



Alachua Co. Commissioners Urge City to Rethink Biomass Deal



With city on a fast track to buy-out \$2 billion GREC contract, county officials say time and study could buy more leverage.

By Andrew Caplan - <http://archive.is/DJwLk>

The Alachua County commissioners aren't sold on the fast-paced negotiations between Gainesville's utility and biomass plant officials.

After hearing a lengthy presentation Tuesday evening on the city's potential purchase of Gainesville Renewable Energy Center for \$750 million, county commissioners sent a letter Wednesday to Gainesville Mayor Lauren Poe requesting city officials hold off signing a memorandum of understanding (MOU) with biomass officials.

"Ultimately the concern is that, once more, what's best for GREC is driving this process," the letter asserts.

The county recommends the city press on with arbitration over the contract with GREC in hope of gaining more leverage in negotiating a biomass buyout.

Gainesville commissioners will hold a special meeting Thursday at City Hall at 6 p.m. to gather public input. The commission has agreed it would vote whether to approve the framework of a deal at its April 6 meeting. The Utility Advisory Board plans to offer its recommendation on the biomass buyout at its April 5 meeting.

County Chairman Ken Cornell said Wednesday he doesn't know if anything additional will come of the arbitration process, but it is worth looking into before making a significant purchase.

"If fraud was committed and you find that out, that changes the entire negotiation completely," Cornell said.

"You need to negotiate with strength and not weakness," he said.

Gainesville is three years into a 30-year contract with GREC, which calls for the city to pay an additional \$2.1 billion. A consultant hired to review the GREC contract and its history reported in 2015 that a series of blunders by GRU officials more than doubled the initial contract cost and exposed the city to unnecessary financial risks.

But lawyers who have reviewed the agreement have consistently ruled that the contract is binding, with no easy escape for the city.

GRU maintains the city would save \$650 million by buying GREC, and would save its 93,000 customers money on electric bills.

According to the preliminary deal, which has yet to be approved by the city commission, Gainesville Regional Utilities and biomass officials tentatively agreed to abandon arbitration if the city buys the biomass plant. GRU officials would not pursue about \$10 million in overcharges they say were billed to the utility.

Also part of the arbitration, GRU officials have also withheld \$7.4 million to GREC for other incidents.

The deal allows GRU to retain that as credit. If a deal isn't reached, GRU would still have the ability to continue the arbitration process and seek compensation.

GRU is owned by the citizens of Gainesville, and the municipal utility provides the largest revenue source for all city operations, from maintaining roads and parks to paying for police and fire service. GRU's service area extends beyond the city limits, however.

The county commission's letter asks the city to use its auditor, Carlos Holt, and other experts to investigate why the GREC contract was changed after its initial signing in 2009 by former GRU General Manager Bob Hunzinger, unbeknownst to the city commission.

Cornell said because the changes were not known to the city commission until December 2013, city officials are within its four-year statute of limitations to investigate the matter.

Additionally, GRU's chief financial officer, Justin Locke, mentioned Tuesday that other factors could change by the end of the year which could strengthen the city's negotiations.

Cornell added the significance of the purchase is similar to county commissioners poring over its general fund budget annually over six years. To ask the city commissioners to make the decision in under a month is absurd, he said.

"Our most important job is to deliberate the budget every year," Cornell said. "This is shocking how real it is."

Mark Sexton, the county's spokesman, said Wednesday the board felt a responsibility and

obligation to weigh in on the city's decision since it, too, would be affected. The board voted 3-1 to send the letter, with Robert Hutchison casting the dissenting vote.

"Our reason for suggesting that you hold off on the execution of the MOU by April 21, 2017 (just before the swearing-in of two new Commissioners), is that real or perceived, it feels like this process is being rushed and that too much urgency is being placed on self-imposed deadlines," the letter states.

"When the City made the decision to hire a law firm and enter arbitration, the assumption was that it would disclose information of value to the City and GRU ratepayers. Recent discoveries have already proven that assumption to be true," the letter goes on to say.

The county board, which also one of GRU's largest customers, is the only elected body representing nearly 30 percent of GRU customers in the unincorporated areas, Sexton added. If a deal is reached county officials project they would lose about \$2.8 million in revenue generated by GREC's property taxes. The county does, however, have means to recoup about half of it.

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