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May 14, 2014

TO: NCPA Finance Committee

FROM: Donna Stevener, AGM Finance/Administrative Services

SUBJECT: NCPA Finance Committee Meeting Minutes of May 14, 2014, 10 a.m.

Finance Committee Attendees:

Committee Members

Gary Plass	Healdsburg
Jordan Ayers	Lodi
Monty Hanks	Roseville (arrived at 10:20 a.m)
Bob Orbeta	Alameda
Jan Pepper	Santa Clara (arrived at 10:05 a.m)

NCPA Staff

Jim Pope
Donna Stevener
Kevin Wallace

Consultants

Will Frymann	PFM
Mike Berwanger	PFM
Gene Carron	Orrick

Public
None

1. & 2. Call Meeting to Order and Roll Call

Chairman Gary Plass called the meeting to order at 10:00 a.m. and roll call was conducted as listed above.

3. Approve Minutes of April 9, 2014

Minutes for the April 9, 2014 meeting were approved as presented.

1st Jordan Ayers

2nd Bob Orbeta

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Yes
Jordan Ayers	Lodi	Yes
Jan Pepper	Santa Clara	Absent
Monty Hanks	Roseville	Absent

Voting Results: 3 Ayes, 0 Noes, 0 Abstain, 2 Absent

PUBLIC FORUM

Mr. Plass asked if anyone wished to address the Committee on matters within the jurisdiction of the Committee. No one from the public was present at the site or at any of the teleconference locations.

REPORTS AND COMMITTEE ACTION ITEMS

4. Status Update on Letter of Credit (LOC) Replacement Process, Approval of Cost of Issuance Amounts for 2008 A & B Hydroelectric Bonds and Appointment of Financing Team

Ms. Stevener indicated that staff and PFM will provide an update on the status of negotiations for replacement Letter of Credit (LOC) for the 2008 Variable Rate Hydroelectric Bonds (2008 A & B), request approval of appointment of the Financing team for the transaction and seek a decision from the Committee on the term of the LOC (2 year, 3 year or 5 years). Mr. Frymann reported back on progress made over the last month in negotiations with the bank. Items suggested by the Committee were achieved, and further enhancements were also achieved. The timeframe for reporting was made consistent with current bond covenants and periodic reporting will be made by using reports available on the NCPA website. Fee increases due to downgrades to NCPA's ratings were improved and termination fees were exempted if a refinancing occurs or the bank's credit rating is downgraded. Transaction fees will not be paid if the bank is downgraded and the deal doesn't go through. New terms were provided in a revised term sheet (3 revisions). NCPA has provided the Citigroup documents to the bank's attorneys and those documents, along with the negotiated term sheet, will be the starting point for the actual contract.

Mr. Frymann then discussed the advantages of the various LOC term options (2 year, 3 year and 5 year). He indicated that the out of pocket costs would be between \$200,000 and \$250,000 each time a renewal occurs, so that should be taken into consideration. After discussion, it was recommended that the 5 year term bid be accepted with the following motion:

Motion: Recommend that the 5 year term bid be accepted and included in the final Letter of Credit Agreement.

1st Bob Orbeta

2nd Jordan Ayers

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Yes
Jordan Ayers	Lodi	Yes
Jan Pepper	Santa Clara	Yes
Monty Hanks	Roseville	Yes

Voting Results: 5 Ayes, 0 Noes, 0 Abstain, 0 Absent

Mr. Frymann then reviewed the expected timeline for execution of the new LOC. There is a slim possibility that documents (disclosure documents and bank documents) will be ready for the June 26th Commission meeting, although a July 24th meeting is more likely. Mr. Pope indicated that since we will save money by finalizing this sooner, a special Commission meeting could be scheduled earlier in July if needed. Mr. Frymann told the Committee that there is a 30 day window of separation between approval of the new LOC and the actual implementation, so the process will conclude in late August or early September.

Ms. Stevener then indicated that she had received quotes for the Financing team to work on the documents, including the Financial Advisor, Bond Counsel and Disclosure Counsel. She indicated that the General Manager has the authority to obtain these services, but she would like concurrence of the Committee. The following quotes are the same or just slightly higher than the last renewal work in 2011 and were recommended for approval:

Bond Counsel, Orrick Herrington -	\$45,000
Financial Advisor, PFM -	30,000
Disclosure Counsel -	60,000

Motion: Recommend that the Financing team selection and fee quotes be approved as presented.

1st Jordan Ayers

2nd Bob Orbeta

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Yes
Jordan Ayers	Lodi	Yes
Jan Pepper	Santa Clara	Yes
Monty Hanks	Roseville	Yes

Voting Results: 5 Ayes, 0 Noes, 0 Abstain, 0 Absent

5. Report on Rating Agency Meetings

NCPA staff, along with representatives of the Executive and Finance Committees (Pat Kolstad and Gary Plass) and representatives of PFM (Will Frymann and Mike Berwanger), met with Fitch and Standard & Poor's Rating Agencies on May 1 & 2 to provide an annual update on all projects. Fitch is conducting a review of all project ratings and their results were published yesterday, with affirmation of all current ratings. Standard & Poor's was requested to specifically re-review our Lodi Energy Center and Geothermal project ratings to consider upgrades to the ratings. Their review should be concluded in the next 6 – 8 weeks. Mr. Plass indicated that the Finance Committee should be proud of the excellent presentation by staff and PFM. Mr. Pope told the Committee that the presentation will be presented to the whole Commission at the June 26th Commission meeting.

6. Report on Current Financial Market Conditions or Issues

Mr. Frymann referred the Committee to his handout on page 7. He indicated that the charts are almost identical to those presented at the last several Finance Committee meetings.

Unemployment is down to the lowest point since September 2008. The Federal Reserve announced further reduction of 10 billion in bond purchasing program as expected. The next FOMC meeting is June 17 – 18 where further reductions are expected to be announced. The municipal market is improving from earlier in the year. 30 year debt is around 4%. Municipal bonds have outperformed Treasuries in the first half of 2014. Bloomberg interest rate forecasts indicate measured increases in interest rates over the next 6 quarters, along with a projection for an increase in the Fed Funds rates in mid-2015 after many years at very low levels.

NEW BUSINESS

7. Other Items of Interest to the Finance Committee

No items were discussed.

8. Next Finance Committee Meeting

The next meeting is scheduled for August 13, 2014 at 10:00 a.m. A Special Meeting was scheduled for July 9, 2014 at 10:00 a.m.

ADJOURNMENT

Meeting was adjourned at approximately 10:38 a.m.

cc: Jim Pope