

LEGISLATIVE #

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External Investigative Review of Gainesville Regional Utilities

Prepared for: City of Gainesville, FL



June 10, 2014

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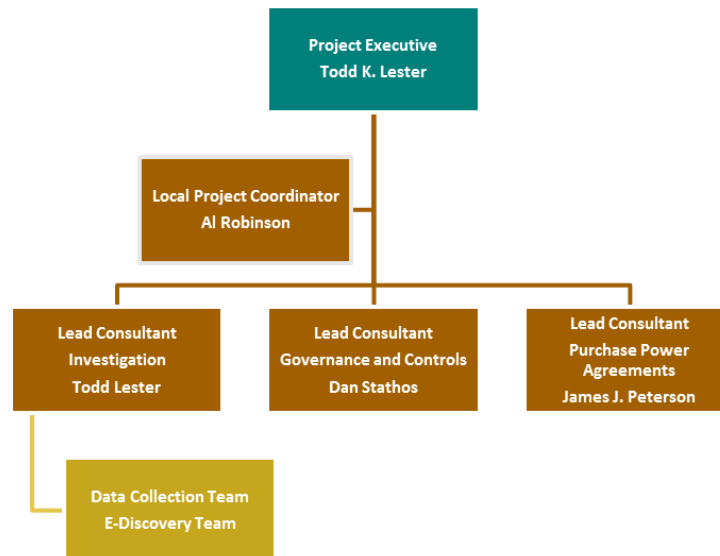
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Who is Navigant?

- » Professional services and consulting firm publicly traded on the New York Stock Exchange (NCI) comprised of over 2,500 professionals.
- » Services include strategic consulting for industries experiencing significant complex and challenging issues in a changing marketplace.
- » Expertise includes providing unbiased technical support in the analysis of complex issues involved in investigations and disputes in support of both law firms and parties involved in disputes.
- » Specialized industries addressed include Energy (electric, oil and gas), Healthcare, Financial Services, and Government. Energy clients include investor-owned utilities, public power entities, investors, law firms, and regulators.
- » Navigant is a leading provider of services in the utility sector with over 350 professionals serving electric and gas utilities through complex market issues including:
 - Electric market restructuring and deregulation
 - Power supply planning and acquisition for both conventional and renewables,
 - Transmission and distribution reliability and process improvement,
 - Energy efficiency and demand response, and
 - Smart Grid initiatives.

Who will be doing the work?

- **Todd Lester**—Overall responsibility for the investigation and documentation of results
- **Al Robinson**—Local coordination of resources for data collection and organization of documentation
- **Dan Stathos**—Focus on relationship between the the City and GRU, governance, procurement law, rules, internal controls and process
- **Jim Peterson**—Focus on purchased power acquisition processes and purchased power agreements
- **E-Discovery and Data Management**—If required, will be performed by e-discovery specialist and local Staff under the direction of Mr. Lester and Mr. Robinson



Qualifications of Core Team Members

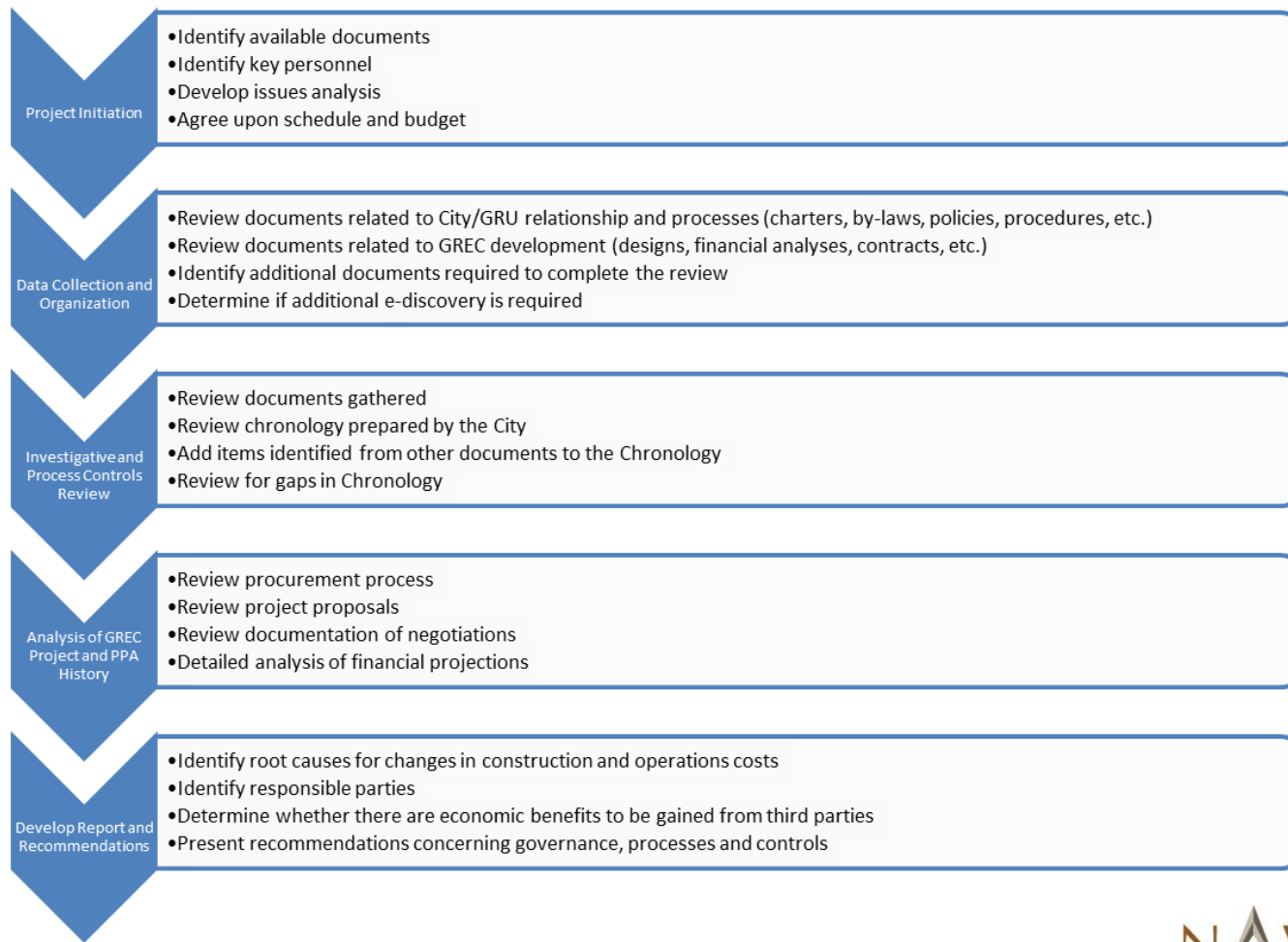
- » Todd Lester, Managing Director, Disputes and Investigations, Navigant Consulting, (PI), LLC, a licensed private investigation subsidiary
 - Over 25 year's experience providing forensic accounting and special investigative services with clients and law firms in support of complex litigation
 - Significant experience addressing governance, fiduciary responsibility, fraud, and management prudence reviews.
 - Clients have included the SEC, Department of Justice, the Public Utility Commission of Texas, Pedernales Electric Cooperative, Co-Serve Electric Cooperative and others.
- » Al Robinson, Director, Disputes and Investigations in the Tampa Navigant office
 - Former FBI Special Agent in Charge of Tampa office
 - At various times, served as agency-wide disciplinarian, Inspector, and Chief of Accounting and Contracting
 - Former member of Big 4 accounting firms and Certified Public Accountant in Florida
 - Licensed private investigator

Qualifications of Core Team Members – contd.

- » Dan Stathos, Associate Director in Energy Practice
 - Over 40 years' experience in electric power industry, much of that with or on behalf of public power and municipally-owned utilities
 - Former Partner at Deloitte Haskins + Sells (now Deloitte Touche)
 - Former Division Director at Austin Energy with responsibility for procurement and contracting, managed jointly with City of Austin Purchasing Manager
 - Change Team Manager at Austin Energy responsible for processing re-engineering across all functions within the utility
 - Certified Public Accountant in Texas
 - Former staff member at the Public Utility Commission of Texas
- » James J. Peterson, Director in Energy Practice
 - Over 40 years experience in the electric, gas and water utility sectors
 - Primary focus on power supply and transmission procurement processes
 - Significant experience with creation and negotiation of power supply agreements and purchased power agreements
 - Previous experience at American Electric Power, New York Power Authority and Long Island Power Authority
 - Expert on power supply agreement components, in particular, “change in law” provisions.

Overview of Work Plan and Approach

» Approach follows an investigative review processed used by Navigant in many similar engagements



Critical Factors in the Approach

» Availability of Documentation

- City charters, resolutions, policies and procedures
- City organizational charts and governance processes
- Documents related to the formation of GRU and its relationship with the City
- Documents listed in the Chronology included in the RFP
- Any memoranda, e-mails, etc. previously collected by the City including available information collected through prior investigative work by the City Attorney's Office in relation to this matter
- Copies of sworn testimony by the former GRU General Manager, as well as others, in relation to this matter or the civil case brought by the Gainesville Citizens Care, Inc. against the City
- GRU documents related to the biomass initiative and the GREC contract (e.g., business cases, analyses, designs, cost estimates, contracts, revisions, communications with the City and with American Renewables)
- GRU organizational charts listing GRU key personnel involved in GREC planning, acquisition and contract negotiations
- Listing of key personnel in communication with the City concerning the contract
- Any e-mails or other electronically stored information collected by the GRU and City IT departments in relation to the investigation of this matter

» To the extent that this data is readily available and well organized, both the timeframe for completion of the investigation, and the costs associated with it can be controlled.

- The first two tasks are critical in determining what the final scope and budget will be.

» Interviews will be held of both current and former employees of the City and GRU (to the extent they are available and willing)

» Some time has been included in the estimate for e-discovery, but if this becomes a significant effort, project scope and fee estimate may need to be re-evaluated

Project Estimated Costs

- » Total estimate of \$180,000 for 540 hours of professional services time, plus
- » \$9,000 out of pocket expenses for travel, lodging, ground transportation and subsistence.
 - Expenses are billed at actual out of pocket costs
 - The majority of these travel costs will be incurred by Mr. Lester and Mr. Stathos for economy airfare and lodging during onsite data collection, interviews and final presentation, with some minor costs incurred by Mr. Peterson and Mr. Robinson.
 - If Runzheimer’s Index or some other cost index is preferred, Navigant can accommodate this requirement.
 - The hourly breakdown by team members is shown below:

Task Descriptions	Todd Lester	Al Robinson	Dan Stathos	James Peterson	Support Staff / E-Discovery	Administrative	Total Hou
Project Initiation	4	4	4	2	4	4	22
Information Collection and Organization	16	8	8	4	80	16	132
Investigative and Process Controls Review	48	4	60	8	40		160
Analysis of GREC Project and PPA History	2	4	12	64	8		90
Report and Recommendation Development	40	8	24	40	8	16	136
	110	28	108	118	140	36	540

Timeframe and Potential Conflicts

» Schedule and Timeframe

- Navigant can begin work on this project as early as July 1, 2014
- Following the project work plan, and assuming that data can be readily available, Navigant estimates that this effort will require from six to eight weeks to complete.

» Prior work for GREC

- In order to be exempt from FERC rate jurisdiction, power suppliers are required to file an exemption request that allows them to demonstrate that they do not have sufficient resources to affect market prices (referred to as Market Power), and allows them to offer their power at market-based prices.
- On behalf of GREC's law firm, Navigant prepared the documents for filing for a charge of \$2,500. Navigant had no directly relationship with GREC, except through the law firm.

Why Navigant?

- » Expertise in power supply solicitation, acquisition and contract negotiation
 - A leading provider of these services, especially for public power entities such as LIPA, NYPA, California Department of Water Resources (during the California market crises).
 - Familiarity with Purchase Power Agreements for renewables including wind, solar and others
- » A leading provider of investigative services and litigation support to large clients including law firms, governmental agencies, and financial and industrial entities.
- » Knowledge and experience directly relevant to governance, processes and controls for municipalities and their public power entities.
- » Expertise in data collection and organization and presentation to provide a storyline and explain findings in a fashion suitable for litigation and/or presentation at the Council or at a board of directors level.
- » Capability to provide e-discovery services, if required
- » A dedicated and experienced project team whose individual members have directly related experience in the type of investigative review being requested by the City of Gainesville.

Key CONTACTS



Todd Lester, Engagement Executive
Managing Director
(512) 493-5420
[tlester@navigant.com](mailto:tleston@navigant.com)

Al Robinson, Local Coordinator
Director
(813) 2770-1911
arobinson@navigant.com

Dan Stathos, Governance, Controls and Process
Associate Director
(512) 494-5415
dstathos@navigant.com

Jim Peterson, Purchased Power Agreements
Director
(646) 227-4840
jim.peterson@navigant.com