March 30 Commission Meeting (Frequently Asked Questions)

Why does GREC get to provide the first draft of the agreement?

GRU's attorneys already have the parameter and conditions of an agreement. Those changes will be reflected in whatever proposed asset purchase agreement GREC submits.

What's the big rush to get this done?

Until we purchase GREC, GRU spends almost $212,000 a day for the right to have the biomass plant available for service. That is the "rent" we pay for the plant, which will not be mitigated until we buy the facility.

How do we know that GRU customers won't get another raw deal?

The last time GRU negotiated with GREC it was done outside the public eye. The City Commission authorized the former general manager and his staff to take up to one year to negotiate a power purchase agreement (PPA) for the City Commission's approval. The negotiation resulted in a redacted PPA with unfavorable terms for GRU.

This time, not only is the final memorandum of understanding (MOU) public, but so are the 15 draft MOUs negotiated since Feb. 16 and the general manager's email communications with GREC. The MOU is not redacted and can be viewed at whybuygrec.com .

What protections are built into the MOU?

The MOU is designed with several customer protections, starting with interest-rate risk.

Our greatest concern is interest rates will rise between now and closing, so we have negotiated a cap on the interest rate GRU would pay. If the 30-year U.S. Treasury index increases 50 basis points above the index as of the execution of the agreement, GRU can simply walk away from the deal.

Likewise, if we bring a contract to the City Commission in four months and the Commission finds it unacceptable, GRU will walk away from the deal. In that regard, the contract will not be redacted, and it will be viewable by the public.

GRU also retained the right to inspect the facility prior to closing the transaction. As a condition of the bond issuance, GRU will retain an independent engineer who will perform an extensive analysis of the plant and financial proforma which will be shared with investors in an Offering Memorandum. Rating agencies will rate the bond's credit as a final assurance that the transaction is sound.

Finally, GRU's position in the negotiations is protected by an exclusivity arrangement, through which no other party can negotiate with GREC.

How did you get to $750 million?

Based on reverse financial engineering of GREC's situation, the $2.1 billion GRU would pay GREC over the next 27 years is worth between $721 million and $820 million, at a 4.24 percent and 7.38 percent weighted average cost of capital (WACC), respectively. In other words, we believe the power purchase agreement (PPA) is worth between $721 and $819 million to GREC in today's dollars. $750 million is at the midpoint of that calculation.

Why would GRU want to pay GREC $750 million?

GRU isn't paying GREC any more money. Instead of paying GREC $2.1 billion over the next 27 years, GRU would be paying them $750 million today and financing it at approximately 3.5 percent. In future dollars, that's approximately $1.25 billion, a savings of $850 million in future dollars. GREC would be swapping the opportunity for $750 million today as compared to $2.1 billion over time, and GRU would be swapping $2.1 billion over time for $1.25 billion over time. GRU comes out way ahead.

What if the biomass plant is not in good repair or has a fatal flaw?

GRU would still save hundreds of millions of dollars even if the plant never runs again. GRU is buying out the PPA and receiving the plant as additional value. The savings come from buying out the PPA. That doesn't mean the plant isn't valuable, but because getting out of the PPA creates so much value, anything else is a bonus.

Why didn't we wait to receive a verdict in arbitration before negotiating a contract?

In the 131 days we estimated it would take to receive a decision, GRU would have paid GREC more than $27 million in "rent," which is more than the $7.4 million we have withheld combined with the potential of almost $10 million in additional claims.

Why did GRU let GREC get everything it wanted in the negotiations?

See a scorecard of the MOU negotiations below:

Down payment on deal	GREC wanted	GRU disagreed	GRU prevailed
Failure to close penalty	GREC wanted	GRU disagreed	GRU prevailed
$750 million price	GREC wanted	GRU disagreed	GREC prevailed
Asset sale	GREC disagreed	GRU wanted	GRU prevailed
Interest rate protection	GREC disagreed	GRU wanted	GRU prevailed
Exclusivity (4 months, plus)	GREC disagreed	GRU wanted	GRU prevailed
7. Best efforts to negotiate	GREC disagreed	GRU wanted	GREC (commercial efforts)
Public Record Indemnification	GREC disagreed	GRU wanted	GRU prevailed

GM - Stay on arbitration	GREC wanted	GRU disagreed	GRU prevailed
Settlement on arbitration	GREC disagreed	GRU wanted	GRU prevailed w/ $7.4 mm)
Ability to withhold under PPA	GREC disagreed	GRU wanted	GRU prevailed
Florida law	GREC disagreed	GRU wanted	GRU prevailed

GRU prevailed on 10 of 12 items under negotiation. GREC prevailed on keeping the purchase price at $750 million and reducing the efforts within the negotiations to "commercially reasonable" as compared to "best efforts."