

Ernesto Martinez  
Sept. 14, 2017

**Chairman Cook and UAB members:**

**I have been asked to read the following important statement from Nathan A. Skop, Esq.**

*With respect to the GRU financing proposal for the GREC transaction, GRU has not demonstrated that the two (2) singular financing options proposed by GRU are the least risk and most cost effective financing alternatives for GRU customers.*

*As an illustrative example:*

*1. The GRU financing presentation fails to include a side-by-side comparison of lower risk and/or more cost effective alternatives including but not limited to financing the transaction with: (i) 100% LTD (fixed rate municipal bond); or (ii) the 85% LTD (fixed rate municipal bonds) and 15% Commercial Paper option that GRU represented would be used to finance this transaction.*

*The record clearly reflects that GRU management made this representation to me in response to my specific*

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*questions in my capacity as a GRU customer and former state utility regulator at a public meeting of the UAB where Chairman Cook afforded me the opportunity ask these questions to address public concerns regarding how this transaction would be financed and avoiding the use of variable rate bonds and entering into convoluted structured finance transactions. GRU made the same representation days later during a publicly televised City Commission meeting. The Clerk should be asked to read back the record if GRU management denies that it previously made these now materially false representations.*

*2. GRU management has failed to prove that issuing variable rate bonds (including all fees, recurring fees, re-issuance fees, repurchase agreement fees, etc.) is more cost effective and less risky than financing this transaction using 85% LTD (fixed rate municipal bonds) and 15% Commercial Paper as GRU management originally represented.*

*In summary, GRU has not demonstrated that the two (2) singular financing options proposed by GRU are the least risk and most cost effective financing alternatives for GRU customers.*

*Structured finance transactions are fee driven products that enrich Wall Street investment bankers while*

(3)

*offering a seemingly lower borrowing rate with higher risk.*

*In the wake of the financial disaster created by the biomass contract, it is reprehensible that GRU and the City Commission would continue to accept unnecessary financial risk and become beholden to Wall Street investment bankers in their desperate attempt to synthetically fabricate near term savings.*

*The decision has been made to purchase the biomass plant at a very high cost as an alternative to staying in an even worse contract. The bailout to buy our way of the terrible biomass contract that Former Mayor Pegeen Hanrahan and Mayor Poe stuck us with will cost GRU customers \$1.25 billion over the next 30 years. Mayor Poe's children will be grown and married before this bailout and financial disaster of his own making is paid off by GRU customers.*

*In closing, this transaction will be one of the largest, if not the largest, single transaction ever financed by the GRU and the City Commission. It stands to reason that GRU and the City Commission have a fiduciary duty to finance this transaction in a manner that offers the least risk and most cost effective alternative for GRU customers. GRU has not demonstrated that the two (2) singular financing options proposed by GRU are the*

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*least risk and most cost effective financing alternatives  
for GRU customers.*

*Kicking the can of debt down the road and burdening  
future generations is fiscally irresponsible behavior.*

*For the foregoing reasons, I would respectfully request  
that the UAB summarily reject the GRU proposed  
structured finance options and require GRU  
management to provide more traditional and  
straightforward financing alternatives for consideration  
and approval.*