



Asset Purchase Agreement (APA)

Wednesday, Aug. 16, 2017

Asset Purchase Agreement

- Executed Aug. 11, pending approval by CCOM on 8/31
- Requires mayor's signature by 9/14



What does APA do for GRU?

- Eliminates contractual obligations under power purchase agreement (PPA) with GREC
- Transfers ownership of biomass plant
- Exchanges ~\$1.9 billion in debt over next 26 yrs. for:
 - \$1.2 billion in bond payments over 30 yrs.
 - Settles arbitration claim

The Risk

\$1.2 billion of bond payments mitigated through:

- Purchase price of \$750 million
- Financing contingency
- Interest Rate Protection clause

Largely eliminates risk of higher bond payments

Why is this deal different?

Transparency

APA	PPA
Price known	Overall cost redacted
Vetted by rating agencies	Not vetted
Vetted by Goldman Sachs	Not vetted
Vetted by Bank of America	Not vetted
Vetted by Independent Engineering (IE)	Not vetted
Investor vetting upcoming	Not vetted
Potential financial upside	None
Own plant	No ownership

Path to APA

Action	Date
Initial Discussions w/ GREC	November 2016
Initial MOU Draft	Feb. 16, 2017
Final MOU	April 24, 2017
First APA Draft	May 10, 2017
Final APA	Aug. 11, 2017

- All drafts and docs un-redacted and shared with public
- Nine months-plus of negotiations

Overview of APA Terms

- \$750 million purchase price includes:
 - Spare parts - \$4 million
 - 15 days of fuel inventory - \$1.2 million
 - “As-builts” and intellectual property
- Representations & Warranties backed by \$18.75 million of seller funding
- Buyer financing contingency + interest rate contingency
- No-defects representation by GREC
- 2-tiered approval process allows due diligence

Due Diligence

Burns & McDonnell (IE) delivered report on 8/11

Purpose	Evaluate whether plant is permitted and constructed to provide long-term, dependable power-generating resource.
Result	Fully capable of providing long-term, dependable power-generating resource.
Future	Confirmed technical turndown to 60 MW, plus ability to go lower with air permit revision.

Discussion of APA

Winston & Strawn



Recommendations

To UAB	Recommend approval of APA to City Commission
To City Commission	Approve APA and authorize mayor to execute only after staff reports results of due diligence inquires to UAB and Commission votes to accept due diligence as satisfactory