



Review of NCPA's Debt & Interest Rate Management Policy

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NCPA Debt Policy Background

- Last review and update was in 2023
 - Aligned closer to Members' Debt Policies
 - Added new sections to address current standards
 - Used CDIAC's "Employing a Debt Management Policy" as an additional guideline for revisions
- Policy requires review every two years
- PFM reviewed the current version
 - No changes recommended

NCPA Debt Policy

INTRODUCTION

The Northern California Power Agency (the "Agency" or "NCPA") has developed this Debt & Interest Rate Management Policy (the "Debt Policy") to provide guidelines for the implementation and management of the issuance of bonds and other forms of indebtedness to finance necessary land acquisitions, construction, equipment, and other capital requirements of the Agency.

While the issuance of debt is frequently an appropriate method of financing, such issuance must be carefully monitored to preserve each Project's credit strength and to provide the necessary flexibility to fund future capital needs.

AUTHORITY

The Agency will invite to a Finance Committee meeting, all participants in the Project subject to the proposed transaction to express their views as to whether to recommend the proposed transaction to the Commission for its consideration. Any objection by a participant shall be considered. The General Manager, with the concurrence of outside bond counsel and the Agency's General Counsel, shall determine whether the proposed debt obligation is legally valid and complies with any applicable provisions of the Agency's legal agreements. The General Manager must obtain a recommendation from the Finance Committee prior to Commission approval of the proposed transaction.

The Agency, under the authority of the General Manager, executes debt instruments, oversees the accounting and reporting of debt, administers debt proceeds, manages continuing disclosure and debt compliance requirements, and makes debt service payments while acting with prudence, diligence, and attention to prevailing economic conditions. The General Manager may delegate such authority to the Chief Financial Officer (CFO) with the assistance of the Treasurer-Controller and/or General Accounting staff.

NCPA Debt Policy

SCOPE

This Debt Policy shall govern, except as otherwise covered by the law and the Agency's By-Laws, the issuance and management of all debt and lease obligations funded in the capital markets. While adherence to the Debt Policy is desired, the Agency recognizes that changes in the capital markets as well as unforeseen circumstances, may from time to time produce situations that are not covered by the Debt Policy and may require modifications or exceptions to achieve Agency goals. As appropriate, the CFO shall seek General Manager and/or Commission's direction and approval. Any said modifications or exceptions will be reported to the Finance Committee.

The Agency's staff and the Finance Committee shall review, and update if necessary, the Debt Policy on a biennial basis and recommend appropriate changes to the Commission for approval.

OBJECTIVES

The Debt Policy will guide the Agency in determining appropriate uses of debt financing, establish certain debt management goals and assist the Agency in maintaining strong credit ratings while assuming a prudent level of financial risk and preserving the Agency's flexibility to finance future capital programs and requirements. Additionally, the Debt Policy is intended to set forth criteria for selecting firms to provide certain financial, legal, and other services related to the issuance and subsequent monitoring and reporting of the debt.

NCPA Debt Policy

- Debt Issuance
 - Types of Debt
 - Tax Status
 - Purpose of Financing
 - Types of Bond Sales
 - Structural Features
 - Credit Enhancements
 - Issuer & Financing Characteristics
 - Credit Ratings

NCPA Debt Policy

- Handling of Bond Proceeds
- Compliance with CDIAC requirements
- Arbitrage Rebate
- Disclosure Policy
- Exhibits
 - Reporting Guidelines
 - Swap Policy
 - Includes various conditions and procedures for executing, monitoring, and reporting

Recommendation

- Staff is seeking confirmation from the Finance Committee that the Debt & Interest Rate Management Policy was reviewed and that no changes are recommended.



DEBT & INTEREST
RATE MANAGEMENT
POLICY

NORTHERN CALIFORNIA
POWER AGENCY