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Power Industry Planners • Analysts • Advisors

Gainesville Regional Utilities
Initial Biomass Project Risk Analysis

October 3, 2013

(Preliminary – Subject to Change as additional information becomes available)

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- Principals have 25 to 40 years experience
- Pertinent Areas
  - Evaluating and helping to negotiate transactions
    - PPA's
  - Evaluating power supply resources
    - Costs, Risks, Operations
    - Including Biomass
  - Utility and power plant management
    - Operations
    - Maintenance
    - Fuel procurement

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Assignment: **Independently** Identify and Assess Potential that Benefits Could be Different

- **Independently** identify and assess certain uncertainties
  - Risk that benefits from GRU ownership would be less
  - Potential that benefits may be higher
- Relative to the Base-line Analyses
- Process
  - Qualitative assessment
  - Sensitivity analyses
  - Probabilistic risk assessment

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Qualitative Risk Assessment

Fixed Costs	Fuel and Power Costs	Variable O&M Costs	Operating Conditions
• PPA Non-fuel Energy Price v. GRU debt service	• Fuel price conversion factor	• Variable O&M charges/costs	• Unit availability
• Property taxes	• Biomass fuel price levels	• Emissions policy related charges & costs	• Dependable capacity
• Fixed O&M	• Market price levels	• Shutdown charges	• Dispatch flexibility
• Insurance	• Fuel hedging	• Environmental regulations	• Unit efficiency
• Interest rate risk	• Fuel supply risk	• Renewables regulations	• Transmission and losses
• Counterparty credit risk	• Replacement/ Surplus power		• Real-time v. day-ahead scheduling
• Sales taxes	• Ancillary services		• Retrofit potential
			• GRU load uncertainty

Key:

- Issues modeled in Sensitivity Analysis and Risk Analysis
- Issues where PPA and ownership risks are similar
- Issues marginally beneficial to GRU (but not modeled)

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Benefits are Not Very Sensitive to Certain Key Uncertainties

Similar or Somewhat Less Exposure to Risk under GRU Ownership and PPA Options

Fixed Costs	Fuel and Power Costs	Variable O&M Costs	Operating Conditions
• Investment and Other Costs to Comply with Changes in Law	• Prevailing Biomass fuel price levels • Market price levels	• Emissions policy related charges & costs	• Transmission and losses

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Key Assumptions and Considerations

- Key Considerations
  - Focus on one Purchase Price with 1603 Grant
    - We chose $720 million to illustrate uncertainties
  - Assume NewCo structure is implemented
    - Return to Partner would be negligible
    - NewCo Income Tax Liability negligible
  - Assume plant appropriately constructed – "Normal Standards"
    - Construction meets appropriate standards
    - Compliance with All Existing Permits
  - Reflect GRU Operating Costs from year 1
  - Assume GREC receives 1603 Grant

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Key Assumptions and Considerations

- Key Base-line Assumptions Provided to Us
  - Interest Rates
  - Operating Expense Levels
  - Major Maintenance/Capital Expense Allowances
  - Property Tax Rates and Assessed Value
  - Escalation

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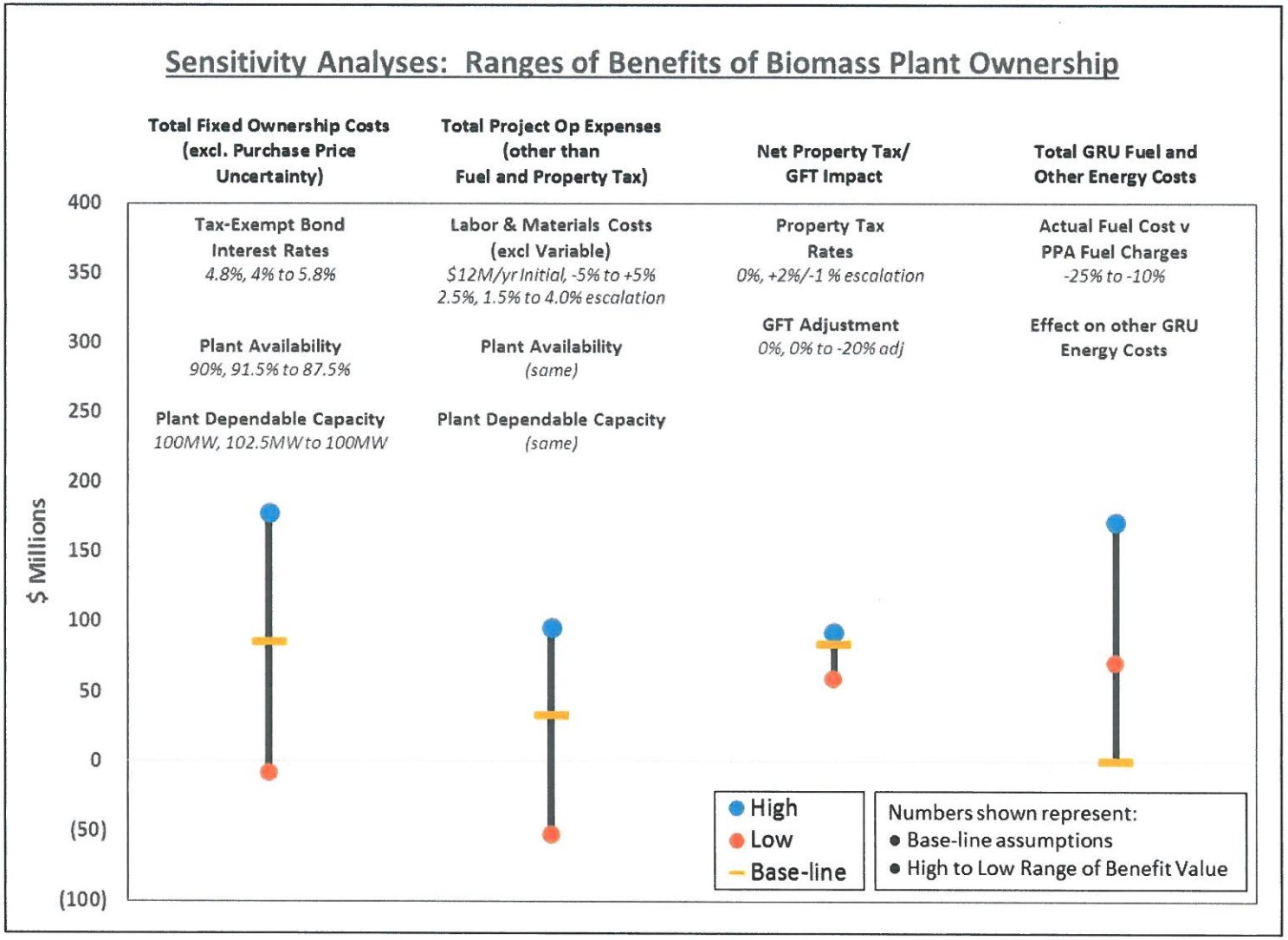
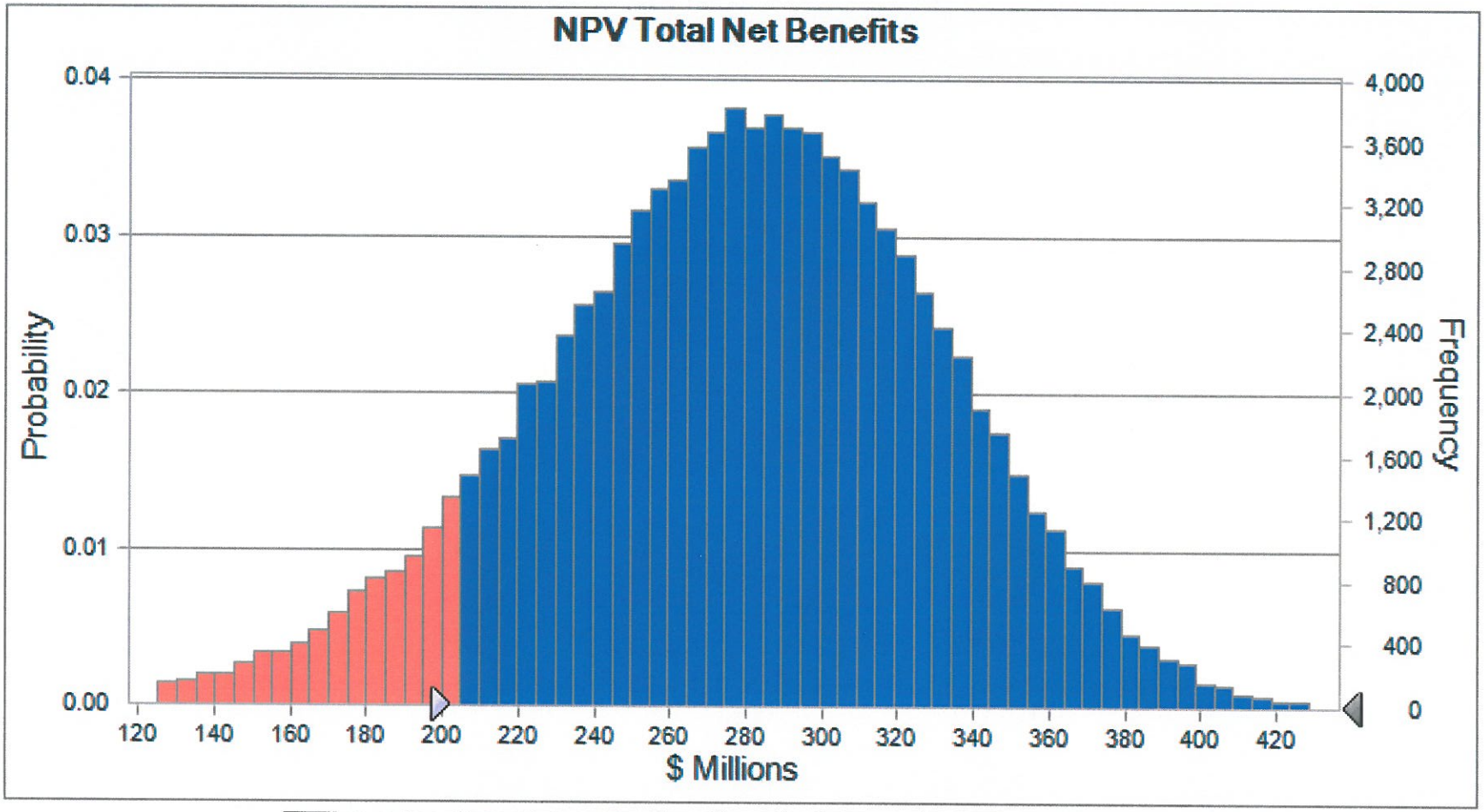
Sensitivity Analysis



Risk Analysis

Distribution of Projected Net Benefits to GRU



Assumes $600M debt and NewCo structure necessary for $120 million 1603 Grant

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