

GSC Alternatives Rate & Debt Reduction Impact

January 17, 2024



Impact on Base Rates and Debt Reduction

- The Authority requested an analysis as to how savings from potential reductions to the Government Services Contribution might impact GRU's base rate structure
- Currently the following base rate increases are incorporated in GRU financial forecasts

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	3.00%	3.00%	3.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Wastewater	5.00%	5.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Impact on Base Rates and Debt Reduction

- Under the current rate structure, projected reserves compared to target reserve levels at FYE 34 are as follows:

	Projected Reserves	Target Reserves	Difference
Electric	123,084,229	84,251,248	38,832,981
Water	(61,442,639)	7,260,431	(68,703,070)
Wastewater	(13,031,057)	8,924,279	(21,955,336)
Gas	24,168,920	6,655,395	17,513,525
GRUCom	441,017	2,873,920	(2,432,903)
Totals	73,220,470	109,965,273	(36,744,803)

- An update of the Cash Balance Policy is in progress. This update will likely result in increased reserve targets.

Impact on Base Rates and Debt Reduction

- Staff examined several alternative structures – eliminating the GSC completely and reducing the GSC by \$7.8 million per year, and using:
 - Half of the savings to reduce debt and half to reduce rates and
 - All of the savings to reduce rates
- The following assumptions were utilized in the analysis:
 - Rate structures had to produce projected reserves equal to targets by system as of FYE34
 - Rate changes were applied uniformly among classes – residential, non-residential etc.
 - Actual rate changes implemented by class will be impacted by the results of the external cost of service study due to be completed in February 2024

Combined Bill Impact: Eliminate GSC Half of the Savings to Rates and Half to Debt Reduction

ELIMINATE GSC

	Combined Standard Residential Bill									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current										
Electric	148.90	152.17	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53
Water	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94
Wastewater	65.05	68.30	71.71	71.71	71.71	71.71	71.71	71.71	71.71	71.71
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	283.13	289.65	296.42	296.42	296.42	296.42	296.42	296.42	296.42	296.42
Eliminate GSC										
Electric	145.73	145.73	146.74	148.87	151.01	151.1	152.14	152.14	152.14	152.14
Water	31.57	32.20	32.83	33.48	34.12	35.14	36.17	37.28	38.40	39.53
Wastewater	61.95	63.81	65.74	67.68	69.03	71.13	73.24	75.43	77.7	80.05
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	277.49	279.98	283.55	288.27	292.40	295.61	299.79	303.09	306.48	309.96
Difference										
Electric	(3.17)	(6.44)	(8.79)	(6.66)	(4.52)	(4.43)	(3.39)	(3.39)	(3.39)	(3.39)
Water	0.63	1.26	1.89	2.54	3.18	4.20	5.23	6.34	7.46	8.59
Wastewater	(3.10)	(4.49)	(5.97)	(4.03)	(2.68)	(0.58)	1.53	3.72	5.99	8.34
Gas	-	-	-	-	-	-	-	-	-	-
Bill (reduction) increase	(5.64)	(9.67)	(12.87)	(8.15)	(4.02)	(0.81)	3.37	6.67	10.06	13.54

Combined Bill Impact: \$7.8M GSC Reduction/Year Half of the Savings to Rates and Half to Debt Reduction

REDUCE GSC BY 7.8M/YR

	Combined Standard Residential Bill									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current										
Electric	148.90	152.17	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53
Water	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94
Wastewater	65.05	68.30	71.71	71.71	71.71	71.71	71.71	71.71	71.71	71.71
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	283.13	289.65	296.42	296.42	296.42	296.42	296.42	296.42	296.42	296.42
Reduce GSC by 7.8M/yr										
Electric	145.73	147.84	148.94	150.07	152.29	153.42	153.42	153.42	154.54	154.54
Water	31.57	32.20	33.17	34.15	35.52	36.60	37.72	38.85	40.02	41.24
Wastewater	61.95	63.81	65.74	68.36	71.06	73.92	76.87	79.15	81.51	83.95
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	277.49	282.09	286.09	290.82	297.11	302.18	306.25	309.66	314.31	317.97
Difference										
Electric	(3.17)	(4.33)	(6.59)	(5.46)	(3.24)	(2.11)	(2.11)	(2.11)	(0.99)	(0.99)
Water	0.63	1.26	2.23	3.21	4.58	5.66	6.78	7.91	9.08	10.30
Wastewater	(3.10)	(4.49)	(5.97)	(3.35)	(0.65)	2.21	5.16	7.44	9.80	12.24
Gas	-	-	-	-	-	-	-	-	-	-
Bill (reduction) increase	(5.64)	(7.56)	(10.33)	(5.60)	0.69	5.76	9.83	13.24	17.89	21.55

Bill Impact: Eliminate GSC – All Savings Towards Rates

ELIMINATE GSC - ALL SAVINGS TOWARD RATES

	Combined Standard Residential Bill									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current										
Electric	148.90	152.17	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53
Water	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94
Wastewater	65.05	68.30	71.71	71.71	71.71	71.71	71.71	71.71	71.71	71.71
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	283.13	289.65	296.42	296.42	296.42	296.42	296.42	296.42	296.42	296.42
Eliminate GSC										
Electric	145.73	145.73	145.73	145.73	145.73	145.73	145.73	145.73	145.73	145.73
Water	30.94	30.94	31.57	32.20	32.84	33.82	34.84	35.87	36.60	36.98
Wastewater	61.95	63.81	65.74	67.08	68.43	69.78	71.21	71.89	72.64	74.08
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	276.86	278.72	281.28	283.25	285.24	287.57	290.02	291.73	293.21	295.03
Difference										
Electric	(3.18)	(6.44)	(9.81)	(9.81)	(9.81)	(9.81)	(9.81)	(9.81)	(9.81)	(9.81)
Water	-	-	0.63	1.26	1.90	2.88	3.90	4.93	5.66	6.04
Wastewater	(3.10)	(4.49)	(5.97)	(4.63)	(3.28)	(1.93)	(0.50)	0.18	0.93	2.37
Gas	-	-	-	-	-	-	-	-	-	-
Bill (reduction) increase	(6.28)	(10.94)	(15.15)	(13.18)	(11.19)	(8.86)	(6.41)	(4.69)	(3.22)	(1.40)

Bill Impact: \$7.8M Reduction in GSC – All Savings Towards Rates

REDUCE GSC BY 7.8M/YR - ALL TOWARDS RATES

	Combined Standard Residential Bill									
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Current										
Electric	148.90	152.17	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53
Water	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94	30.94
Wastewater	65.05	68.30	71.71	71.71	71.71	71.71	71.71	71.71	71.71	71.71
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	283.13	289.65	296.42	296.42	296.42	296.42	296.42	296.42	296.42	296.42
Reduce GSC by 7.8M/yr										
Electric	145.73	147.84	148.94	150.07	150.07	151.19	152.32	152.32	153.44	154.57
Water	30.94	31.86	32.83	33.81	34.83	35.86	36.94	37.68	38.81	39.98
Wastewater	65.07	68.35	71.8	71.8	71.8	71.8	71.8	71.8	71.8	71.8
Gas	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24	38.24
Total	279.98	286.29	291.81	293.92	294.94	297.09	299.30	300.04	302.29	304.59
Difference										
Electric	(3.18)	(4.33)	(6.59)	(5.46)	(5.46)	(4.34)	(3.21)	(3.21)	(2.09)	(0.96)
Water	-	0.92	1.89	2.87	3.89	4.92	6.00	6.74	7.87	9.04
Wastewater	0.02	0.05	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Gas	-	-	-	-	-	-	-	-	-	-
Bill (reduction) increase	(3.16)	(3.36)	(4.61)	(2.50)	(1.48)	0.67	2.88	3.62	5.87	8.17

Impact on Base Rates and Debt Reduction Debt to Capitalization Impact

	Debt to Capitalization Ratio @ FYE33	Projected Net Debt Reduction FYE22 - FYE33
Current	71.03%	387,760,000
Eliminate GSC	66.73%	461,854,619
Reduce GSC by \$7.8M/yr	68.99%	422,860,260

Impact on Debt Service from Rating Upgrade

- Before enacting a ratings upgrade, rating agencies will need to observe from GRU:
 - Continuous, recurring improvement in financial metrics
 - Demonstrated stability in governance structure
- The impact on GRU's debt service cost as estimated by our financial advisor PFM LLC
 - On variable rate debt, 10 basis points or ~\$590,000 per year in savings
 - On fixed rate debt, for every \$100M in new money ~ \$150,000 in annual savings

GSC Alternatives

- The new law states that the Authority and CEO/GM, in making all policy and operational decisions over the affairs of the utility system, must follow pecuniary factors and utility best practices which solely further the fiscal and financial benefit of the utility system and customers.
- Financial benefits to the utility focus on debt defeasance and long-term certainty
- Customer benefits focus on stabilizing rates
- Policy direction from Board
 - Level of GSC
 - Cost savings dedicated to debt defeasance
 - Cost savings dedicated to rate relief

GFT Payments Last 5 Years	
FY19	38,285,000
FY20	38,285,000
FY21	38,285,000
FY22	36,283,000
FY23	34,283,000
FY24	15,305,225

- Alternative 1: Reduce the GSC by \$7.8 million per year, and use half the resulting savings to reduce debt and half to reduce rates
 - Provides additional cost savings to be dedicated to rate relief and debt reduction
 - Financial benefit to utility and customers
 - Impacts and unintended consequences from City Commission actions uncertain

- Alternative 2: To maximize the financial benefit to GRU, reduce the GSC to zero, and use half of the resulting savings to reduce debt and half to reduce rates
 - Maximizes cost savings and benefits GRU by providing additional cost savings to be dedicated to rate relief and debt reduction
 - Financial benefit to utility and customers
 - Impacts and unintended consequences from City Commission actions uncertain

- Multiple Alternatives:
 - Various reductions of the GSC, and use half of the resulting savings to reduce debt and half to reduce rates
 - Various reductions of the GSC, and greater focus on debt reduction or greater focus on rate relief
- CEO/GM focus:
 - Debt relief for long-term stability and benefit to customer
 - Stabilizing electric rates

APPENDIX



Impact on Base Rates and Debt Reduction: Eliminate GSC Completely

- Under these constraints, eliminating the GSC completely resulted in the following base rate structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	0.00%	0.00%	1.00%	2.00%	2.00%	0.00%	1.00%	0.00%	0.00%	0.00%
Water	2.00%	2.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater	0.00%	3.00%	3.00%	3.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Below is the difference in rates by year and by system compared to the current structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	-3.00%	-3.00%	-2.00%	2.00%	2.00%	0.00%	1.00%	0.00%	0.00%	0.00%
Water	2.00%	2.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater	-5.00%	-2.00%	-2.00%	3.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTE: (1) Under the current rate structure, the Water and Wastewater Systems are forecast to have negative reserve balances at FYE34 and (2) Reserve and rate projections include allocation of projected GRUCom losses

Impact on Base Rates and Debt Reduction: \$7.8 Million Reduction /Year in GSC

- Reducing the GSC by \$7.8 million per year resulted in the following base rate structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	0.00%	2.00%	1.00%	1.00%	2.00%	1.00%	0.00%	0.00%	1.00%	0.00%
Water	2.00%	2.00%	3.00%	3.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	4.00%	4.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Below is the difference in rates by year and by system compared to the current structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	-3.00%	-1.00%	-2.00%	1.00%	2.00%	1.00%	0.00%	0.00%	1.00%	0.00%
Water	2.00%	2.00%	3.00%	3.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater	-5.00%	-2.00%	-2.00%	3.00%	3.00%	3.00%	4.00%	4.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Impact on Base Rates and Debt Reduction Eliminate GSC Completely – All Savings to Rates

- Under these constraints, eliminating the GSC completely resulted in the following base rate structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	0.00%	0.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	2.00%	1.00%
Wastewater	0.00%	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	1.00%	1.00%	2.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Below is the difference in rates by year and by system compared to the current structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	-3.00%	-3.00%	-3.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	0.00%	0.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	2.00%	1.00%
Wastewater	-5.00%	-2.00%	-2.00%	2.00%	2.00%	2.00%	2.00%	1.00%	1.00%	2.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTE: (1) Under the current rate structure, the Water and Wastewater Systems are forecast to have negative reserve balances at FYE34 and (2) Reserve and rate projections include allocation of projected GRUCom losses

Impact on Base Rates and Debt Reduction \$7.8 Million Reduction /Year in GSC – All Savings to Rates

- Reducing the GSC by \$7.8 million per year resulted in the following base rate structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	0.00%	2.00%	1.00%	1.00%	0.00%	1.00%	1.00%	0.00%	1.00%	1.00%
Water	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.00%	3.00%	3.00%
Wastewater	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Below is the difference in rates by year and by system compared to the current structure

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Electric	-3.00%	-1.00%	-2.00%	1.00%	0.00%	1.00%	1.00%	0.00%	1.00%	1.00%
Water	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.00%	3.00%	3.00%
Wastewater	-5.00%	-2.00%	-2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



Thank you