

Letter to the Editor

The GRU Electric “Fuel” Adjustment Charge Is Complicated

Mr. Bielarski’s recent repeated monthly increases in the GRU electric “fuel” adjustment charge has focused attention on this important aspect of our GRU electric BILL (and GRU’S Budget). There are myriad misunderstandings by all commentators.

With the surprise and poorly understood HB1645 May 23, 2023 repeal of Section 3.06 of the City of Gainesville Charter, eliminating all powers of the GRU General Manager, Mr. Bielarski now has no inherent authority to raise the GRU “fuel” adjustment charge, and has not been properly authorized to do so by the GRU “Authority”. Mr. Lawson belatedly wants there to be public discussion before any more such increases and said so at the last meeting. Kudos to him.

Since at least 1954, absent any express statutory authority whatsoever, a custom arose with the blessing of the state PSC (Public Service Commission) within the electric generation industry in Florida to pass directly through to electric customers the difference between WHOLESale power sales and purchases. In Florida, all electric generating utilities enjoy a monopoly over a retail service area but can, and must, wholesale electricity to other electric utilities in a free and largely unregulated wholesale market.

This market is purely intrastate in Florida because Florida is a peninsula too far from out-of-state sources of wholesale electricity. So the GRU “fuel” adjustment charge is actually a Fuel AND NET PURCHASED POWER adjustment clause, a critical fact most commentators are unaware of.

In 1973, there was an Arab oil embargo that suddenly increased the price of oil from \$3 to \$42 per barrel at a time when oil was a primary fuel for electric generation in Florida, especially in a booming South Florida.

To this day, the “fuel” adjustment charge is based on price increases for fuel above the 10/1/73 level. Pre 10/1/73 fuel price components are recovered through base rates.

The “fuel” adjustment charge must be separately stated on the electric bill because it is not subject to utility tax, nor is the difference between wholesale electric power purchases and sales.

GRU boasts about the diversity of fuels used by its ten (10) electric generating plants on a GRU energy island with no firm availability on transmission lines connected to outside sources of electricity. Shredded whole trees, coal, and oil are viable fuels in addition to gas. GRU has no solar or nuclear power which have zero fuel costs.

As with our automobiles, different GRU electric plants use different fuels with varying degrees of efficiency.

Our only GRU efficient combined cycle rebuilt Kelly gas fired electric plant recently went down, forcing GRU to utilize its electric generating plants that have been retrofitted to run on gas and coal, and which are considerably less efficient. Our Kelly plant generates @ \$35 mWH while Deerhaven 1 generates @ \$50 mWH - when using natural gas as fuel.

More importantly, because GRU has way too much base load capacity, and inadequate peaking load capacity, exacerbated by heavily subsidized intermittent local solar inputs, GRU routinely purchases more wholesale electric power than it sells. Frequently, GRU can purchase electric power wholesale cheaper than it can generate electrical power in house. In other words, GRU excess base load cannot be sold wholesale at a level which offsets its power purchases. This excess, aging electric generating capacity frequently sits idle, boosting the GRU fuel adjustment charge.

Bielarski is spending millions without a comprehensive plan for future power generation (IRP) in order to postpone the retirement of his “arsenal” of aging, uneconomic electric power generating plants.

But there are more troubling facts. There is a City of Gainesville ordinance requiring that over or under recovery of “fuel” costs must stay within a certain range absent authorization of the governing body – now the GRU Authority.

On the quarterly unaudited GRU Financial Statements, a “fuel levelization” balance is reported. This is an accounting entry, not a separate fund. The GRU Authority pays no attention to this critical metric whatsoever and it is never to be found in the backup for any meeting.

Since GRU cash on hand has fallen below target levels for the electric system, Bielarski has unilaterally decided to raise cash with four (4) consecutive monthly increases to the electric fuel adjustment charge, and actually openly said so at the last meeting. This goes far beyond a short-term spike in gas prices, which is the pretext.

This also is nothing new. As the devastating Power Purchase Agreement (PPA) payments for the biomass electric plant (\$72+ million per year @ 4 times market prices whether needed or not) were about to kick in, GRU quietly overcharged GRU customers \$32 million for “fuel” in order to temporarily conceal the devastating impact of the biomass PPA. Objections from myself and other pundits resulted in the applicable fuel levelization balance ordinance currently in effect. All biomass PPA payments were recovered through the fuel adjustment charge as a “capital lease”.

While the GRU “Authority” pays no attention to it, it will be interesting to see what happens with the GRU “fuel” levelization

balance in the near future. Paying for “fuel” with liquidated assets (withdrawal from TEA membership) is unsustainable for any entity.

It is noteworthy that the Florida Public Service Commission (PSC) audits the electric fuel adjustment charge of investor owned electric utilities (IOUs) quarterly. Municipal electric utilities are not subject to any such oversight, but should be.

In recent years, in a rare rebuke, the Supreme Court of Florida reversed PSC approval of an FP&L attempt to recover the costs of its gas fracking operation in Georgia and associated pipeline through its fuel adjustment charge in a challenge brought by the Public Counsel. PSC decisions are always “clothed with a presumption of correctness”.

John R. Kelly is honored with a statute in the corner of the GRU Authority meeting room, and on the facade of the Kelly Plant. He was able at the last minute to switch the massive, vintage 232 mw Deerhaven 2 electric power plant (circa early 1970s) from oil to coal resulting in low fuel costs and large, profitable wholesale power sales which is why GRU electric bills were among the lowest in the state for decades. The negative environmental impacts were massive and largely ignored.

I spoke privately with Ed Bielarski as he segwayed from an uncompensated member of the GRU Authority to well compensated GRU CEO/GM while standing next to Mr. Kelly’s statute. I asked him to

do the right thing in order to get his own stature. Does anyone really believe that such an outcome is possible?

GRU electric ratepayers will be on the wrong side of the “Fuel Adjustment Charge” for decades.