Commission Staff Report

COMMISSION MEETING DATE: August 25, 2022

SUBJECT: Debt and Interest Rate Management Report ending June 30, 2022

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 June 30, 2022.

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 June 30, 2022, is attached for your information and acceptance. Listed below is a summary of the report.

Fixed Rate Debt
Since the last report, the 2012 Hydroelectric bonds were redeemed and refunded with the 2022 Hydroelectric bonds.

Variable Rate Debt
The 2008 Hydroelectric Letter of Credit with Bank of America was terminated in May 2022 allowing the 2008 Hydroelectric bonds to be redeemed and refunded with the 2022 Hydroelectric bonds. The Agency no longer has a letter of credit or variable rate debt outstanding.

Interest Rate Swaps
In conjunction with the 2022 Hydroelectric refunding, the low-interest environment provided an opportunity for the Agency to de-risk the Hydroelectric debt portfolio by terminating the interest rate swap with Citibank. The transaction resulted in the Agency making a termination payment of $11,928,000 to Citi which generated an NPV loss of $430k but within the parameters authorized by the Commission. The action removed a significant amount of risk, administration, and future expenses. At this time, no interest rate swaps remain outstanding.

Counterparties
N/A

Rating Changes
Since the last report, NCPA staff met with all three rating agencies. Fitch Ratings and Moody's provided the following reports.

- Fitch Ratings affirmed the 'AA-' rating on the Hydroelectric project
- Moody's affirmed the 'Aa3' rating on the Hydroelectric project
- Moody's issued a credit opinion on Lodi Energy Center (Indenture A & B) affirming the 'A1' and 'Aa1' ratings with stable outlooks
- Fitch reviewed the ratings of the Lodi Energy Center and concluded no change to the existing rating or outlook

The Agency is expecting to receive updates from S&P in August 2022.

FISCAL IMPACT:

On March 10th, NCPA staff along with our financial advisor, PFM, finalized the redemption of the 2012 Hydroelectric Series A bonds, termination of the interest rate swap and letter of credit, and redemption of the 2008 Hydroelectric variable rate bonds with the 2022 Hydroelectric refunding. The final numbers include the following:

- NPV savings: $12.2 million through final maturity of 2032
- Percentage savings of 2012 refunded bonds: 16.5%
- All-in TIC: 1.8%
- Average annual savings: approx. $1.7 million per year

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:

Pending

Respectfully submitted,

RANDY S. HOWARD
General Manager

Attachments:
- Debt and Interest Rate Management Report as of 6-30-2022