DEBT & INTEREST RATE MANAGEMENT POLICY

NORTHERN CALIFORNIA POWER AGENCY

NCPA

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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.

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.

DEBT ISSUANCE

When evaluating a proposed debt issuance (new money or refunding), the Agency will analyze and assess a number of debt financing considerations, as identified below, prior to seeking Commission approval. As a general rule, the Agency will consider and follow guidelines consistent with the Government Finance Officers Association Best Practices for Debt Management.

A. Types of Debt

1. Fixed Rate Debt

Longer-term debt usually consists of fixed interest rates over the term of the bonds and should be used to finance essential capital facilities where it is appropriate to spread the cost of the project over more than one budget year and structured with consideration of the expected life of the asset being financed. The Agency recognizes that the Project Participants' future ratepayers who will benefit from the project will pay a share of its cost. Fixed rate debt provides the benefit of fixed payments during the life of the bonds and budget certainties for long-term capital planning. However, fixed rate debt is typically longer term and carries higher interest payments (assuming an upward-sloping yield curve) than variable rate debt but it is not subject to changes in interest rates.

2. Variable Rate Debt

The municipal bond market has developed several vehicles by which public agencies can borrow at short-term, variable interest rates. These include (but are not limited to) variable rate demand obligations ("VRDOs"), indexed notes, put bonds, auction rate securities, and commercial paper.

Factors that will be considered in the use of variable rate debt are the availability and size of fund balances to cover variable rate risk and the budget flexibility of the program being financed. Other factors may include using short-term financing to fund uncertain construction cash flow requirements and allowing the debt to be refinanced as fixed rate debt once the project(s) are complete. Projects that anticipate grant funding may be another candidate for variable rate financing.

3. Derivative Products

The use of certain derivative products, such as swaps, swaptions, and the sale of call options, allows the Agency to realize lower all-in costs on a new debt issuance or to receive an upfront payment. One type of swap that may be used would allow the Agency to issue variable rate debt in exchange for fixed payments that are typically lower than issuing traditional, fixed rate debt. However, such products have unique risks that the Agency and its professional advisors will evaluate per the Agency's Swap Guidelines attached in Appendix B.

B. Tax Status

1. Tax-Exempt

Interest on tax-exempt bonds is excluded from the gross income of its owners for federal income tax purposes and from California income taxes. As a result, tax-exempt bonds can be sold at a lower true interest cost than taxable bonds. The Agency, along with bond and tax counsels, will assess which projects are eligible to be funded with tax-exempt bonds. The Agency will make every effort to ensure compliance with all tax regulations in order to maintain their tax-exempt status.

2. Taxable

Certain municipal bonds are sold as taxable bonds because they are issued for purposes that the federal government deems do not provide a significant benefit to the public at large or involve "private activity". In addition, certain tax laws such as the alternative minimum tax (AMT) reduced the tax exemption applicable to certain types of bonds and taxpayers. Taxable bonds will be used whenever a particular project is deemed ineligible by tax counsel for tax-exempt financing.

C. Purpose of Financing

1. New Money Financing

New money issues are those financings that generate funding for capital projects. These funds will be used for necessary land acquisitions, construction, equipment, and other capital requirements of the Agency. New money bond proceeds are generally not used to fund operational activities.

2. Refunding Bonds

Refunding bonds are issued to retire all or a portion of an outstanding bond issue or other debt obligation. Most typically this is done to refinance at a lower interest rate to reduce overall debt service. Alternatively, existing debt obligations may also be refinanced from time to time to restructure the type of debt outstanding, the level and timing of future debt service payments or to take advantage of other identified market opportunities. In any event, a present value savings analysis must be prepared that identifies the economic effects of any refunding being considered by the Agency. The Agency will apply the following guidelines:

- For a Fixed Rate Debt refinancing of existing Fixed Rate Debt, the Agency will generally apply a minimum 5% Net Present Value Savings target for transactions that are expected to maintain the same level of risk related to the debt.

- For a refinancing of existing Synthetic Fixed Rate Debt, Variable Rate Debt, or Synthetic Variable Rate Debt transactions that is believed and expected to reduce the risk related to the debt, NCPA will generally seek to attempt to complete transactions that do not result in a Net Present Value Savings of less than 0%; however, the Policy does not preclude NCPA from executing a transaction that results in a Net Present Value Savings of less than 0% if the risk mitigation benefits are deemed to merit the cost.

A periodic review of the Agency's outstanding debt will be undertaken by the CFO in coordination with the Agency's Municipal Advisor to determine refunding opportunities and the results, if any, will be shared with the Finance Committee on a quarterly basis.

D. Types of Bond Sales

1. Competitive Sale
In a competitive sale, security dealers submit bids either in a sealed bid or electronically secure process, and the security dealer with the lowest True Interest Cost (TIC) and in compliance with the bid parameters, is awarded the bonds.

2. Negotiated Sale
In a negotiated sale, an underwriter or underwriter syndicate is selected by the issuer generally through a Request for Qualifications (RFQ) process or a Request for Proposal (RFP) process. The interest rate and underwriter's fee are negotiated prior to the sale, based on market conditions.

3. Private Placement / Direct Placement
A private placement is the sale of an issue of debt to one or a limited number of buyers, such as a bank, insurance company, or mutual fund, without a public offering. If the CFO, in concurrence with the Agency's Municipal Advisor and the Finance Committee, determines that it is in the best interest of the Agency from a cost or administrative standpoint, the Agency may negotiate financing terms with banks and financial institutions for specific borrowings.

E. Structural Features

1. Maturity
The final maturity of a bond sale shall be equal to or less than the remaining useful life of the assets being financed, and the average life of the financing shall not exceed 120% of the average useful life of the assets being financed.

2. Debt Service Structure
The Agency will carefully consider the debt service structure for each bond issue. Various factors will be considered such as the flow of revenues available for a particular credit, the need to fill in gaps created by refunding specific principal maturities or to structure savings

from a refunding in a particular year. Accelerated repayment may be considered within the bonding capacity constraints to provide additional capacity for future capital programs. Bonds will be amortized over a period of time not to exceed the useful life of the assets being financed.

3. Lien Levels

Senior, Junior, and Subordinated Junior Liens for each revenue source may be utilized in a manner that will maximize the most critical constraint – typically either cost or capacity – thus allowing for the most beneficial use of the revenue source securing the bonds.

4. Capitalized Interest

Subject to Federal and State law, interest may be capitalized from the date of issuance of the debt. Interest may also be capitalized for projects in which the revenue designated to pay debt service on the bonds will be collected at a future date, generally not to exceed six months from the estimated completion of construction. Any use of capitalized interest will require a review by bond and tax counsels and approval by the Commission.

F. Credit Enhancements

1. Bond Insurance

Bond insurance may provide improved credit quality for bonds as a result of the insurance provider's guarantee of the payment for principal and interest. Bond insurance will be considered when it provides an economic benefit to a particular bond maturity or the entire bond issue. A benefit analysis comparing the present value of the interest savings to the cost of the premium paid for such insurance is required to determine if bond insurance will be utilized.

2. Bank Facilities

When used for credit enhancement, letters of credit ("LOC") or standby bond purchase agreements ("SBPA") represent a bank's promise to pay principal and interest when due for a defined period of time, subject to certain conditions. Bank facilities may also provide liquidity support for bonds or other debt obligations subject to tender. These bank facilities are typically used to ensure variable rate debt has one of the two highest short-term ratings.

G. Issuer Characteristics

1. Market Familiarity

A frequent issuer of well-recognized credit can generally sell bonds through a competitive sale since investors and underwriters are familiar with the quality of the credit. A negotiated sale may be appropriate if extensive pre-marketing to investors is desired or required.

2. **Credit Strength**

The higher the credit quality of the bonds being issued, the more likely the bonds can be sold using a competitive sale due to the demand for high-quality municipal bonds. High-quality credits generally fare well in competitive sales.

3. **Policy Goals**

A competitive sale does not provide the Agency with the flexibility of choosing the underwriter or underwriter syndicate. If the CFO, in concurrence with the Finance Committee, concludes that determining the composition of the underwriter syndicate to achieve certain policy objectives is important, then a negotiated sale will be required. However, if a negotiated sale is selected solely for policy reasons, then the rationale and criteria for selection should be clearly specified.

H. Financing Characteristics

1. **Type of Debt Instrument**

The market typically favors familiar debt instruments such as California utility revenue bonds. New credit types may require an education process that is more conducive to a negotiated sale until the market becomes comfortable with the credit.

2. **Issue Size**

The size of the bond sale will influence both investor interest and the market's ability to absorb the bonds. For example, if the bond sale is too small or too large, a negotiated sale may be necessary for greater marketing efforts and/or presale activity.

3. **Market Conditions and Timing**

During periods of stable interest rates, market timing is not as critical. However, during periods of volatile interest rates, the timing of the sale becomes more critical. A bond refunding is often interest rate sensitive in terms of the potential level of savings or the general feasibility. The negotiated sale provides more flexibility in terms of the structure of the bond sale as well as the timing of the bond sale and may be more appropriate when issuing refunding bonds or when interest rates are volatile.

I. Credit Ratings

1. **Use of Rating Agencies**

The Agency seeks to obtain the highest possible credit ratings on all Projects, when applicable, for all categories of short- and long-term debt. The Agency may obtain a rating from at least one nationally recognized rating agency on all new bond issues or bond refundings being sold in the public market. The CFO, or his/her designee, and in concurrence with the Agency's Municipal Advisor, shall determine which major rating agencies will be asked to provide a rating, which may include one or more. Exceptions to this requirement, such as when using a private placement, are permissible.

2. **Rating Agency Relationships**
   The Agency's CFO, or his/her designee, shall be responsible for maintaining relationships with the rating agencies that assign ratings to the Agency's various debt obligations. This responsibility shall include coordinating meetings, presentations, and/or providing document requests whether in conjunction with the issuance of debt or periodic updates on outstanding bonds. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies used by the Agency. The Agency shall make every reasonable effort to maintain or improve its credit ratings.

HANDLING of BOND PROCEEDS

Proceeds of debt should be held either by a third-party trustee or by the Agency. A third-party trustee will disburse bond proceeds to the Agency upon submission of one or more written requisitions signed by an authorized Agency officer. If the funds are held directly by the Agency, they will be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the Agency and subject to established internal controls consistent with the Agency's applicable policies and procedures to ensure proceeds are spent according to their intended purpose as well as all applicable limitations and regulations.

For bond proceeds meant to refund existing bonds, such funds will generally be held by a third-party trustee to be applied in connection with written directions generally prepared by or in consultation with bond and tax counsels to ensure funds are used according to legal requirements. The Agency will maintain records to and from third-party agents including but not limited to written direction, communication and records received, and the timely review of fund statements.

MONITORING and REPORTING REQUIREMENTS

NCPA's financing team will monitor any Fixed Rate Debt, Variable Rate Debt, and Interest Rate Swaps that the Agency has outstanding on at least a monthly basis. The CFO, or his/her designee, will provide a written report regarding the status of all Fixed Rate Debt, Variable Rate Debt, and Interest Rate Swaps at least on a semi-annual basis to the Finance Committee and to the Commission. Reports shall include the reporting guidelines identified in Appendix A.

COMPLIANCE with CDIAC REQUIREMENTS

In accordance with California Government Code Section 8855 (as in effect as of the date of the Policy) to the extent required thereby at the time of any debt issuance of NCPA (the "CDIAC requirements"), the Agency will submit a report of any proposed debt issuance to the California Debt and Investment Advisory Commission ("CDIAC" or the "commission") prior to the sale of a debt issue and, will submit a report of final sale to CDIAC after the sale of the debt, by a method approved by the commission.

The report of proposed debt issuance will include a certification by the Agency to CDIAC that the Agency has adopted a local debt policy concerning the use of debt and that the contemplated debt issuance is consistent with such policy.

ARBITRAGE REBATE

Upon the issuance of tax-exempt bonds, the Agency shall comply with all arbitrage rebate requirements as established by the Internal Revenue Service (the "IRS"). The CFO, or his/her designee, shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort shall include tracking project expenditures financed with payments in compliance with tax law, and remitting any rebate earnings to the IRS in a timely manner in order to preserve the tax-exempt status of the Agency's outstanding tax-exempt debt issues. The Agency may enter into agreements with arbitrage service providers to assist the Agency with complying with arbitrage regulations.

DEBT OBLIGATION DISCLOSURE POLICY

In connection with each publicly offered NCPA debt issuance, the Agency is subject to certain disclosure requirements of the Securities and Exchange Commission and other governmental agencies before and after the bond sale takes place. It is the policy of the Agency to provide fair and accurate disclosure in its offering documents, continuing disclosure filings, and other public disclosure statements that are intended (or reasonably can be expected) to be accessible to and relied upon by investors in its bonds and other debt instruments (collectively sometimes referred to as "Disclosure Documents") that complies with applicable securities laws. It is further the intent of NCPA to satisfy in a timely manner its contractual obligations to provide certain ongoing information to the public debt markets under continuing disclosure undertakings entered into in connection with its financings.

The Agency will develop and implement disclosure procedures (the "Disclosure Procedures") to guide and direct applicable officers and employees of the Agency in preparing, confirming, and dissemination NCPA Disclosure Documents consistent with this policy and the following principles and objectives:

A. Good Disclosure
To make a disclosure to investors that is sufficiently clear, concise, accurate, and complete to inform them about the underlying security and sources of payment for NCPA's debt instruments and NCPA's and its member agency obligors' financial condition and results of operations (while advising them of material risks to future financial prospects);

B. Compliance with Law and Contractual Obligations
To assure compliance with applicable securities laws and applicable contractual requirements when preparing Disclosure Documents;

C. Reduce Liability
To avoid damage to NCPA's reputation in the financial markets and reduce exposure to liability for misstatements and omissions in Disclosure Documents;

D. Preserve Credit Ratings
To preserve NCPA's good credit ratings;

E. Transparency and Good Investor Relations

To provide transparency to investors, financial analysts, and the general bond market and promote good investor relations; and

F. Training

To provide regular training regarding municipal securities disclosure to assist NCPA officers and key staff of the Agency and its member agency obligors in understanding their roles and responsibilities in compliance with applicable securities laws.

APPENDIX A

DEBT & INTEREST RATE MANAGEMENT REPORT GUIDELINES

The CFO, or his/her designee, will provide a written report regarding the status of all Fixed Rate Debt, Variable Rate Debt, and Interest Rate Swaps at least on a semi-annual basis to the Finance Committee and to the Commission. Reports shall include the information identified below.

1. Highlights of all material changes to Fixed Rate Debt, Variable Rate Debt, and Interest Rate Swaps entered into by the Agency since the last report;
2. Highlights of any changes to Fixed Rate Debt, including any subsidy considerations, material bond proceeds fund investment issues, continuing disclosure reporting, escrow considerations, rating triggers, or other developments which might affect the expected continuity and performance of the Fixed Rate Debt;
3. The performance of Variable Rate Debt compared to relevant indices since the last report;
4. Tracking of future put dates, remarketing, Credit Enhancement renewals, and other pending dates of importance for the administration and continuation of Variable Rate Debt structures;
5. Changes to any fees paid to any third parties including Credit Enhancement providers, remarketing agents, etc.;
6. Marked-to-Market value of each of the Agency's Interest Rate Swaps;
7. The net impact to the Agency and Project Participants of a 50-basis point movement (up and down) in the appropriate swap market curves
8. For each counterparty, the Agency shall provide the total notional amount position, the average life of each interest rate Swap agreement, and the remaining term of each Interest Rate Swap agreement;
9. For each Interest Rate Swap, the actual yearly and cumulative savings versus the projected savings of entering into an Interest Rate Swap instead of a Fixed Rate Bond transaction;
10. The credit rating(s) and outlook(s) (making particular note of any rating changes) of each applicable Project including the credit ratings for each Interest Rate Swap counterparty and Credit Enhancement provider;
11. Actual collateral posting by the Agency and/or each Interest Rate Swap counterparty;
12. A summary of each Interest Rate Swap, including, but not limited to, the type of Interest Rate Swap, the rates and dollar amounts paid by the Agency and received by the Agency, and other terms;
13. Information concerning any default by a counterparty under an agreement with the Agency, and the results of the default, including but not limited to the financial impact to the Agency and its members, if any;
14. A summary of any Fixed Rate Debt, Variable Rate Debt, Interest Rate Swaps, and Credit Enhancements that were refinanced, redeemed, or terminated; and
15. Any other bond-related information or activity that may be of importance to disclose to the Commission.

APPENDIX B

SWAP GUIDELINES

INTRODUCTION

The Swap Guidelines are promulgated by the Agency to govern the use of Interest Rate Swap Agreements. Interest Rate Swap Agreements shall be used judiciously and must be approved by the General Manager, as detailed herein. "Interest Rate Swap Agreement" shall mean a written contract with a counterparty, entered into in connection with the issuance of debt by the Agency, in connection with Agency debt already outstanding, or as a hedge for future anticipated debt, to provide for an exchange of payments based upon fixed and/or variable interest rates. "Swaps" shall be inclusive of Swaptions which are options on Swaps.

CONDITIONS TO EXECUTE

A. Purpose

Interest Rate Swap Agreements may be used for the following purposes only:

1. To achieve significant savings as compared to other, non-derivative type products available in the bond market.
2. To prudently hedge risk in the context of a particular financing or the overall asset/liability management of the Agency.
3. To incur variable rate exposure within prudent guidelines.
4. To achieve more flexibility in meeting overall financial objectives than available in conventional markets.
5. To accomplish a financial objective not otherwise obtainable using traditional financing methods.

B. Legality

The Agency must receive an opinion acceptable to the market from a reputable law firm that the Interest Rate Swap Agreement is a legal, valid, and binding obligation of the Agency and Counterparty and the transaction is not prohibited by any applicable law.

C. Speculation

Interest Rate Swap Agreements shall not be used for speculative purposes. Associated risks will be prudent risks that are appropriate for the Agency to take.

PROCEDURE FOR SUBMISSION

Generally, the Agency shall procure Interest Rate Swap Agreements by competitive bidding, with at least three firms solicited. The Agency shall determine which parties it will allow participating in a competitive transaction taking into consideration, among other factors, the credit ratings of the swap counterparties. The Agency may procure by negotiated methods if it determines that a negotiated transaction would result in the most favorable pricing and terms or that doing so will promote its interest by encouraging and rewarding innovation. The Agency has the right to accept matching bids in order to decrease counterparty risk. The Agency will obtain an independent opinion from a Qualified Independent Representative ("QIR") that the terms and conditions reflect a fair market value of such agreement as of the date of its execution.

FORM and CONSENT

To the extent possible, an Interest Rate Swap Agreement entered into by the Agency shall contain the terms and conditions set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, including the schedule, credit support annex, and confirmation. The schedule should be modified to reflect specific legal requirements and business terms desired by the Agency.

The Agency shall consider including provisions that permit the Agency to assign its rights and obligations under the Interest Rate Swap Agreement and to optionally terminate the agreement at its market value at any time. In general, the counterparty shall not have the right to optionally terminate an agreement.

The ISDA Master Agreement shall include the following events of default of a counterparty:

1. Failure to make payments when due;
2. Material breach of representations and warranties;
3. Illegality;
4. Failure to comply with downgrade provisions; and
5. Failure to comply with any other provisions of the agreement after a specified notice period.

RISK EXPOSURE

Before entering into an Interest Rate Swap Agreement, the Agency shall evaluate all risks inherent in the transaction. The risks to be evaluated may include counterparty risk, termination risk, rollover risk, basis risk, tax event risk, credit risk, and amortization risk. The Agency shall endeavor to diversify its exposure to counterparties. To that end, before entering into a transaction, the Agency should determine its exposure to the relevant counterparty or counterparties and determine how the proposed transaction would affect the exposure. The exposure should not be measured solely in terms of notional amount, but rather how changes in interest rates would affect the Agency's exposure "Value at Risk". The Value at Risk should be based on all outstanding derivative transactions of the Agency. Evaluation of risks will also include the following considerations:

1. Uncertainty with respect to the Agency's future debt obligations.
2. Effect on the Agency's credit quality.
3. Cumulative exposure to all risk factors identified.
4. Termination provisions of the swaps.

COUNTERPARTY SELECTION

The Agency may enter into an Interest Rate Swap Agreement if the counterparty or its guarantor has at least "Aa3" or "AA-" by one of the nationally recognized rating agencies and not rated lower than "A2" or "A" by any nationally recognized rating agency, or as otherwise approved by the Commission, and the counterparty has demonstrated experience in successfully executing Interest Rate Swap Agreements. If after entering into an agreement, the counterparty does not maintain the minimum ratings of Aa3/AA-/AA-, or as otherwise specified in the swap documents, then the agreement shall be subject to termination unless (a) the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria acceptable to the Agency, or (b) the counterparty (or guarantor) collateralizes the Interest Rate Swap Agreement in accordance with the criteria set forth in these Swap Guidelines and the Interest Rate Swap Agreement. In addition, if after entering into an agreement, a rating of the counterparty is downgraded below Baa3/BBB-/BBB- or as otherwise specified in the swap documents, then the agreement shall be subject to termination unless the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria acceptable to the Agency.

COLLATERALIZATION

Should the rating of the counterparty, or if secured, the entity unconditionally guaranteeing its payment obligations, not satisfy the requirements of having at least two ratings of at least Aa3/AA-/AA-, or as otherwise specified in the swap documents, then the Agency's exposure to the counterparty shall be collateralized by (1) direct obligations of the United States of America, (2) obligations of which the principal and interest are guaranteed by the United States of America, or (3) direct obligations of US Agencies and such collateral shall be deposited with the Agency or an agent thereof, or as otherwise specified in the swap documents. Collateral requirements shall be subject to reasonable thresholds and minimum transfer amounts. The specific collateralization requirements for each interest rate swap transaction shall be set forth in the corresponding swap documentation.

IMPLICATIONS

In evaluating a particular transaction involving the use of Interest Rate Swap Agreements, the Agency shall review long-term implications associated with entering into Interest Rate Swap Agreements, including the cost of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, opportunities to refund the related debt obligations, and other similar considerations. The required minimum present value savings to the Agency of a swap transaction issued to refund outstanding debt shall be at least twice the minimum required for a fixed rate refunding to compensate for the inherent risks associated with the use of interest rate swaps, unless it is determined by the General Manager that it is in the best financial interest of the Agency to accept present value savings of less than twice the requirement for a fixed rate refunding. Such determination shall be documented in writing.

ACCOUNTING TREATMENT

The Agency shall reflect the use of Interest Rate Swap Agreements on its financial statements in accordance with generally accepted accounting principles, including the Governmental Accounting Standards Board pronouncements and guidance. Further, the Agency will provide appropriate swap disclosures to credit rating agencies, to investors in connection with bond offerings, and the municipal secondary market. Appropriate disclosure includes information about legal authority, risks, guidelines, and market value.

MONITORING

The CFO, or his/her designee, will provide a written report regarding the status of all Interest Rate Swaps at least on a semi-annual basis to the Finance Committee and to the Commission. Reports shall include the information identified in Appendix A – Debt & Interest Rate Management Report Guidelines. The Agency may use an independent Swap Advisor to assist NCPA staff in monitoring its existing or proposed swaps.

CONFORMANCE TO DODD-FRANK

It is the intent of the Agency to conform the Swap Guidelines to the requirements relating to legislation and regulations for derivatives transactions under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as supplemented and amended from time to time, including any regulations promulgated in connection therewith (herein collectively referred to as "Dodd-Frank"). Pursuant to such intent, it is the policy of the Agency that, with respect to each interest rate swap: (i) each swap advisor engaged or to be engaged by the Agency will function as the designated qualified independent representative of the Agency, sometimes referred to as the "Designated QIR"; (ii) each swap advisor will agree to meet and meets the requirements specified in CFTC Regulation 23.450(b)(1) or any successor regulation thereto (herein referred to as the "Representative Regulation"); (iii) each swap advisor will provide a written certification to the Agency to the effect that such swap advisor agrees to meet and meets the requirements specified in the Representative Regulation; (iv) the Agency will monitor the performance of each swap advisor consistent with the requirements specified in the Representative Regulation; (v) the Agency will exercise independent judgment in consultation with its swap advisor in evaluating all recommendations, if any, presented by any swap dealer with respect to transactions authorized pursuant to the Swap Guidelines; and (vi) the Agency will rely on the advice of its swap advisor with respect to interest rate swaps authorized pursuant to the Swap Guidelines and will not rely on recommendations, if any, presented by any swap dealer with respect to interest rate swaps authorized pursuant to the Swap Guidelines.