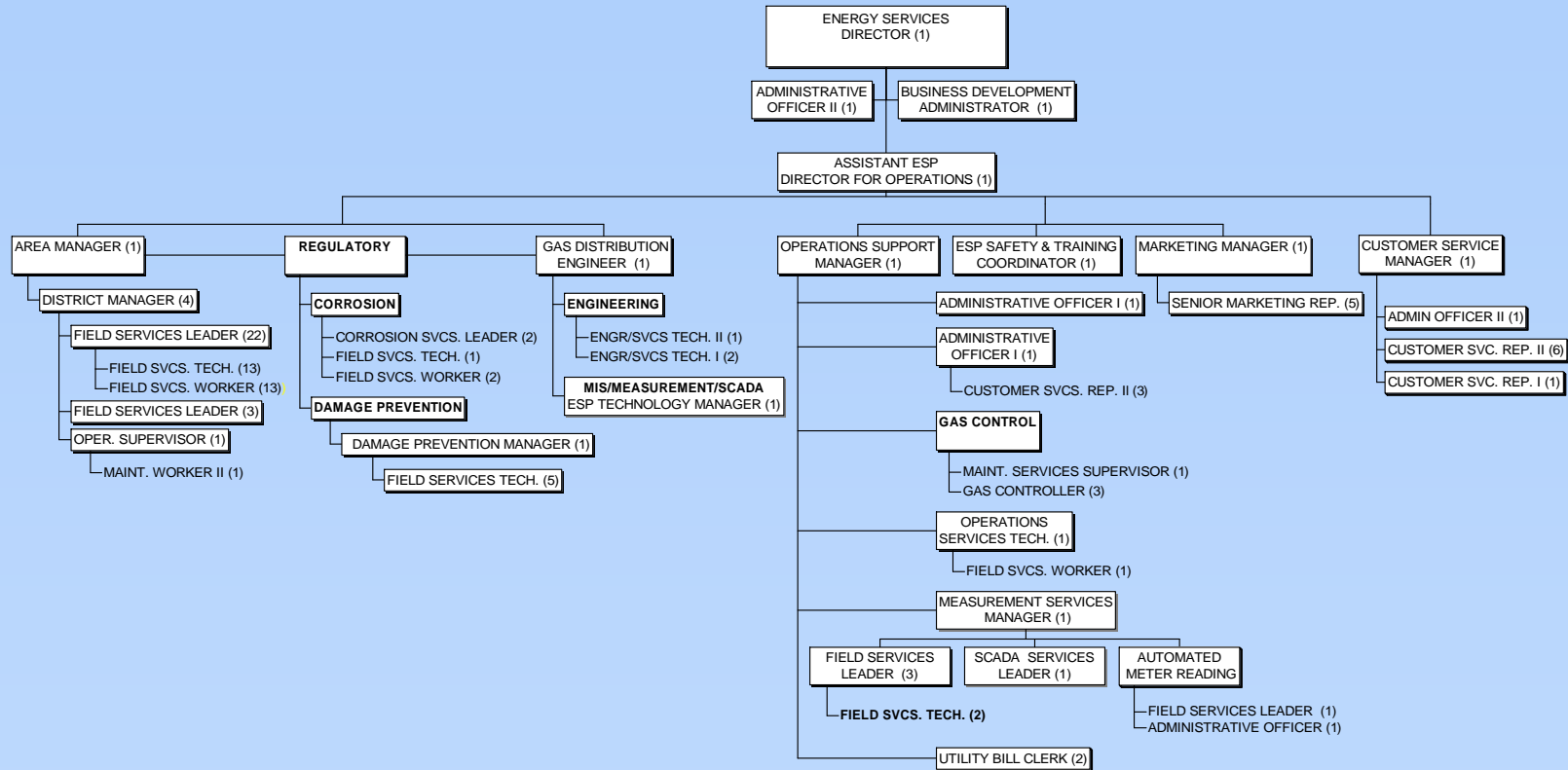




**NATURAL GAS. NATURALLY.  
ENERGY SERVICES OF PENSACOLA**

City Council Presentation  
Fiscal Year 2012 Budget

# Fiscal Year 2012 Organization Chart



Total Positions: 117

# Position Reductions

	<u>FY</u> <u>2009</u>	<u>FY</u> <u>2010</u>	<u>FY</u> <u>2011</u>	<u>FY</u> <u>2012</u>	<u>CHANGE</u>
Budgeted Positions*	131	122	121	117	(14)
Piping EPS	6	3	0	0	(9)
Meter Reading EPS	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
Total Positions	141	125	121	117	
Total Reductions in Positions					(27)

Budgeted positions include 6 Meter Readers, 3 Gas Piping positions; 1 Field Services Worker, 2 Field Services Technicians, 1 CSR1 and 1 Gas Controller.

# Fiscal Year 2012 Proposed Budget

	<u>ACTUAL FY 2009</u>	<u>ACTUAL FY 2010</u>	<u>BEGIN BGT FY 2011</u>	<u>PROPOSED FY 2012</u>	<u>PROJECTED FY 2013</u>
BEGINNING FUND BALANCE	\$ 9,017,975	1,678,965	0	0	0
REVENUES:					
GAS CHARGES	48,619,905	49,209,499	54,549,200	54,621,100	55,177,100
TOTAL REVENUES AND FUND BALANCE	<u>\$ 57,637,880</u>	<u>50,888,464</u>	<u>54,549,200</u>	<u>54,621,100</u>	<u>55,177,100</u>
	<u>ACTUAL FY 2009</u>	<u>ACTUAL FY 2010</u>	<u>BEGIN BGT FY 2011</u>	<u>PROPOSED FY 2012</u>	<u>PROJECTED FY 2013</u>
GAS OPERATION & MAINTENANCE					
Personal Services					
Operating Expenses	\$ 8,565,926	7,936,453	8,314,100	8,095,500	8,216,900
Capital Outlay	30,211,303	26,527,198	34,952,400	34,901,300	35,512,500
	<u>420,708</u>	<u>349,795</u>	<u>375,000</u>	<u>559,800</u>	<u>382,500</u>
SUB-TOTAL	<u>39,197,937</u>	<u>34,813,446</u>	<u>43,641,500</u>	<u>43,556,600</u>	<u>44,111,900</u>
GAS DEBT SERVICE					
Interest					
Principal	426,559	390,717	381,200	338,300	294,000
	<u>1,204,599</u>	<u>525,000</u>	<u>1,405,000</u>	<u>1,405,000</u>	<u>1,450,000</u>
SUB-TOTAL	<u>1,631,158</u>	<u>915,717</u>	<u>1,786,200</u>	<u>1,743,300</u>	<u>1,744,000</u>
TRANSFERS OUT					
General Fund					
	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
SUB-TOTAL	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
ALLOCATED OVERHEAD/(COST RECOVERY)	<u>962,400</u>	<u>1,121,500</u>	<u>1,121,500</u>	<u>1,321,200</u>	<u>1,321,200</u>
SUB-TOTAL GAS OPERATIONS	<u>49,791,495</u>	<u>44,850,663</u>	<u>54,549,200</u>	<u>54,621,100</u>	<u>55,177,100</u>
GAS CONSTRUCTION BONDS					
GAS CONSTRUCTION NAVY	3,469,881	868,710	0	0	0
	<u>4,179,108</u>	<u>1,852</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>\$ 57,440,484</u>	<u>45,721,225</u>	<u>54,549,200</u>	<u>54,621,100</u>	<u>55,177,100</u>

# 2012 Budget Highlights

- Rate Study
- Infrastructure Replacement and Cost Recovery
- Customer Retention and Growth

# Black & Veatch Rate Study

- The rate study presents the results of a comprehensive study, including a projection of ESP's financial position for the period 2011-2015, a cost of service analysis and the development of recommended rate charges to recover the costs of providing service from the respective classes of customers.
- **Based on our forecast of revenues under existing rates and revenue requirements for the 2011 through 2015 fiscal years, we recommend an overall rate increase of approximately 6.9 percent, or \$2.8 million per year, in base rates (distribution and customer charges) plus the consistent application of the annual inflation index adjustment.**
- We are recommending ESP implement an infrastructure cost adjustment which will allow ESP to capture the capital costs of government and regulatory body-mandated infrastructure replacement and pass those costs on to customers. We are also recommending a compressed natural gas ("CNG") tariff and the addition of up to .10 per ccf to the PGA calculation for the drawdown to reserves. In our study we assume that these rates will go into effect October 1, 2011

# B & V Continued

- Recommended Rate Adjustments will
  - Provide funds for future operations and capital requirements to prudently maintain ESP's natural gas system and the current General Fund Transfer with a CPI adjustment applied annually also for the years 2013-2015.
  - Provide the ability to maintain current level of reserves.
  - Implement a Compressed Natural Gas rate.
  - Implement an infrastructure cost recovery clause, effective 2013 to capture costs associated with the infrastructure replacement program.

# Rate Study Recommendations

- Overall Increase 6.9% (including gas cost)
- Revenue Projected \$2,800,000
  - Distribution Charge

	From	To
■ County - All	\$ 8.27	\$ 9.29
■ City- All	\$ 6.50	\$ 7.52

(Distribution charges are per Mcf excluding gas cost)
  - Customer Charge

■ Residential - City	\$ 7.25	\$ 8.95
■ Residential - County	\$ 8.29	\$10.00
■ Commercial - City	\$12.43	\$15.85
■ Commercial - County	\$14.50	\$18.00



# Average Monthly Bill Changes

- City Residential \$4.25
- City Commercial \$26.75
- County Residential \$4.26
- County Commercial \$26.75



INFRASTRUCTURE  
REPLACEMENT and  
COST RECOVERY  
MECHANISM

# Increasing Regulatory Oversight

- 9/9/2010 – San Bruno, CA (PG&E) Investigating agencies: NTSB; CPUC; homes destroyed-37, numerous damaged; deaths-7, dozens injured.
- 12-29-10 – Wayne, MI (Consumers Energy) Investigating Agency: MIPSC; homes damaged-9, businesses destroyed-1; Deaths-1, 300 evacuated.
- 1/11/2011 – Philadelphia, PA (Philadelphia Gas Works) Deaths-1, 6 injured.
- 2-9-11 – Allentown, PA (UGI Utilities) 12" Cast iron low pressure, homes destroyed-8, damaged-36; Deaths-5.
- Legislative proposal submitted by Transportation Secretary Ray LaHood "Strengthening Pipeline Safety and Enforcement Act of 2010" amends Title 49 section 60122 and includes 40 Federal pipeline inspectors (adding to the current 100), and raising the ceiling on pipeline safety violation 250%. Civil penalties for major Consequence Violations increase from \$100,000 per violation day/\$1,000,000 cap to \$250,000/\$2,500,000 cap.

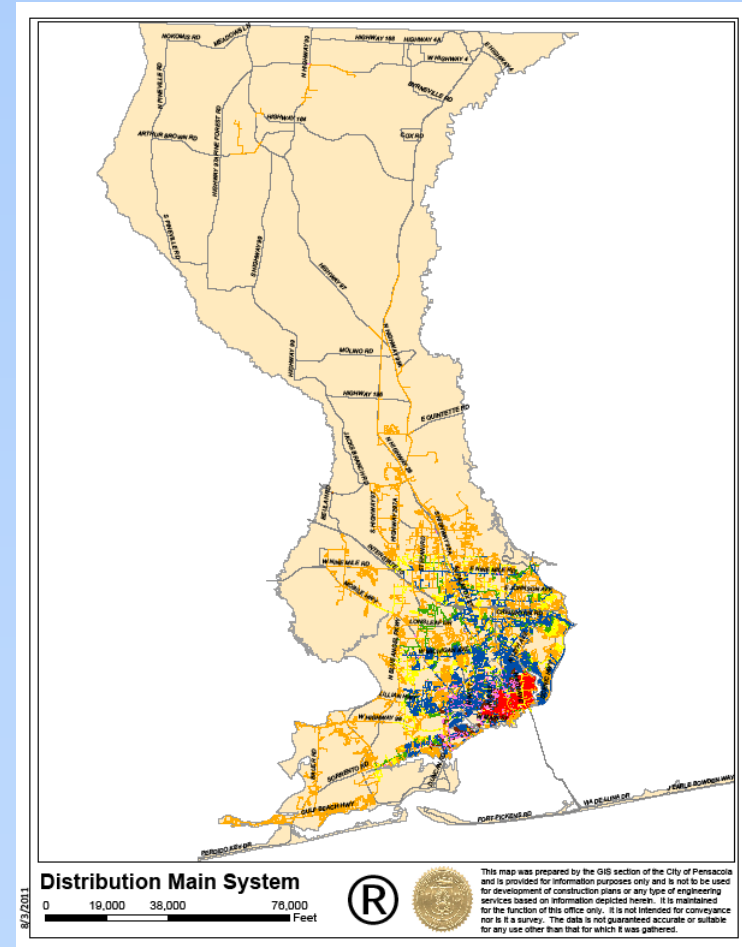
# Aging Infrastructure Plan

- Florida PSC approved plan requiring ESP to discontinue electrical survey and assign two crews to install cathodic protection to extend the useful life and replace sections of obsolete bare steel pipe.
- Rate study recommends infrastructure cost recovery clause, effective 2013.

# Obsolete Pipe Replacement

## ■ Material Breakdown

- Bare Steel -429 Miles
- Cast Iron - 86 Miles
- Coated Steel -86 Miles
- Galvanized -29 Miles
- Plastic -820 Miles
- Coated & Protected-177 Miles



# CUSTOMER RETENTION and GROWTH

# Burner Tips Added

## BY MARKET TYPE

<b>New Homes -</b>													
Appliances	65	41	34	49	31	54	31	12	48				365
Stubs	34	33	23	20	9	39	12	2	26				198
<b>Retrofit -</b>													
Appliances	17	19	39	49	12	14	10	24	15				199
Stubs	0	0	0	0	0	0	0	0	0				0
<b>Commercial</b>													
	18	4	5	9	5	1	15	11	12				80
<b>Total</b>													
	134	97	101	127	57	108	68	49	101				
<b>Percent of Monthly Goal Attained</b>													
	76	73	92	289	65	82	31	15	31	0	0	0	
												Total	842

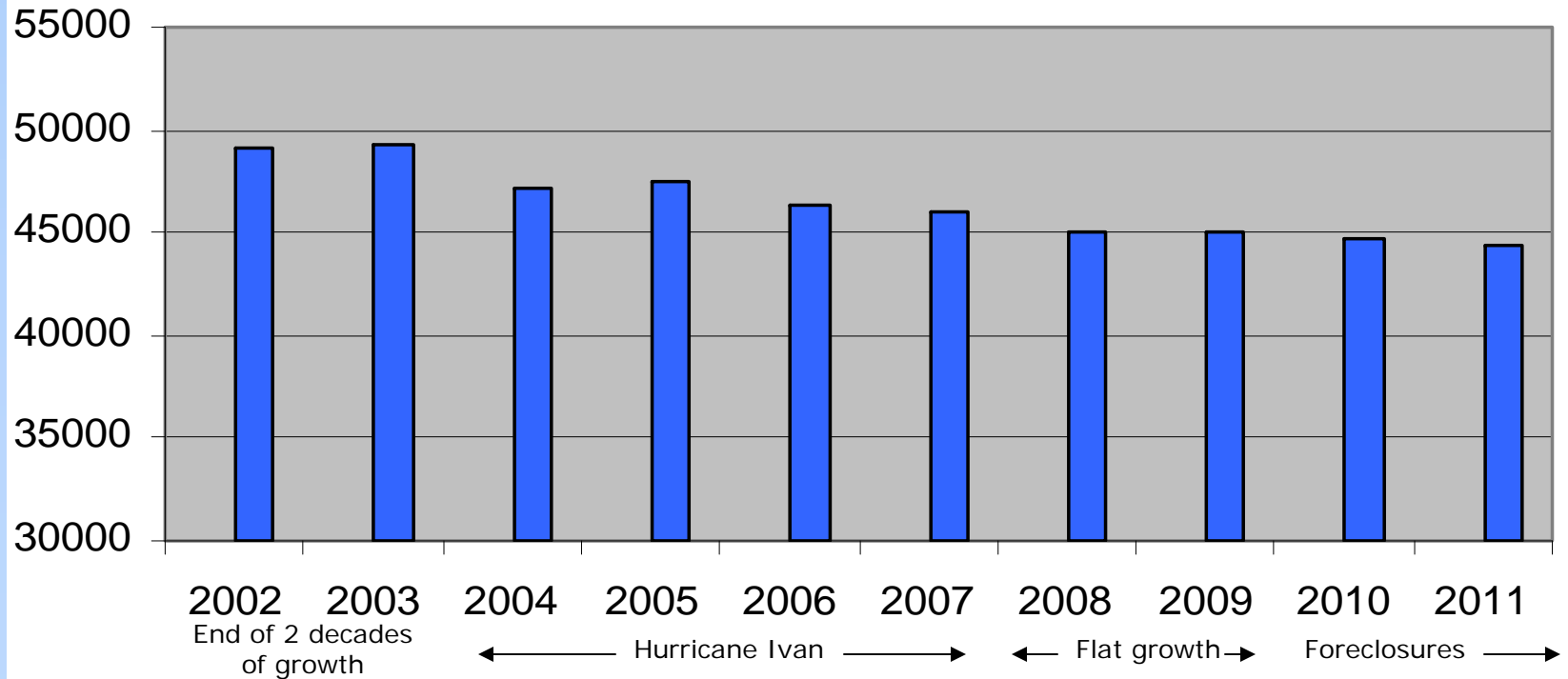
**Percent of YTD Goal Attained**

**54**



# Customers

## Customer Count By Fiscal Year



**ESP** is an innovative  
high-value energy  
services provider

*Our Commitment:*

**E**xcellence

**S**afety

**P**erformance