

GREC Financing Scenarios

Item #170223
August 10, 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

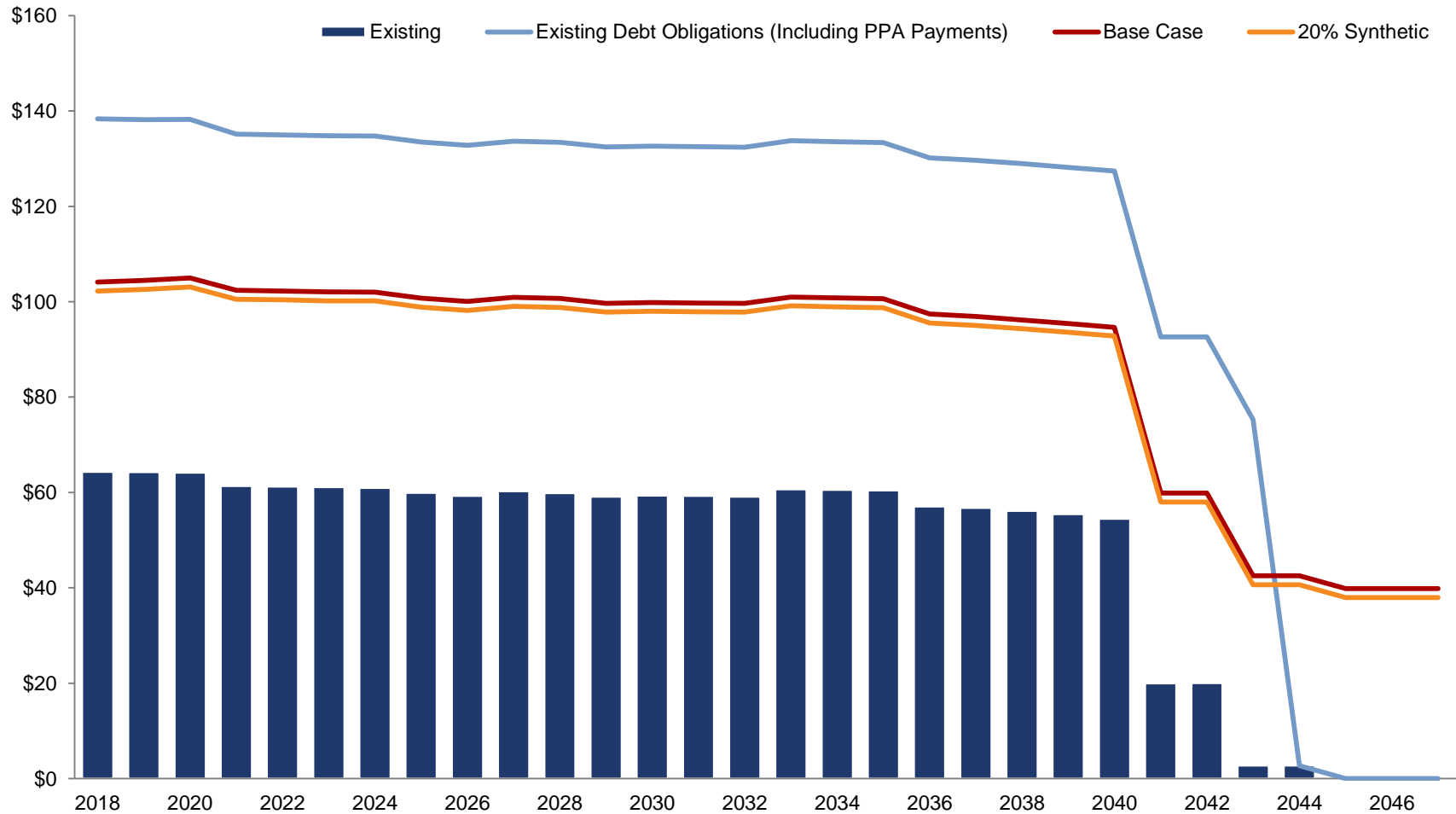
GREC Plant/PPA Assumptions	
Capacity (MW)	102.5
Availability Factor	95%
PPA Fixed Capacity (\$/MWh)	\$23.00
PPA Non-Fuel Energy Charge (\$/MWh)	\$56.15
2016 Property Tax	\$6,655,000 (1.00% annual decrease)
PPA Termination Date	2043
(1) Average Annual PPA Payments	\$73,326,934

GREC Buyout Financing Assumptions		
	Scenario 1: Base Case	Scenario 2: 20% Synthetic Fixed ¹
GREC Purchase Price	\$750,000,000	\$750,000,000
Cost of Issuance	1%	1%
Final Maturity ²	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%
(2) Buyout Average Annual DS	\$41,094,850	\$39,227,444
Estimated Gross Savings (1) – (2)	\$32,232,084	\$34,099,490
(3) Estimated Post-Buyout Costs	\$5,000,000	\$5,000,000
Estimated Net Savings (1) – (2) – (3)	\$27,232,084	\$29,099,490

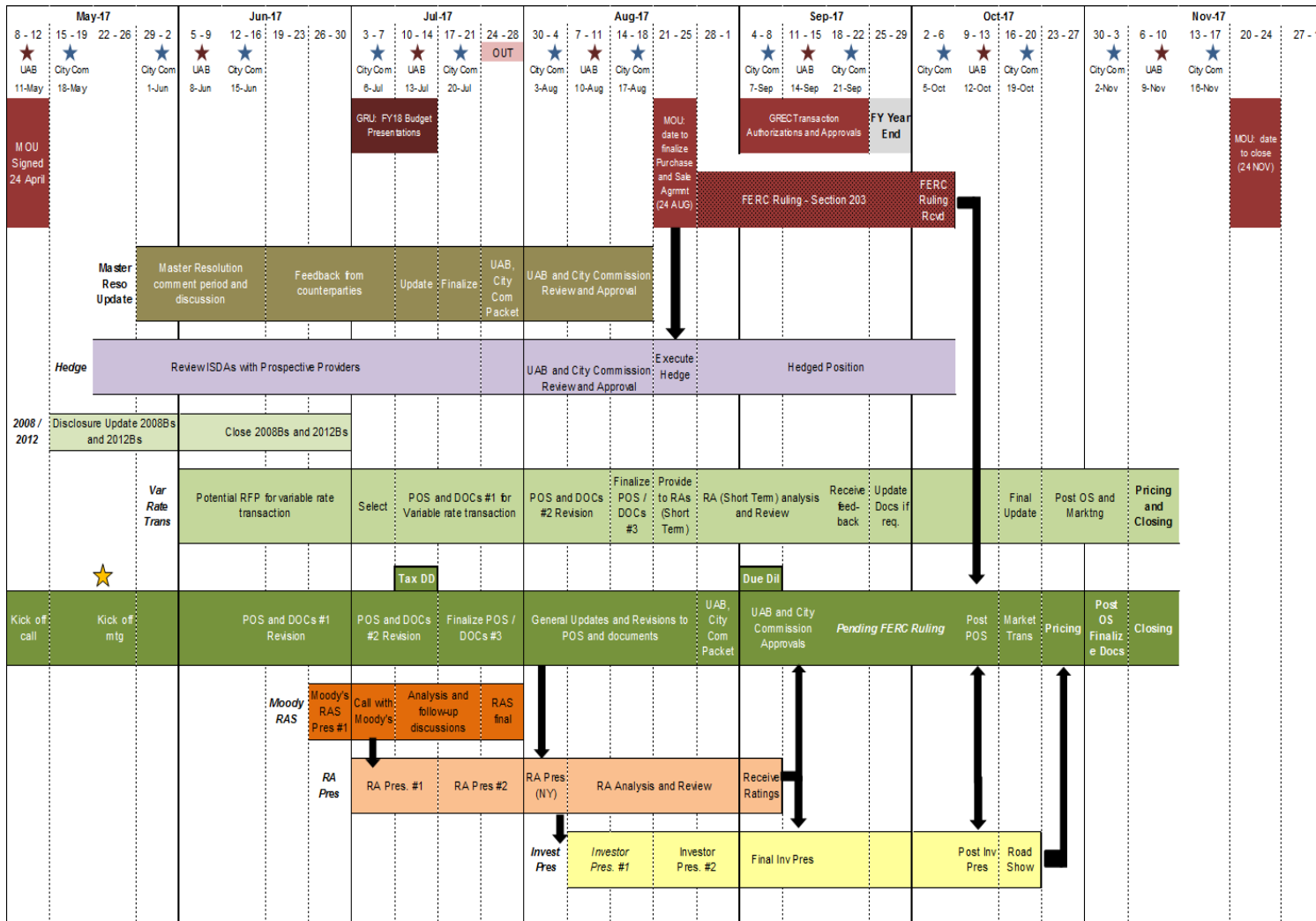
1. Assumes synthetic fixed rate of 2.22% plus 50 bps for liquidity/remarketing fees.

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

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