

FLORIDA BOARD OF GOVERNORS
February 23, 2006

SUBJECT: Amended Legislative Budget Request (LBR) Issue on Utility Increases

PROPOSED BOARD ACTION

Approve an amended 2006-2007 LBR issue on utility increases totaling \$20.7 million, reduce the original Increased Cost of Operations issue from \$11.7 million to \$9.9 million and authorize the Chancellor to make technical corrections as necessary.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Subsection (d) of Section 7 of Article IX, Education, of the Constitution of Florida as amended.

BACKGROUND INFORMATION

Included in the 2006-07 LBR is a request for \$7.2 million to fund utilities and operations of new Educational and General (E&G) facilities coming on-line throughout the 2006-07 fiscal year (Issue titled 2006-07 PO&M – New Space). The legislature has historically funded the universities' request for utilities and operations funding for new E&G facilities; however, funding requests have not included utility increases for existing E&G facilities.

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From 2002 to December 2005, utility costs per Gross Square Feet (GSF) have increased an average of 6% annually. Utility costs per GSF would have been significantly higher without some of the following conservation measures taken by universities:

- Energy-efficient lighting
- Steam-traps
- Efficient HVAC systems and controls
- Energy performance contracts
- LEED building certification
- Reclaimed water utilization
- Increases (decreases) in building temperatures
- Direct natural gas purchase
- Green light conservation programs
- Energy management and control systems
- Purchase of high efficiency chillers

The Florida Public Service Commission (PSC) recently approved increases ranging from 5 to 18 percent in the Fuel Adjustment charges for electricity to residential customers effective January 2006:

Florida Power & Light—18.54%
Progress Energy Florida—12.05%
Tampa Electric Company—11.75%
Gulf Power Company—5.20%

The PSC also approved increases in the Fuel Adjustment charges for electricity to commercial and industrial customers, which has been estimated by Florida Power and Light to range from 30 to 41 percent.

Since funding of utility increases for existing facilities has not been requested in prior LBRs, universities have had to utilize E&G funds to pay for increased rates thus limiting the universities' ability to meet course demand and increase degree production.

Based upon information provided by utility providers and the Florida Public Service Commission and utilizing Board utilities costs per GSF data, recurring utility costs increases for E&G only are projected to total an additional \$20.7 million. One-half of this total increase is effective January 1, 2006, severely impacting 2005-06 planned expenditures.

Included in the July 2005 LBR was an issue called 'Increased Cost of Operations' for \$11.7 million. This issue is a component of the funding model adopted by the Board in May 2004. This issue requests funds for non-salary general cost increases (including plant operations and maintenance) based upon a Consumer Price Index of 1.8 percent. To avoid any potential double counting of increased utility cost, staff is recommending that this issue be reduced by \$1.8 million, from \$11.7 million to \$9.9 million.

July 2005 Increased Cost of Operations Issue -	\$11,716,655
Less Utility Adjustment	- (\$1,824,714)
Adjusted Increased Cost of Operations Issue -	\$ 9,891,941

Attached is a spreadsheet showing the utility calculation and proposed distribution by university. Also, attached are conservation measures that universities have undertaken to be more efficient in their utility costs.

Supporting Documentation Included: 1) Utility Increase Calculations; 2) University Conservation Measures

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