

Why approve the MOU?

Utility Advisory Board
Wednesday, April 5, 2017

Current Situation

- Statute of limitations has expired on PPA
- Arbitration is a well-founded case but unlikely to offer termination of PPA
- Operations will continue to be hampered
- High costs will be passed on to customers
- Likely \$2.1 billion spent over 27 years

What MOU provides

- Path toward a purchase and termination of PPA, ~\$700 mm reduction in costs
- Path toward rate relief of 8% to 10%
- Non-binding, but restrictive
- Protects GRU against multiple risks
- Preserves rights in arbitration & PPA
- Insures \$7.4 mm arbitration settlement

Initial Goldman Analysis 12-21

12% rate, 100MW

8% rate, 100 MW

80% Availability

100% Availability

Equity	\$82.3 mm	\$261.4 mm
Debt	\$329.6 mm	\$329.6 mm
Grant	\$57.0 mm	\$57.0 mm
Hedge	<u>\$71.3 mm</u>	<u>\$71.3 mm</u>
<u>Total</u>	<u>\$540.2 mm</u>	<u>\$719.4 mm</u>

Modified Goldman Analysis

12% rate, 102.5 MW

8% rate, 102.5 MW

95% Availability

95% Availability

Equity	\$165.5 mm	\$228.9 mm
Debt	\$329.6 mm	\$329.6 mm
Grant	\$57.0 mm	\$57.0 mm
Hedge	<u>\$71.3 mm</u>	<u>\$71.3 mm</u>
Total	<u>\$623.4 mm</u>	<u>\$686.8 mm</u>

Assumptions for \$ 750 mm

5.45% rate, 102.5 MW

95% Availability

Equity	\$292.1 mm
Debt	\$329.6 mm
Grant	\$57.0 mm
Hedge	<u>\$71.3 mm</u>
<u>Total</u>	<u>\$750.0 mm</u>

GREC perspective

- Equates to a 5.45 % discount rate
- Assumes 95% availability
- Assumes standby status for 26 years
- Swap future \$2.1 billion cash stream for \$750 mm today
- No longer sustain operating risk

GRU perspective

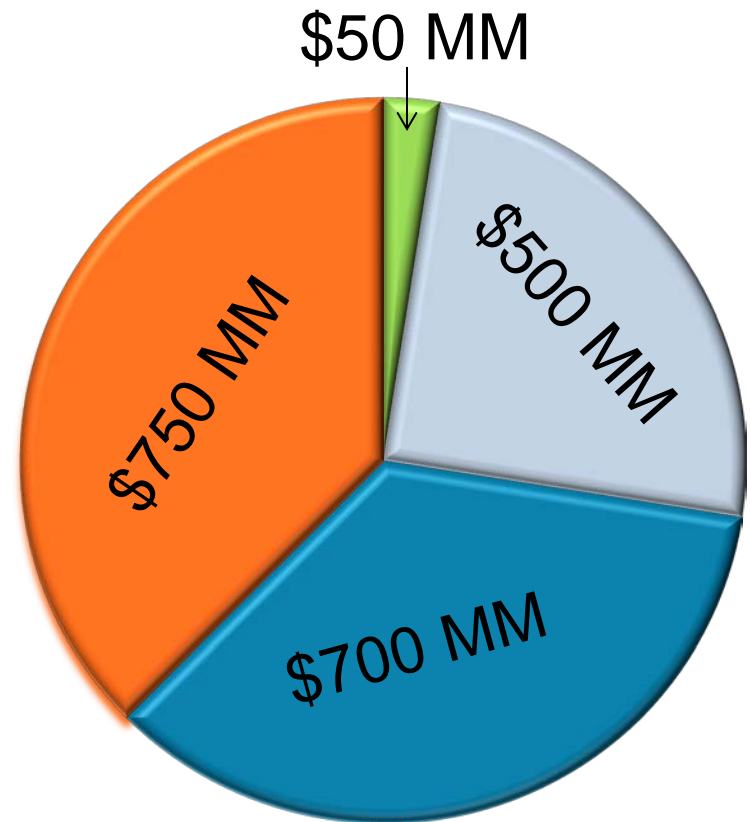
- Equates to 3.5% total cost of capital
- Assumes 95% availability
- Assumes 5% to 6% future run capacity
- Swap \$2.1 billion in future payments for \$1.25 billion in future debt payments
- Reduction of \$700 million in future costs (see next slide)

Justification – Part 1

Cost of Status Quo	\$1.996 billion
<u>Ownership Cost:</u>	
Debt Service	\$1.247 billion
Value of Plant <small>(third-party sale)</small>	(\$50 million)
Replacement Power	\$54 million
Increased GFT <small>(taxes)</small>	<u>\$47 million</u>
<u>Total</u>	<u>\$1.298 billion</u>
Savings	\$698 million

\$2 billion Breakdown

- GRU pays GREC
- Estimated reduction in future costs
- Interest payments to bond holders
- Other costs



Justification – Part 2

Baseline Savings	\$698 million
No value to plant	\$648 million
Replacement power @ \$50/MW	\$668 million
Replacement power @ \$80/MW	\$616 million
Replacement power @ \$486/MW	\$0

Why not approve?

- Belief current PPA can be voided
- Skepticism in savings projections
- Doubt contract can be reached
- Lack of faith that plant will function
- Mistrust of GRU & GREC
- Misunderstanding of transaction

Other Issues

FY17 Estimated Tax Changes

	Paid & Rec'd	~Savings	Utility Tax	Net Change
Alachua Cty.	\$2,809,546	\$276,328	\$1,154,000	(\$1,379,218)
Library Dist.	\$444,323	\$24,789		(\$419,534)
School Bd.	\$2,497,094	\$608,418		(\$1,887,676)
SRWMD	\$128,788			(\$128,788)
COG	\$ -	\$203,294	\$2,605,000	\$2,808,294
<u>TOTAL</u>	<u>\$5,879,751</u>			<u>\$(1,006,921)</u>

UAB Actions Requested

- Option 1 – UAB recommends CC approve MOU on April 6
- Option 2 – UAB recommends CC approve MOU by April 21
 - Both options will stay the arbitration