



Sale of HMP&L to Big Rivers

February 22, 2021

Big River Revised Proposal

- Big Rivers offered to negotiate buying HMP&L
- Rescinded previous offer to keep HQ in Henderson
- Proposal includes offer to keep transmission business in Henderson County
- The proposed purchase price is \$90 million
- The City would retain properties on Water Street
- Rates would be frozen for 5 years
- The City would be paid \$2.5 million per year in “Franchise Fees”
- The City would retain current pension and Bond liabilities

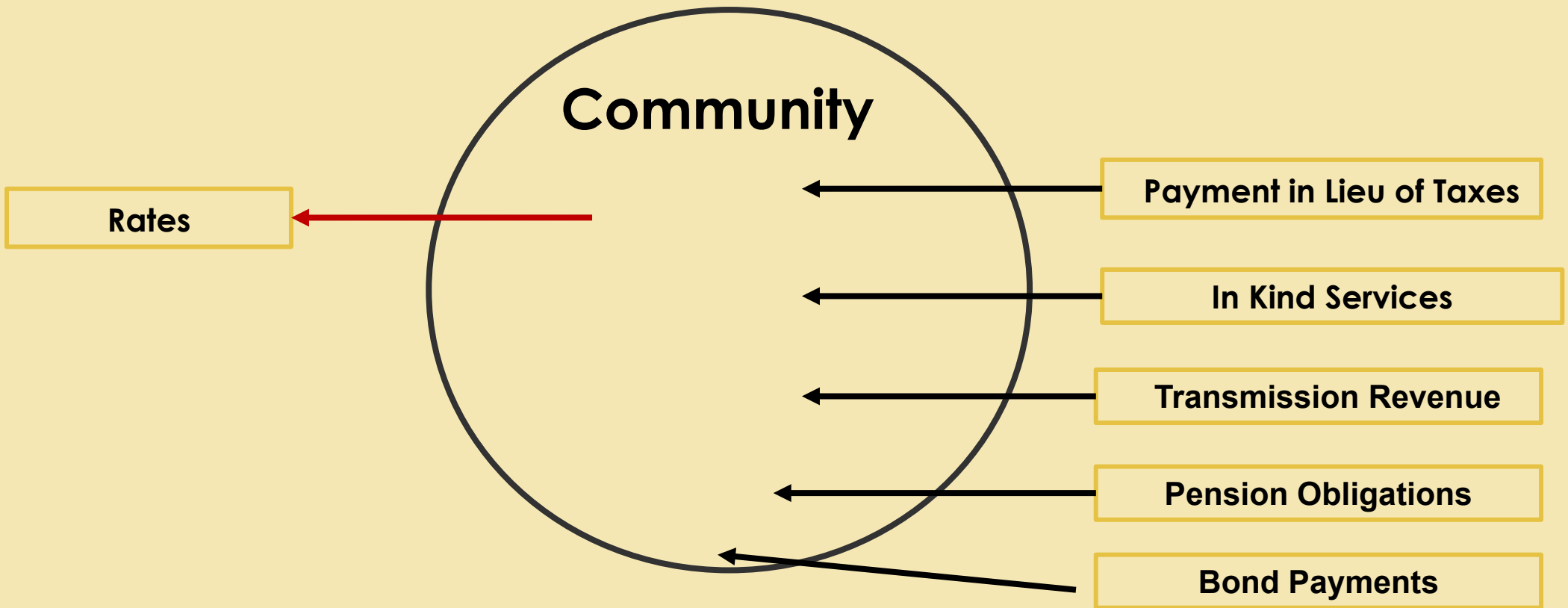
What should we do?

- Determine if this is a good deal for the City and its Customers
- Figure out how much this proposal will generate (or cost) in future years
- Figure out how much the Utility brings to the Community
- Look at other than financial factors

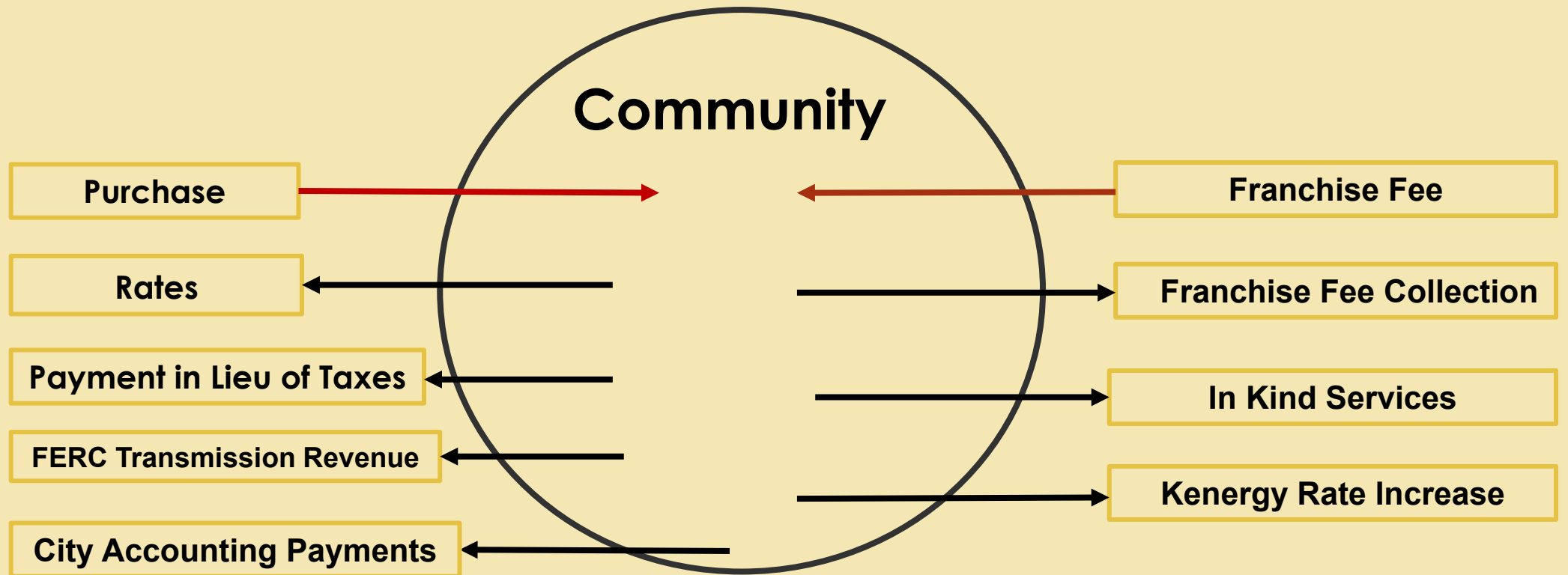
Determine the Cash Flows

- Some cash flows are one time and in the present
- Some cash flows are one time and in the future
- Some cash flows are every year beginning and ending in certain years
- Money that is spent in a future year is worth less than money today
- All the cash flows must be converted into today's dollars for an even comparison
- Cash flows are found by looking for cash that crosses the “surface” of an organization

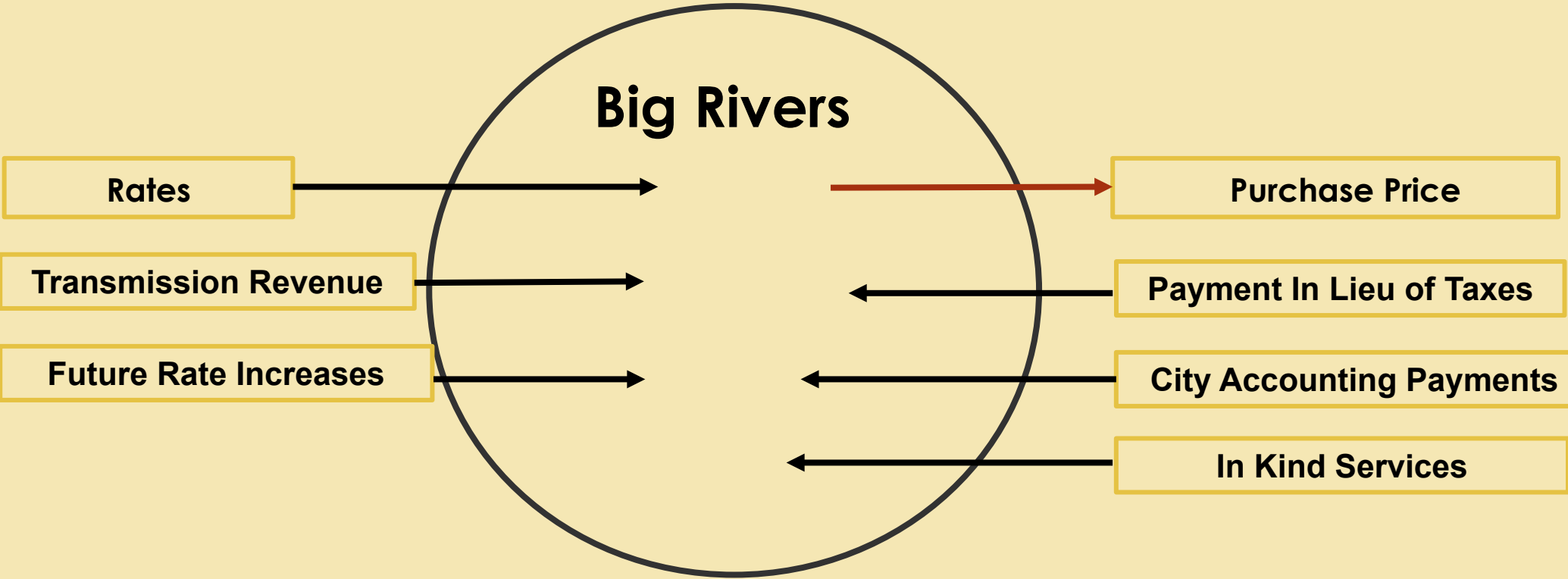
Status Quo– What Cash Crosses the Surface?



The Community – What Cash Crosses the Surface?



Big Rivers— What Cash Crosses the Surface?



Results

Present Value (with Status Quo)	Net Present Value (assuming Big Rivers purchase)	Difference	Avg. Annual Cost (to City and Customers)
\$74.93 M	-\$98.76 M	\$173.7 M	Nearly \$7 M

Total benefit to Big Rivers:
Net present value \$157,600,000

Non-Financial Considerations

- Loss of local control over rates
- Loss of local control of the actions of the Utility
- Creating a blank check for Big Rivers to recover any costs it claims appropriate from Henderson Customers
- Irreversibility of the sale
- Lack of any governance input from the Henderson Customers
- Lack of trustworthiness of Big Rivers
- A complete lack of experience by Big Rivers in managing a retail utility.

Findings and Recommendations

- The City of Henderson realizes significant short- and long-term financial and nonfinancial benefits from owning HMPL.
- This is a very poor proposal for the City and our Customers and should be declined.
- If Big Rivers is serious, they are always free to improve the proposal and approach the City or Utility in the Future.