

# Utility Advisory Board Presentation

Garland Power & Light

Operating and Maintenance Budget Review

August 30, 2010

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# Opening Remarks

- Formed a sub-committee responsible for collecting data/information and reporting back to the UAB
  - Lowell Hyatt
  - Tony Torres
  - Lee Alewine
- Sub-committee members met with Bryan Bradford, Greg Vetrano and other staff and obtained financial data and an overview of the city's budgetary process
- Sub-committee members continued meeting with GPL to obtain more detailed financial information and learned about the GP&L budgetary processes
- As a result of these meetings the sub-committee requested GPL staff to create a spreadsheet consisting of past, current, and projected financial data for all the major revenue and expense items

- The completed spreadsheet contained actual and projected confidential and competitive financial data for budget years 2005/2006 through 2011/2012
- In addition, we reviewed past actual, proposed, and revised budget data for budget years 2001/2002 through 2004/2005
- The financial data was used to discover and observe trends, anomalies, and dwell deeper into specific line items
- Further analysis was performed relative to approved vs. revised and proposed budgets and the reasons for the differences in the numbers.
- The sub-committee along with GPL staff met with the entire UAB on May 25 and reviewed the committee's work to date and presented detailed data about revenues and expenses (see next slide)
- Finally Greg Vetrano presented the 2010/2011 O&M Budget to the UAB on July 27

# Approach to Budget Review

On May 25<sup>th</sup> the sub-committee reviewed the committee's work to date and presented detailed data about revenues and expenses, such as:

## Revenues

- **Retail Sales**
  - Residential
  - General Svc Large
  - High Tension Svc/Contract
  - General Svc Small
  - Public Institution
  - Intra-City Electric Svc
  - Municipal Pumping
  - Street Light Svc
  - Guard Light Svc
  - Temp Elec Svc/Guard Lt Install
- **Off System Sales**
  - Energy Sales
  - TCOS Revenue
  - Ancillary Services
- **Other Revenue**
  - Penalty
  - Interest Income
  - Firewheel Loan Payment
  - Recovery of Expenditures
  - Auction Receipts
  - Pole Contact Rent
  - Collections on Bad Debt
  - Res Uncollected/Bad Debt Exp
  - Miscellaneous

## Expenses

- **TMPA**
  - TMPA Demand
  - TMPA Fuel
- **Energy Purchases/Fuel/Other**
  - Natural Gas
  - Energy Purchases
  - TCOS
  - ERCOT Fees
  - Ancillary Services
- **Support Services**
  - Customer Service
  - Facilities Management
  - Information Services
  - IT Replacement Fund
  - Warehouse
- **Personnel**
- **Debt Service**
- **Transfer to Rate Mitigation Fund**

- Approximately 60% of all GP&L expenses **are not** under direct control of GP&L management-
  - TMPA expenses under contractual agreement-26%
  - Energy/Fuel expenses set by marketplace demand-19%
  - City support expenses set by city management and council-15%
- Approximately 40% of all GP&L expenses **are** directly controlled by GP&L management-
  - Personnel/Operations/Capital-18%
  - Debt Service-11%
  - Capital Improvement Cash & Rate Mitigation Fd-11%

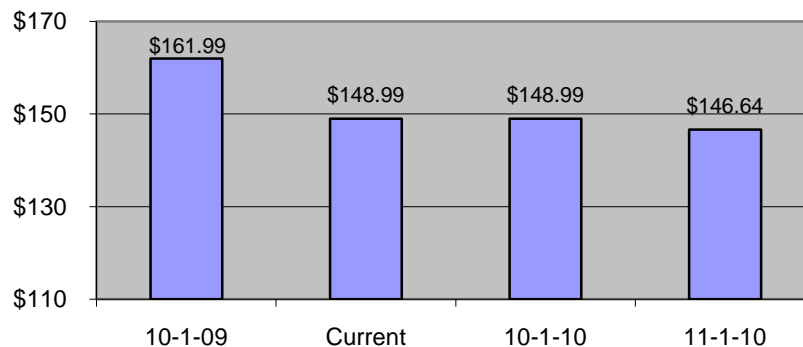
# Observations

- GP&L management has limited control of making significant expense reductions—hence the organization must have efficient operations and long-term strategies of revenue enhancements and expense controls. Example: recent TMPA contract
- GP&L management team have successfully transitioned to a long-term outlook for the organization as indicated in the 2007, 2008, and 2009 annual reports
- GP&L has an excellent management team, evident by receiving the Reliable Public Power Provider (RP3) award from the American Public Power Association

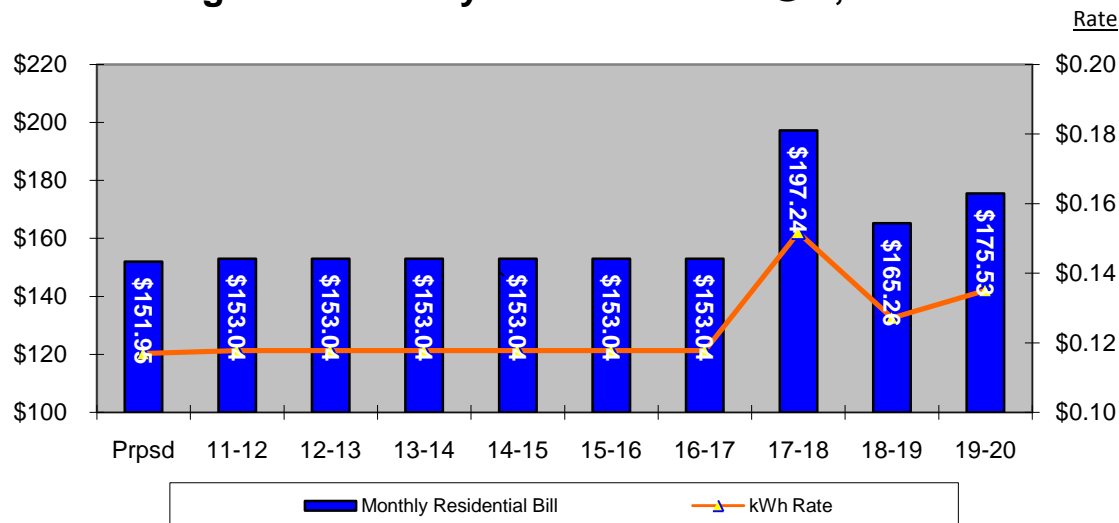
- Proposed 2010/2011 budget-
  - Aligns with historical trends and future projections
  - Contains no significant anomalies (other than TMPA contract)
  - Adequate to meet 2010/2011 annual plans and longer-term strategies
  - Aligns with ten-year financial plan

**2010/2011 O&M budget fits within a longer-term plan to stabilize utility rates for GP&L customers**

**Monthly Residential Bill @ 1300 kWh's**



**Average Rate/Monthly Residential Bill @ 1,300 kWh**



- Adopt the 2010/2011 Operating and Maintenance budget as presented by staff
- The UAB to present plans at an October work session relative to:
  - Improving performance metrics and linkages to strategic plans, ten-year financial plan, and balance sheet
  - Reviewing city support and other fund transfer valuations

- Missing from the budget review process is an impact study on how the proposed financial resources will improve and/or deteriorate other organizational performance metrics and strategies, example
  - How will power reliability be impacted?
  - How will customer service be impacted?
  - How will environmental/regulatory requirements be impacted?

# Closing Remarks

Questions?