

MYTHS OF THE CENTRAL-DAWSON MERGER EXPLAINED

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- Central's management has been unable to explain how Central will benefit from a merger with Dawson (despite 3 years of study)
- Instead, Central's management has trotted out a series of false reasons why Central NEEDS to merge with Dawson
- Central's management resorts to scare tactics based on false narratives
- Why does the narrative keep changing?

MYTH #1

Central NEEDS to merge with Dawson to shore up Central's "deteriorating financial condition. Central will be broke within ten years absent a merger."

PROVEN FALSE

- COM expert testified at Nebraska Power Review Board (NPRB) that Central's finances, based on Central's own financial forecast, are sound now and will be sound through 2030.
- COM expert is a retired CPA and former utility executive who reviewed Central's audited financial statements and financial forecast/modeling.
- Central management forced to concede that Central has no financial need to merge at NPRB hearing.

MYTH #2

Central NEEDS to merge to take advantage of peak savings (sale of Jeffrey Unit power to Dawson).

PROVEN FALSE

- The same peak power savings can be achieved through a Power Purchase Agreement with Dawson instead of merger.
- PPA would avoid costs and risks of merger.
- PPA would avoid loss of control of water.
- Management forced to admit same peak power savings could be achieved through a PPA instead of merger at NPRB hearing.

MYTH #3

Central NEEDS to merge because hydro-power energy is declining in value.

POTENTIAL TRUE SHORT TERM, BUT MISLEADING

- Results of the RFP and potential contracts with MEAN & Dawson are not public but may be at rates that are 80% of the expiring contract.
- RFP may not have been completed optimally to reach all potential customers.
- The Hydro facilities provide *dispatchable* green energy, unlike wind and solar, which cannot be dispatched and only generate energy when the wind blows and sun shines.
- Central's hydro units are more valuable than ever because of green energy capacity. Retail utilities across the country are increasing their portfolio of renewable energy to meet customer expectations.

MYTH #4

Central NEEDS to merge for the Meadowlark economic development project to come to central Nebraska

PROVEN FALSE

- At a July board meeting, staff announced that Central lost out on a \$70 million+ opportunity. It's unclear what the \$70 million+ was in reference to but Central still has 100% ownerships of its valuable hydro-generation and could still sell energy at a wholesale market for delivery to the Meadowlark Project.
- Management falsely represented that the merger was necessary for the Meadowlark project to move forward
- In June, Meadowlark and the Governor announced the project selected Gothenburg, despite no merger.
- Meadowlark press release made NO MENTION of Central or any merger with Dawson.
- Central management forced to issue press release ADMITTING that Meadowlark Project was not related to proposed Central-Dawson merger.

MYTH #5

Central NEEDS to merge with Dawson to help pay for anticipated costs associated with FERC relicensing (license expires in 2038). Ultimately, the merger creates a stronger entity.

FALSE

- The merger creates a bigger entity, not a financially stronger entity.
- Central maintains reserves to cover anticipated maintenance, capital improvement and relicensing costs and expenses
- These costs are neither unforeseen nor unplanned
- Dawson has higher revenues, but much higher expenses resulting in a much smaller operating margin, and less free cash flow
- Dawson also has fewer reserves than Central and existing debt that will need to be retired using Central's reserves
- Central would actually be in a worse position if higher FERC compliance costs arise after Central merges because FERC will take higher gross revenues of combined entity into consideration when determining "ability to pay."

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MYTH #6

The merger will “cut out the middleman.”

FALSE

- Central doesn't have a middleman; Central may sell power directly to one or more qualified purchasers in the evolving SPP market.
- Dawson IS a middleman: it buys power from NPPD, then sells it to its customers.
- While Dawson may benefit from eliminating its need to purchase power from NPPD, it would provide NO BENEFIT to Central.
- Dawson cannot eliminate or substantially reduce power purchases from NPPD until 2035 when its contract expires.

MYTH #7

The new Platte Valley Bylaws will protect irrigators

FALSE

- FACT: the bylaws do not provide adequate protections and can be amended and changed
- Central is currently controlled by a super-majority of nine directors elected from the Tri-Counties
- If the merger is approved, the Tri-Counties will elect just 6 of 14 directors and will hold a minority of board votes
- The Tri-Counties will no longer be in control of the water

MYTH #8

Central NEEDS to merge to gain greater political clout in Lincoln and stave off NPPD

PROVEN FALSE

- Central has done just fine as is for over 80 years and does not need to merge to gain clout in Lincoln.
- A merger with Dawson would actually make the merged entity a more inviting target for NPPD

MYTH #9

FINANCIAL OUTLOOK II: Central is back again with another bleak fiscal outlook -- reserves will not be sufficient to cover needed repairs to Kingsley. Dawson's utility revenue stream makes for a stronger company to support the hydro/irrigation business.

PROVEN FALSE

- Timing, projected cost of repairs and depletion of reserves is suspect.
- Central's earlier and now debunked slideshow was used to scare directors to get behind merger back in 2020-21. Divisions operation independently. Revenue from one division can't be used to support another. Even if the financial doomsday scenario were true, Dawson's net-income falls far short of providing any meaningful financial support.

MYTH #10

FINANCIAL OUTLOOK II: The merger “is a done deal, enjoys near universal support, and will be approved by end of 2022.”

PROVEN FALSE

- Merger currently dead in the water having been rejected by the NPRB, and the latest vote by the Central board failed.
- Only Central and Dawson directors, managers and employees are in favor of the merger.
- COM produced witnesses and letters from several organizations and political bodies against the merger.
- Central produced no witnesses or letters supporting the merger, other than Central and Dawson directors and employees.

MYTH #11

“COM opposition represents a tiny group of misinformed farmers who do not have any meaningful support.”

PROVEN FALSE

- COM has defeated the merger proposal at every turn.
- COM has gained significant additional support since the NPRB hearing.
- COM is comprised of 140 members including business owners, bankers, farmers and landowners.

MYTH #12

COM does not have the right to challenge the merger.

PROVEN FALSE

- Central attempted to bar its customers from presenting their objections at the NPRB hearing.
- NPRB ruled that COM and individual objectors had standing to oppose the petition.

MYTH #13

NPRB denied Central's Petition due to a mere “technicality.”

PROVEN FALSE

- Central was fully aware of the technicality and chose to still argue in front of the NPRB, wasting time and resources.
- COM asserted four reasons for dismissing the Petition.
- NPRB agreed with COM's first argument and tossed the petition before even reaching COM's remaining arguments.