

April 11, 2016

Edward J. Bielarski, Jr., General Manager
Gainesville Regional Utilities
301 S.E. 4th Avenue
Gainesville, FL 32614-7117

Re: GRU Default Notice and AAA Filing

Dear Ed:

This letter responds to the notice of an alleged Seller Event of Default that GRU sent to the Collateral Agent on March 31, 2016 ("Notice"). The Notice contains statements unsupported by fact or the PPA and that are damaging to GREC's financial relationships and financial position. GREC demands that GRU immediately retract that Notice and hereby puts GRU on notice that it will hold GRU responsible for any harm caused by the Notice, including its statement concerning termination of the PPA.

In accordance with the PPA, GREC recently filed for arbitration to resolve the limited payment/scheduling dispute with GRU concerning an unnecessary Planned Maintenance outage. GREC properly followed the process under Section 24 of the PPA to submit that dispute for resolution by the AAA. GRU's Notice and AAA filing responded with material mischaracterizations of GREC's maintenance activities and intentions, a baseless allegation of a Seller Event of Default, and a harmful statement concerning termination of the PPA. GRU's escalating actions are an irresponsible effort to transform a limited payment/scheduling dispute regarding a 3-week period into a pre-textual effort to terminate the 30-year PPA that was extensively negotiated between the parties and under which GREC assumed substantial risk and invested hundreds of millions of dollars to design, build, operate and maintain the 102.5 megawatt Facility in Gainesville.

The GRU Notice mischaracterized GREC's October 2015 letter to suggest that GREC is not conducting required maintenance on an ongoing basis and that it has refused to conduct an outage to perform Planned Maintenance in 2016. This is not true. GREC's October 2015 letter stated:

Given the current dispatch scenario of remaining in reserve shutdown, GREC plans no Maintenance or Planned outages in 2016. However, if the dispatch scenario changes and GREC is called upon to run for some time prior to April 2016, a Maintenance Outage may be needed to meet Good Utility Practice. If that does occur, GREC will notify GRU of any intent to perform such outage.

GREC's October 2015 letter stated that it was not then planning an outage in 2016 because the Facility was not forecast to run enough to require a Planned Maintenance outage because no maintenance was

needed that would require an outage. GREC also made clear, however, that it would take an outage if GRU were to run the Facility such that maintenance would be needed that required an outage. As you clearly know, however, since October 2015, GRU has kept the Facility in reserve shutdown, so nothing has changed to require a maintenance outage. The GRU Notice and AAA filing were also misleading in suggesting that GREC has not performed or will not perform required maintenance on an ongoing basis.

GREC has not committed any default that would support GRU's assertion to GREC's lenders of a right to "terminate" the PPA. The statement concerning termination appears intended to interfere with GREC's lending relationships and with GREC's ability to refinance the project loans. GREC has never repudiated the PPA, nor has GREC engaged in any act that can reasonably be construed as a material breach.

There simply is no good faith basis for GRU to threaten termination of the PPA. To be clear, GREC will continue to comply with all provisions of the PPA, including during the April 9 to April 29 period when GREC will conduct all requisite preventative maintenance (none of which requires an outage to perform), and intends to maintain the Facility fully available for dispatch. The current dispute is simply one of billing; the question is whether, during those 21 days the already-off-line Facility (due to GRU's operating instructions) should be treated, for billing purposes, as having provided Available Energy (in reserve shutdown) or not (in outage). The arbitrator will make that contractual determination at a later date, with which determination GREC intends to abide.

It is unfortunate that GRU continues to escalate its efforts to create an adversarial relationship with GREC. GREC remains committed to provide reliable capacity and energy to GRU and its customers. GREC demands that GRU immediately retract the Notice and all statements concerning termination of the PPA. If GRU fails to do so, GREC will pursue all damages caused by GRU's actions, including any financial damages caused by GRU's interference with GREC's financing.

Sincerely,



Jim Gordon

Cc: Gainesville City Commission
Al Morales