



GRU/GREC MOU

City Commission

March 30, 2017



QUESTIONS ANSWERED

- Why Rush?
- Will Customers Get a Bad Deal?
- What Protections are in the MOU?
- Why Pick \$750 Million?
- Why Pay \$750 Million?
- Fatal Flaw and Other Problems
- Did GRU Get Everything They Wanted (10/12)?
- Why Don't we Wait for Arbitration Verdict?

Why \$750 Million: GREC's Projected WACC

Grant outside calculation:

	Capital in	Next	Remaining	
	\$ millions	2 years	20 years	Blended
Debt Financing	400	3.56%	4.30%	
Equity cost	113	15.00%	15.00%	
Total	513	6.08%	6.65%	6.61%

Grant applied to Equity:

	Capital in	Next	Remaining	
	\$ millions	2 years	20 years	Blended
Debt Financing	388	3.56%	4.30%	
Equity cost	0	15.00%	15.00%	
Total	388	3.56%	4.30%	4.24%

Grant applied to Debt:

	Capital in	Next	Remaining	
	\$ millions	2 years	20 years	Blended
Debt Financing	275	3.56%	4.30%	
Equity cost	113	15.00%	15.00%	
Total	388	6.89%	7.41%	7.38%

Why \$750 Million

Goldman

	Unadjusted	Adjusted
NPV of Equity	4.24% \$ 274,837,979	\$ 361,846,675
Debt	329,600,000	329,600,000
Grant	57,000,000	57,000,000
Hedge	71,300,000	71,300,000
Total	<u>\$ 732,737,979</u>	<u>\$ 819,746,675</u>

	Lower Limit	Upper Limit
1. Range of after-tax WACC's	4.24%	7.38%

2. Range of NPV's	\$ 819,746,675	\$ 720,765,490
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QUESTIONS?