

OPPD Line of Credit

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Definitions

Days cash on hand is the number of days that an organization can continue to pay its operating expenses, given the amount of cash available. Cash includes operating funds (Revenue and Construction Funds) and emergency cash accounts (Rate Stabilization Account and Decommissioning & Benefits Reserve Account)

Days liquidity on hand includes days cash with the addition of liquidity sources, like the Line of Credit we will discuss today.

Line of Credit (LOC) History

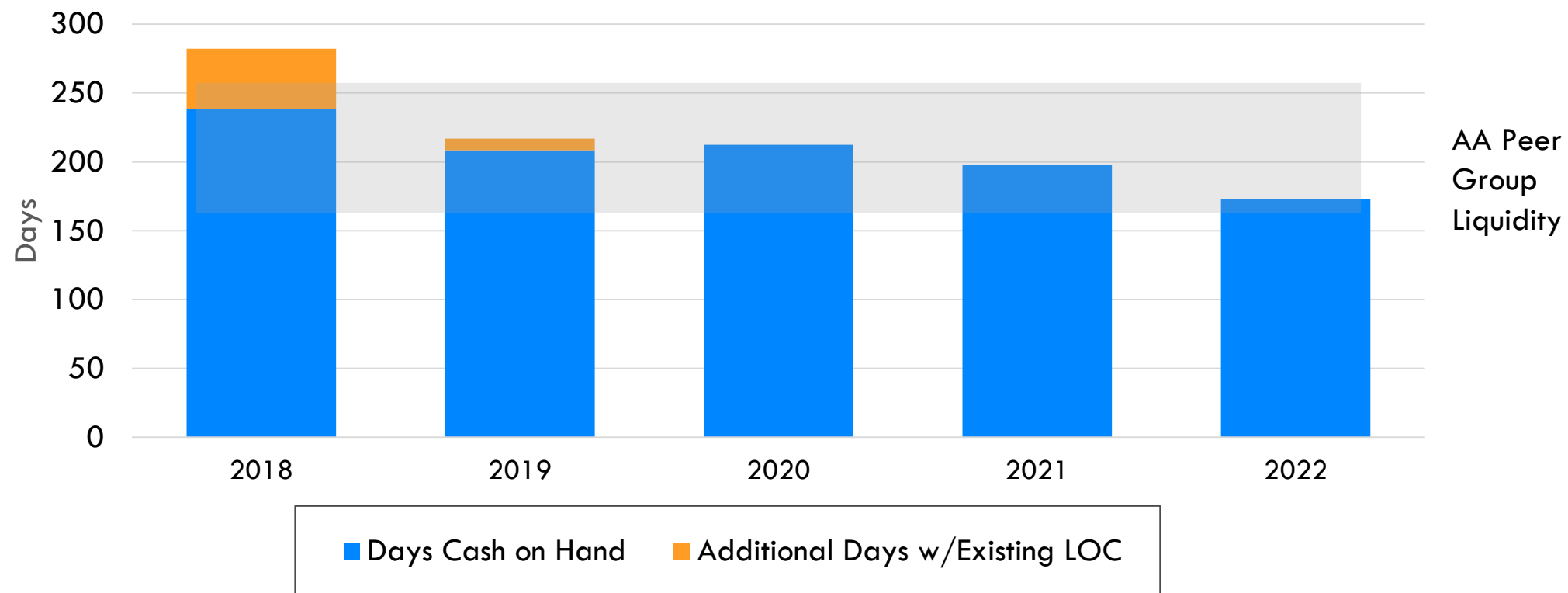
- LOC originally established in 1983 to support District's commercial paper (CP) program
- The current \$250 million LOC authorization was established in 2010
 - The District's own liquidity used to support CP program; \$150 million of LOC maintained as indirect support of CP program
 - \$100 million available for other corporate purposes
- In 2019, CP program was expanded to \$250 million and line of credit was extended until January 1, 2023 with Bank of America
 - No additional capacity to support other corporate purposes
 - OPPD already had plans to expand the line of credit in the second half of 2020. Current market conditions and opportunities are accelerating this process into April 2020.

Strong Financial Position

- ‘Aa2’ and ‘AA’ Stable ratings from Moody’s and S&P, respectively
- ‘P-1’ and ‘A-1+’ commercial paper ratings from Moody’s and S&P, respectively
- Days liquidity of 222 days as of March 2020 (AAA/AA peer group median in 2019: 237 days)
- Projected days liquidity of 212 days at end of 2020
- Minimum projected debt service coverage of 2.0 times through 2022

OPPD’s strong financial position has allow it to access the credit markets during the current market downturn while lower rated entities have had limited access

Days Cash and Liquidity Projections

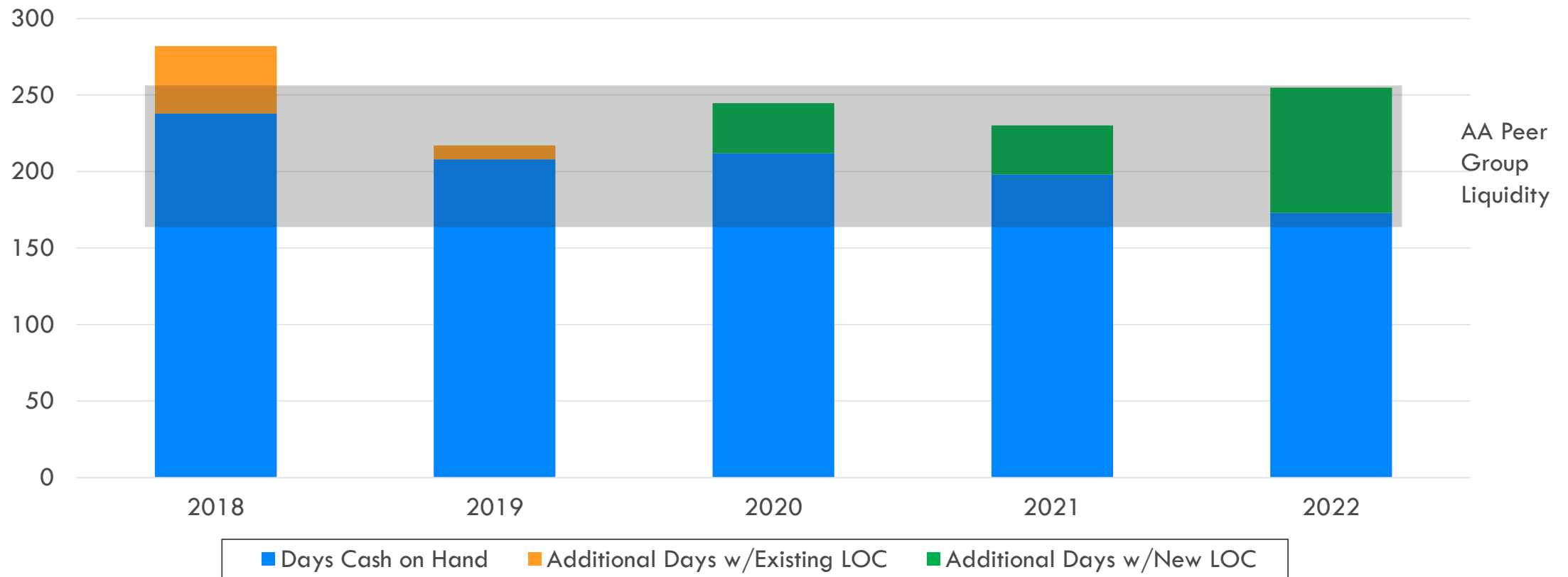


Liquidity Needs

- Budget
 - Expenses (O&M, PILOT, Interest, Decommissioning) have grown by \$147 million (\$836 million in 2010 to \$983 million in 2019)
 - Revenues are expected to decline in 2020 compared to budget.
- SPP Integrated Market
 - Joined in 2009 and transitioned from mostly physical transactions to mostly financial transactions in 2014.
 - Implemented hedging strategies in 2019 requiring margin accounts.
- Current \$250 million LOC fully tied to CP program
- Use of Rate Stabilization and/or Decommissioning and Benefits Reserve Funds
 - \$50 million available in Rate Stabilization and \$94 million in DABR (total of 63 days cash)
- Market Dislocations
 - Additional liquidity needs during periods of abnormal market behaviors
- Financing Opportunities
 - Strong liquidity allows the District to take advantage of financing opportunities such as the cash optimization transactions

Days Cash and Liquidity Projections

- Liquidity levels with additional \$75 million additional LOC in 2020, 2021 and \$200 million in 2022



LOC Recommendation

- To maintain and strengthen OPPD's financial position, we recommend increasing the LOC authorization by \$200 million up to a maximum of \$450 million total
 - Provides financial flexibility
 - Supports CP program and 'AA' credit rating
 - Fiscally prudent and provides additional liquidity if unexpected needs arise
 - Add a minimum commitment fee (expense) for additional LOC amounts
- Upon Board's authorization, pursue an immediate increase of LOC by \$75 million
 - Year-end 2020 days liquidity projected to be 212 days as of February
 - Unknown liquidity pressures during remainder of 2020
 - Additional \$75 million uncommitted LOC would increase projected 2020 days liquidity to 245 days, in-line with a strong 'AA' rated utility
- Increase LOC as needed to support liquidity in future years
 - Year-end 2022 days liquidity projected to be 173 days as of February
 - Additional \$200 million uncommitted LOC would increase projected 2022 days liquidity to 255 days, in-line with a strong 'AA' rated utility