

# GREC FINANCING SCENARIOS

Item #170366  
September 5, 2017

# Summary of Buyout Financing Scenarios

- GRU has developed 2 scenarios to address GREC purchase
- Both provide the necessary funding and address the cost of issuance and underwriter's compensation for delivering the bonds. Plan would be to close all transactions on the same day
- **Scenario #1:**
  - 85% issued as fixed rate bonds, the coupon remains the same throughout the life of the bonds.
  - 15% issued as variable rate bonds, the coupon resets every month based on an established variable rate index. GRU anticipates these bonds will be a 'Direct Purchase' with an established bank, selected through a competitive process.
- **Scenario #2:**
  - 65% issued as fixed rate bonds
  - 15% issued as variable rate bonds
  - 20% issued as "synthetically fixed-rate bonds". GRU issues variable rate bonds and simultaneously enters into a swap transaction that converts GRU's variable rate payment into a fixed rate payment. Currently, the fixed swap payment is lower than issuing traditional fixed rate bonds
- Each scenario has different levels of debt service and associated savings to the PPA as well as differing risk profiles

# Assumptions & Savings Generated

GREC Plant/PPA Assumptions	
Capacity (MW)	102.5
Availability Factor	95%
PPA Fixed Capacity (\$/MWh)	\$23.00
PPA Non-Fuel Energy Charge (\$/MWh)	\$56.15
2016 Property Tax	\$6,655,000 (1.00% annual decrease)
PPA Termination Date	2043
<b>(1) Average Annual PPA Payments</b>	<b>\$73,326,934</b>

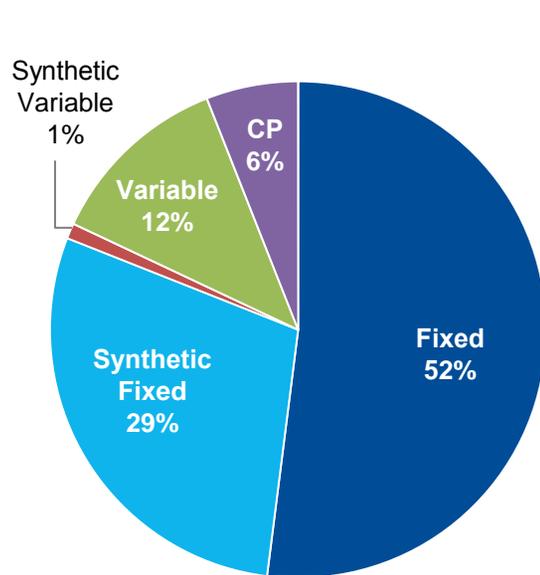
GREC Buyout Financing Assumptions		
	Scenario 1: Base Case	Scenario 2: 20% Synthetic Fixed <sup>1</sup>
GREC Purchase Price	\$750,000,000	\$750,000,000
Cost of Issuance	1%	1%
Final Maturity <sup>2</sup>	2047	2047
Amortization	Uniform to PPA Payments	Uniform to PPA Payments
Fixed Rate (%)	85%	65%
Synthetic Fixed Rate (%)	0%	20%
Variable Rate (%)	15%	15%
Weighted Average All-In TIC	3.47%	3.09%
<b>(2) Buyout Average Annual DS</b>	<b>\$41,094,850</b>	<b>\$39,227,444</b>
<b>Estimated Gross Savings (1) – (2)</b>	<b>\$32,232,084</b>	<b>\$34,099,490</b>
(3) Estimated Post-Buyout Costs	\$5,000,000	\$5,000,000
<b>Estimated Net Savings (1) – (2) – (3)</b>	<b>\$27,232,084</b>	<b>\$29,099,490</b>

1. Assumes synthetic fixed rate of 2.22% plus 50 bps for liquidity/remarketing fees.

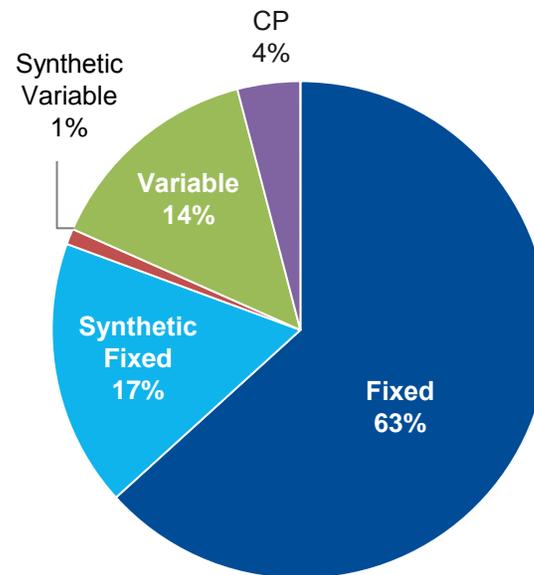
2. Final maturity of buyout financing is 4 years longer than current termination of GREC PPA.

# GRU's Resulting Debt Mix Remains Manageable

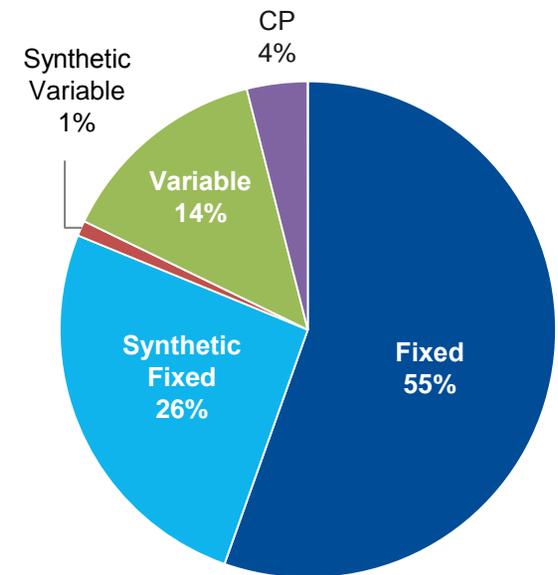
Existing Debt Composition



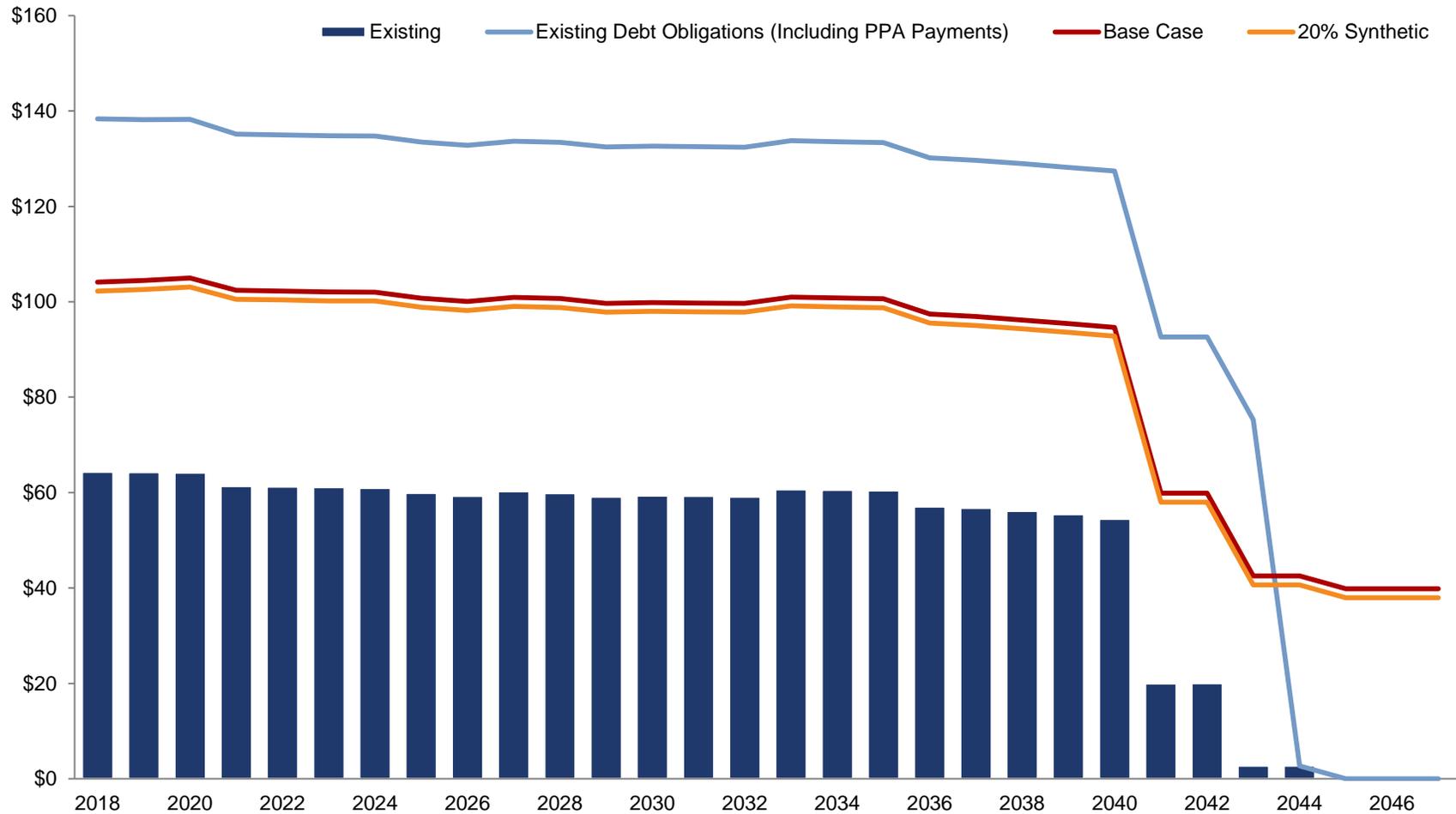
Post-Buyout (Base Case)



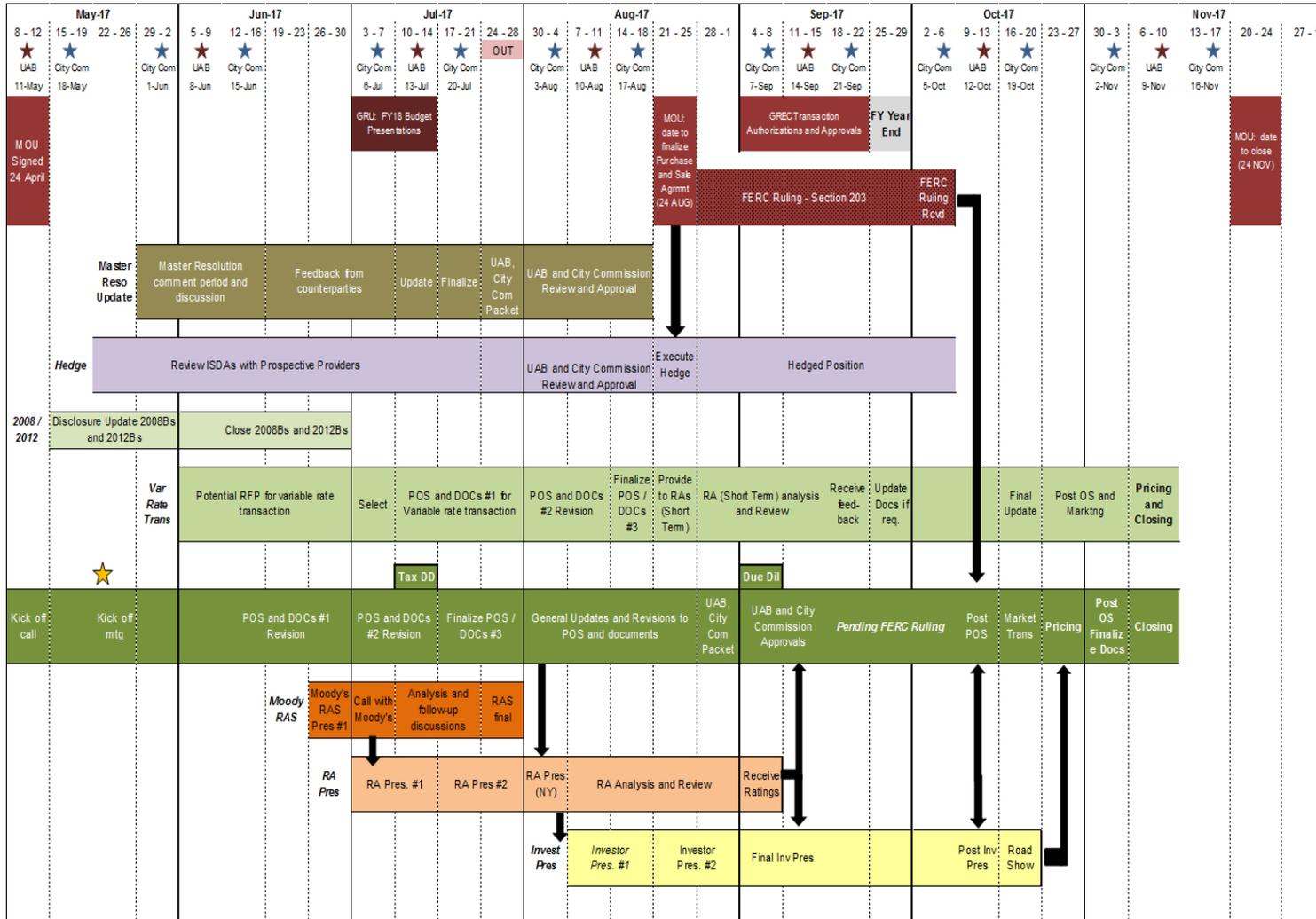
Post Buyout (Scenario 2)



# Illustrative Pro-Forma Debt Service Profile Post-Buyout



# GREC Transaction: Timeline and Road Ahead



- **July**
  - GRU's FY18 budget approved by City Commission
  - RAS completed by July 24, providing input to the structure of the transaction
- **August**
  - Ratings meeting in NY for 2017 transaction. Ratings due by end of month.
  - City Commission approves Asset Purchase Agreement
  - FERC begins, sign-off may require 4-8 weeks
- **September**
  - City Commission approval of 2017 transaction
- **October**
  - Pricing and Closing of transaction
- **November**
  - Amended budget to City Commission for approval with rate reductions