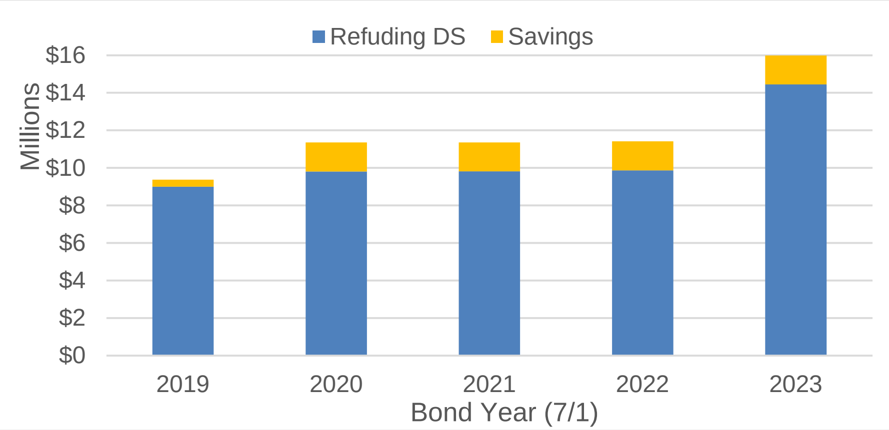
Hydroelectric Refunding Update

Hydroelectric System Series 2010A Bonds Refunding Update

- $52.8 million of Hydroelectric System Series 2010A bonds are currently outstanding
  - $44.1 million callable and $8.7 million maturing July 1, 2019
- A refunding in April 2019 generates approximately $2.9 million in net NPV savings (down from $3.0 million in last presentation), or 5.54% of refunded par, assuming today's interest rates
  - Small transferred proceeds penalty (~$200,000)

Gross Savings



NCPA Hydroelectric System, Series 2010A Summary of Pro Forma Refunding Results	
Delivery Date	April 3, 2018
Refunded Maturities	2019 – 2023
Par Amount of Bonds Refunded	$52,845,000
Par Amount of Refunding Bonds	$46,640,000
Average Annual Cash Flow Savings	$1,661,000
Gross Cash Flow Savings	$7,050,000
Net Present Value Savings (Less DSRF Release)	**$2,929,000**
PV Savings as a Percent of Refunded Par	**5.54%**

***Key Takeaway:* PFM recommends NCPA continue to move forward with the refunding of the 2010A Bonds**

Assumptions: Interest rates as of November 5, 2018; Delivery Date of April 3, 2019; SLGS escrow assumed; 5% coupon structure; COI: $300k and UD of $1.25 per bond and $40k for expenses; Uniform savings structure; Full Debt Service Reserve Fund release applied up front

Series 2008A Refunding / Swap Termination

- In addition to the Series 2010A bonds, $85.2 million of the Series 2008A Hydroelectric Bonds are outstanding
  - There is a swap and LOC (expires Sept. 2019) associated with the 2008A bonds
- NCPA could fix out the Series 2008A bonds and terminate the associated swap at a net present value loss of approximately $9.8 million (–8.40% of refunded par)

NCPA Hydroelectric System, Series 2008A Summary of Pro Forma Refunding Results	
Delivery Date	April 3, 2018
Refunded Maturities	2019 – 2032
Par Amount of Bonds Refunded	$85,160,000
Par Amount of Refunding Bonds	$85,555,000
Average Annual Cash Flow Loss	–$740,000
Gross Cash Flow Loss	–$9,814,000
Net Present Value Loss	**–$7,151,00**
PV Savings as a Percent of Refunded Par	**–8.40%**

Key Takeaway: ***The swap has performed as expected since inception in fact outperforming expectations until earlier this year. There is a cost to terminating the swap today.***

Assumptions: Interest rates as of November 5, 2018; Delivery Date of April 3, 2019; SLGS escrow assumed; 5% coupon structure; COI: $400k and UD of $1.25 per bond and $50k for expenses; Uniform savings structure; Full Debt Service Reserve Fund release applied up front

Series 2010A Refunding and 2008A Refunding / Swap Termination

NCPA Hydroelectric System, Series 2010A and 2008A Summary of Pro Forma Refunding Results			
	Series 2010A	**Series 2008A**	**Series 2010A and 2008A**
Delivery Date	April 3, 2018	April 3, 2018	April 3, 2018
Refunded Maturities	2019 – 2023	2019 – 2032	2019 – 2032
Par Amount of Bonds Refunded	$52,845,000	$85,160,000	$138,005,000
Par Amount of Refunding Bonds	$46,640,000	$85,555,000	$132,195,000
Average Annual Cash Flow Savings/–Loss	$1,661,000	–$741,000	–$230,000
Gross Cash Flow Savings/–Loss	$7,050,000	–$9,814,000	–$2,764,000
Net Present Value Savings/–Loss (Less DSRF Release)	**$2,929,000**	**–$7,151,000**	**–$4,222,000**
PV Savings as a Percent of Refunded Par	**5.54%**	**–8.40%**	**–3.06%**

Key Takeaway:* *PFM recommends NCPA wait to fix out the 2008A bonds and terminate the associated swap until the economics are closer to break-even.

Assumptions: Interest rates as of November 5, 2018; Delivery Date of April 3, 2019; SLGS escrow assumed; 5% coupon structure; COI: $700k and UD of $1.25 per bond and $90k for expenses; Uniform savings structure; Full Debt Service Reserve Fund release applied up front

Series 2008A Letter of Credit Substitution

- Currently, NCPA has a Letter of Credit, provided by Bank of Montreal, in place backing its Series 2008A variable rate bonds
  - The LOC expires on September 9, 2019
  - BMO is not likely to renew

- If NCPA were to elect to leave the Series 2008A bonds and associated swap in place, NCPA would need to replace the current LOC
  - NCPA could wait until after the 2010A refunding to replace the LOC, targeting a replacement date closer to August or September

  OR

  - NCPA could replace the LOC on a concurrent timeline with the 2010A refunding

- There is risk that the new LOC may be more expensive. Thus, NCPA would be paying more through Sept. than it otherwise would
- That additional cost would be offset through economies of scale on cost of issuance and staff time
  - The replacement of the LOC would require another OS to be completed, doing it at the same time as the refunding could result in lower issuance costs (one disclosure process instead of two)

Key Takeaway: ***PFM recommends NCPA begin the process to replace the LOC on the same timeline with the 2010A Refunding***

Assumptions: LOC cost of 10bps more than current from April to May; COI cost based on estimate for Bond and Disclosure Counsel