

**INTEROFFICE COMMUNICATION**

General Manager's Office

January 3, 2020

Dear GRU Employees:

Last winter I wrote a white paper called "GRU at a Crossroads," in which I described the history of municipal utilities, the changes those utilities have encountered in recent years and the reasons utilities cannot continue to do business as usual.

GRU faces these industry headwinds in addition to its own unique set of challenges, including the debt incurred to buyout the above-market biomass PPA, costly Solar Feed-in-Tariff contracts, running five 38-year-old or older power plants, a city commission resolution to generate 100 percent power from renewable resources by 2045 and Utility Advisory Board-imposed milestones to reach even higher renewable levels ahead of that deadline. Given these pressures, I have been working with our leadership team to identify ways to overcome the challenges we face in 2020 and beyond. Because no magic bullet exists, we will be exploring all options.

GRU will present one of those options to the City Commission on Thursday, Jan. 16. This common-sense option affords GRU an opportunity to pay down debt, reduce upward rate pressure on the electric system and lessen our reliance on fossil fuels.

We will be asking the City Commission to approve GRU entering into a Network Services Agreement with FPL. This agreement would allow FPL to start constructing a second transmission line to our McMichen substation and would give GRU up to 450 megawatts of transmission capacity. Final construction and availability would be anticipated sometime in 2022.

This plan is a win-win for the utility and its customers because it provides lower-priced power, access to more renewable options, an ability to reduce greenhouse gas emissions and greater reliability.

Because this agreement gives us the ability to purchase up to 450 megawatts of power, GRU's power plants will have to compete with market forces. It will change how our plants are run and how soon they will be taken out of service. We do not anticipate that the agreement will impact employees within the next several years. Instead we will utilize the next few years to establish the exact timetable for retiring and transitioning assets, along with how we staff these plants. As we work through that process, I will continue to communicate future plans while balancing the interests of the city, our customers and employees. In the meantime, I have attached a [Quick-Reference Guide](#) to hopefully address many of your questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'E. Bielarski', is written over the printed name.

Ed Bielarski,  
General Manager

# TRANSITION PLAN: 2020-2022

A common-sense approach to optimizing electric generation, lowering costs, reducing rate pressure and providing a pathway to 100% renewable.



## Quick-Reference Guide

1

### GENERATION AT A X-ROADS

Five of GRU's power plants are 38 years old or older and approaching a time when they will no longer be cost-effective.

2

### MORE THAN TWO PATHS

(1) GRU can continue to run these aging plants; (2) GRU can replace them with newer units; (3) GRU can be open to more access from the outside power grid.

3

### PERILS OF RUNNING PLANTS

Continuing to run these plants exposes GRU to higher operating costs, higher risk of outages and higher carbon emissions. These plants will still eventually need to be retired.

4

### COST OF REPLACEMENT

A study, known as an Integrated Resource Plan, or IRP, has calculated the costs of replacing these plants as high as \$2 billion.

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### COST OF 450 MEGAWATTS

GRU has explored expanding its transmission capacity up to 450 MWs over the past decade, but the cost (between \$200-\$400 million) has made it impractical.

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### A PROPOSAL

FPL recently proposed upgrading GRU's tie lines as the utility plans to build transmission lines to Gulf Power. The upgrade would give GRU access to 450 MWs.

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### A PARTNERSHIP

In exchange for constructing the tie line (eliminating an estimated \$200-\$400 million in capital expenditures), GRU and FPL would enter into a 30-year Network Services Agreement (NSA) at an initial estimated cost of \$9 million a year, beginning in 2022. FPL is exploring several options and needs to make a decision ASAP.

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### AN AGREEMENT

The NSA is a transmission power capacity arrangement. That means GRU would have access to generation throughout FPL's territory, including FPL's low-cost power plants and green generating options.

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### TRANSPARENT PROCESS

The NSA is governed by the Federal Energy Regulatory Commission and must pass its scrutiny and public meeting requirements.

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### MARKET POWER SAVINGS

Initial analysis shows that GRU could save \$10 million to \$14 million a year by purchasing market-priced power under this NSA, more than offsetting its \$9 million annual cost.

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### FIXED COST SAVINGS

GRU could save an additional \$5 million to \$8 million annually in fixed costs by mothballing or retiring its aging fossil fuel plants more quickly.

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### BALANCING AUTHORITY

GRU could potentially save \$2 million a year by relinquishing its role as a balancing authority.

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### AVOID \$1.9 BILLION COST

GRU could eliminate the expectation of spending \$895 million to \$1.954 billion in capital expenditures to replace aging plants, as identified in the IRP

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### PAY DOWN DEBT

GRU could use savings to pay down debt, which would ultimately reduce upward rate pressure on the electric system.

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### STAFF CHANGES

GRU would complete a staffing plan prior to fossil fuel plants being retired.