



Update on GREC Mediation and Arbitration Item #120641

May 30, 2013

Gainesville Renewable Energy Center March 2013



Commission Actions

- May 2009 - City Commission 7-0 approved the Purchase Power Agreement (PPA)
- December 2012 - City Commission 7-0 approved Staff's recommendation to:
 - Authorize the General Manager/designee to submit claim to arbitration
 - Authorize the General Manager/designee, during the pendency of arbitration, to negotiate with GREC a potential commercial resolution of the claim subject to final approval of the City Commission and City Attorney's opinion as to form and legality



PPA and Applicable Law

- From the beginning of the PPA negotiations, staff anticipated that owning the plant could be advantageous
- Section 27.3 of the PPA provides GRU a Right of First Offer prior to any sale of the facility (either directly or indirectly through a change of control of GREC). GRU must be given the opportunity to make an offer to purchase the facility
- 58% new GREC owners
- City's position is that GREC committed a material breach of Section 27.3 of the PPA when it failed to allow GRU to make an offer



Demand for Arbitration

- On December 21, 2012, GRU filed a Demand for Arbitration
- On April 15, 2013, GRU filed an amended demand for arbitration refining the City's position, seeking an order directing GREC to sell the facility based on the price established by the Dec 2011 transaction



Status in this Process

- Private non-binding mediation - scheduled next week with GREC
- Binding Arbitration
 - Arbitrator selected
 - Will proceed if no settlement is reached
- Any settlement as a result of mediation is subject to the City Commission's approval and would be discussed and approved at a public meeting



Benefits of Ownership

- Reduces costs for both GRU and our customers
- Flexibility of operation for GRU
- Plant permitted and constructed
- Federal “1603” grant eligibility
- GRU staff manages power plants and has done so successfully for over 100 years



Questions?

