miles
Force Mains	123 miles
Lift Stations	145

**Communications**

Miles of Fiber Optic Cable	171 miles
On-net Locations	195
Maximum Band Width	OC-48 (2.5 gigabits/second)

More than Energy.™ More to follow. GRU.

**INVESTOR INFORMATION**

Certified Public Accountants  
Ernst & Young LLP

**REVENUE BONDS**

Trustee/Registrar/Paying Agent  
U.S. Bank Trust National Association  
New York, NY

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**DESIGN &  
PRODUCTION**

PRO iNK Corporation

**PHOTOGRAPHY**

Media Image Photography  
Allen Cheuvront & Associates

**PRINTING**

StorierChilds Printing Company, Inc.



Gainesville Regional Utilities  
P.O. Box 147117  
Gainesville, Florida 32614-7117  
p: (352) 334-3400  
e: [gru@gru.com](mailto:gru@gru.com)  
w: [www.gru.com](http://www.gru.com)