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Subject:	GREC Analysis
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Attachments:	grec_analysis_3.01.17.pdf

Ed and Justin,

Please find attached a presentation outlining the latest GREC buyout analysis. Please note that results of the analysis are preliminary and subject to change as we receive updated information from GRU. A full list of assumptions used in the analysis is included on page 2 of the presentation. The analysis shows a broad range of outcomes based on a number of variables, including the purchase price, and we encourage GRU to evaluate this full spectrum of results.

Whereas in our previous discussions we focused heavily on the discounted cash flow approach and aggregate NPV savings, the attached analysis focuses on determining the annual cost savings to GRU between remaining in the GREC PPA and purchasing the GREC plant, including any ongoing maintenance and other costs on the GREC property post buyout.

Assuming a $700mm purchase price, 95% plant availability, and debt financing the purchase price with an assumed 3.50% GRU cost of capital, we estimate the potential net benefit to GRU could be $453mm in present value savings as further detailed in pages 6-8 of the presentation. In an attempt to further quantify the impact of the buyout on GRU and its balance sheet, the presentation also analyzes the impact of the buyout on current adjusted debt service coverage assuming a full debt financing of the purchase price. Page 12 discusses the results of this analysis in further detail. That said, the results discussed above represent just one of many outcomes and to provide a range of possibilities, we looked at various sensitivities based on plant availability, GRU's cost of capital and GREC purchase price. Pages 9-10 lay out the results of these sensitivities.

As always, we welcome the opportunity to discuss this presentation in more detail and update assumptions used in the analysis to best reflect the impact to GRU. Please feel free to reach out to the team with any questions.

Best,
GS Team

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