FPUA REVENUE SUFFICIENCY ANALYSIS
Rate Study Update

Purpose:

- **Update Financial Forecast through Fiscal Year 2020**
- **Estimate Sufficiency of the Utility Systems**
- **Propose Adjustments to Base Rates**

Summary of Observations:

- **Actual Revenues are consistent with the previous rate plan.**
- **Projected Operating & Capital Expenditures remain within the plan.**
- **Projected PCA assumed to remain steady at $2.50 per MWh for FY15** ***(Based on recent forecasts - September 2014)***
- **Projected PGA assumed to remain steady at $0.05 per CCF for FY15**

Special Considerations:

- **All Electric System rate adjustments applied to the energy component of the base rates, if any**

Prepared by: Public Resources Management Group, Inc.
Prepared on: October 21, 2014

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Rate Study Update

Major Assumptions:

- **Based on the Adopted FY15 Operating Budget and the Revised Capital Plan**
  - **Rate Funded Capital reduced by $3.5 million per year on average or 35%**
  - **Adjustments based on a Review of Budget to Actual Capital Expenditures**
  - **Includes Clean-up Costs of Plant Site - $1.9 million (Net of Grant Revenues)**
- **Eliminates All Operating & Capital Contingencies**
  - **Unforeseen needs will be funded through Cash Reserves (if required)**
- **Increases Debt Service Reserve from $4.5 million to $5.5 million by FY17**
- **Maintains a Minimum "Days of Unrestricted Cash" of at least 45 Days of O&M [*]**
- **Projects FPUA Expenses based on inflation or 2.5% Average Increase**
  - **Wage & Salary Adjustments: 2% per year**
  - **Employee Insurance: 8% per year**
  - **Liability Insurance: 5% per year**
  - **Repairs and Maintenance: 3% per Year**
  - **Underlying Inflation Rate: 2% per Year**
- **Projects Wholesale Costs at Current Levels**
- **No Material Growth in Customers**
- **Increases in Sales Assumed Compared to FY13**
  - **During FY13, FPUA experienced the lowest Electric & Water Sales levels in 10 years**
    - **Electric Sales recovered 1.5% by FY14 as previously assumed**
    - **Water Sales assumed to increase (recover) 5% over time (by FY20)**
  - **No significant change in Wastewater Sales was assumed**
  - **Gas Sales expected to increase 2.5% per year through FY20 (Waste Pro)**

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[*] Operating and Maintenance Expenses (O&M) exclude depreciation expense, other post employment benefits, the City Distribution, principal and interest payments on debt, and capital expenditures.

Proposed Cost Recovery Strategy

Description	2015	2016	2017	2018	2019	2020
Proposed Annual Increases to FPUA Base Rates						
Electric System	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water System	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%
Wastewater System	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Natural Gas System	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Date	Apr. 1, 2015	Apr. 1, 2016	Apr. 1, 2017	Apr. 1, 2018	Apr. 1, 2019	Apr. 1, 2020
System-wide Annual Average Increase in Revenue	0.5%	0.4%	0.5%	0.5%	0.3%	0.3%
Projected Cash Flow at Proposed Rates						
Combined Annual Surplus / (Deficiency)	($5,531,900)	($1,449,131)	($234,705)	$252,219	$404,848	($159,775)
Percent of System Revenues	(5.9%)	(1.5%)	(0.2%)	0.3%	0.4%	(0.2%)
Projected Debt Service Coverage - Calculated	199%	211%	255%	251%	245%	238%
Debt Service Coverage - Minimum Required	125%	125%	125%	125%	125%	125%
Projected Cash Balances at Proposed Rates						
Unrestricted Fund Balance	$20,192,050	$18,799,022	$19,823,705	$20,705,421	$21,455,594	$21,188,650
Days of O&M - Calculated	95	85	89	92	94	92
Days of O&M - Minimum	45	45	45	45	45	45
Debt Service Reserve Fund Balance	$4,929,672	$5,325,037	$5,456,825	$5,456,825	$5,456,825	$5,456,825
Emergency Reserve Fund Balance	$1,272,866	$900,000	$900,000	$900,000	$900,000	$900,000
Renewal and Replacement Fund Balance	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000

Projected Monthly Residential Bill Comparison

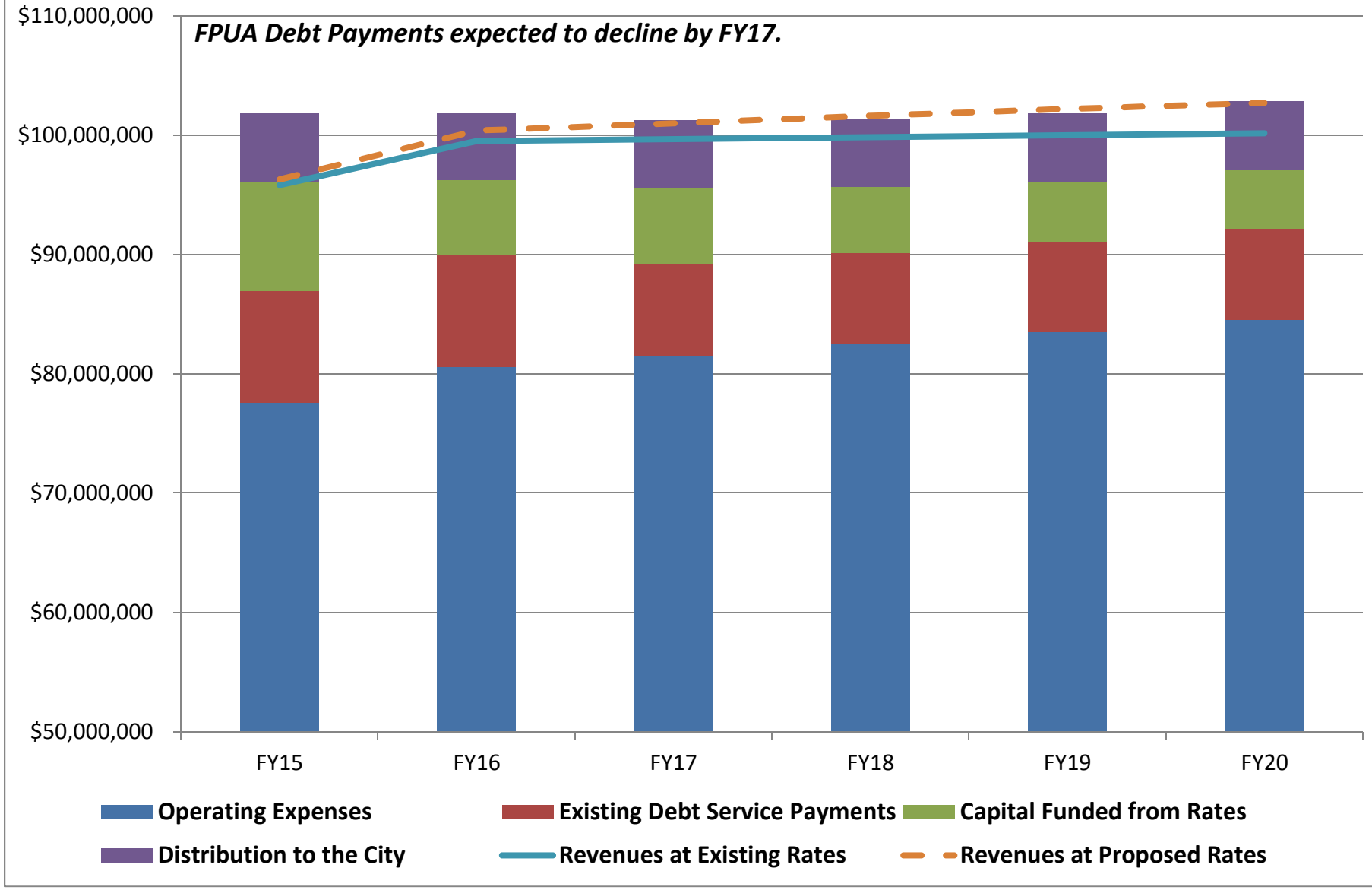
Description	Existing	04/01/2015	04/01/2016	04/01/2017	04/01/2018	04/01/2019	04/01/2020
Electric System							
Total Residential Bill - 1,000 kWh ($2.50 PCA)	$119.34	$119.34	$119.34	$119.34	$119.34	$119.34	$119.34
Amount of Annual Increase per Month	N/A	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Percent Increase (Reduction) in the Bill	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Revenue Sufficiency at Proposed Rates	($1,283,355)	($1,283,355)	$97,017	$148,793	$485,012	$189,472	($148,720)
Water System							
Total Residential Bill - 6,000 Gallons	$33.19	$34.18	$35.18	$36.26	$37.35	$38.12	$38.90
Amount of Annual Increase per Month	N/A	$0.99	$1.00	$1.08	$1.09	$0.77	$0.78
Percent Increase in the Bill	N/A	3.0%	2.9%	3.1%	2.9%	2.0%	2.0%
Annual Revenue Sufficiency at Proposed Rates	($4,665,570)	($4,453,086)	($1,930,578)	($810,597)	($541,827)	($186,532)	($131,295)
Wastewater System							
Total Residential Bill - 6,000 Gallons	$48.24	$48.24	$48.24	$48.24	$48.24	$48.24	$48.24
Amount of Annual Increase per Month	N/A	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Percent Increase in the Bill	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Revenue Sufficiency at Proposed Rates	$176,655	$176,655	$361,370	$314,465	$218,434	$352,698	$108,818
Natural Gas System							
Total Residential Bill - 13 CCF (-$0.10 PGA)	$32.77	$32.77	$32.77	$32.77	$32.77	$32.77	$32.77
Amount of Annual Increase per Month	N/A	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Percent Increase in the Bill	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Revenue Sufficiency at Proposed Rates	$27,885	$27,885	$23,060	$112,634	$90,600	$49,209	$11,421

Fort Pierce Utilities Authority
Rate Sufficiency Analysis

List of Charts

Chart No.	Description
1	Total System Revenue Sufficiency Existing to Proposed Rates
2	Electric System Revenue Sufficiency Existing to Proposed Rates
3	Water System Revenue Sufficiency Existing to Proposed Rates
4	Wastewater System Revenue Sufficiency Existing to Proposed Rates
5	Natural Gas System Revenue Sufficiency Existing to Proposed Rates
6	Projected Unrestricted Cash Balances at Proposed Rates

Chart 1
Total System Revenue Sufficiency Existing to Proposed Rates



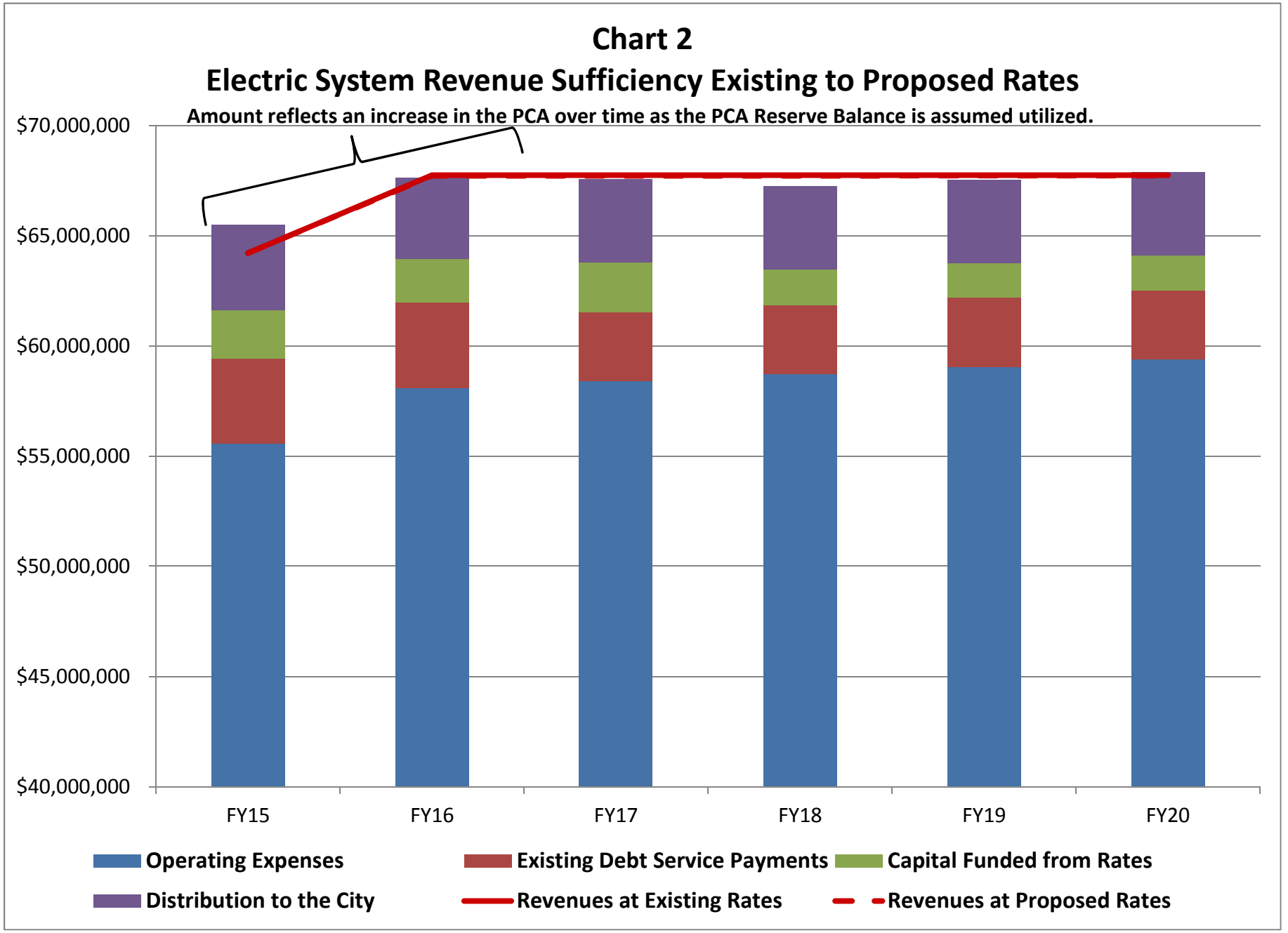


Chart 2
Electric System Revenue Sufficiency Existing to Proposed Rates
Amount reflects an increase in the PCA over time as the PCA Reserve Balance is assumed utilized.
$70,000,000
$65,000,000
$60,000,000
$55,000,000
$50,000,000
$45,000,000
$40,000,000
FY15
FY16
FY17
FY18
FY19
FY20
Operating Expenses
Existing Debt Service Payments
Capital Funded from Rates
Distribution to the City
Revenues at Existing Rates
Revenues at Proposed Rates

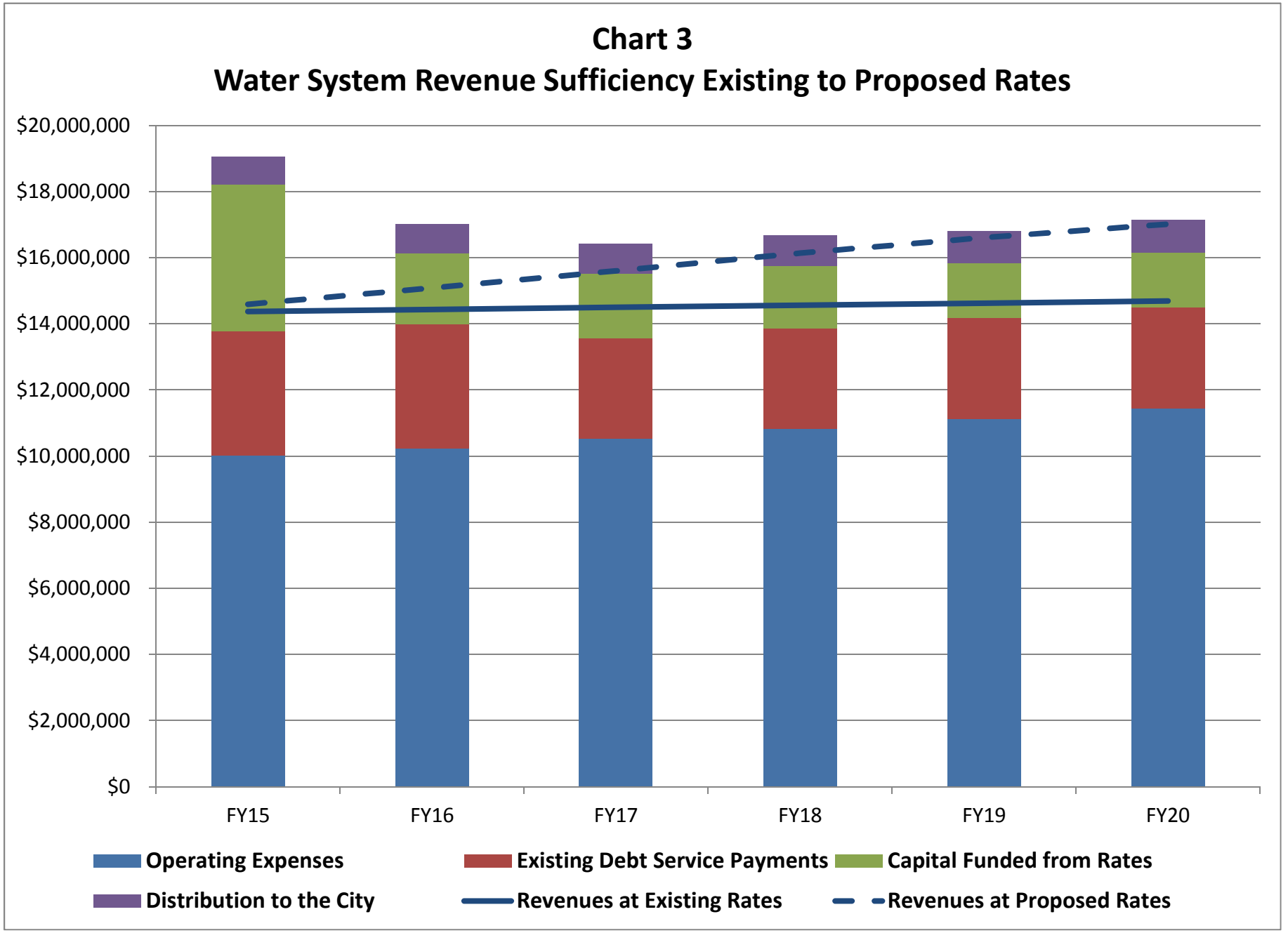


Chart 3
Water System Revenue Sufficiency Existing to Proposed Rates
$20,000,000
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
FY15
FY16
FY17
FY18
FY19
FY20
Operating Expenses
Existing Debt Service Payments
Capital Funded from Rates
Distribution to the City
Revenues at Existing Rates
Revenues at Proposed Rates

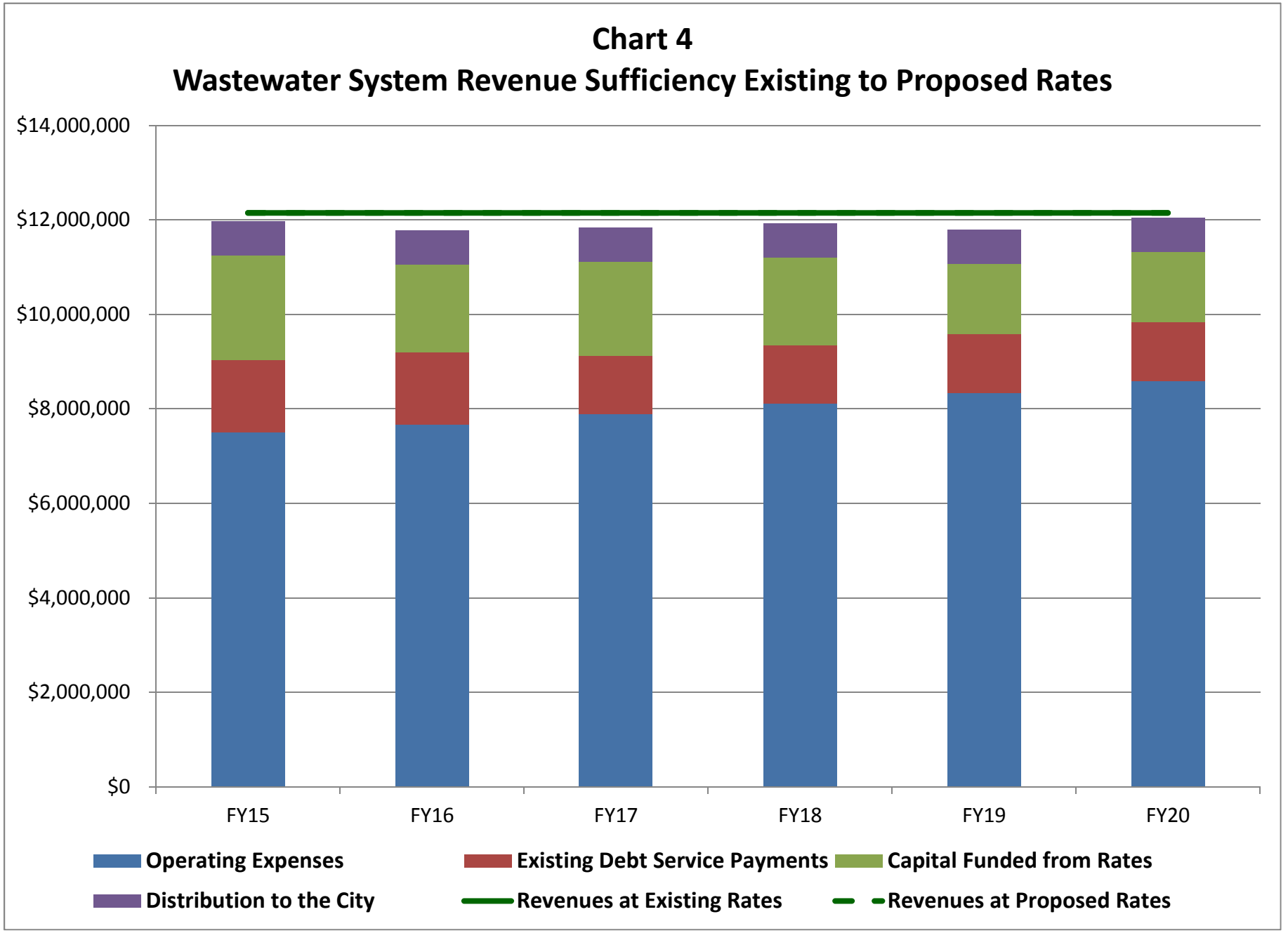
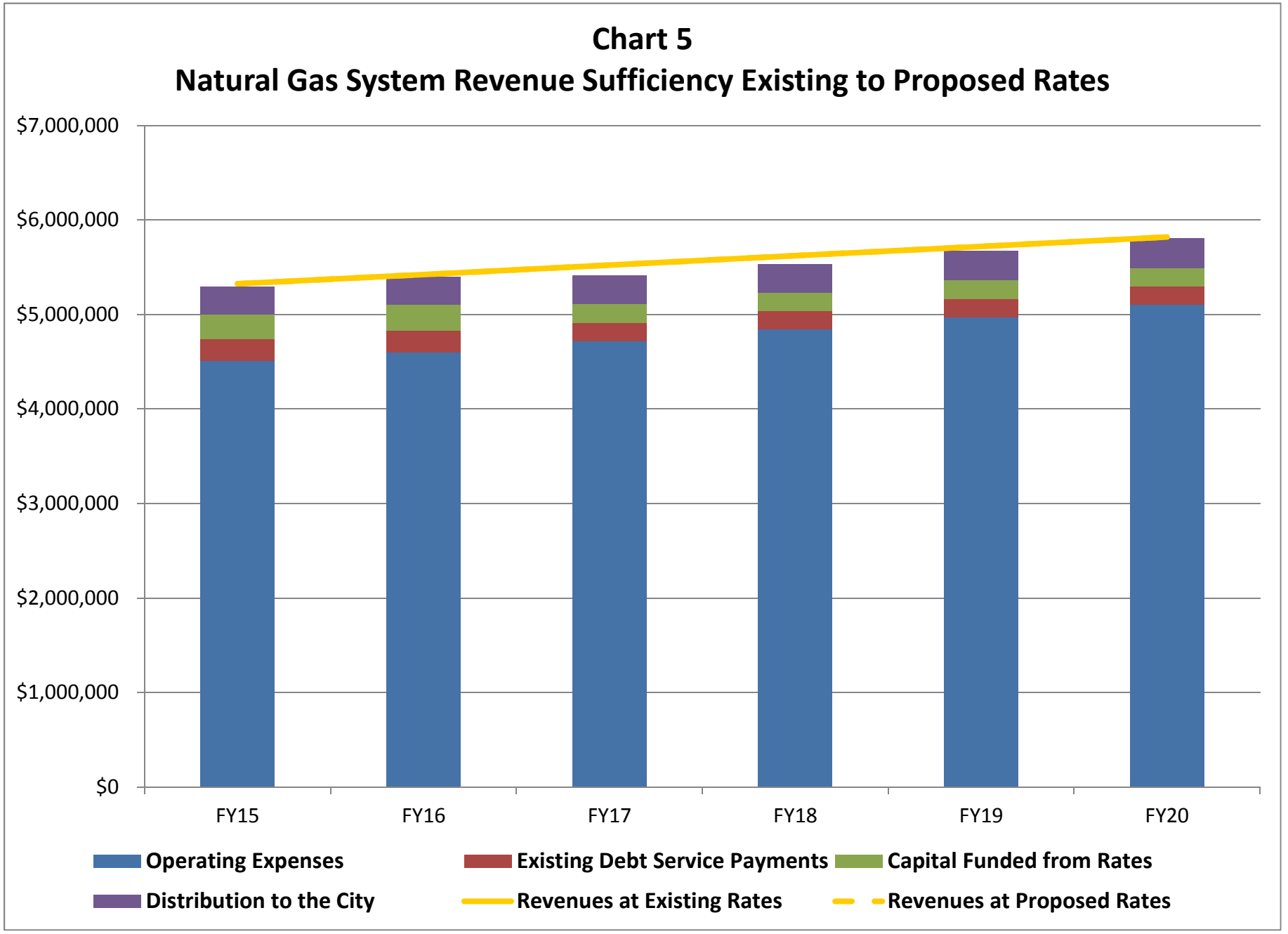


Chart 4
Wastewater System Revenue Sufficiency Existing to Proposed Rates
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
FY15
FY16
FY17
FY18
FY19
FY20
Operating Expenses
Existing Debt Service Payments
Capital Funded from Rates
Distribution to the City
Revenues at Existing Rates
Revenues at Proposed Rates

Chart 5
Natural Gas System Revenue Sufficiency Existing to Proposed Rates



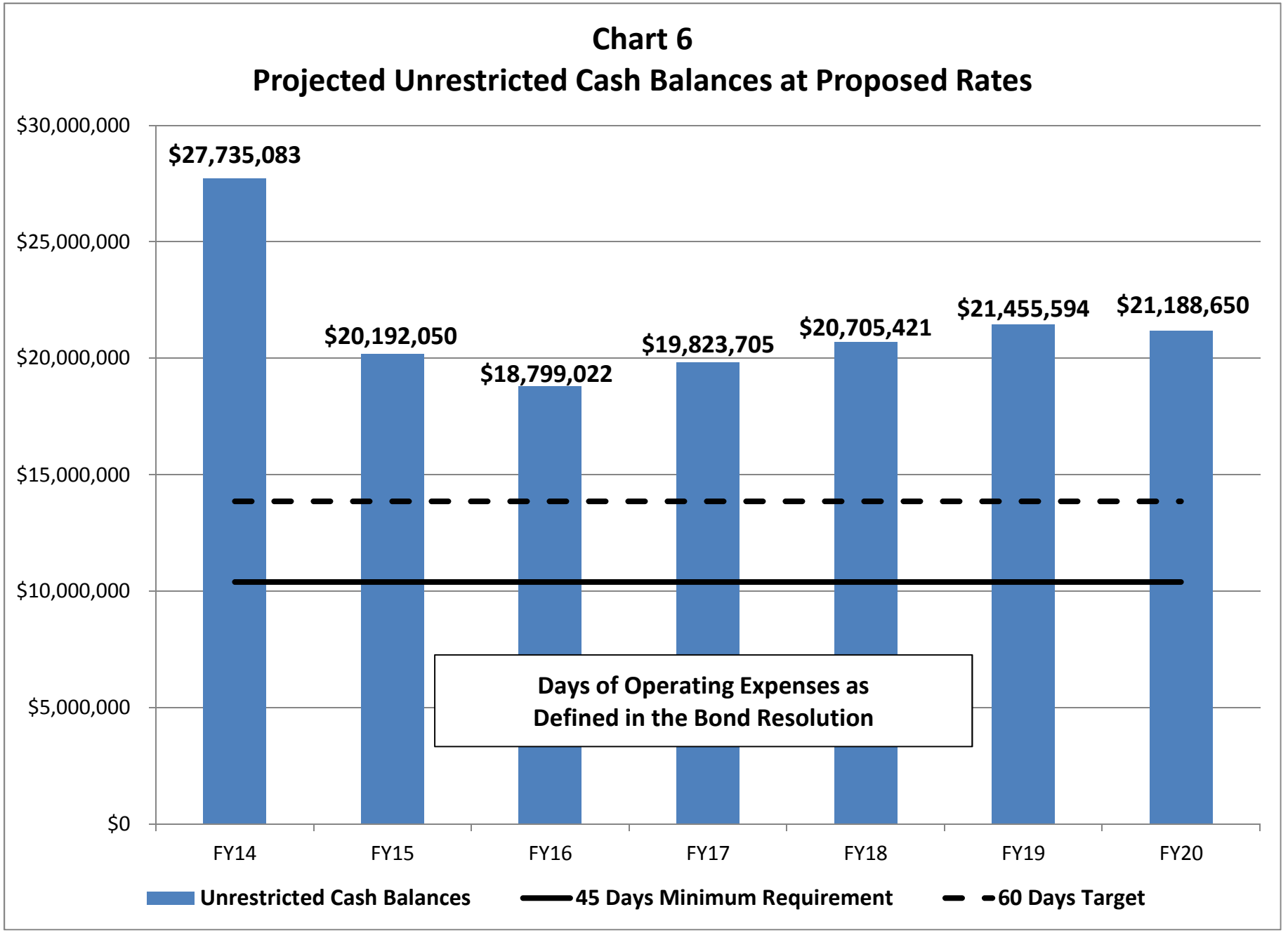


Chart 6
Projected Unrestricted Cash Balances at Proposed Rates
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
$27,735,083
$20,192,050
$18,799,022
$19,823,705
$20,705,421
$21,455,594
$21,188,650
Days of Operating Expenses as Defined in the Bond Resolution
FY14
FY15
FY16
FY17
FY18
FY19
FY20
Unrestricted Cash Balances
45 Days Minimum Requirement
60 Days Target