

BAINESVILLE
1991
REGIONAL
Annual
UTILITIES
Report



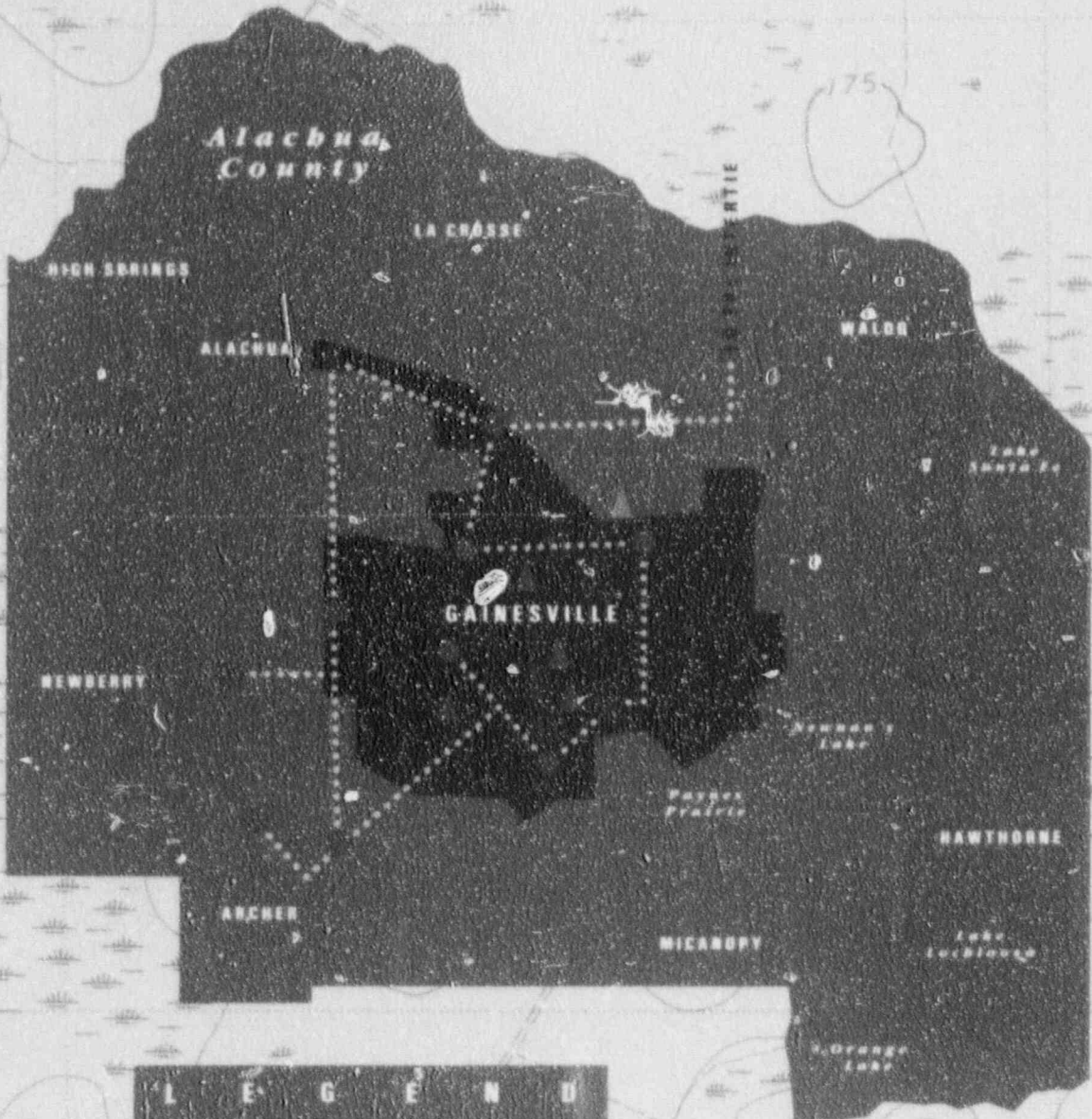
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Major Facilities of Combined Systems



L E G E N D

- Electric Generating Station
- Electric Substation
- Electric System Transmission
- Water Treatment Plant
- Wastewater Treatment Plant
- Elevated Water Storage
- GRU Combined Systems Service Area

Highlights for Fiscal 1990-91

	1991	1990	Percent Change
Financial:			
Net revenues after rate stabilization transfer	\$ 65,721,781	\$ 60,279,898	9.0%
Aggregate debt service	26,765,070	19,664,700	36.1%
Aggregate bond debt service ratio	2.46	3.07	(19.9%)
Total debt service ratio	1.84	2.27	(18.9%)
Long term debt	420,390,597	425,431,193	(1.2%)
Net utility plant	432,187,442	413,203,351	4.6%
Cash and investment:			
Rate stabilization fund and revenue fund	45,623,446	45,581,971	0.1%
Customers (12 months average):			
Residential electric	54,901	53,579	2.5%
Non-residential electric	6,500	6,365	2.1%
Total electric	61,401	59,944	2.4%
Water	42,630	41,923	1.7%
Wastewater	38,710	37,997	1.9%
Natural gas	19,696	19,269	2.2%
Sales of energy (gigawatt hours):			
Residential	604.9	581.9	4.0%
General service/large power	519.6	594.5	-4.2%
Lighting	16.3	15.9	2.6%
Sales for resale	89.7	85.0	5.5%
Sub-total	1,330.5	1,277.3	4.2%
Interchange	505.9	417.3	21.2%
Total	1,836.4	1,694.6	4.2%
Sales of water (million gallons):	6,185.2	6,499.7	(4.8%)
Wastewater treated (million gallons):	3,876.4	3,965.9	(2.3%)
Natural gas (million therms):	28.0	29.5	(5.1%)

FOREWORD

Gainesville has one of the most beautiful tree canopies in the state of Florida. The climate supports an interesting combination of semi-tropical and temperate species, and from a high vantage point this metropolitan area of over 140,000 inhabitants looks like a forest.

Gainesville Regional Utilities is owned by the City of Gainesville, and therefore is committed to keeping our environment as attractive as possible. GRU's Trade-A-Tree program, Downtown Underground project, stringent environmental protection programs, and many other projects described in the environmental section of this annual report, are all aimed at keeping our habitat safe, clean and appealing. With this in mind, GRU has dedicated this report to "Enhancing Your Environment."

Gainesville is the hub of commerce, education and culture for north central Florida. The diversified local economy includes services, trade, medicine, technology, banking, insurance, agriculture and government. The

University of Florida, with 34,000 students and a staff of 18,000, is the state's leading institution of higher learning. Santa Fe Community College adds 11,000 full and part-time students to help make Gainesville one of the foremost educational centers in the southeast. Gainesville's medical community is one of the largest in the southeastern United States, with four major hospitals supported by a diversity of clinics and medical businesses.

The cultural atmosphere of Gainesville offers professional theatre, music and dance companies, a large visual arts community, as well as notable museums of art and natural history.

The citizens of Gainesville are committed to maintaining a high quality of life. Economic growth is encouraged through cooperative planning and consideration for the environment. GRU is part of that commitment, and plans its own growth with the best interests of our community in mind.

To Our Owners and Customers

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During fiscal year 1991 GRU continued its commitment to providing our customers excellent service and among the lowest rates in the state of Florida. One of the most diversified utilities in the state, GRU offers electric, water, wastewater and natural gas service with a concern for the environment and the welfare of the community in mind. In order to maintain the long term financial stability of the utility for the benefit of our customers, GRU has effectively controlled operating costs and has earned the highest bond rating available to municipal utilities.

GRU's expansion into natural gas service has been both successful and beneficial to our customers. Being a public utility we have been able to keep natural gas rates low. With the ability to offer optional energy sources, our analysts are in a better position to help our customers determine which source will best serve their individual circumstances.

The past year has seen the development of a unified billing system, to be in place in January 1992. Once this system is activated, our meter readers will be able to read electric, water and natural gas meters all at once. This will allow all services to be listed on one bill, further simplifying billing services to our customers, and helping us keep our costs down.

Another major unification project nearing completion in fiscal year 1991 has been the construction of our new administration building, with its grand opening scheduled for December 1991. The new building will centralize administration, customer service and engineering operations for all GRU systems, increasing our ability to efficiently deliver services to our customers.

GRU continues to improve and expand our service capabilities. The development of the new SpringhillSM Service Center in the western portion of our service area will improve our ability to provide efficient and timely electric and natural gas service to one of the fastest growing areas of our community. The completion of this facility is projected for the fall of 1992 and is expected to reduce electric system and gas system field transportation costs in the western service area by 30%.

Several new computerized information systems projects were initiated or completed in fiscal year 1991, including the new customer information and billing system, new mainframe hardware, a remittance processing system, and an integrated financial and materials management system.



Mayor
Rodney
J. Long Neff
and GCL
General
Manager
Michael J.
Kerry
in the
atrium of
GRU's new
adminis-
tration
building.

To Our Owners and Customers

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Many other noteworthy projects will be described in the individual service sections of this report.

GRU continued to provide the public with informational programs such as our Speakers' Bureau for local business and civic groups, our customer newsletter containing conservation and other utility and community service information, "Power Lunches" which gave customers the opportunity to have a face to face dialogue with our top managers while visiting various utility operating facilities, and a variety of other programs designed to inform and educate our customers. During fiscal 1991, GRU's Customer Relations Department received fifteen "image" Awards from the Florida Public Relations Association in recognition for customer relations efforts, primarily in the area of conservation.

GRU has worked to support the Council for Economic Outreach (CEO). CEO is a not-for-profit corporation jointly funded by local businesses and government entities to promote economic development by encouraging new businesses to move to Alachua County. GRU is contributing \$100,000 a year to this effort. In conjunction, GRU representatives meet with interested businesses to provide them with information concerning the availability of utility service for their proposed business sites.

GRU's net revenues for fiscal year 1991 were: \$50,224,280 for the electric system, \$7,117,337 for the wastewater system, \$5,429,271 for the water system, and \$2,950,893 for the natural gas system.

GRU continues to maintain highly competitive rates in all four systems. Cumulative rate increases have been kept at a level below increases in the Consumer Price Index for the past six years. GRU's fiscal year 1991 transfer to the City of Gainesville's General Fund was 12.8% higher than in fiscal year 1990, and will increase by 7.8% in fiscal year 1992. Additionally, GRU will share \$4,792,514 of proceeds of an escrow restructuring with the General Government. The City Commission has directed that these proceeds be placed in designated capital, insurance, and emergency reserves in accordance with the terms of a formal reserve policy which was adopted during fiscal year 1991 to increase the ability of local government to respond to unforeseen fluctuations in funding sources.

GRU continues to retain "double A" bond ratings from both Moody's and Standard & Poor's rating services. These ratings identify our bonds as one of the best municipal utility investments in the country.

GRU joined the cities of Kissimmee, Starke, Homestead and Sebring to form the Florida Gas Utility (FGU), a cooperative organization of municipal utilities structured to use group purchasing to take advantage of "Open Access," a Federal Energy Regulatory Commission mandate allowing the purchase of natural gas on the open market. As a result of group buying, GRU saved \$4,886,000 through FGU in fiscal year 1991, when compared with the purchase of the same amount of gas from FGT.

GRU added 477 customers from Clay Electric Cooperative under an existing territorial agreement. Fiscal year 1991 was the only year of a seven-year transfer period under the terms of this 15 year agreement in which GRU also transferred customers (344) to Clay. By the end of the transfer period GRU will have gained approximately 4,000 customers from Clay under the agreement.

In recognition of GRU's commitment to Gainesville's environmental concerns, the theme of this year's annual report is "Enhancing Your Environment." We have added a section on our environmental endeavors, such as the \$15,000,000 upgrade to our Main Street Wastewater Treatment Plant, and our popular "Trade A Tree" program. GRU is an active element in the life of our community, and our employees are dedicated to our local environment. GRU has a commitment to habitat protection, conservation services, community support programs, education and volunteerism.

As a publicly-owned utility system, GRU recognizes its obligation to the environmental quality of life in our community. Every system within GRU is carefully monitored around the clock for environmental performance. GRU has a staff of environmental engineers to ensure that GRU operates in accordance with all environmental standards. Besides monitoring our own operations, GRU is also involved in projects that promote the home, business and natural environmental quality of our community as a whole.

GRU's Trade-A-Tree program, expanded in fiscal year 1991, helps our customers place the "right tree in the right place." GRU personnel work directly with customers to replace trees near power lines, in public rights-of-way and in utility easements. Certain trees can cause safety hazards or utility outages, and must be removed. However, to help protect Gainesville's tree canopy, when dangerous trees must be removed, GRU supplies our customers with young compatible trees, as well as advice on where to plant them. If customers don't want the replacement trees, GRU provides them to our City and County parks departments.

Clean air is another important environmental issue. GRU's generating stations have been designed and are being operated to minimize emissions such as sulfur dioxide, nitrous oxide, and particulate matter. GRU maintains low emissions by burning low sulfur coal and natural gas. An electrostatic precipitator on Deerhaven Unit 2 (our largest unit) removes particulate matter before it leaves the stack. Emissions are also measured by a continuous in-stack monitoring system. Plant emissions are maintained at levels which meet or exceed state and federal standards. Additionally, Deerhaven is a "zero discharge" plant, completely recycling all process water used in the plant.

Clean water is also significant in maintaining a quality environment. Since it opened in 1976, GRU's Murphree Water Treatment Plant has won the Florida Department of Environmental Regulation's "Best Operated Plant" award more than twice as many times as all other water treatment plants in this district combined.

GRU's restoration and joint operation of Gainesville's historic Boulware Springs has preserved a monument to the development of this community.

Kanapaha Botanical Garden is the site of an unusual top "water garden" that will reuse wastewater to create a stream and bog garden.



Boulware Springs long played an integral role in the development of this area. Settlement can be traced back to 500 B.C., and artifacts recovered date back to the Cades Pond Indian culture (200-800 A.D.). It was at the springs that a picnic was held in 1854 for the purpose of selecting a county seat. After much debate, the name Gainesville was chosen over the alternative Lewisville. An offer of free water from the springs was

instrumental in attracting the University of Florida to Gainesville in 1905. GRU has restored the original water works and pump house that supplied this community with its water at the turn of the century. The facility is now used for community meetings and private functions.

The treatment of wastewater is another significant environmental operation.

GRU's Kanapaha Water Reclamation Facility is the only wastewater treatment plant in Florida permitted to meet drinking water standards and return reclaimed water directly to the lower reaches of the Floridan Aquifer. Because this water is treated to such high standards, GRU is seeking additional cost effective ways to reuse it. One reuse project is the "Water Garden" at Kanapaha Botanical Garden. High quality effluent will be used to create a stream and a bog garden which will feature aquatic plants along a stream with waterfalls.

Enhancing Your Environment

GRU NEWS RELEASE

GRU's Main Street Wastewater Treatment Plant is undergoing a \$15 million upgrade to achieve advanced secondary treatment standards. When this project is completed in the summer of 1992, the Main Street Plant will be capable of exceeding state and federal treatment standards for years to come.

GRU teamed with the University of Florida to solve the waste disposal problem of Gainesville Raceway, host of "Gatornationals," in another reuse project. Gainesville Raceway had been transporting wastewater offsite in tanker trucks, but volume was a problem. GRU helped develop an innovative batch treatment system that incorporated conventional treatment with aquatic plants to remove pollutants. The effluent is capable of being used to irrigate a large farming operation, or can be utilized to support a fish pond.

GRU has also initiated a wastewater treatment rate for curtailable facilities in order to encourage groundwater recovery of petroleum contaminated sites to help ensure environmentally sound disposal and treatment of these pollutants. Informational material and public awareness programs are also offered to local photographers to encourage the proper disposal of silver used in film processing techniques.

With the addition of natural gas to our services, GRU offers our customers the option of utilizing the cleanest source of fuel available to meet some of their energy requirements.

In addition to our efforts to protect this area's natural systems, GRU contributes to the quality of the home and business environment. GRU provides free residential and commercial conservation surveys, energy saving showerheads, aerators and energy-saving water heater jackets. GRU also offers a commercial lighting service, promotes energy efficient homes, and offers rebates to promote the use of natural gas. All of these measures help conserve our natural resources and reduce the impact of energy use on the environment. GRU also provides information on electric and magnetic fields, radon, toxic waste disposal, and the prevention of backflow into the water system. Other informational programs in the schools and through our customer newsletter continually promote conservation.



GRU
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in the
community.

GRU is also actively involved in enhancing the community's environment. Our employees volunteer to repair low income housing through the Florida Fix program. GRU's Project SHARE provides utility bill assistance to the elderly, handicapped and disadvantaged. Our electric system is involved in a long-term commitment to placing electric facilities underground in our historic downtown district to promote a more aesthetic environment. New tree trimming programs promoting aesthetic and healthy trees are combined with the Trade-A-Tree program to help maintain attractive streets. Enforcement of a no-posting ordinance on all utility poles is now in effect.

GRU sponsors or operates these conservation and environmental programs for our community as our commitment to "Enhancing Your Environment."

Power Systems and Electric Systems Operations (ESO) are complementary operations that comprise GRU's Electric System. For environmental protection, Power Systems purchases low sulphur coal and clean natural gas, and keeps a stringent watch on generating plant emissions. ESO's environmental contributions include maintaining tree trimming and trading programs, and constructing underground facilities in all new subdivisions. In projects such as "Downtown Underground" ESO enhance the appearance of key older neighborhoods. Power Systems and ESO share the goals of providing our customers the best service available at the lowest rates possible with a concern for the protection of our community.



Planting the right tree in the right place is the goal of GRU's Trade-A-Tree program.

Power Systems

GRU owns and operates two electric generating stations. The John R. Kelly Generating Station, located near downtown Gainesville, has been in operation since 1912, when its construction marked the beginning of locally owned public power in Gainesville.

The Kelly Plant currently operates two natural gas/oil-fired steam units and three natural gas/oil-fired combustion turbines with a net generating capacity of 103 megawatts (MW).

The Deerhaven Generating Station currently operates one coal-fired steam unit, one natural gas/oil-fired steam unit and two natural gas/oil-fired combustion turbines with a net generating capacity of 334 MW. In addition, GRU owns a 1.4% share of Florida Power Corporation's Crystal River generating unit. This ownership share entitles GRU to approximately 11 MW, contributing to a system-wide combined net generating capacity of 448 MW. Deerhaven's Unit 2, the largest in the system with a generating capability of 235 MW, achieved an operating availability of 87% during fiscal year 1991. This is approximately 5% above the national average for units in its class.

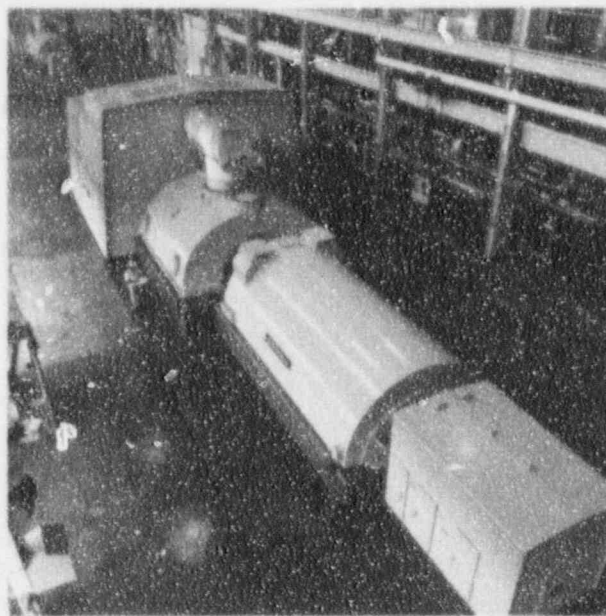
During fiscal year 1991, GRU initiated a comprehensive planning study for the purpose of evaluating the type, size and timing for GRU's next generation project. The study is evaluating all available renewable and non-renewable technology alternatives and demand-side management strategies.



Deerhaven Generating Station's control room is at the center of the state's electric facilities.

Continued access to low-cost, environmentally-safe fuels remained a high priority in fiscal year 1991. A major advance came with the organization of Florida Gas Utility (FGU), a cooperative purchasing effort pioneered by GRU and in which a growing number of Florida municipal utilities participate.

As of August 1, 1990, Florida Gas Transmission Company (FGT), a natural gas pipeline company supplying Florida with most of its gas, became an "Open Access" company, meaning that customers could purchase gas on the open market rather than directly from FGT. FGU was formed in order to take advantage of open access with the purchasing power of a large group. By contract, GRU's Fuels Management Department performs all purchasing and dispatching services for the organization. FGU sends requests for bids to approximately 50 different gas suppliers in order to find the best deals available in the nation. During fiscal year 1991, GRU saved \$4,866,000 as the result of this arrangement.



Two gas-fired combustion turbines contribute to the 334 MW of power capacity provided by the Deerhaven Power Generating Station.

GRU sold its 106 steel railroad cars during fiscal year 1991 and replaced them with 110 lighter, more cost effective aluminum cars, which were delivered on July 2, 1991. By using the lighter aluminum cars, GRU receives a \$0.50 freight reduction for each ton of coal hauled. GRU's steel cars were sold for more than \$3,000,000, helping to offset the \$6,100,000 purchase price of the new cars. Had the steel cars been retained, they would have required \$1,500,000 in repairs.

Fiscal 1991 also saw the negotiation of 5-year transportation agreements with both CSX corporation, GRU's sole historical rail transporter, and with Norfolk Southern Corporation. This arrangement will encourage market competition.

Electric Systems Operations

The principal responsibility of ESD is the transmission and distribution of electric power to GRU's customers in a safe, reliable and cost-effective manner.

Planning for GRU's new Springhills Service Center began in fiscal year 1991. The new facility, to be completed and occupied in late 1992, will enhance the ability of both ESD and the Gas System to provide better and more cost effective service to the west side, the fastest growing portion of GRU's service area. As a satellite operations center for ESD Transmission and Distribution crews, as well as being the primary operations center for the Gas System, the \$1,700,000 facility is expected to reduce field transportation costs on the west side by 30%. A supporting warehouse will also be located on the site.

Fiscal year 1991 was the fifth year of a seven year transfer period under a 15-year territorial agreement between GRU and Clay Electric Cooperative. The purpose of the agreement is to eliminate duplication of electric facilities in previously overlapping service areas and to bring unprofitable local competition to an end. The arrangement is beneficial to both utilities, and adds to the aesthetics

The Electric System

of the local area by reducing the amount of electric facilities. This year GRU received 477 customers from Clay and Clay received 344 customers from GRU. This is the only year of the agreement in which customers are to be transferred to Clay. By the end of the transfer period, GRU will have received approximately 4,000 customers previously served by Clay.

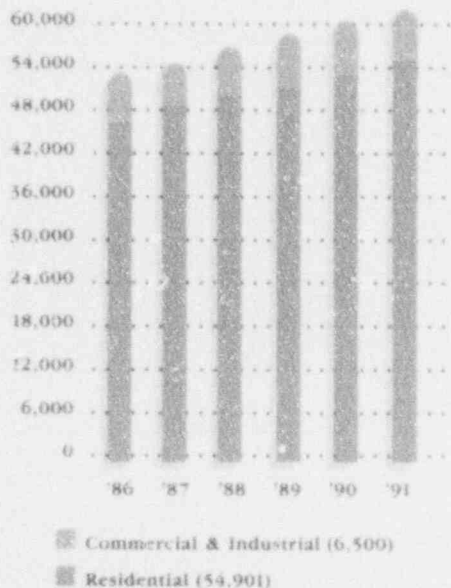
The fourth of the seven phases of GRU's "Downtown Underground" project was completed in fiscal 1991. This project, which began in 1986, was initiated to enhance Gainesville's Central City District by removing overhead wires and poles and replacing them with underground distribution facilities. GRU is also replacing many high pressure sodium and mercury vapor lamps with more attractive, energy efficient metal halide fixtures. Project costs to date have been approximately \$1,600,000. Downtown Underground is due to be completed in 1994 at a total project cost of approximately \$3,100,000. GRU's Aerial Cable program continued in fiscal year 1991, with expenditures of roughly \$650,000. The program significantly reduces the number of power outages caused by high winds and falling tree limbs by replacing existing electrical conductors with aerial cable in high tree density areas. Aerial cable is specially insulated and suspended beneath a reinforced steel wire for protection.

GRU's Trade-A-Tree and directional trimming programs have been well received by our customers. The Trade-A-Tree program provides young containerized trees to customers in exchange for problem trees that must be removed before they create an outage or safety problem. The directional trimming program allows trees to be saved that might otherwise have been removed by trimming them in such a way that encourages new growth in a trouble-free direction.

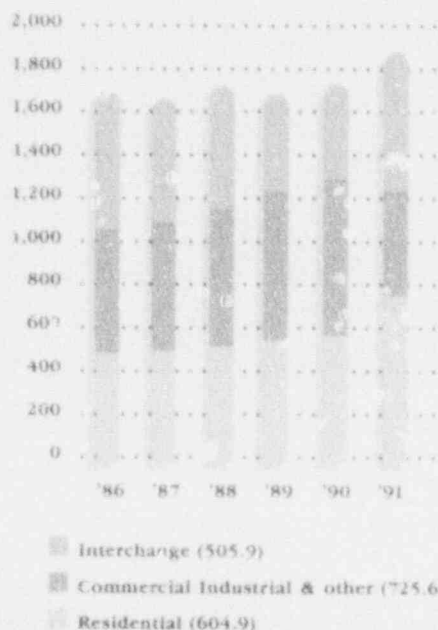
GRU continued to deploy its Distribution Automation Project with the placement of more Remote Telemetry Units (RTU's). An RTU monitors and allows control of electric equipment at strategic locations throughout the electric network. Full implementation of this project will allow for significantly improved remote control and "real-time" analysis capabilities, and reduce requirements for on-site switching personnel.

GRU remains one of the few municipal utilities that has converted its electric distribution system record drawings to an electronic medium. The Geographic Information System (GIS) uses digital maps to allow more efficient record keeping and facilities management.

Electric System Number of Retail Customers
(ANNUAL AVERAGE)



Electric System Energy Sales
(GIGAWATT HOURS)



The Water and Wastewater Systems

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GRU's Water and Wastewater Systems are under one administration within GRU. These systems work in close cooperation to perform their primary obligations: providing and protecting clean drinking water. The complementary operations of these two systems form a completed water cycle. The Water System draws raw water from the Floridan Aquifer, treats it to drinking water standards and provides it to the greater Gainesville Community. The Wastewater System collects the used water produced by the community, treats it, and returns it to the environment. The efforts of these two systems have been recognized by the many awards they have received over the years for safety and operation.

The Water System

GRU draws Gainesville's water supply from a confined region of the Floridan Aquifer. The aquifer is a large, slow moving underground reservoir that provides a virtually limitless source of water. This reserve is more than capable of meeting the needs of our growing community, and is protected from surface contamination by thick, impermeable layers of clay. Another natural protection is provided by the tendency of the water, under artesian pressure, to leak upward.

The water supply is drawn through eight production wells with a combined capacity of 40 million gallons per day (MGD). The first of three planned additional wells should be in operation in early 1992, with the last on line by July, 1992. These new wells will provide an additional 11.5 MGD of capacity, and will recover their \$1,500,000 installation costs in reduced treatment expenses by affording the other wells reduced operation time.

GRU's Murphree Water Treatment Plant is a lime-softening facility which also chlorinates, fluoridates and filters groundwater prior to distribution. The Murphree Plant has been rerated from 30 MGD to 34 MGD, which has allowed GRU to postpone plant expansion for three years. Fiscal year 1991 saw the initiation of a \$1,300,000 ground storage expansion project that will add 5 million gallons of storage capacity. A \$1,800,000 reactor clarifier project was initiated in 1991 for the purpose of increasing the plant's ability to soften water, thereby ensuring it can meet future demands for treatment and reliability.



The Murphree Water Treatment Plant provides water to residents throughout the greater Gainesville area.

The Water and Wastewater Systems

Protecting and protecting clean drinking water is the primary goal of GRU's Water and Wastewater systems.



The Water Distribution System consists of two elevated storage tanks with a combined capacity of 1.5 million gallons, a 1 million gallon ground storage tank with associated pumping facilities, and approximately 780 miles of transmission and distribution facilities. Major distribution projects for the fiscal year have included the replacement of a private development's water system with GRU facilities. A 20" water main was extended from downtown deep into the southwest portion of our service area for the purpose of stabilizing pressures in the area and enhancing system operation and reliability. GRU also acquired sites in northwest and southwest Gainesville for the future construction of repump stations designed to support water pressure in those areas.

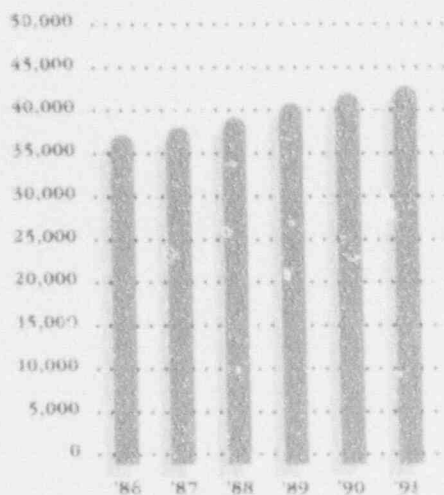
The Wastewater System

GRU's Kanapaha Water Reclamation Facility is a state-of-the-art wastewater recycling plant that is the only facility of its kind in the state of Florida that is permitted to discharge directly into the lower zones of the Florida Aquifer. GRU's Main Street Wastewater Treatment Plant is currently undergoing a \$15,000,000 upgrade designed to allow it to meet stringent new U.S. Environmental Protection Agency (EPA) standards for years to come.

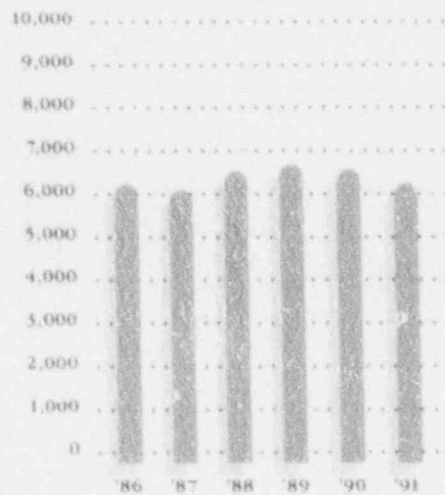
The two wastewater treatment plants offer a total combined capacity of 17.5 MGD. The Main Street Plant is located south of downtown Gainesville, is rated at 7.5 MGD, and discharges treated effluent into Sweetwater Branch, a small stream flowing into Paynes Prairie. The Kanapaha Facility is located in the growing western portion of our service area, is rated at 10 MGD, and recharges drinking water quality effluent directly into the Florida Aquifer.

The Main Street Plant upgrade continues to be the most significant project in the Wastewater System. Its purpose is to upgrade the existing process to meet advanced secondary treatment standards. The project is replacing obsolete trickling filters with state-of-the-art extended aeration activated sludge process units. Additional new facilities include effluent filtration, gravity belt sludge

Water System Number of Customers
(ANNUAL AVERAGE)

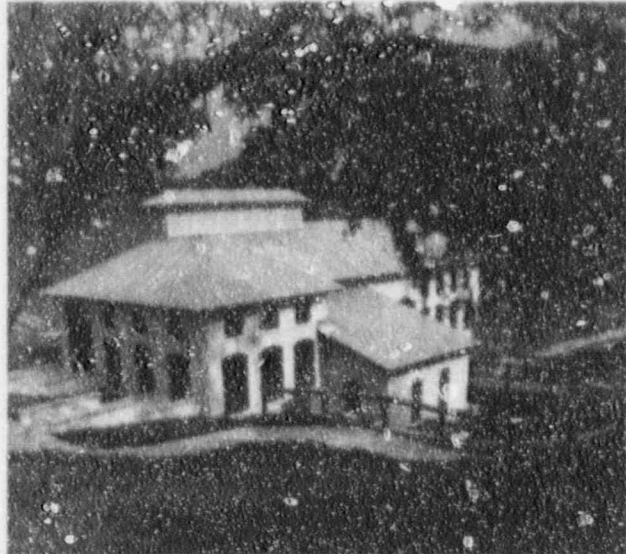


Water System Sales
(MILLION GALLONS)



thickeners, and significant improvements to the plant headworks to control odors and improve plant reliability. The project, which was initiated in 1989, has been implemented in phases to allow for continued operation of the plant. Completion is scheduled for June, 1992. Aggressive grant procurement by GRU secured Federal grants amounting to \$8,800,000. These grants have been used to offset the customer costs of this improvement to our system.

The upgrading of sludge handling facilities at the Kanapaha Plant was completed during fiscal year 1991. Federal grants totalling \$1,400,000 helped to offset the project cost of \$2,500,000. Modernized sludge digestion and solids handling facilities have been provided and upgraded by the addition of a third aerobic sludge digester, gravity belt sludge thickeners, and plant service water and headworks facilities.



Today, Botanical Gardens has been restored for use as a park and meeting facility.

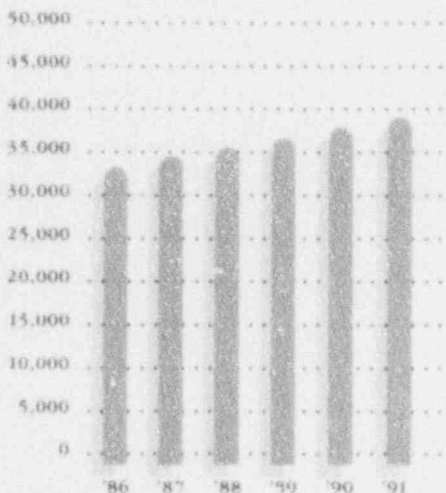
Water reuse projects included the initiation of a proposed "Water Garden"

at Kanapaha Botanical Gardens created from reclaimed water from the Kanapaha Facility, and the completed installation of a \$310,000 treatment facility for Gainesville Raceway that includes recycling treated effluent into a fish pond. Both projects were discussed in more detail in the "Enhancing Your Environment" section of this report.

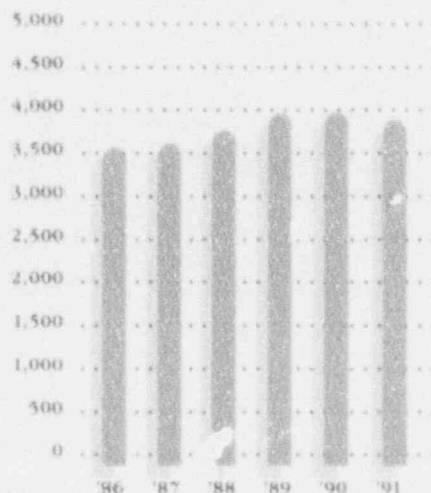
Another major project in Wastewater Systems was the construction of a 16" force main shunt to provide for future service flexibility and the ability to direct flow between the two treatment plants. The new main reused existing out-of-service force main running along an abandoned railroad bed. A paved asphalt bicycle path will be constructed as part of the site restoration work.

Also completed in fiscal year 1991 was the construction and start-up of the Reflections Master Lift Station, a facility used to remove almost all of the effluent from a fast growing commercial area, while providing future growth potential.

**Wastewater System
Number of Customers
(ANNUAL AVERAGE)**



**Wastewater System Billings
(MILLION GALLONS)**



The Gas System

GRU's Gas System provides natural gas to approximately 20,000 customers in the Gainesville service area. Natural gas is the most environmentally safe source of energy available for wide-scale use. It is clean burning and efficient, and is well suited for providing customers a low cost source of energy for heating, cooking and water heating.

GRU's natural gas distribution system primarily consists of 410 miles of underground distribution and service lines. This network is configured in a series of large service loops with valves strategically located to enable the isolation of either large or small segments of the system to provide for emergency repair or routine maintenance. Natural gas is delivered to the system through six points from the Florida Gas Transmission Company (FGT). GRU has used its membership in FGT to acquire gas on the open market and realize significant savings for its customers.

Gas service has existed in Gainesville since 1887, relying primarily on manufactured gas until the 1950's. With the emergence of more efficient, less expensive natural gas, the system grew. Most of the distribution system has been in place since 1960. GRU acquired the distribution facilities of Gainesville Gas Company in January of 1990, at the end of a 30-year franchise agreement. GRU determined that by incorporating gas operations into its utility system, it could provide the same level of service at a lower cost by combining such services as billing and meter reading with GRU services.

Gas is provided in a 94 square mile service area including metropolitan Gainesville and the University of Florida. GRU's largest natural gas customer. The six largest customers are served under interruptible service delivery provisions.

During fiscal year 1991, GRU purchased five of the seven LP gas distribution systems owned by Gainesville Gas Company as part of a long term plan to eventually convert the service areas involved to natural gas. These five were identified as having the potential for economic conversion in the future. As soon as these service areas have reached a level of development making the extension of pipelines feasible, they will be converted to more efficient, less expensive natural gas.



Gas system technician Thomas Sullivan lights a pilot light at a customer's home.



GRU's entire gas distribution system is surveyed for leaks on an annual basis.

The Gas System

GRU secured permission from the Federal Energy Regulatory Commission to consolidate the natural gas delivery points of both the Gas System and the electric generating system. This allows the generating plants to buy gas used to fuel power operations directly from the Gas System. This procedure reduces costs in both systems and provides a benefit for both gas and electric customers.

GRU's new Springhills Service Center, currently in the design phase, will serve as the principal operations center for gas crews in the field. This location is expected to reduce west side field transportation costs for both electric and gas by 30%. The Springhills Center is discussed more thoroughly in the Electric System portion of this report.

The Gas System operated by GRU is one of the few in the country that conducts leak surveys throughout the entire distribution system on an annual basis. This safety precaution is conducted by inspectors who physically walk over the complete length of the main and service lines of the entire distribution network.

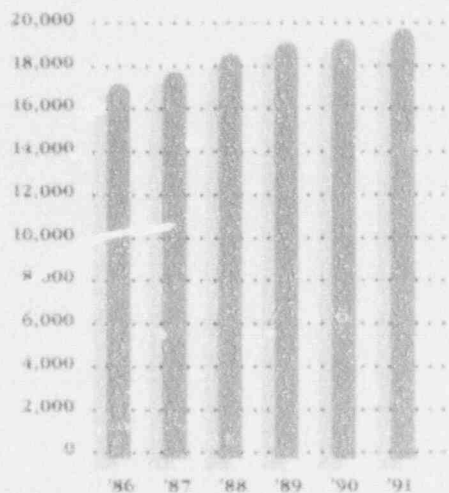
GRU's gas line damage prevention program is designed to inform contractors of the presence of natural gas lines in areas of construction. When line damage does occur, the looped configuration of the distribution system helps minimize loss of service to customers.

The Florida Public Service Commission's safety and reliability records for GRU's Gas System are excellent. GRU promotes natural gas as a safe, reliable, environmentally sound, and economical way to provide for specific energy needs of this community.

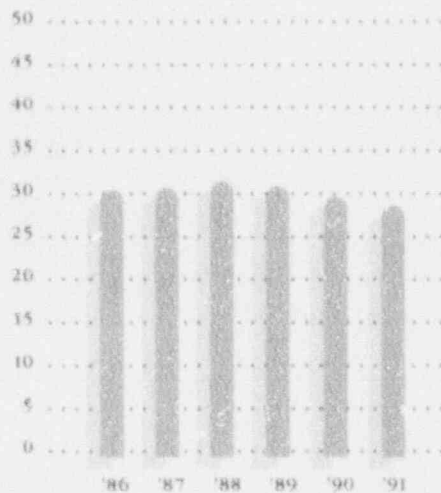


Earl Taylor
installs
a gas
cooktop
in a new
residence.

Natural Gas
Number of Customers
(ANNUAL AVERAGE)



Natural Gas
(MILLION THERMS)



Customer and Administrative Services

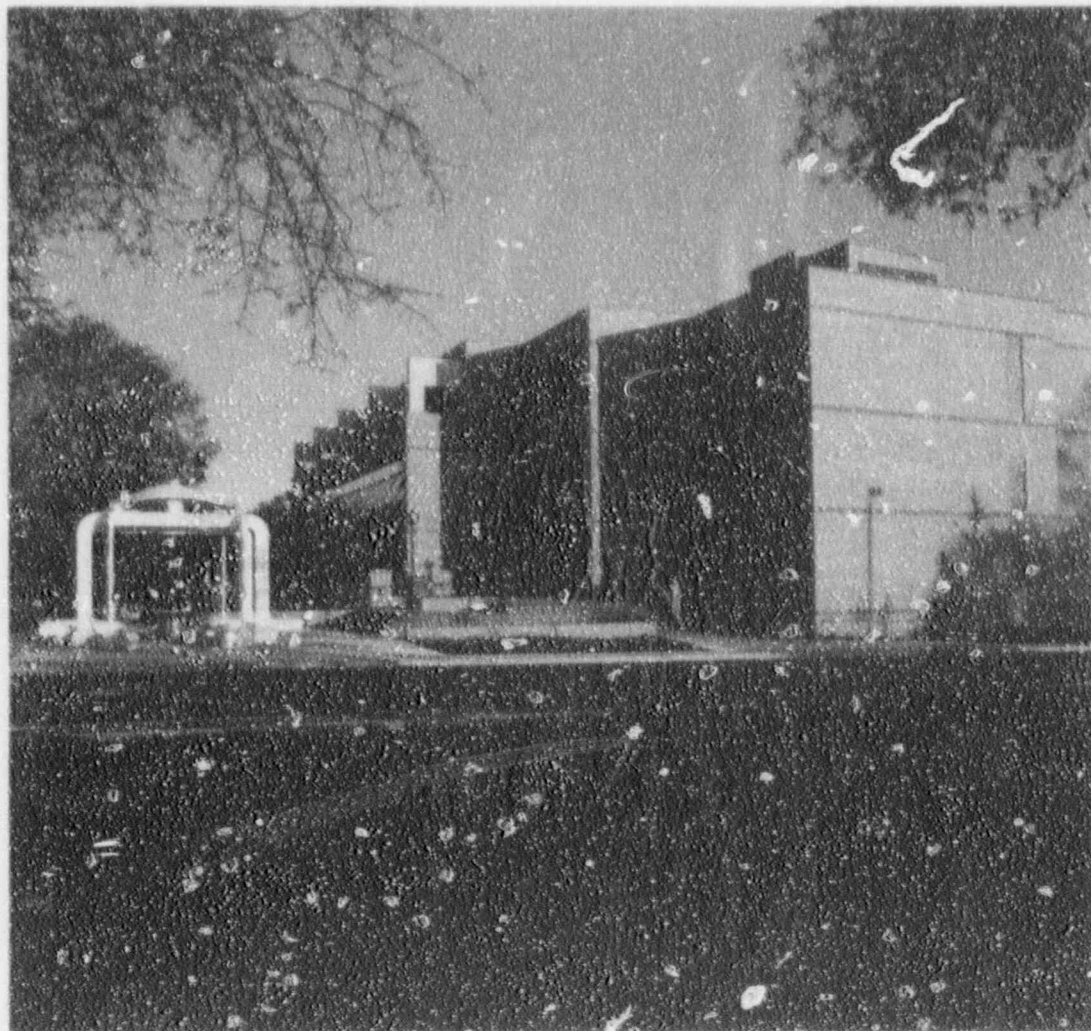
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GRU's Customer and Administrative Services is the most diversified general area within the organization. Services provided directly to customers and support functions provided for the four systems are coordinated in this area. Some specific service areas included are: Customer Service, Customer Accounts, Customer Relations, Purchasing, Real Estate, Materials and Stores, Information Systems, Budget, Finance and Accounting, and Facilities Maintenance.

An important project in Customer and Administrative Services for fiscal year 1991 was the design and implementation of a new and improved customer billing and information system, a cooperative effort between Information Systems and Customer Operations. The new system will combine all utility services (electric, water, wastewater, natural gas and LP gas) into one billing and meter reading system. The project is designed to achieve maximum customer service by consolidating all relevant information onto one bill, as well as eliminating duplicate costs in mailing, meter reading and processing. The complex new system has required months of study and design to make certain it is specifically appropriate for GRU, and to make certain it can be implemented with as few start-up problems as possible. It is scheduled to be on line by January, 1992.

Another important project for this area in fiscal 1991 was the coordination of the construction and outfitting of GRU's new Administration Building. Construction began in March, 1989, with occupation scheduled for December, 1991. The new building consolidates GRU

GRU's new building consolidates its administrative, customer service and engineering operations.



Customer and Administrative Services

1991 ANNUAL REPORT 17

administrative, customer service and engineering operations, and is designed to serve our customers in a more efficient manner. The four-story, 69,000 square foot building offers space saving and energy efficient features, and is organized to enhance customer accessibility to our operations. The building was planned around a "daylighting" concept in which a central atrium will work with exterior and interior light reflecting panels to maximize the amount of daylight that can be used for office lighting. The front of the building will display the size-specific work of art, "Sanctuary Sphere," created by New York artist Terry Lee Dill. The work will add both art and function to the outside of the building, as it is a stainless steel and granite sculpture that will serve as a fountain with adjacent seating and a shelter above.

Customer and Administrative Services offers programs and information designed to help GRU's customers conserve energy and water. On request, our residential and commercial energy analysts survey customers' homes and businesses to give recommendations that aid them in conservation efforts. A commercial lighting program is available as well. Informational programs include a



GRU employees speak to local business and civic organizations about GRU operations, services and projects.

Speakers Bureau in which trained employees speak to local business and civic organizations on GRU services, facilities and policies. "Power Lunches" are held in which randomly selected customers are given an opportunity to meet with GRU managers for informal discussions and tours of our facilities. GRU provides pamphlets, brochures, an annual Customer Guide to services, and video public service announcements to keep our customers informed of conservation services. GRU's monthly customer

Employees give back to their community through volunteer projects such as helping to clean forests for the local nature observation station.



newsletter, "GRU Bulletin," has high levels of readership, and provides conservation tips and utility information to customers. GRU Bulletin also provides free public service announcements for the community. In fiscal year 1991 the Florida Public Relations Association awarded GRU's Customer Relations department 15 "Image Awards," the most ever won by one organization in regional history.

In fiscal year 1991 Materials and Stores showed an error rate in total value (the difference between pre-inventory value and final inventory value) of only 0.063% on a total inventory of \$5,200,761, one of the best inventory loss rates in the nation.

Financial Summary

1990 ANNUAL REPORT 15

Gainesville Regional Utilities experienced another excellent year for financial performance.

GRU's electric, water, wastewater, and gas systems produced combined net revenues in the fiscal year of \$65,721,781, creating an aggregate bond debt service ratio (net revenues divided by aggregate debt service) of 2.46 and a total debt service ratio (net revenues divided by total debt service) of 1.84. The total number of retail customers for the electric, water, wastewater and gas systems increased by 2.2%, 1.4%, 1.5%, and 1.6%, over the previous year, respectively.

GRU continues to benefit from its excess power capacity through electric interchange sales (firm and non-firm) to other utilities in Florida. Energy sales increased by 13.3% over fiscal year 1990, producing gross revenues of \$18,322,921 and net revenues of \$10,728,008.

Interchange sales are an important source of revenue, and GRU has continued to stabilize them by contracting the majority of salable excess capacity in firm energy sales agreements. GRU continues firm sales to the Florida Municipal Power Agency (FMPA); the City of Starke, Florida, and is entering the third year of a ten-year agreement with the Reedy Creek Improvement District (servicing Disney World) for 30 megawatts of firm power. GRU has also completed the third year of a five-year agreement with Seminole Electric Cooperative (SEC) for the provision of energy when SEC units are off-line or derated in capability. Firm and reserve capacity energy sales accounted for a significant percentage of interchange sales net revenue in fiscal year 1991.

The balance in the Rate Stabilization Fund (RSF), less accrued interest, was \$22,836,100 at the beginning of the fiscal year. Rate stabilization activity for the year included: withdrawals of \$500,000 made from the water system, \$729,500 made from the wastewater system, and \$496,700 made from the gas system. Deposits of \$2,195,400 were made from the electric system. The fund balance, less accrued interest, was \$23,305,300 at the end of the fiscal year.

GRU operates under a formula which determines the amount of transfer to the City of Gainesville's General Government operations. Based on this formula, GRU transferred \$17,080,712 in fiscal year 1991, representing a 12.8% increase over the previous year. In addition to the formula-based transfer, the City Commission approved a one-time transfer to the General Fund of \$4,792,514 which became available from an escrow restructuring of the Utilities System Revenue Bonds, Series 1983. Additional funds were used to implement General Government's Reserve Policy implemented by the City Commission in fiscal year 1991.

GRU's Tax Exempt Commercial Paper (TECP) program has produced considerable savings for our customers over the past 8 years. The average interest rate on the outstanding paper was 4.96% for the fiscal year. The interest ranged from a high of 6.03% in October, 1990 to a low of 4.06% in July, 1991. The average maturity of outstanding paper was 76.51 days. Demand for GRU's commercial paper remained strong, and credit ratings high, with a P1 from Moody's Investor Services and an A1- from Standard and Poor's. At the end of the fiscal year, \$71,361,000 of TECP principal was outstanding, down \$1,900,000 from one year ago.

GRU maintained its "Aa" bond rating from Moody's Investor Services and its "AA" bond rating from Standard and Poor's. Few other municipal utilities in the nation share these elite ratings.

Plant acquisition and construction for the fiscal year amounted to \$39,607,874. Net utility plant increased \$18,984,001 during the year to a balance of \$432,387,442 at the year's end.

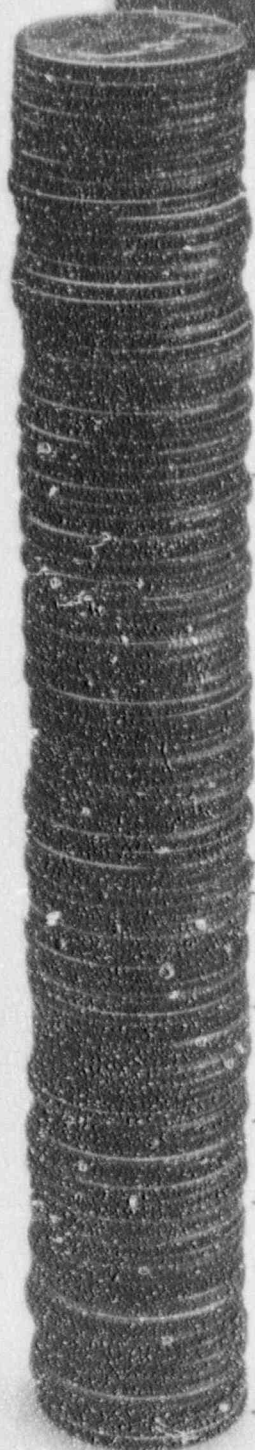
GRU continues its financial tradition as one of the most secure investments in the nation.

**Revenue Earned
Fiscal Year 1991**

Electric System Revenues	\$115,833,873	76.3%
Water System Revenues	10,173,921	6.5%
Wastewater System Revenues	13,851,342	8.8%
Natural Gas Revenues	13,131,946	8.4%
Total	\$156,790,862	

**Revenue Allocated
Fiscal Year 1991**

Operation & Maintenance (O&M) Expenses	\$ 91,069,101	58.0%
Debt Service	14,506,899	9.3%
Utility Plant Improvement Fund (UPIF) Transfer	20,426,770	13.0%
General Fund Transfer	17,080,712	10.9%
Miscellaneous Transfers	13,707,400	8.8%
Total	\$156,790,862	



Electric General Service, Larger Power, Sales for Resale, Fuel Adjustment & Other Power Sales 33.2% \$52,036,995

Electric Residential Sales 28.2% \$44,229,502

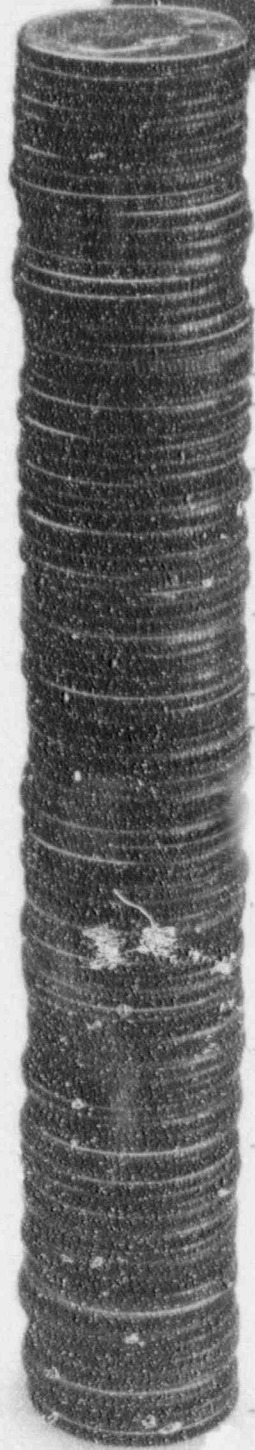
Natural Gas Revenues 8.4% \$13,131,946

Wastewater Revenues 8.8% \$13,851,342

Electric Interchange Sales 11.7% \$18,322,921

Other Electric Revenues 3.2% \$5,044,255

Water Revenues 6.5% \$10,173,921



Electric Fuel Expense & Purchased Power — Retail & Wholesale 21.4% \$33,524,488

Electric Fuel Expense — Interchange 4.8% \$7,594,913

Water O&M Expenses 3.0% \$4,744,650

Wastewater O&M Expenses 4.3% \$6,734,005

Miscellaneous Transfers 8.8% \$13,707,400

Natural Gas Fuel Expense 4.6% \$7,202,885

Natural Gas O&M Expenses 1.9% \$2,978,168

UPIF Transfer 13.0% \$20,426,770

General Fund Transfer 10.9% \$17,080,712

Debt Service 9.3% \$14,506,899

Electric Other O&M Expenses 18.0% \$28,289,992

Rates Schedule

Electric and Gas Rates

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

Charges for services in effect at the close of the fiscal year September 30, 1991, for major customer classes.

Residential Electric

Customer Charge	\$4.85
Energy charge per kilowatt hour (kWh)	
First 750 kWh	\$0.0668/kWh
Over 750 kWh	\$0.0709/kWh

General Service Non-Demand

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

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

General Service Demand

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

Customer Charge	\$15.27
Energy Charge	\$0.0713/kWh
Demand Charge	\$4.87/kW

Large Power

(Established demand of 1,000 kW or greater)

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

Residential Gas

Customer Charge	\$6.00
Non-fuel Energy Charge	\$2.2010
	per therm

General Service Gas (Firm)

Customer Charge	\$15.00
Non-fuel Energy Charge	\$10.317
	per therm

Water

(The minimum bill is the Customer Charge.)

Customer Charge	\$2.90
Water Rate	\$0.87/Kgal

Wastewater

(The minimum bill is the Customer Charge.)

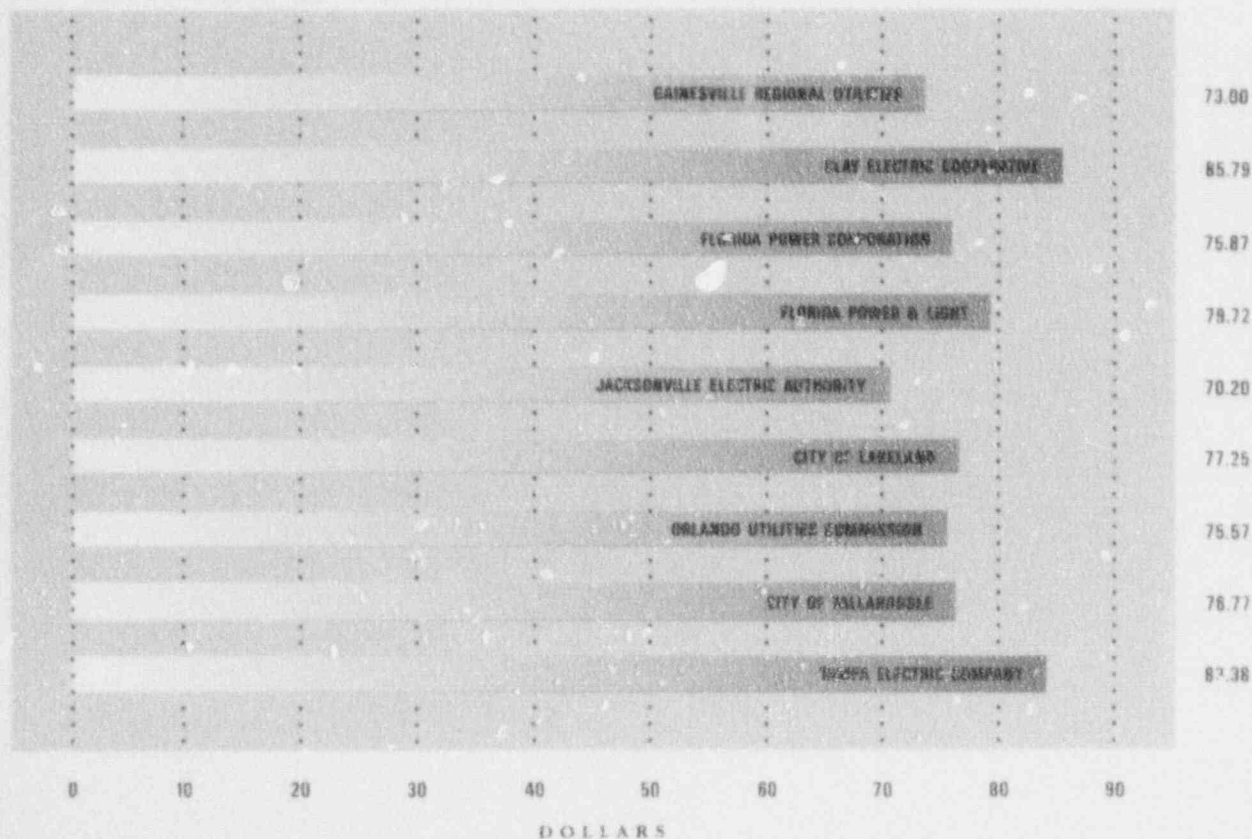
Customer Charge	\$2.11
Wastewater Charge	\$2.20/Kgal

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

Fiscal Year 1991

Residential Rate Comparisons

1000 kWh Consumption



GAINESVILLE REGIONAL UTILITIES

*The Combined Utility Funds of The City of Gainesville, Florida Report on
Audit of Financial Statements & Supplemental Data
for the years ended September 30, 1991 and 1990*

Report of Independent Accountants

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

We have audited the accompanying balance sheets of Gainesville Regional Utilities (the Combined Utility Funds of the City of Gainesville, Florida) as of September 30, 1991 and 1990, and the related statements of revenue and expense and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gainesville Regional Utilities as of September 30, 1991 and 1990, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Coopers & Lybrand
Jacksonville, Florida

Davis, Monk & Company

Davis, Monk
& Company
Gainesville, Florida

November 19, 1991

*Balance Sheets**September 30, 1991 and 1990*

ASSETS

	<u>1991</u>	<u>1990</u>
<i>Utility plant:</i>		
Utility plant in service	\$ 580,775,623	\$ 558,950,779
Construction in progress	31,862,760	21,444,253
	612,088,382	581,395,022
Less: Accumulated depreciation and amortization	(179,900,950)	(168,191,673)
Net utility plant	432,187,442	413,203,351
<i>Restricted assets:</i>		
Capital facilities -- Cash and investments	1,336,492	1,328,212
Utility deposits -- Cash and investments	3,064,774	3,070,818
Debt service fund -- Cash and investments	112,827,827	98,549,051
Rate stabilization fund -- Cash and investments	23,515,342	23,005,740
Construction fund:		
Cash and investments	36,362,679	66,874,270
Due from other funds	2,293,475	337,783
Utility plant improvement fund:		
Cash and investments	8,680,536	5,815,454
Total restricted assets	188,191,065	199,061,028
<i>Current assets:</i>		
Cash and short-term investments	22,108,104	7,6231
Commissioning reserve -- Cash and investments	193,547	25,368
Water pollution emergency reserve -- Cash and investments	50,000	50,000
Accounts receivable (net of allowance for uncollectible accounts: \$627,000 in 1991 and \$651,000 in 1990)	20,325,285	22,564,306
Prepaid expenses	319,419	308,909
Inventories:		
Fuel	9,207,638	7,955,943
Materials and supplies	5,224,470	5,121,107
Total current assets	57,428,458	58,541,867
<i>Deferred debits, net</i>	34,850,183	37,196,674
Total assets	\$ 712,657,148	\$ 708,023,720

See accompanying notes

Balance Sheets

September 30, 1991 and 1990

(Continued)

LIABILITIES & FUND EQUITY

	<u>1991</u>	<u>1990</u>
<i>Long-term debt and fund equity:</i>		
Long-term debt:		
Utilities system revenue bonds	\$ 350,063,692	\$ 758,508,692
Utilities system commercial paper notes	71,361,000	73,261,000
	421,424,692	831,769,692
Less: Unamortized bond discount	(7,024,095)	(7,336,199)
Total long-term debt	414,400,597	824,433,493
<i>Fund equity:</i>		
Contributions in aid of construction	74,789,443	68,751,130
Retained earnings	176,719,969	172,906,926
Total fund equity	251,509,412	241,658,056
Total long-term debt and fund equity	665,910,009	666,091,549
<i>Payable from restricted assets:</i>		
Utility deposits	3,329,167	3,427,427
Long-term debt payable - current	3,455,000	1,725,000
Accrued interest payable	15,497,721	15,620,997
Utility plant improvement fund:		
Accounts payable and accrued liabilities	463,736	505,177
Due to other funds	408,736	408,735
Total payable from restricted assets	23,177,359	21,247,336
<i>Current liabilities:</i>		
Fuel payable	4,020,995	4,389,614
Accounts payable and accrued liabilities	4,427,835	7,300,831
Due to other funds	4,902,095	669,043
Total current liabilities	13,350,925	12,359,488
<i>Other liabilities and deferred credits</i>	4,229,145	6,827,349
Total liabilities and fund equity	\$ 712,657,148	\$ 709,023,720

See accompanying notes

GAINESVILLE REGIONAL UTILITIES

*Statements of Revenue and Expenses and Retained Earnings
for the years ended September 30, 1991 and 1990*

	<u>1991</u>	<u>1990</u>
<i>Operating revenue:</i>		
Sales and service charges	\$ 145,063,418	\$ 136,952,392
Other operating revenue	1,484,886	1,536,254
Total operating revenue	146,548,304	138,487,646
<i>Operating expenses:</i>		
Operations and maintenance	74,045,219	68,567,758
Administrative and general	17,023,881	16,990,304
Depreciation and amortization	18,939,422	18,487,701
Total operating expenses	110,008,522	103,965,763
Operating income	36,539,782	34,521,883
<i>Non-operating revenue (expense):</i>		
Interest revenue	15,960,007	17,540,390
Interest expense	(33,928,848)	(35,551,050)
Gain on bond escrow restructuring, net	6,021,055	-
Total non-operating expense	(12,947,724)	(18,011,260)
Income before operating transfers	23,592,058	16,510,623
Operating transfer to City of Gainesville general fund	(21,873,226)	(15,154,322)
Net income	1,718,832	1,356,301
Retained earnings, beginning	172,906,926	166,697,926
Amortization of contributions in aid of construction	2,094,211	1,952,698
Retained earnings, end	\$ 176,716,069	\$ 172,906,926

See accompanying notes.

*Statements of Cash Flows**for the years ended September 30, 1991 and 1990*

	<u>1991</u>	<u>1990</u>
<i>Cash flows from operating activities:</i>		
Cash received from customers	\$ 147,175,192	\$ 131,221,749
Cash payments to suppliers for goods and services	(72,056,307)	(61,947,532)
Cash payments to employees for services	(19,467,209)	(19,429,409)
Cash payments for quasi-external operating transactions with other funds	(2,138,359)	(2,178,197)
Cash received from connection charges	2,272,594	2,217,751
Other operating receipts	1,484,886	1,535,254
Net cash provided by operating activities	57,271,797	51,419,616
<i>Cash flows from noncapital financing activities:</i>		
Transfers to other funds	(21,873,226)	(15,154,322)
Net cash used by noncapital financing activities	(21,873,226)	(15,154,322)
<i>Cash flows from capital and related financing activities:</i>		
Principal repayments on long term debt	(3,625,000)	(1,542,000)
Proceeds from sale of equipment	4,704,253	4,160,095
Interest paid on revenue bonds	(33,778,018)	(34,820,964)
Capital grants	3,684,071	4,117,004
Acquisition and construction of fixed assets	(39,607,874)	(41,517,938)
Proceeds from bond escrow restructuring	5,582,356	—
Amount paid to restructure bond escrow	(561,303)	—
Net cash used for capital and related financing activities	(63,601,513)	(89,603,803)
<i>Cash flows from investing activities:</i>		
Interest	8,089,488	11,440,502
Purchase of investments	(547,677,371)	(611,852,845)
Proceeds from investment maturities	568,587,030	628,768,911
Net cash provided by investing activities	28,999,155	28,356,568
Increase (decrease) in cash and cash equivalents:	796,213	(4,981,941)
Cash and cash equivalents, beginning of year:	11,269,343	16,251,284
Cash and cash equivalents, end of year:	\$ 12,065,556	\$ 11,269,343

Statements of Cash Flows

for the years ended September 30, 1991 and 1990
(Concluded)

	<u>1991</u>	<u>1990</u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
<i>Operating income:</i>	\$ 36,539,782	\$ 34,521,083
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation and amortization	18,939,422	18,497,701
Capitalized connection fees	2,272,594	2,217,751
(Increase) decrease in receivables	2,239,024	(5,730,643)
Increase in prepaid expenses	(10,510)	(289,064)
Increase in inventories	(1,355,058)	(2,867,718)
Increase in due from other funds	(1,956,192)	(4,094,358)
(Increase) decrease in deferred debits	2,348,491	(745,410)
Increase (decrease) in accounts payable and accrued liabilities	(3,251,344)	4,567,850
Increase in due to other funds	4,233,052	4,255,753
Increase (decrease) in utility deposits	(127,260)	556,254
Increase (decrease) in other liabilities and deferred credits	(2,598,204)	529,817
Net cash provided by operating activities	\$ 57,271,797	\$ 51,419,616

See accompanying notes.

1. Summary of Significant Accounting Policies:

Organization

Gainesville Regional Utilities (GRU) is a combined municipal utility system operating an electric, gas, water and wastewater utility.

Basis of Accounting

GRU consists of the combined Utility Funds of the City of Gainesville, Florida (City). The financial statements are presented on the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred. Rates are designed to cover debt service and operating fund requirements and exclude depreciation expense and other noncash expense items. This method of rate setting results in costs being included in the determination of rates in different periods than when these costs are recognized for financial statement purposes. The effect of these differences are recognized in the determination of net income in the period that they occur in accordance with GRU's accounting policies. GRU has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission.

Investments

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

Inventories

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

Utility Plant

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

Depreciation and Nuclear Generating Plant Decommissioning

Depreciation of utility plant is computed using the straight-line method over estimated service lives ranging from 20 to 40 years. Depreciation was equivalent to 2.90% and 3.12% of average depreciable property for 1991 and 1990, respectively. Depreciation expense includes a provision for decommissioning costs related to the jointly-owned nuclear power plant (see Note 4) at an annual rate of 3.6% of GRU's share of the estimated costs.

Amortization of Nuclear Fuel

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

Utility Revenue Recognition

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

Interfund Transactions

Interfund transactions and contributions are generally made as required. Interfund transactions between and balances of the electric, gas, water, and wastewater offset for the Combined Utility Funds. Interfund loans do not bear interest.

Funds in Accordance with Bond Resolutions

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

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

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

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

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

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

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

Allowance for Funds Used During Construction

An allowance for interest on borrowed funds used during construction of \$1,130,900 in 1991 and \$373,000 in 1990 is included in construction in progress and as a reduction of interest expense. These amounts are computed by applying the effective interest rate on the funds borrowed to finance the projects to the monthly balance of projects under construction. The effective interest rates were approximately 6.5% and 5.7% for 1991 and 1990, respectively.

Deferred Debts

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

Contributions in Aid of Construction

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

Statement of Cash Flows

During 1991, GRU adopted Statement No. 9 of the Governmental Accounting Standards Board, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting. The 1990 financial statements have been reclassified to present a comparative format.

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.

Reclassification

Certain amounts for 1990 have been reclassified to conform with the 1991 presentation.

2. Long-Term Debt:

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

	<u>1991</u>	<u>1990</u>
Utility System Revenue Bonds, Series 1983 (1983 Bonds) Principal payable semi-annually to October 1, 2014; interest at various rates between 6% to 10.25%	\$ 182,085,000	\$ 184,275,000
Utilities System Revenue Bonds, 1987 Series A (1987 Bonds) Principal payable semi-annually to October 1, 2017; interest at various rates between 5.6% to 8.4%	73,602,331	74,667,331
Utilities System Revenue Bonds, Series A 1989A (1989 Subordinated Bonds) Principal payable semi-annually to October 1, 2013; interest at various rates between 6.4% to 7.25%	100,366,361	100,366,361
Utilities System Commercial Paper Notes, Series B (Series B Notes) Interest at various market rates	71,361,000	73,261,000
	427,414,692	432,789,692
Less: unamortized bond discount	(7,024,095)	(7,338,199)
Total long-term debt	<u>\$ 420,390,597</u>	<u>\$ 425,431,493</u>

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

The following table lists the Debt Service Requirements on the bonds outstanding at September 30, 1991.

<i>Period Ending October 1</i>	<i>Senior Lien Bonds (1) (2)</i>	<i>1989 Subordinated Bonds (2)</i>	<i>Total Net Debt Service Requirements (3)</i>
1992	\$ 26,754,555	\$ 3,366,377	\$ 30,120,932
1993	26,755,675	4,814,006	31,569,681
1994	26,755,070	7,878,626	34,634,528
1995	26,751,450	7,874,147	34,625,497
1996	26,749,450	7,876,373	34,627,823
1997	26,755,380	7,877,372	34,632,732
1998	26,751,810	7,878,018	34,627,838
1999	26,753,588	7,873,837	34,627,425
2000	26,202,841	7,873,838	34,176,679
2001	26,751,443	7,873,837	34,625,280
2002	26,750,188	7,873,838	34,624,026
2003	26,752,383	7,873,837	34,626,220
2004	26,750,000	7,873,838	34,624,478
2005	26,751,027	7,873,837	34,624,864
2006	26,752,840	7,873,838	34,626,478
2007	26,751,627	15,213,837	41,965,464
2008	26,753,627	17,623,982	44,377,589
2009	26,758,921	17,629,412	44,388,333
2010	26,752,827	17,623,600	44,377,427
2011	26,751,403	17,622,900	44,374,303
2012	26,752,378	17,622,238	44,374,616
2013	26,755,827	17,626,538	44,382,365
2014	26,754,527	-	26,754,527
2015	6,761,540	-	6,761,540
2016	6,761,300	-	6,761,300
2017	6,763,762	-	6,763,762
	\$ 635,157,599	\$ 231,318,106	\$ 866,475,707

(1) Includes the 1983 Bonds and 1987 Bonds.

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

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

2. Long-Term Debt, continued:

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

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

Under the terms of the bond Resolution relating to the sale of the 1983 and 1987 Bonds, payment of the principal and interest is secured by an irrevocable lien on GRU's net revenues (exclusive of any funds which may be established pursuant to the Bond Resolution for decommissioning and certain other specified purposes), including the investments and income, if any, thereof.

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

The 1989 Subordinated Bonds maturing on October 1, 2008 and 2013, are subject to redemption at the option of the city on and after October 1, 1989, as a whole or in part at any time, at a redemption price of 102% through September 30, 1998, and 101% to 100% thereafter. The Capital Appreciation Bonds, of approximately \$3,621,000 are grouped with the 1989 Subordinated Bonds and, other than those maturing on October 1, 1999, are subject to redemption prior to maturity at the option of the City on and after October 1, 1995, as a whole or in part at any time at redemption prices of 103% through September 30, 2000, and 102½% to 100% thereafter.

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

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

Under the terms of the Series F Agreement, GRU has the ability to borrow with same day availability, up to \$77,000,000 on a revolving basis until October 20, 1992, at which time it may convert borrowings to a term loan.

Series B Notes of \$1,900,000 were redeemed during 1991.

3. Deposits and Investments:

Deposits are held in an institution insured by the Federal Depository Insurance Corporation and as required by the Utility's Bond Resolution in a bank, savings and loan association or trust company of the United States or a national banking association having capital stock, surplus and undivided earnings segregated at least \$10,000,000. Deposits to the extent possible are invested.

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

Investments are categorized in the following table in accordance with Governmental Accounting Standards Board Statement No. 3. Category 1 includes investments that are insured or registered or held by the Utility or its agent in GRU's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in GRU's name. Certain amounts in 1990 have been reclassified to conform with 1991 presentation.

<u>September 30, 1991</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Category</u>
U.S. Government Securities	\$ 92,776,484	\$ 94,831,418	1
U.S. Government Bonds	20,610,993	21,186,199	1
Corporate Commercial Paper	62,794,223	62,794,223	1
Repurchase Agreements	11,535,687	11,535,687	2
Total	\$ 207,719,367	\$ 210,346,527	

<u>September 30, 1990</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Category</u>
U.S. Government Securities	\$ 85,716,748	\$ 86,812,358	1
U.S. Government Bonds	44,266,221	43,517,074	1
Corporate Commercial Paper	81,083,832	81,083,832	1
Repurchase Agreements	11,269,343	11,269,343	2
Total	\$ 222,336,144	\$ 222,782,607	

3. Deposits and Investments, continued:

Cash and investments are contained in the following balance sheet accounts:

	1991	1990
Restricted assets:		
Capital facilities	\$ 1,336,492	\$ 1,329,212
Utility deposits	3,064,714	3,070,818
Debt service fund	112,927,827	98,548,051
Rate stabilization fund	23,515,342	23,005,740
Construction fund	36,362,679	66,874,270
Utility plant improvement fund	8,090,536	5,915,454
Current assets:		
Cash and short-term investments	22,108,104	22,576,231
Decommissioning reserve	193,542	965,368
Water pollution	50,000	50,000
Total cash and investments	208,249,236	222,336,144
Less cash	528,869	—
Total investments	\$ 207,719,367	\$ 222,336,144

4. Jointly-Owned Electric Plant:

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

5. Contributions in Aid of Construction:

Contributions in aid of construction are as follows:

	<u>1991</u>	<u>1990</u>
Contributions in aid of construction:		
Utility plant, property, and equipment contributed by municipality	\$ 3,982,274	\$ 3,982,274
Federal and state grants in aid of construction	20,824,916	17,140,845
Contributions from customers and developers:		
Plant contributed by developers	35,252,784	34,076,925
Connection charges	36,695,601	34,423,087
	56,755,635	89,623,111
Accumulated amortization	(21,966,192)	(19,871,981)
Contributions in aid of construction	<u>\$ 74,789,443</u>	<u>\$ 69,751,130</u>

6. Retained Earnings:

Retained earnings for debt service and unappropriated are as follows:

	<u>1991</u>	<u>1990</u>
Reserved for debt service	\$ 93,975,106	\$ 81,176,611
Unappropriated	72,744,863	91,730,315
Total retained earnings	<u>\$ 176,719,969</u>	<u>\$ 172,906,926</u>

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

	<u>1991</u>	<u>1990</u>
Sinking fund account	\$ 10,020,533	\$ 10,668,528
Reserve account	37,371,385	37,450,790
Debt service account	15,404,691	17,195,210
Subordinated bond payment account	9,106,985	8,590,423
Subordinated indebtedness fund account	420,000	595,271
Bond amortization account	40,564,226	23,034,076
Commercial paper note payment account	40,003	14,748
	112,927,827	98,549,051
Less: Amounts appropriated for current interest and principal payable	18,952,721	17,372,440
	<u>\$ 93,975,106</u>	<u>\$ 81,176,611</u>

7. Retirement Plans:

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

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

The City accounts for, and funds the costs of, the Employees Plan as they accrue. Such costs are based on contribution rates determined by the most recent actuarial valuation. The total contributions by GRU, including amortization of prior service costs, for the years ended September 30, 1991 and 1990, was \$1,042,830 and \$1,046,000, respectively.

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

Certain employees are eligible to participate in a defined contribution deferred compensation plan managed by the International City Management Association as fiscal agent for the City. Under this plan, the City contributes 6% of an employee's annual salary and employees may contribute either a specified percentage or dollar amount. Total deferred compensation cost for GRU for the years ended September 30, 1991 and 1990 was \$201,220 and \$194,005, respectively.

8. Transfers to General Fund:

GRU makes transfers to the City's general government based on a formula that ties the transfer directly to the profitability of the system. The transfer to the general fund may be made only to the extent such monies are not necessary to pay debt service on the Outstanding Bonds and subordinated debt or to make other necessary transfers under the Resolution. The fund transfer to the general fund for the years ended September 30, 1991 and 1990 was \$17,080,712 and \$15,154,322 respectively.

In addition to the formula-based transfer, the City Commission approved a one-time transfer to the General Fund of \$4,792,514 which became available from an escrow restructuring on the Utilities System Revenue Bonds, Series 1983. Additional funds were used to fund General Government's Reserve policy implemented by the City Commission in 1991.

9. Deferred Debts:

Included in deferred debits is the unamortized balance of \$21,508,000 remaining of the original payment of \$27,375,000 made to Island Creek Coal Sales Company on February 10, 1988, in full settlement in connection with the City's cancellation of a contract for supply of coal to Deerhaven II generating plant. The settlement payment, funded with Series B Notes, is being recovered through future utility fuel adjustment revenue through the year 2003.

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

Report of Independent Accountants on Supplemental Data

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

Our audits are made for the purpose of forming an opinion on the basic financial statements taken as a whole. (We have previously audited the financial statements for 1989, 1988, 1987 and 1986 — none of which are presented herein — and we expressed unqualified opinions on those financial statements.) The accompanying schedules of combined net revenues in accordance with bond resolutions for the years ended September 30, 1991, 1990, 1989, 1988, 1987 and 1986, net revenues in accordance with bond resolutions — electric utility fund, gas utility fund, water utility fund, and wastewater utility fund for the years ended September 30, 1991 and 1990, combining balance sheet at September 30, 1991, combining statement of revenue and expense and retained earnings for the year ended September 30, 1991, and schedules of utility plant properties and accumulated depreciation and amortization for the year ended September 30, 1991, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Coopers & Lybrand
Jacksonville, Florida

Davis, Monk,
& Company
Gainesville, Florida

November 19, 1991

GAINESVILLE REGIONAL UTILITIES

Schedules of Combined Net Revenues in Accordance with Bond Resolution
for the years ended September 30, 1991 and 1990

	1991	1990
Revenues:		
Electric fund:		
Sales of electricity	\$ 114,589,417	\$ 110,024,263
Other electric revenues	1107,510	(527,726)
Interest income	4,419,127	4,815,096
Total electric fund revenues	118,901,034	114,311,635
Gas fund:		
Gas sales	11,987,296	8,632,123
Other gas revenues	809,338	(1,611,307)
Interest income	335,312	1,324,210
Total gas fund revenues	13,131,946	8,345,026
Water fund:		
Sales of water	7,943,974	7,989,118
Other water revenues	1,236,763	1,471,167
Interest income	942,243	526,693
Total water fund revenues	10,123,000	9,986,978
Wastewater fund:		
Wastewater billings	10,542,730	10,306,888
Other wastewater revenues	1,637,860	588,674
Interest income	1,620,348	1,340,251
Total wastewater fund revenues	13,800,940	12,235,813
Total revenues	156,906,926	144,877,452
Operation and maintenance expenses:		
Electric fund:		
Fuel expense	41,119,401	39,049,186
Operation and maintenance	17,420,206	16,336,485
Administrative and general	10,899,786	1,339,379
Total electric fund expenses	69,409,393	56,725,050
Gas fund:		
Fuel expense	7,201,115	5,433,879
Operation and maintenance	880,649	555,631
Administrative and general	2,097,519	1,305,900
Total gas fund expenses	10,181,053	7,295,359
Water fund:		
Operation and maintenance	3,067,570	3,156,677
Administrative and general	1,677,080	1,847,371
Total water fund expenses	4,744,650	5,004,048
Wastewater fund:		
Operation and maintenance	4,354,509	4,035,948
Administrative and general	2,779,496	2,407,654
Total wastewater fund expenses	7,134,005	6,443,602
Total operation and maintenance expenses	87,469,101	75,468,062
Net revenues in accordance with bond resolution:		
Electric	49,491,641	47,583,583
Gas	2,950,893	1,040,567
Water	5,378,350	4,984,930
Wastewater	7,086,941	5,788,210
Net revenues before interest income from sinking fund	64,887,825	59,409,390
Interest income from sinking fund	803,956	870,608
Total net revenues in accordance with bond resolution	\$ 65,721,781	\$ 60,279,998
Aggregate bond debt service	\$ 26,756,070	\$ 19,864,790
Aggregate bond debt service coverage ratio	2.46	3.07
Total debt service	\$ 35,641,221	\$ 26,556,817
Total debt service coverage ratio	1.94	2.27

See note on page 43.

GAINESVILLE REGIONAL UTILITIES

Schedules of Combined Net Revenues in Accordance with Bond Resolution
for the years ended September 30, 1985, 1988, 1987 and 1986

1989	1988	1987	1986
\$ 99,922,383	\$ 92,340,531	\$ 87,098,001	\$ 86,410,467
1,647,856	3,275,765	4,779,822	2,676,553
4,995,756	4,113,275	3,403,152	3,932,750
106,566,295	99,729,601	94,881,075	93,210,800
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7,492,061	6,738,309	6,373,665	6,268,636
1,589,085	371,327	545,563	411,099
1,153,248	947,890	499,273	461,627
10,234,384	6,006,126	7,418,551	7,141,362
9,489,697	6,091,895	7,771,522	7,461,805
(9,744)	(1,140,327)	(51,176)	(368,856)
1,900,626	1,516,602	696,693	594,116
11,390,579	8,468,170	6,511,659	7,687,067
126,981,258	116,705,897	110,716,665	108,048,229
36,208,675	33,719,657	33,741,345	36,026,210
12,691,332	11,767,141	12,148,298	9,732,746
13,244,443	13,182,328	11,957,836	10,349,225
62,144,450	58,669,026	57,847,579	56,110,163
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2,755,419	2,720,775	2,634,446	2,360,623
2,047,016	1,949,108	1,507,224	1,571,940
4,802,445	4,669,884	4,141,670	3,932,563
3,255,387	3,193,669	3,124,386	2,779,057
7,841,943	2,193,204	2,111,412	1,976,406
6,097,343	5,386,663	5,235,798	4,755,465
(73,044,235)	(66,725,773)	(67,225,047)	(64,798,711)
44,421,645	41,060,575	37,031,496	37,109,617
5,431,938	3,338,242	3,276,881	3,208,796
5,283,239	3,091,307	3,181,241	2,931,802
55,137,023	47,480,124	43,491,618	43,250,018
703,214	552,250	486,034	347,088
\$ 55,840,237	\$ 48,032,374	\$ 43,957,652	\$ 43,597,106
\$ 17,939,790	\$ 17,939,790	\$ 17,939,790	\$ 17,939,790
3.11	2.68	2.45	2.43
\$ 24,439,236			

See note on page 43.

GAINESVILLE REGIONAL UTILITIES

Schedules of Net Revenues in Accordance with Bond Resolution

Electric Utility Fund

for the years ended September 30, 1991 and 1990

	1991	1990
Revenue:		
Sales of electricity:		
Residential sales	\$ 44,229,592	\$ 42,163,108
General service and large power	42,454,844	41,389,103
Fuel adjustment	89,919	1,392,268
Street and traffic lighting	2,165,489	2,019,703
Utility surcharge	2,542,124	2,359,691
Sales for resale	4,784,619	4,526,715
Interchange sales	18,322,921	16,173,685
Total sales of electricity	114,589,418	110,024,263
Other revenue:		
Transfers from (to) rate stabilization	(1,390,968)	11,762,353
Service charges	980,502	957,433
Pole rentals	133,354	131,626
Miscellaneous	169,602	145,568
Total other revenue	(107,510)	(527,726)
Interest income	4,419,127	4,615,098
Total revenue	118,901,035	114,311,635
Operation and maintenance expense:		
Operation and maintenance:		
Fuel expense:		
Reta. and purchased power	30,391,393	29,697,080
Interchange	10,728,008	9,362,109
Total fuel expense	41,119,401	39,049,188
Power production	11,785,093	11,048,200
Transmission	673,313	576,580
Distribution	5,001,800	4,711,705
Total operation and maintenance	58,539,607	55,385,673
Administrative and general:		
Customer accounts	2,210,174	1,879,558
Administrative and general	8,659,612	9,359,822
Total administrative and general	10,869,786	11,339,380
Total operation and maintenance expense	69,409,393	66,725,053
Net revenue in accordance with bond resolution:		
Retail	41,896,729	40,765,005
Interchange	7,594,913	6,821,577
Net revenue before interest income from sinking fund	49,491,642	47,586,582
Interest income from sinking fund	732,638	764,838
Total net revenue in accordance with bond resolution	\$ 50,224,280	\$ 48,351,420

GAINESVILLE REGIONAL UTILITIES

Schedules of Net Revenues in Accordance with Bond Resolution

Gas Utility Fund

for the years ended September 30, 1991 and 1990

	<u>1991</u>	<u>1990</u>
Revenue:		
Sales of gas:		
Residential	\$ 4,694,049	\$ 3,246,023
Interruptible/commercial	7,236,339	5,019,210
Other sales	56,908	366,884
Total sales of gas	11,987,296	8,632,123
Other revenue:		
Transfers from (to) rate stabilization	664,530	(1,740,325)
Net income -- jobbing	67,724	71,356
Service charge	57,084	57,662
Total other revenue	809,338	(1,611,307)
Interest income	335,312	1,324,210
Total revenue	13,131,946	8,345,026
Operation and maintenance expense:		
Operation and maintenance:		
Fuel expense	7,202,885	5,433,828
Operation and maintenance	880,649	555,631
Total operation and maintenance	8,083,534	5,989,459
Administrative and general:		
Customer accounts	744,487	361,345
Administrative and general	1,353,032	944,555
Total administrative and general	2,097,519	1,305,900
Total operation and maintenance expense	10,181,053	7,295,359
Total revenue before interest income from sinking fund	2,950,893	1,049,667
Interest income from sinking fund	—	—
Total net revenue in accordance with bond resolution	\$ 2,950,893	\$ 1,049,667

See note on page 43.

GAINESVILLE REGIONAL UTILITIES

Schedules of Net Revenues in Accordance with Bond Resolution

Water Utility Fund

for the years ended September 30, 1991 and 1990

	<u>1991</u>	<u>1990</u>
Revenue:		
Sales of water:		
General customers	\$ 5,915,785	\$ 5,969,502
University of Florida	536,478	584,760
Fire protection	791,368	768,931
Generating stations	105,884	89,026
Utility surcharge	594,439	575,999
Total sales of water	7,943,974	7,989,118
Other revenue:		
Transfers from rate stabilization	259,722	428,959
Connection charges	947,072	1,002,245
Miscellaneous	29,989	41,903
Total other revenue	1,236,783	1,473,107
Interest income	942,243	528,803
Total revenue	10,123,000	9,988,978
Operation and maintenance expense:		
Operation and maintenance:		
Source of supply	2,975	1,527
Pumping	758,730	847,636
Water treatment	1,396,532	1,392,304
Transmission and distribution	909,333	915,210
Total operation and maintenance	3,067,570	3,156,677
Administrative and general:		
Customer accounts	349,775	405,419
Administrative and general	1,327,305	1,381,952
Total administrative and general	1,677,080	1,847,371
Total operation and maintenance expense	4,744,650	5,004,048
Net revenue before interest income from sinking fund	5,378,350	4,984,930
Interest income from sinking fund	50,921	53,159
Total net revenue in accordance with bond resolution	\$ 5,429,271	\$ 5,038,089

See note on page 43.

GAINESVILLE REGIONAL UTILITIES

Schedules of Net Revenues in Accordance with Bond Resolution

Wastewater Utility Fund

for the years ended September 30, 1991 and 1990

	1991	1990
Revenue:		
Wastewater billings:		
Billings	\$ 9,881,155	\$ 9,482,492
Utility surcharge	881,575	824,398
Total wastewater billings	10,762,730	10,306,890
Other revenue:		
Transfers from (to) rate stabilization	285,713	(756,172)
Connection charges	1,325,521	1,215,500
Miscellaneous	26,633	129,647
Total other revenue	1,637,867	588,975
Interest income	1,620,348	1,336,251
Total revenue	13,800,940	12,231,813
Operation and maintenance expense:		
Operation and maintenance:		
Collection	905,699	844,758
Treatment and pumping	3,448,810	3,191,191
Total operation and maintenance	4,354,509	4,035,949
Administrative and general:		
Customer accounts	305,128	433,562
Administrative and general	2,074,368	1,974,092
Total administrative and general	2,379,496	2,407,654
Total operation and maintenance expense	6,734,005	6,443,603
Net revenue before interest income from sinking fund	7,066,941	5,788,210
Interest income from sinking fund	50,396	52,611
Total net revenue in accordance with bond resolution	\$ 7,117,337	\$ 5,840,821

Notes:

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

Schedule of Combining Balance Sheet

September 30, 1991

ASSETS

	Electric	Gas	Water	Wastewater	Combined
Utility plant:					
Utility plant in service	\$385,046,843	\$ 20,992,364	\$ 75,025,231	\$ 99,161,385	\$ 580,225,823
Construction in progress	9,156,980	1,212,324	3,895,604	17,597,861	31,862,769
	394,203,823	22,204,688	78,920,835	116,759,246	612,088,392
Less: Accumulated depreciation and amortization	(119,199,442)	(7,811,290)	(22,806,527)	(30,083,691)	(179,900,950)
Net utility plant	275,004,381	14,393,398	56,114,308	86,675,555	432,187,442
Restricted assets:					
Capital facilities:					
Cash and investments	—	—	—	1,336,492	1,336,492
Utility deposits:					
Cash and investments	2,939,391	125,323	—	—	3,064,714
Debt service fund:					
Cash and investments	85,105,716	2,722,950	11,878,010	13,221,151	112,927,827
Rate stabilization fund:					
Cash and investments	8,560,056	1,254,543	3,275,822	10,424,821	23,515,342
Construction fund:					
Cash and investments	21,178,454	686,366	6,924,897	7,593,162	36,382,879
Due from (to) other funds	4,012,467	(736,751)	(222,006)	(760,233)	2,293,476
Utility plant improvement fund:					
Cash and investments	6,561,670	1,142,286	401,251	585,320	8,690,526
Total restricted assets	129,357,754	5,174,717	22,257,872	32,400,722	189,191,065
Current assets:					
Cash and short-term investments	18,017,896	655,767	1,540,250	1,694,191	22,108,104
Decommissioning reserve:					
Cash and investments	193,542	—	—	—	193,542
Water pollution emergency reserve:					
Cash and investments	—	—	50,000	—	50,000
Accounts receivable, net	18,460,319	800,667	422,399	641,700	20,325,285
Prepaid expense:	26,956	266,780	2,610	2,867	319,419
Inventories:					
Fuel	9,207,638	—	—	—	9,207,638
Materials	5,171,633	52,837	—	—	5,224,470
Total current assets	51,077,884	1,796,257	2,015,459	2,538,751	57,428,450
Deferred debits:	31,978,661	550,370	959,938	1,360,205	34,859,183
Total assets	\$486,419,580	\$ 21,914,751	\$ 61,347,577	\$ 122,975,240	\$ 712,657,148

Schedule of Combining Balance Sheet

September 30, 1991

(Continued)

LIABILITIES & FUND EQUITY

	Electric	Gas	Water	Wastewater	Combined
Long-term debt and fund equity:					
Long term debt:					
Utilities system revenue bonds	\$ 255,390,603	\$ 10,510,986	\$ 35,105,721	\$ 47,040,382	\$ 356,053,692
Utilities system commercial paper notes	55,113,287	-	5,600,430	10,587,274	71,301,000
Less: Unamortized bond discount	(5,850,725)	(83,194)	(522,345)	(567,871)	(7,024,095)
Total long term debt	304,653,165	18,427,832	40,243,815	57,059,795	420,390,607
Fund equity:					
Contributions in aid of construction	-	-	25,774,870	49,014,573	74,789,443
Retained earnings	153,619,895	230,540	12,019,875	10,849,553	176,719,969
Total fund equity	153,619,895	230,540	37,794,745	59,864,126	251,509,412
Total long-term debt and fund equity	458,279,060	18,658,478	78,038,560	116,923,911	671,900,009
Payable from restricted assets:					
Utility deposits	2,921,374	390,793	-	-	3,320,167
Utility system revenue bonds payable current	2,203,842	318,148	325,389	547,641	3,455,000
Accrued interest payable	11,464,822	891,534	1,434,893	1,906,472	15,427,721
Utility plant improvement fund:					
Accounts payable and accrued liabilities	550,226	-	(22,202)	(32,388)	495,736
Due to other funds	-	409,735	-	-	409,735
Total payable from restricted assets	17,200,364	1,817,210	1,738,080	2,421,725	23,177,369
Current liabilities:					
Fuels payable	3,585,780	435,125	-	-	4,020,905
Accounts payable and accrued liabilities	2,814,015	403,508	338,952	870,100	4,427,635
Due to (from) other funds	1,655,878	207,555	855,577	2,183,087	4,902,095
Total current liabilities	8,055,671	1,046,248	1,195,529	3,053,187	13,350,835
Other liabilities and deferred credits	2,854,485	392,815	375,428	576,417	4,279,145
Total liabilities and fund equity	\$486,419,560	\$ 21,914,751	\$ 81,347,577	\$ 122,875,240	\$ 712,657,148

Schedule of Combining Statements of Revenue & Expense & Retained

Earnings

September 30, 1991

	Electric	Gas	Water	Wastewater	Combined
Operating revenue:					
Sales and service charges	\$ 114,589,418	\$ 11,987,296	\$ 7,843,871	\$ 10,542,730	\$ 145,063,318
Other operating revenue	1,783,457	144,808	29,988	26,533	1,984,886
Total operating revenue	116,372,875	12,132,104	7,873,859	10,569,263	148,948,104
Operating expenses:					
Depreciation and amortization	58,539,806	8,083,534	3,067,571	4,354,509	74,045,219
Administrative and general	10,869,786	2,067,519	1,673,080	2,778,496	17,022,881
Depreciation and amortization	13,877,167	806,880	1,750,056	1,502,519	18,938,432
Total operating expense	83,286,759	10,957,933	6,490,706	8,635,524	110,000,522
Operating income	32,586,316	1,144,321	1,376,256	1,933,739	36,839,782
Non-operating revenue (expense):					
Interest revenue	10,703,859	470,527	2,044,062	2,741,809	15,960,257
Interest expense	(25,800,956)	(11,398,849)	(2,984,586)	(3,744,455)	(33,928,846)
Gain - bond escrow	4,411,053		308,563	303,439	5,021,055
Total non-operating revenue (expense)	(10,686,044)	(10,928,322)	(633,961)	(699,407)	(12,947,224)
Income before operating transfers	21,900,272	216,059	842,295	633,432	23,597,058
Operating transfer to general fund	(18,280,878)	(561,896)	(2,315,574)	(2,718,878)	(21,877,226)
Net income (loss)	5,619,294	(345,837)	(1,473,279)	(2,081,246)	1,718,832
Retained earnings, beginning	148,451,784	875,080	12,555,402	10,824,380	172,806,928
Residual equity transfers	1451,1831	(298,797)	158,854	581,126	--
Amortization of contributions in aid of construction	--	--	676,898	1,415,313	2,094,211
Retained earnings, ending	\$ 153,618,895	\$ 230,646	\$ 12,018,875	\$ 10,849,553	\$ 176,719,969

Schedule of Utility Plant Properties

Combined Utility Fund

September 30, 1991

Utility Plant Properties

Plant in Service	Balance 9/30/90	Additions	Sales and Retirements	Balance 9/30/91
Electric utility fund				
Production plant	\$ 242,951,008	\$ 7,016,183	\$ 6,595,241	\$ 244,271,930
Nuclear fuel	4,171,330	205,089	--	4,376,399
Transmission and distribution plant	116,285,641	7,905,886	2,405,025	121,786,502
General and common plant	13,504,941	1,877,749	370,978	14,611,712
Total electric utility fund	377,812,920	16,004,967	9,371,244	385,046,643
Gas Utility Fund:				
Distribution plant	13,788,723	1,755,305	--	15,544,028
General plant	750,844	184,898	--	935,742
Plant acquisition adjustment	4,505,864	--	--	4,505,864
Total gas utility fund	19,045,331	1,940,203	--	20,985,534
Water utility fund:				
Supply, pumping and treatment plant	10,034,987	1,705,776	862	12,539,921
Transmission and distribution plant	57,021,428	2,919,669	106,857	59,834,270
General plant	2,440,808	325,110	115,949	2,650,069
Total water utility fund	70,297,314	4,951,585	223,668	75,025,231
Wastewater utility fund:				
Pumping and treatment plant	33,176,106	3,790,467	700,633	36,767,940
Collection plant	55,893,096	2,525,874	65,283	58,333,487
General plant	3,717,002	552,491	208,535	4,059,958
Total wastewater utility fund	92,786,204	6,868,832	455,451	99,161,385
Total plant in service	\$ 559,950,789	\$ 30,305,217	\$ 10,090,363	\$ 580,225,623
Construction in progress				
Construction fund:				
Electric utility fund	\$ 2,056,003	\$ 5,714,427	\$ 1,329,587	\$ 6,440,843
Gas utility fund	1,432,867	1,863,253	2,083,896	1,212,324
Water utility fund	2,661,169	1,981,628	1,914,042	3,728,755
Wastewater utility fund	10,857,649	11,363,823	4,867,004	17,354,468
Total construction fund	17,007,786	21,923,131	10,194,529	28,736,389
Utility plant improvement fund:				
Electric utility fund	3,341,149	10,171,203	10,796,305	2,716,137
Water utility fund	657,149	1,955,082	2,436,382	166,849
Wastewater utility fund	445,167	1,098,704	1,300,478	243,393
Total utility plant improvement fund	4,436,465	13,225,079	14,535,165	3,126,379
Total construction in progress	\$ 21,444,251	\$ 35,148,210	\$ 24,729,694	\$ 31,862,769

GAINESVILLE REGIONAL UTILITIES

Schedule of Accumulated Depreciation & Amortization

Combined Utility Fund

September 30, 1991

	<u>Balance 9/30/90</u>	<u>Additions</u>	<u>Sales and Retirements</u>	<u>Balance 9/30/91</u>
<i>Electric utility fund:</i>				
Production plant	\$ 77,047,402	\$ 7,122,321	\$ 3,551,237	\$ 80,619,556
Nuclear fuel	2,950,062	447,461	—	3,397,523
Transmission and distribution plant	27,074,796	3,270,716	1,218,644	29,126,868
General and common plant	5,263,602	989,036	194,145	6,058,493
Total electric utility fund	112,333,922	11,829,534	4,964,026	119,199,442
<i>Gas Utility Fund:</i>				
Operating fund	6,762,765	627,258	(3,126)	7,293,149
Plant acquisition adjustment	217,769	300,372	—	518,141
Total gas utility fund	6,980,534	927,630	(3,126)	7,811,290
<i>Water utility fund:</i>				
Supply, pumping and treatment plant	3,660,432	749,506	862	4,009,076
Transmissions and distribution plant	15,456,524	1,477,482	106,957	16,827,128
General plant	1,857,604	189,152	79,444	1,977,322
Total water utility fund	21,174,560	1,816,130	186,163	22,806,527
<i>Wastewater utility fund:</i>				
Pumping and treatment plant	10,914,551	1,152,689	45,334	12,021,908
Collection plant	13,974,249	1,122,085	85,283	15,011,061
General plant	2,813,855	347,309	110,430	3,050,734
Total wastewater utility plant	27,702,655	2,622,083	241,047	30,083,691
Total	\$ 168,191,671	\$ 17,085,389	\$ 5,386,110	\$ 179,900,950

INVESTMENT BANKERS

Capital Raising Services

*Cookson & Lybrand and
Aberkane, Atwell & Company*

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*Trust Company of the City of New York
Morgan Guaranty Trust Company
New York, New York*

The Federal Reserve Bank

Director

*Crisham Sachs and Company
New York, New York*

Private Equity

*Investment Partners
Trust Company
New York, New York*

Other Key Roles

*Director, All American and Company
Investment Bankers
100 Wall Street
New York, New York*

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New York, New York*

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