The Inconvenient Truths About Our Biomass Plant

The Hanrahan/Bielarski GRU 102 MW Biomass Electric Generating Plant circa 2013 was:

1. Built by private "partners" (of our local elected officials) for about $350 million
2. Subsidized by Federal Tarp Money, along with large, indirect local subsidies (SLA Losses)
3. Was unnecessary
4. Was determined to be uneconomic long before the disastrous Biomass Power Purchase Agreement (PPA) was signed
5. Was made worse through a series of unfavorable amendments to the PPA WITHOUT CONSIDERATION
6. Was the wrong fit for our array of existing aging electric plants (base load vs. peaking units)
7. Was built on GRU Land
8. Was wholly dependent on GRU transmission lines
9. Was legally challenged in five (5) Citizen-initiated lawsuits by our best and brightest citizens
10. Remains dirty and uneconomic
11. Was purchased for $750 million in 2019 after the passage of six (6) of the 30 years useful life of the plant. In the same year, a larger plant (110mw) built by the same promoters in Austin, Texas sold for $460 million – and was mothballed by a utility many times larger than GRU. The GRU transaction followed over $400 million of payments under the PPA for electricity at four (4) times the market rate, whether needed or not.
12. Was required to run at an output deleterious to the well-being of GRU's companion base load units.

Ed claims he "saved" us $1 billion (ignoring present value) by this disastrous buyout. What Ed does not mention is that:

1. Ed's deal doubled GRU debt. GRU HAD to operate the Biomass plant – it was too small to mothball the plant.
2. He entered into a sham mediation about the Biomass PPA, and then abandoned it.

3. He bought into the notion that concerned citizens were a "peanut gallery".
4. He ridiculed the notion of any reform of GRU Governance.
5. Ignored the advice of the Akerman Law Firm regarding amendments to the PPA that were legally assailable.
6. Was focused on pleasing his lords and masters by buying out the PPA – without regard to cost – and squelching any meaningful inquiry, thus temporarily keeping his job.
7. He accounted for the 95% financed $750 million purchase price for the plant as being worth what was paid. That caused Ernst and Young and the GRU CFO to resign. Ed became an award-winning darling of Bond Buyers.

As a result, the Biomass Electric Plant is depreciating much faster than the related debt is being amortized. Thus, we will not have paid for the Biomass Plant as of the date of forecasted retirement (2043).

Even worse, Ed in fact paid a huge PENALTY of between $300-$400 million to EXIT THE BIOMASS PPA.

This PENALTY is improperly booked by GRU as an asset, when in fact it is an operating loss for 2019. The truth is that GRU's claimed "net position", which has stagnated SINCE 2005 at about $400 million, may in fact be near ZERO! Note: Pegeen Hanrahan: City Commissioner (1996-2002); Mayor (2004-2010).

Moreover, Sec. 55.11 Fla. Stat. prohibits enforcement of Judicial Judgments through levies against municipal assets. Thus, as with the recent $120 million judgment against GRU in an auto accident case, a claims bill would have to be filed with the legislature AFTER any Biomass PPA judgment became final – which could be many years. GRU could have bought the plant for much less money.

Ed Bielarski sold us into economic slavery by conceding the legality of an unprecedented, unjust enrichment of an out-of-town energy promoter (and possibly their local "partners").

MISSION ACCOMPLISHED

100 Megawatts Of Unnecessary Biomass Electricity At Over Four Times Market Rate

Bielarski: Fact or Fiction

Part 1:

- If you have specific questions about GRU or want to clear up something you've heard, please feel free to email me at bielarskij@gru.com.
- Between 2018 and 2023, the city took more than 200% of GRU's profits.
- In 2009, the City of Gainesville entered into an unbreakable, ironclad power purchase agreement (PPA) with an outside contractor (Gainesville Renewable Energy Center) to build a 102-megawatt biomass power plant; the agreement obliged GRU to pay $2.5 billion over 30 years, whether the plant ran or not.
- Through a series of 5 bond downgrades, GRU struggled to maintain its financial health while its expenses skyrocketed, along with its debt, which almost quadrupled from approximately $500 million in 2008 to just under $2 billion in 2015.

Part 2:

- GRU Electric bills have dropped 11% since the formation of the GRU Authority, the utility's independent board.
- As reflected on the chart from the Florida Municipal Electric Association (FMEA), GRU's monthly residential electric bills have fallen from highest to the 14th highest in the state and are now within 7% of the state average.
- In fact, the numbers reflect affordable rates/bills for all GRU services, unless one's housing conditions include 1) poor or inadequate wall, roof, and window insulation; 2) low efficiency heating, ventilation, and air conditioning (HVAC) systems; and/or 3) personal choices in regard to thermostat settings (every 2-degree shift in setting results in an 8% increase or decrease in electric usage).
- Over the past 18 years, GRU has retrofitted 2,413 homes at a cost of $9,716,070.

Bielarski Continues to Engage with the Lunatic Fringe While Putting Forth His Own Self-Serving GRU Disinformation Campaign

In Alachua Chronicle posts dated 1/14/20 and 1/23/20, I critiqued Bielarski's 2019 post-biomass contract and plant buyout proposal to, in 2020, prepare to have GRU largely exit the business of generating electricity.

Ed then proposed PAYING FP&L to build a transmission line into our community while they branched into the panhandle after purchasing Gulf Power. There was NO APPURTENANT WHOLESALE POWER PURCHASE AGREEMENT (PPA).

When the price tag came in at $125 million, Ed acknowledged that GRU COULD NOT AFFORD THE PRICE FP&L DEMANDED!

FP&L is smarter than Ed, the City Commission and Commissioners, and the GRU Authority, and appointees, and so is Duke.

Ed knew then what he knows now.

The disastrous Bielarski 2019 $750 million biomass contract (PPA) and plant buyout of a 2013 biomass-only plant (no conversion to any other fuel is possible) LEFT GRU WITHOUT HEADROOM TO FINANCE replacement of the companion GRU "arsenal" of aging, obsolete, dirty electric baseload plants.

About half of GRU current baseload electric plant capacity is comprised of very old coal plants CONVERTED TO RUN ON GAS. These plants, which are at the end of their present useful life, cannot compete with MODERN COMBINED CYCLE gas plants. Kelly (combined cycle gas) $33 cost per MWH; DH1 (coal converted to gas) $48 cost per MWH; DH2 (oil/coal/gas) $50 cost per MWH.

Any legitimate IRP (Integrated Resource Plan) would be laid out in great detail, be subject to open discussion, and be fully supported by independent expert opinion (which is what Cunningham did). Bielarski instead lays out a back of the napkin presentation in the Alachua Chronicle, leaving no doubt that he is a conman.

Bielarski now claims, without substantiation, that the useful life of the DH1 75 MW converted gas plant can be extended for an undisclosed amount of time for "less than $15 million".

He further opines that a new, modern combined cycle 75 MW plant can be had for "over $150 million". According to Ed's numbers, GRU in 2019 could have bought five (5) or more 75 MW modern gas plants for $750 million at 2023 prices which he says are "up over 50%".

Ed's 95% financed 2019 $750 million biomass PPA (contract) buyout and six (6) year old plant purchase occurred AFTER GRU expended $300-$400 million on purchased biomass power at four (4) times the market rate WHETHER "NEEDED" OR NOT!

No entity with $2 billion in depreciated assets can survive such a debacle!

Ed provides NO CREDIBLE INDEPENDENT EXPERT OPINION to support his claim that "our plants may be old, but they are reliable and sound" (dirty and uneconomic).

While discussing the only Duke transmission line connecting GRU to wholesale electricity sources from other outside electric generators SUBJECT TO AVAILABLE CAPACITY, Ed conveniently fails to mention that GRU has unsuccessfully tried for years to secure "firm availability" on the Duke line, thus locking GRU into Ed's dirty, uneconomic and aging "arsenal" of obsolete electric plants.

This is not about GRU workers, contractors, CPA's, consultants, employees, and/or ratepayers. It is about one man profiting from the morass he actively facilitated and now attempts to conceal.

GRU Residential New Rate Structure Is Merely a Cost-Shift – NOT "SAVINGS"

Gainesville Regional Utilities (GRU) has changed its residential electric rate structure by expanding the lower-priced Tier of electricity. Previously customers paid the lower "Tier 1" rate for the first 850 kilowatt-hours (kWh) of power each month, and any usage above that was charged at a higher "Tier 2" rate. Starting in 2025, the Tier 1 threshold has been raised to 1,000 kWh, meaning more of a household's monthly usage is now billed at the cheaper rate of 8.48 cents per kWh. Only usage above 1000 kWh falls into Tier 2, which was been increased from 11.2 cents to 12.1 cents per kWh to balance out the change.

GRU claims that for most residential GRU electric customers, this shift means lower bills. Households using between 850 and 1000 kWh per month will now pay less because a larger share of their electricity is charged at the lower rate. For example, a customer using exactly 1,000 kWh each month will save $4.05 on their bill. Those using 850 kWh or less will not see any change because they were already being billed fully in the lower Tier. Higher use households above 1450will pay more without limit since the higher usage rate above 1,000 kWh has gone up. GRU has refused to say if this change to their residential electric rate structure is revenue-neutral.

Bielarski's Claimed $30 "Savings" on GRU In City Residential 1000MW Electric Bill 10/23-3/25

- \- $4.05: Change in Rate Structure (Cost Shift – Not Saving) (Kwh 1-1000: 0.0848 - increased from 850) (1000 Kwh up 11.2 increased to 12.1)
- \+ $16.75: Increase in 96 Gal. Garbage (Within City)
  a. 10/23 @ $32.75
  b. 3/25 @ $48.40
- \+ $0.60 Stormwater
  a. 10/23 @ $10.40
  b. 3/25 @ $11.00
- Fuel Adjustment Charge - $15.00
  a. 10/23 @ 0.05 Kwh
  b. 3/25 @ 0.35 Kwh
- Elimination of Winter Max for GRU Wastewater
- County Surcharge
- Pyramiding of Taxes & Surcharges
- Fuel Levelization Balance
  a. 10/23 @ $4,541
  b. 10/24 @ $5,670