

June 1, 2017

The UAB directed the chair to write a document giving color and reasoning for the recommendation that the Gainesville City Commission again vote to offer a price to purchase the PPA and the biomass plant for \$675 million instead of \$750 million and to place that price into the next draft iteration into the purchase agreement. Since I am out of the country at this time, I will not be able to read this into the record. The UAB voted to allow Dr. Denslow, another member of the UAB to read this into the record and speak on the UAB's behalf for further clarification.

Attached are two prior statements to the recommendation that I have made to the City Commission, indicating many reasons for lowering the offer price to \$675 million. Because two commissioners were recently elected to the City Commission and represent many of the ratepayers of GRU, we felt they should have the opportunity to weigh in on this decision, especially since it will be obligating GRU and its ratepayers for 30 years of debt.

The city auditor analyzed the purchase of GREC. Based on his analysis, the savings are substantially less than what GRU indicated they would be. Furthermore, the city auditor stated in our meeting that he was using the most conservative estimates of a discount rate, which was 6.91% when analyzing the pricing from GREC's standpoint. The \$750 million dollar price would be the top of the range price, or the best price that GREC could expect. My own CFO, Scott Thomas of Infinite Energy, is a former investment banker, and it is his opinion that it would be more like 7-9%, which would reduce the price by over 100 million dollars on the lower side. The city auditor further stated he did not take into account any expected value decreases based on arbitration. Based on my earlier analysis, this easily puts the price to below \$675 million. Furthermore, we have virtually no discovery from GREC in arbitration, especially through email. This gives us no context as to why they did not perform their yearly maintenance and thereby continued to charge the City of Gainesville nearly \$200,000 a day during the period that the maintenance should have been performed. In arbitration we've stated that this would be a material breach of contract and therefore if the arbiter favored us, the contract would be abrogated. The context emails from GREC discussing this matter may strengthen our case for abrogation. If the contract is abrogated, we are out of the purchase power agreement and do not need to purchase the plant. As I stated earlier, the odds of this occurring are small at the moment, and for expected purposes, I gauged 10%, but the odds could go markedly higher based on discovery and continuation of arbitration.

The city auditor also delivered a report from Akerman LLP doing analysis on Indicia of Fraud. It found none. However, what it did find was a bombshell. There are strong arguments that the former general manager of GRU, Bob Hunzinger, did not have the right to sign amendments to the PPA because they materially changed either by cost or by risk an underlying section of the PPA, without approval from the Gainesville City Commission. Without the cross default clause, GREC may have never received financing for this project and GRU could have escaped this deleteriously contract back in 2011, well after knowing that natural gas prices had dropped significantly, that carbon tax would not be implemented and that most, if not all assumptions, that GRU was relying on to enter this contract were wisps of smoke with no substance.

The Gainesville City Commission found out about the possibility of raising an ultra vires attack on the contract in 2014. To strengthen the preservation of rights, the Gainesville City Commission only had to pay GREC with the statement that it was under protest due to the possibility of filing an ultra vires suit. We did not do this. Based on this report, an ultra vires case can still be made, but by not acting in 2014 we have opened up several attacks against our case. However, we may still have the ability to win. I will be bringing this up as another consideration to the UAB in our next meeting.

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Why this is important, is that if we feel that this case still has merit, it adds further expected value possibilities in our calculations for the proper price to pay GREC for the PPA and biomass plant. I do not see the possibility of exercising our rights to file an ultra vires claim as opportunistic to drive the price down, but as a fiduciary responsibility that the city has to its ratepayers to make this argument. This needs to be looked into immediately.

In conclusion, it is the UAB's belief that because of all the factors outlined above, and especially since even in the auditor's calculations for value, the arbitration expected values were not deducted, that the city commission vote to lower the price of purchase of the PPA and the biomass plant to \$675 million and amend the definitive purchase agreement to reflect the lower price.