

GARLAND POWER & LIGHT 2010-11 PROPOSED BUDGET

City Council Work Session
August 30th, 2010

During FY10 Garland Power & Light completed several major changes to our strategic operating plan that affect our budgets and financial outlook. These changes continue our current goal to stabilize our rates as we move forward. Our customers have benefited from these changes by having stable rates (and reductions when possible), and will continue to benefit for many years in the future.

TMPA Pro Forma

- Decreased TMPA costs
 - Restructured generation debt beyond 2018
 - Restructured transmission debt beyond 2018
 - Financing scrubber for TMPA
- Settled 20 cases of on-going litigation between TMPA and member cities

GP&L Pro Forma

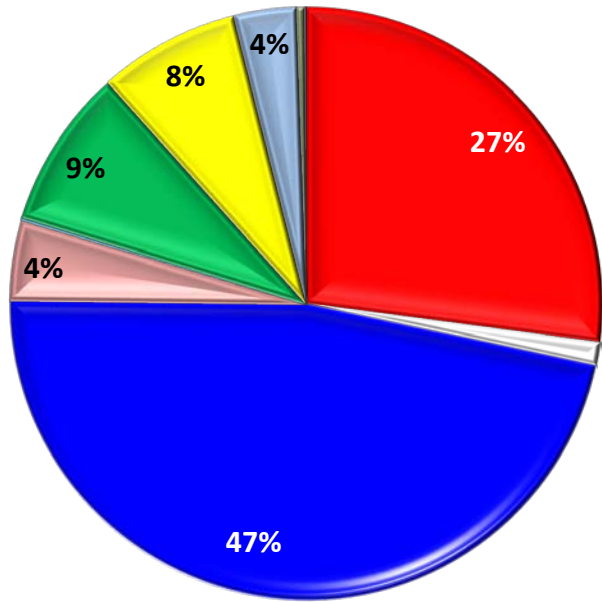
- TMPA net savings of approx \$112 million through 2018
 - Restructure transmission and generation debt beyond 2018
 - Financing scrubber for TMPA
- Reduction in O&M related to mothballed units
- Debt service increases due to TMPA debt restructure and 2011 CIP
 - Includes estimated cash transfer for 2011 CIP
 - Includes estimated debt service for 2011 CIP-will rework 2011
- Use of Rate Mitigation funds to stabilize rates
- Participation in CREZ

Managing Power Supply

➤ Overall power supply costs to GPL customers are lowered through the buying and selling of fuel, energy, and other services on the market. This reduces run time on older inefficient units and ensures that assets are utilized effectively.

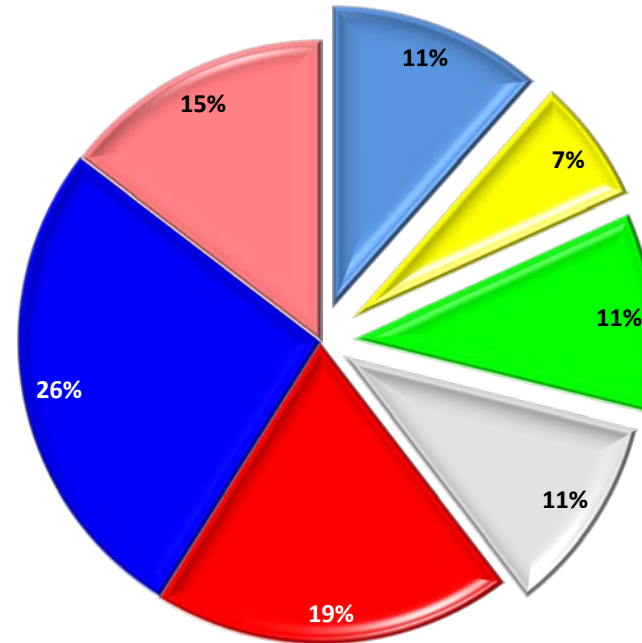
These and other improvements will add considerable value to the Utility, keep us competitive, and strengthen the ties with our customers. We remain committed to keeping our rates as low as possible and to providing dedicated, local service and support to our customers. As for the challenges, GP&L will manage these risks with our experienced staff and expert consultants as needed to evaluate all options to determine the appropriate course of action.

Revenue \$225 Million



- Gen Svc Large
- Intra-City
- Residential
- Gen Svc Small
- Street/Guard Lt Svc
- Off Sys Sales
- High Tension
- Public Inst
- Non-Oper Rev
- Municipal Pumping

Expenditures \$228 Million



- Personnel
- Oper & Cap
- Debt Svc
- Cash Tranf to CIP/RM Fund
- GP&L Fuel/Energy
- TMPA
- ROI/G&A/SS/Other

Major Changes from FY09-10 Appvd

Operating Revenue

Consumption Adj, Rates, Off Sys Sales (\$17,803,153)

Expenditures

Personnel/Operations/Capital (993,675)

- Eliminated 22 F/T positions (8 banked)
- Reduced other O&M costs

Fuel/Energy (4,362,601)

TMPA (47,652,586)

- Restructured Gen/Transm Debt
- Financed Scrubber for TMPA

Debt Service 7,311,352

- TMPA Debt Restructure/Scrubber

CIP - Cash (5,978,000)

Transfer to Rate Mitigation Fund 15,534,100

<u>2010-11 Proposed Expenditures (w/o RM Transfer)</u>	<u>Amt</u>	<u>Rate Impact</u>	<u>% to Total</u>
Cash Fund CIP @ 35/65	\$8,943,900	\$0.0047	4.2%
Debt Svc	24,238,603	0.0127	11.4%
Person/Oper/Cap (less City Support)	35,683,022	0.0188	16.8%
City Transfers/Support	39,261,271	0.0206	18.5%
GPL Fuel/Energy/AS/TCOS/Uplift	44,107,919	0.0232	20.7%
TMPA	60,424,667	0.0318	28.4%
2010-11 Prpsd Expenditures	\$212,659,382	0.1118	100.0%

Proposed Avg Rate per kWh (all classes)	0.10778
Revenue from Proposed Rate	\$204,927,152

Portion Not Funded by Existing Retail Rates	(\$7,732,230)	(\$0.0041)
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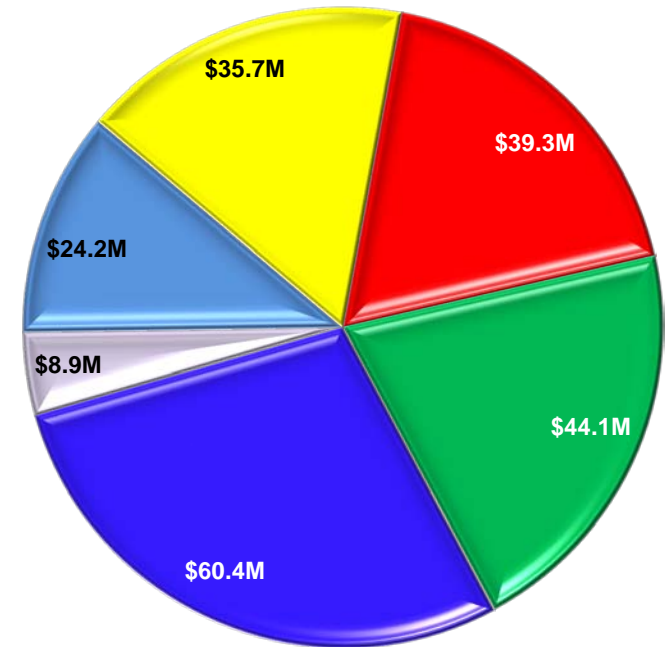
Other Non-Retail Rate Revenue

Beginning Balance	\$2,786,326	\$0.0015
Off System Sales	19,535,053	0.0103
Other Revenue	951,229	0.0005
Total Non-Retail Rate Revenue	\$23,272,608	0.0122

Over/Under Revenue Requirements	\$15,540,378	\$0.0082
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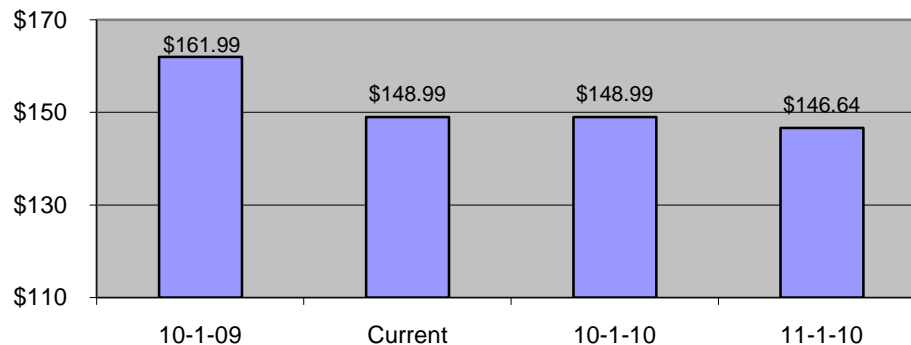
Use of Over/Under Rev Req

Transfer to Rate Mitigation Fund	(\$15,534,100)
Ending Fund Balance	(6,280)

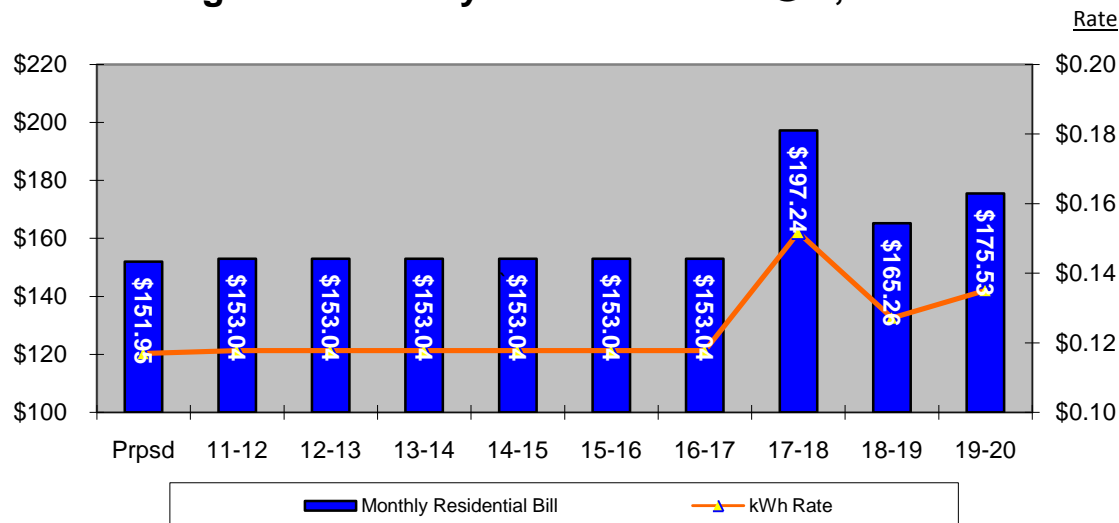


- Cash Fund CIP @ 35/65
- Debt Svc
- Person/Oper/Cap (less City Support)
- City Transfers/Support
- GPL Fuel/Energy/AS/TCOS/Uplift
- TMPA

Monthly Residential Bill @ 1300 kWh's

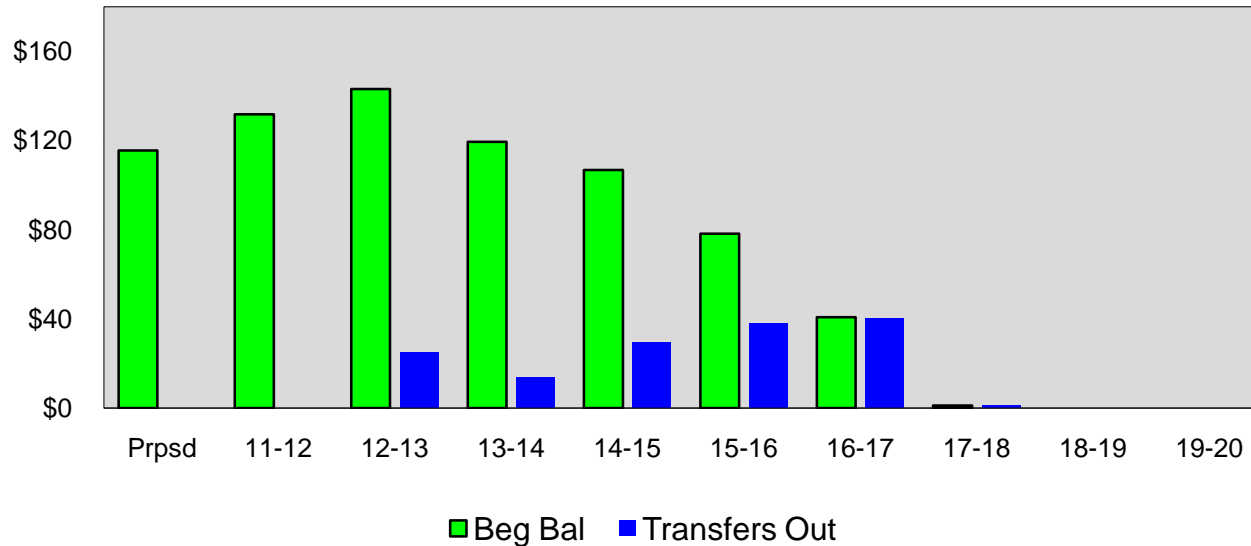


Average Rate/Monthly Residential Bill @ 1,300 kWh



Millions

Projected Use of RM Funds



	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
RM Beg Bal	\$115.6	\$131.7	\$143.1	\$119.4	\$106.8	\$78.2	\$40.8	\$1.1	\$0.0	\$0.0
Interest Inc	0.6	1.0	1.1	1.0	0.9	0.6	0.3	0.0	0.0	0.0
Transfers In	15.5	10.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers Out	0.0	0.0	(24.9)	(13.6)	(29.5)	(38.0)	(40.0)	(1.1)	0.0	0.0
RM Ending Bal	\$131.7	\$143.1	\$119.4	\$106.8	\$78.2	\$40.8	\$1.1	\$0.0	\$0.0	\$0.0

Questions ?

