NCPA
A PUBLIC AGENCY
NORTHERN CALIFORNIA POWER AGENCY

Commission Staff Report

February 8, 2022

COMMISSION MEETING DATE: February 24, 2022

SUBJECT: Debt and Interest Rate Management Report ending December 31, 2021

AGENDA CATEGORY: Consent

FROM:	Monty Hanks Assistant General Manager/CFO	**METHOD OF SELECTION:** *N/A*
Division:	Administrative Services	
Department:	Accounting & Finance	

IMPACTED MEMBERS:

All Members	☒	**City of Lodi**	☐	**City of Shasta Lake**	☐
Alameda Municipal Power	☐	**City of Lompoc**	☐	**City of Ukiah**	☐
San Francisco Bay Area Rapid Transit	☐	**City of Palo Alto**	☐	**Plumas-Sierra REC**	☐
City of Biggs	☐	**City of Redding**	☐	**Port of Oakland**	☐
City of Gridley	☐	**City of Roseville**	☐	**Truckee Donner PUD**	☐
City of Healdsburg	☐	**City of Santa Clara**	☐	**Other**	☐

If other, please specify ______________________

RECOMMENDATION:

Recommending the Northern California Power Agency (NCPA) Commission accept the Debt and Interest Rate Management Report for the period ending December 31, 2021.

BACKGROUND:

In accordance with the Debt and Interest Rate Management Policy, Section 20, *Monitoring and Reporting Requirements*, approved by the Commission in May 2019, the Finance team will provide a written report regarding the status of all fixed and variable rate debt and the Agency's interest rate swaps on a semi-annual basis to the Finance Committee and to the Commission.

The report, for the period ending December 31, 2021, is attached for your information and acceptance. Listed below is a summary of the report.

<u>Fixed Rate Debt</u>
No changes to the Agency's outstanding, fixed-rate debt since the last report.

<u>Variable Rate Debt</u>
The Agency had a total of $79.2 million of outstanding variable rate debt. The Agency's variable rate debt is structured with a Letter of Credit with Bank of America. On average, the reset rates continue to trade at or better than the Securities Industry and Financial Markets Association (SIFMA) for the Series A bonds. The reset rates and index comparisons are included in the attached report.

<u>Interest Rate Swaps</u>
As of December 31, 2021, NCPA had $79.2 million of outstanding swaps, all related to the Hydroelectric Project bonds, which act as a hedge against the variable rate debt. The total market value of the interest rate swaps was a net liability of $15.5 million (negative). This amount improved from the June 30, 2021 net liability of $17.3 million (negative). No new swaps or defaults have occurred in the last six months. The interest rate swaps make up approximately 36% of the outstanding Hydroelectric Project debt portfolio. Additional details of the swap agreements are provided in the attached report.

<u>Counterparties</u>
The counterparty for the interest rate swap is Citibank, N.A. The credit ratings for Citibank, N.A., are A+/Aa3/A+ by S&P, Moody's, and Fitch, respectively. There have been no changes since the last report.

<u>Rating Changes</u>
There have been no changes since the last report.

FISCAL IMPACT:

The total projected savings over the life of the interest rate swaps was $13.9 million at the inception of these agreements. Total projected savings through December 31, 2021 was $8.7 million with actual results at $13.6 million. The difference between expected savings and actual savings is due to “basis risk”, or the difference between what NCPA pays on the variable rate bonds and the index rate received in the swap transaction. Total basis risk to date is positive, resulting in additional savings of almost $5.0 million. .

ENVIRONMENTAL ANALYSIS:

This activity would not result in a direct or reasonably foreseeable indirect change in the physical environment and is therefore not a “project” for purposes of Section 21065 the California Environmental Quality Act. No environmental review is necessary.

COMMITTEE REVIEW:

The recommendation will be reviewed by the Finance Committee on February 8, 2021.

Respectfully submitted,

RANDY S. HOWARD
General Manager

Attachments:
- Debt and Interest Rate Management Report as of 12-31-2021