

# Memo



**DATE:** March 15, 2012  
**TO:** Mayor Lowe and Fellow Commissioners  
**FROM:** Commissioner Todd Chase  
**SUBJECT:** Item 110775 - Refunding of GRU Bonds

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I am sorry to be missing this week's city commission meeting due to my mother's critical health situation and appreciate the warm thoughts sent her way.

I felt compelled to share my thoughts on one item of great importance to me so they are officially on record.

## **ITEM 110775 Refunding of GRU Bonds**

I spent several hours last week with Mr. Hunzinger and Mrs. Hunt to talk about this item as well as the current economic outlook as it relates to the GREC project. I have been very clear from day one on this issue that I am concerned about the cost of this project to our ratepayers and have said numerous times now that I strongly feel that we must consider preparing ourselves to approach GREC with an open willingness to renegotiate the terms of the PPA with a goal of creating long-term additional value for them while limiting the potentially significant impact of the current contract for the initial 5-10 years or so due to the new landscape of the Florida energy market.

What has concerned me the most over the last several months has been the seemingly lack of concern by some on the commission by what we are quickly approaching. As the Board of Directors of a \$400M utility it is our duty to engage and act when necessary, and not simply sit back and watch. Let this item serve to unite us all in our understanding and appreciation of the very serious situation we find ourselves in. There is no better illustration of the current situation than the fact that after coming up with a practically entirely new set of assumptions on how we will limit the initial rate impact to \$10.56 for the 1,000 KWh user per month just 5 months ago, we are now using debt refinancing and the restructuring of interest rate swaps in order to help meet this number as a new and additional measure. While these are reasonable financial tools available to most large businesses, imagine the benefit this could offer our customers if we were able to use the NPV savings realized for a myriad of other things rather than offsetting what has clearly become an untenable goal established under an entirely different environment. Imagine using a tool like this to actually lower the rates of our customers as opposed to limiting an increase. I encourage you to ask the question of would we be doing this if not for the pending GREC project and the anticipated impact of it in the early years of the PPA? I encourage you to ask why we are having to take these measures if selling the power at contract rate is still on the table. If it is not, let's admit it and move forward together with full transparency to those who elected us as well as the many other customers of GRU who reside outside of the city.

I hope you ask what refinancing does to our future ability to refinance and restructure as well as how this will be viewed by the rating agencies. You can only do this so many times. I think it is very important that we not give approval to any final decisions on this until we see the specific terms and amounts of what we will be approving. It is also important that we are very clear that we know upfront what the true NPV savings will be and exactly what the allocation of that will be over what years. Of course, rates will flux a bit until closing, but we can be assured of a range. We need to know exactly what amount of the NPV savings will be specifically applied to the \$70M annual fixed cost number of the GREC project and for how many years. We then need to communicate this very clearly to our ratepayers. In many ways, what we are doing is taking this “one-time money” and applying it over some small number of years to fixed recurring costs. As we all know, we are counseled continuously from our City Manager that this is no way to run the city budget as it creates a false impression of financial security. In this case, we are trying to buy time until either the market changes or the political winds shift back to that of RPS, Carbon Legislation, etc. We are essentially left with no choice at this point. We will potentially be left with no choice as well when asked to approve the formation of a conduit to issue \$100’s of millions in bonds in order to prepay for some portion of GREC’s power.

Debt restructuring and refinancing, a new large bond issuance, selling a “blended” fuel mix which takes some of our most affordable energy out of the mix for our own customers, selling the GREC power for up to 30 years, scaling back or eliminating our Solar FIT, lowering the GFT to offset the anticipated property taxes that was originally seen as a benefit to the city residents, choosing to not dispatch the power from GREC in order to save money which will therefore hurt the local jobs created to help fuel the plant, having to find internal efficiencies and savings, continuing to assume we need to replace the PEF 50MW PPA, no Florida RPS, no federal Cap & Trade, historic low gas prices, a Florida power market long on power and reserves, and no market for RECs. It is the reality of this list that drives my desire to approach GREC as a partner in our community, as a partner in making renewable energy a cost-effective alternative for our nation, and as a company who clearly sees the balance of corporate profits with their belief in global good. The time to act is now and enter the next stage of our business partnership and find a way to reach the original goals of this project while recognizing the changes taking place.

Anyone who puts principle over pragmatism in the environment of local politics is clearly not looking out for the best interests of the greater community as a whole. That is how I have approached this entire issue since the day I decided to run for office. Therefore, I support this action on the behalf of the ratepayers of GRU.

cc: Charter Officers