

# October 17<sup>th</sup> CCOM Meeting

Decisions that must be made to exercise the Right of First Offer on the GREC Plant:

- Does the City Commission wish to submit a non-binding offer to have the right to a 30 day negotiation period with GREC?
- What is the price the City Commission wishes to offer?

# October 17<sup>th</sup> CCOM Meeting

## Right of First Offer

- If no offer is submitted by 10/22, Ability to Submit Right of First Offer expires
- Detailed terms & conditions will be in the executed Definitive Documentation

# October 7<sup>th</sup> Special CCOM Meeting

## Decision:

- Do not include the Proposed Grant Preservation Structure (“NewCo”) in determining the purchase price versus value of a GREC acquisition

# October 7<sup>th</sup> Special CCOM Meeting

## Motion:

- Request that the Right Of First Offer be extended to December 6<sup>th</sup>, 2013

## Status:

- 10/8/13: COG makes request to GREC
- 10/8/13: GREC declines to accommodate COG

# October 7<sup>th</sup> Special CCOM Meeting

## Motion:

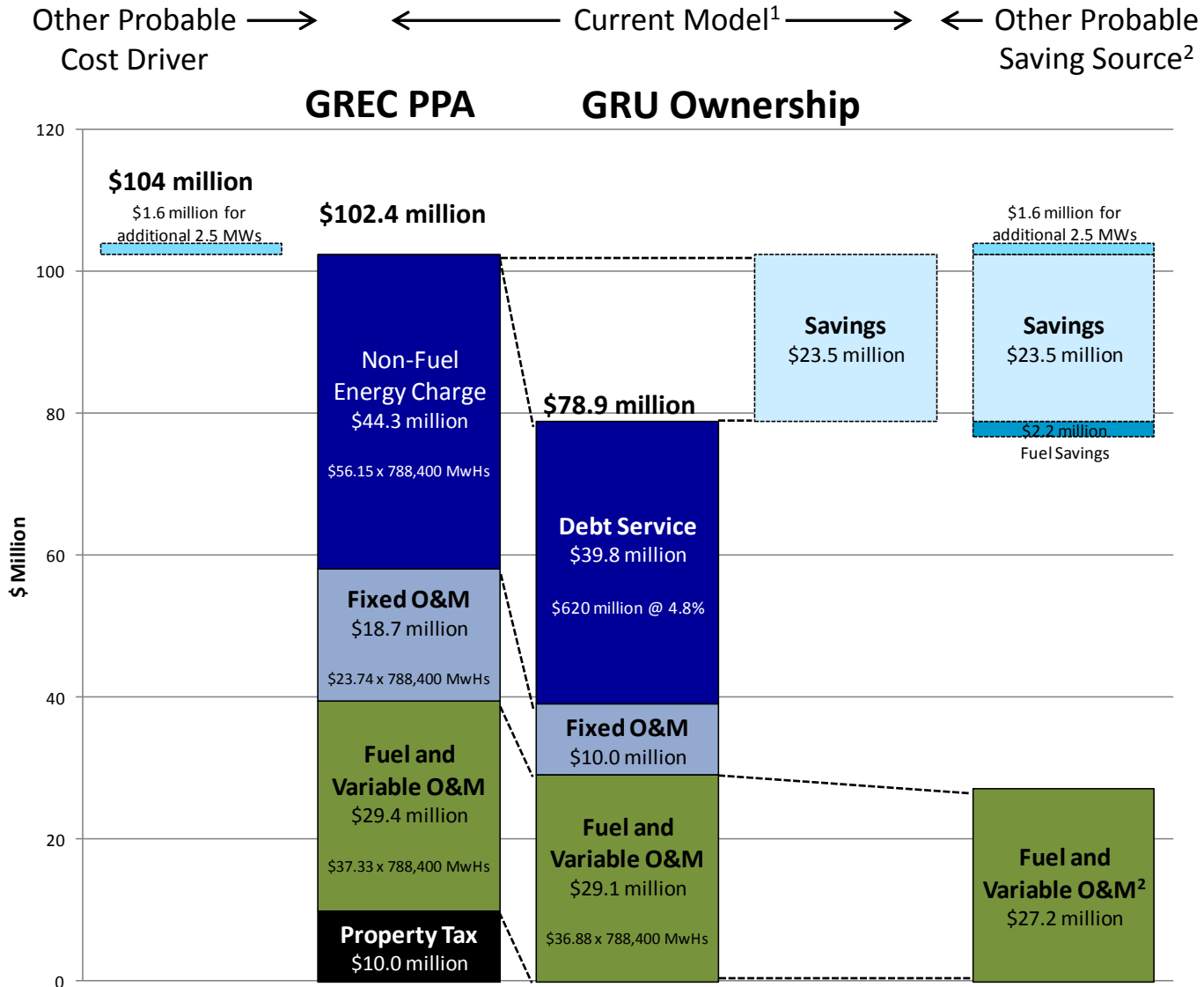
- Continue to prepare for purchase by:
  1. Conducting analysis of factors to be considered in due diligence
  2. Analyze interest rate sensitivity
  3. Analyze tax benefits and/or losses with or without the Grant on other taxing authorities
  4. Include analysis of GRU 1603 benefits not included in the NewCo structure
  5. Keep expenses to a minimum

## Request:

- Clarify the sources of the savings

# Comparing GREC PPA with GRU Ownership of Facility

## \$620 Million in GRU Debt, Year 1 Example



<sup>1</sup> Property taxes are expected to decline over time based on depreciable basis of the facility.

<sup>2</sup> Fuel savings of \$2.2 million is an estimate of what GRU believes it can achieve through negotiations (\$29.4 million versus \$25 million Fuel and variable O&M)

# Sources of Year 1 Savings

(\$620 purchase price, 4.8%)

## In Model

▪ Exchange NFEC* for debt	\$ 4.5 M
▪ Reduction in Fixed O&M	\$ 8.7 M
▪ Reduction in Fuel & Variable O&M	\$ 0.3 M
▪ Elimination of Property Tax	<u>\$10.0 M</u>
	\$23.5 M

## High Probability (but not in model)

▪ Avoid NFEC for 2.5mw	\$ 1.6 M
▪ Reduction in Fuel & Variable O&M	<u>\$ 2.2 M</u>
	\$ 3.8 M
	<u><u>\$27.3 M</u></u>

\*NFEC = Non-Fuel Energy Charge

# Factors to be considered in Due Diligence

## Accounting

Accounting Due Diligence Checklist  
Financial Model Review & Standard Assumption Guide  
Accounting Information Request List  
Ratio Analysis

Liquidity Ratios  
Activity Ratios  
Productivity Ratios  
Coverage Ratios  
Other

Consolidation/Combination Determination  
SFAS 13; PPA Lease Consideration Checklist  
SFAS 133/138; Derivatives Check Sheet  
Retirement Obligations (TBD)

## Business Management Due Diligence Item List

## M&A Due Diligence Review Work Program

## Contingent Consideration to Shareholders

## HR/IR

HR Merger & Acquisition Manual  
HR Asset DD  
HR/Labor Relations Areas of Concern  
HR Document Checklist



# Factors to be considered in Due Diligence (cont'd)

## Power Marketing

- Market Structure
- Forward Price Curves
- Portfolio & Contract Coverage Analysis
- Energy Marketing Strategy
- Trading & Marketing Operational Issues
- PPA/Tolling Agreement
- Trading Systems & Communication
- Credit
- Emissions Allowances

## Environmental (TBD)

## Transmission

## Tax

- Acquisition Checklist
- Development Checklist
- Tax Notices
- Data Request List

## Operations

- Production
- Maintenance
- Plant Walk Down
- Human Resources
- Environmental
- Fuels
- Information Technology
- Business
- Commercial
- Market Competition
- Brownfield Site Evaluation
- Greenfield Site Evaluation

# Interest Rate Sensitivity on Hypothetical Bills 2015-2020

Purchase Price \$620M, No Grant

Potential Average Annual Savings on 1,000 kWh Residential Electric Bill\*

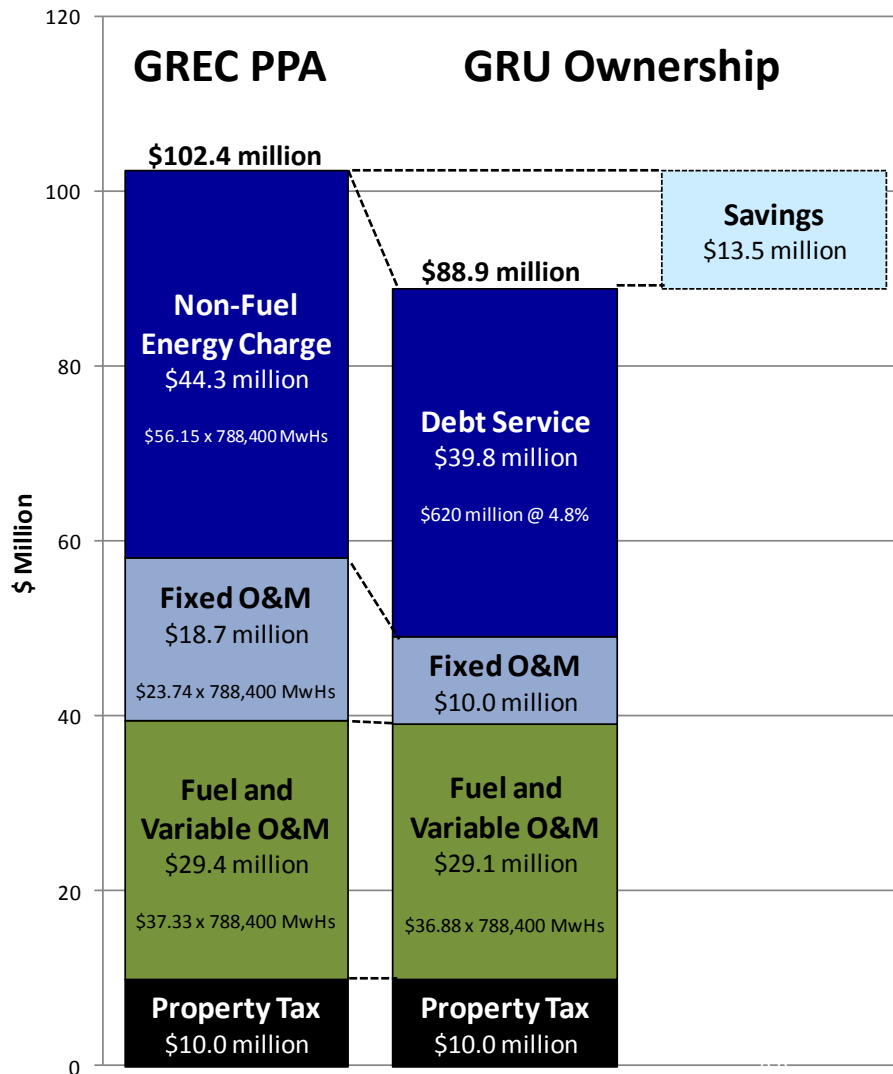
Assumed Interest Rate on Borrowing	30 Year NPV			Average Annual Savings from 2015-2020		
	520M	620M	720M	520M	620M	720M
4.8%	\$335M	\$231M	\$126M	\$152.00	\$101.40	\$49.70
5.3%	\$303M	\$193M	\$82M	\$138.00	\$88.20	\$37.70
5.8%	\$271M	\$154M	\$37M	\$124.00	\$73.20	\$23.90

\*Does not include taxes and surcharge.

# Comparing GREC PPA with GRU Ownership of Facility

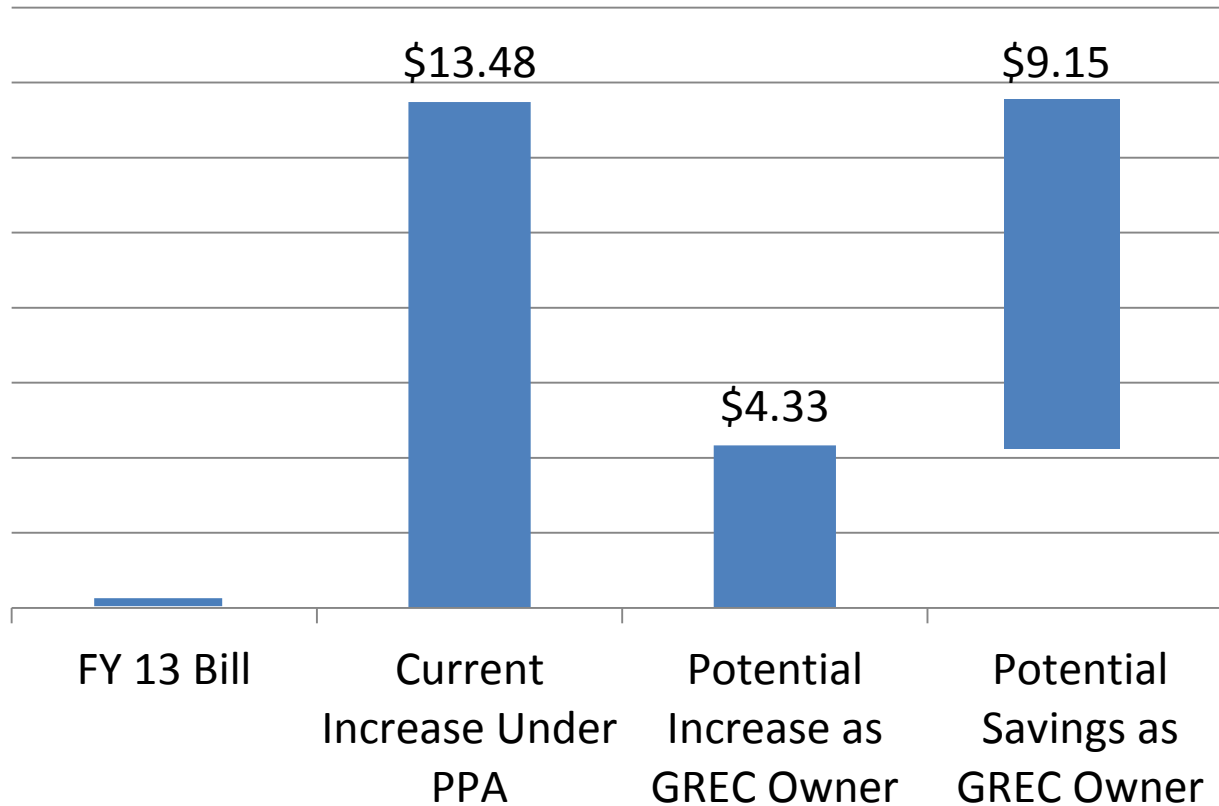
## \$620 Million in GRU Debt, Year 1 Example

### Assumes Property Taxes<sup>1</sup> are Paid Under GRU Ownership



<sup>1</sup> Property taxes are expected to decline over time based on depreciable basis of the facility.

# FY14 1000 kw-h Bill Increase



## Assumptions:

- \$620M Purchase Price
- No Grant
- 4.8% Interest Rate on borrowing

# Property Tax Revenue Under PPA

	Annual Property Tax Revenue					
Assessed Value	City of Gainesville	Alachua County	Alachua County School Board	Alachua County Library District	Suwannee River Water Management District	Total
\$300,000,000	\$1,373,400	\$2,637,000	\$2,520,600	\$437,640	\$124,290	\$7,092,930
\$350,000,000	\$1,602,300	\$3,076,500	\$2,940,700	\$510,580	\$145,005	\$8,275,085
\$400,000,000	\$1,831,200	\$3,516,000	\$3,360,800	\$583,520	\$165,720	\$9,457,240
\$450,000,000	\$2,060,100	\$3,955,500	\$3,780,900	\$656,460	\$186,435	\$10,639,395
	Millage Rates					
Millage Rate	City of Gainesville	Alachua County	Alachua County School Board	Alachua County Library District	Suwannee River Water Management District	Total
	4.5780	8.7900	8.4020	1.4588	0.4143	23.6431

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