

SD-3: Access to Credit Markets Monitoring Report

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Vice President & Chief Financial Officer



SD-3: Access to Credit Markets

In order to achieve a low cost and flexible cost structure, OPPD shall maintain financial ratios and targets to ensure efficient and cost effective access to the credit markets.

Therefore:

- For OPPD's annual budgets the Board establishes a minimum total debt service coverage* ratio of 2.0 times.
- When making resource decisions, OPPD shall take into consideration long-term revenue requirements, debt to equity ratios, minimum risk adjusted liquidity* levels, competitive position, financial risk and financial flexibility.
- OPPD's goal is to maintain an AA credit rating with the credit rating agencies consistent with the above expectations.

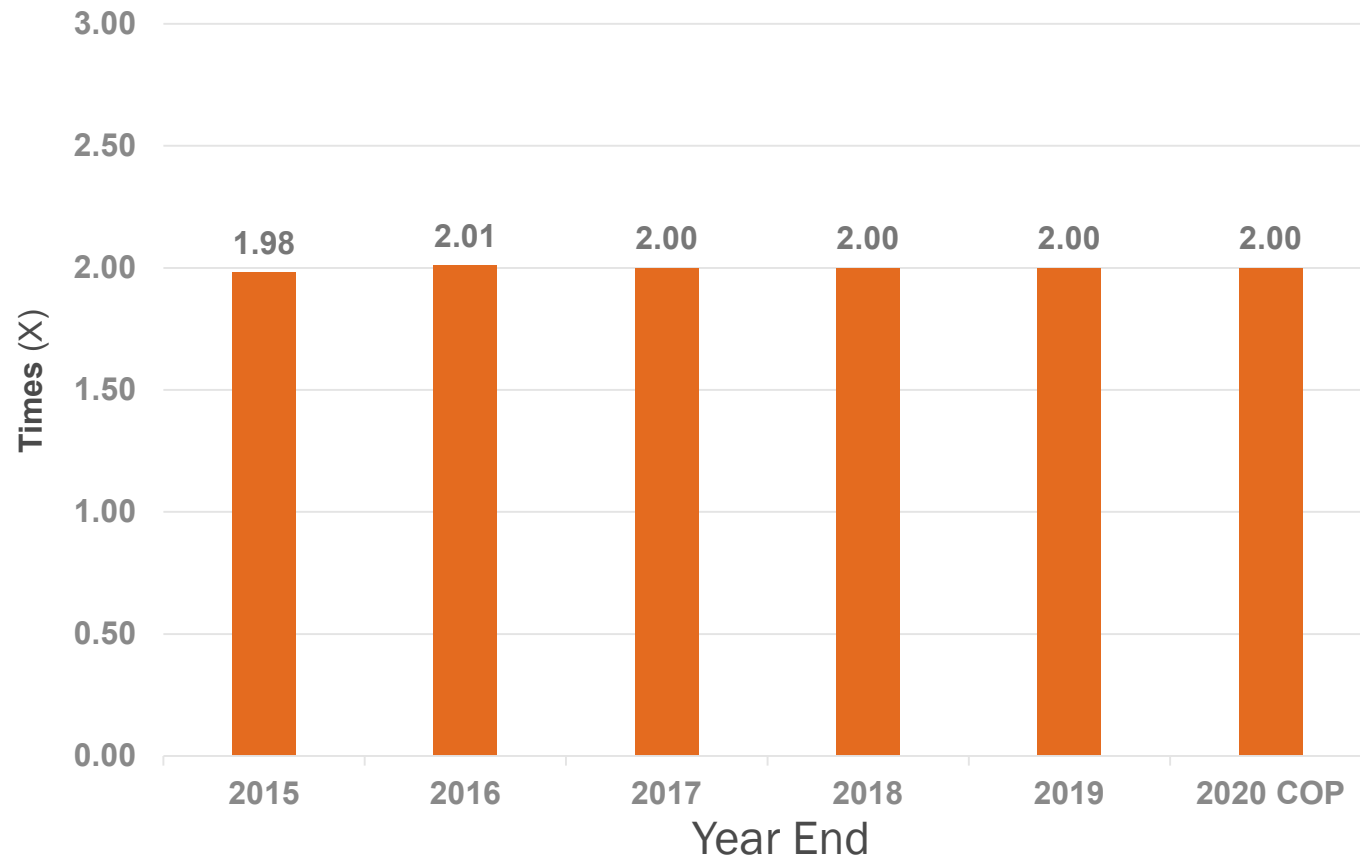
*TERMS AND DEFINITIONS

Total Debt Service Coverage: Revenues less expenses divided by total annual senior and subordinate lien debt interest and principal payments.

Liquidity: Total cash (operating and supplemental cash accounts) and unrestricted lines of credit available to meet ongoing daily cash requirements.

Total Debt Service Coverage

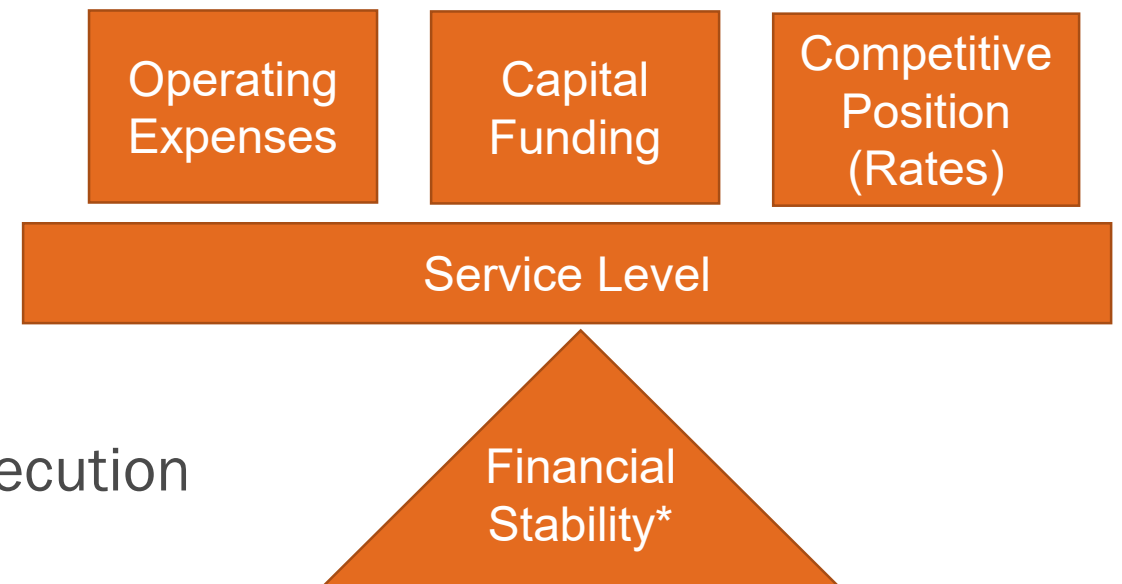
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Resource Decisions are made through the Corporate Operating Plan (COP)

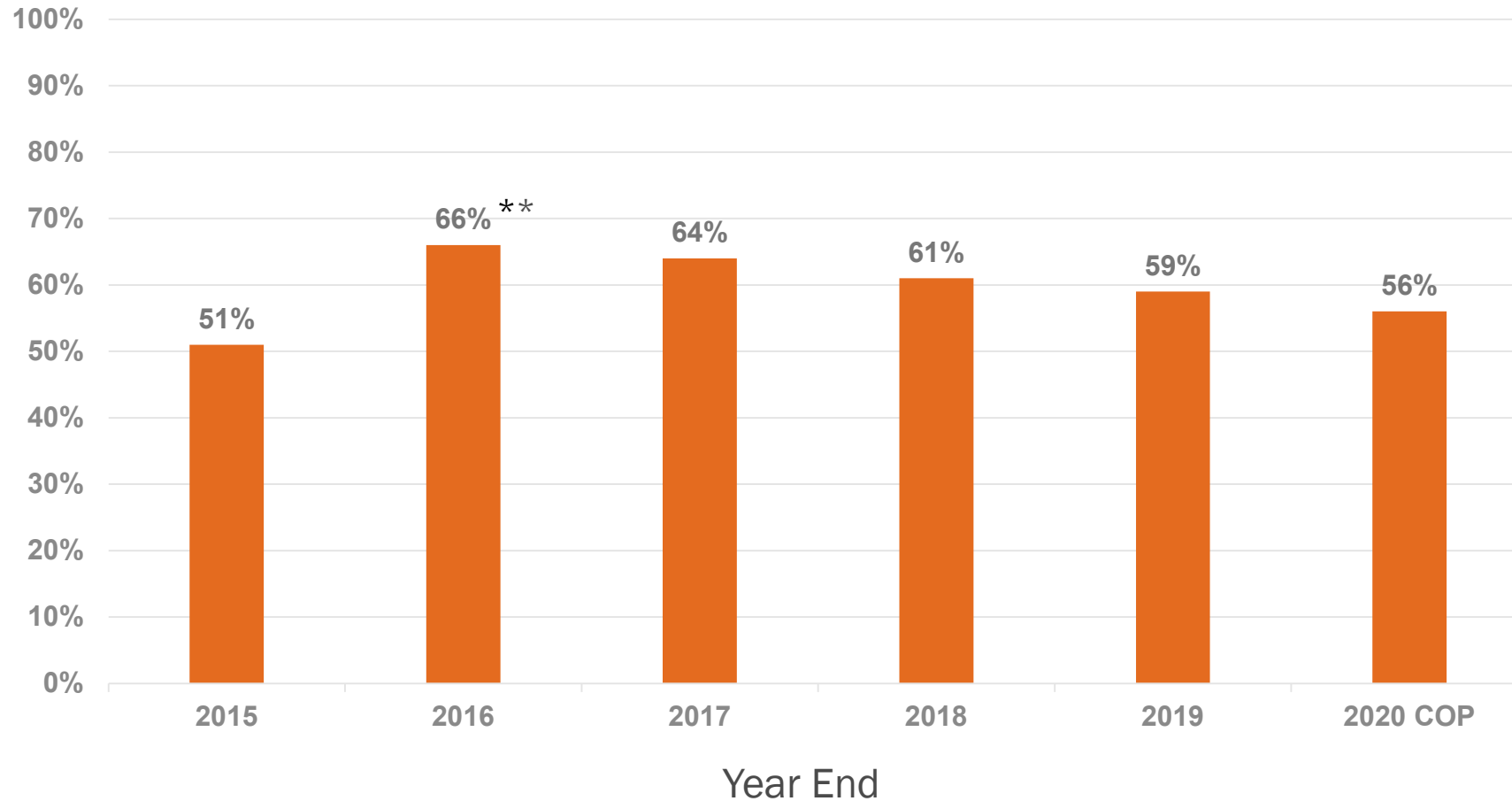
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- Board of Director's Strategic Directives
 - Competitive position in establishing rates (SD-2)
- Long-term revenue requirements
 - Operational requirements (SD-4)
 - Enterprise and financial risks (SD-15)
- Flexibility of plan to adjust with operational execution



* As measured by Debt Service Coverage, Liquidity and Debt to Equity Ratio

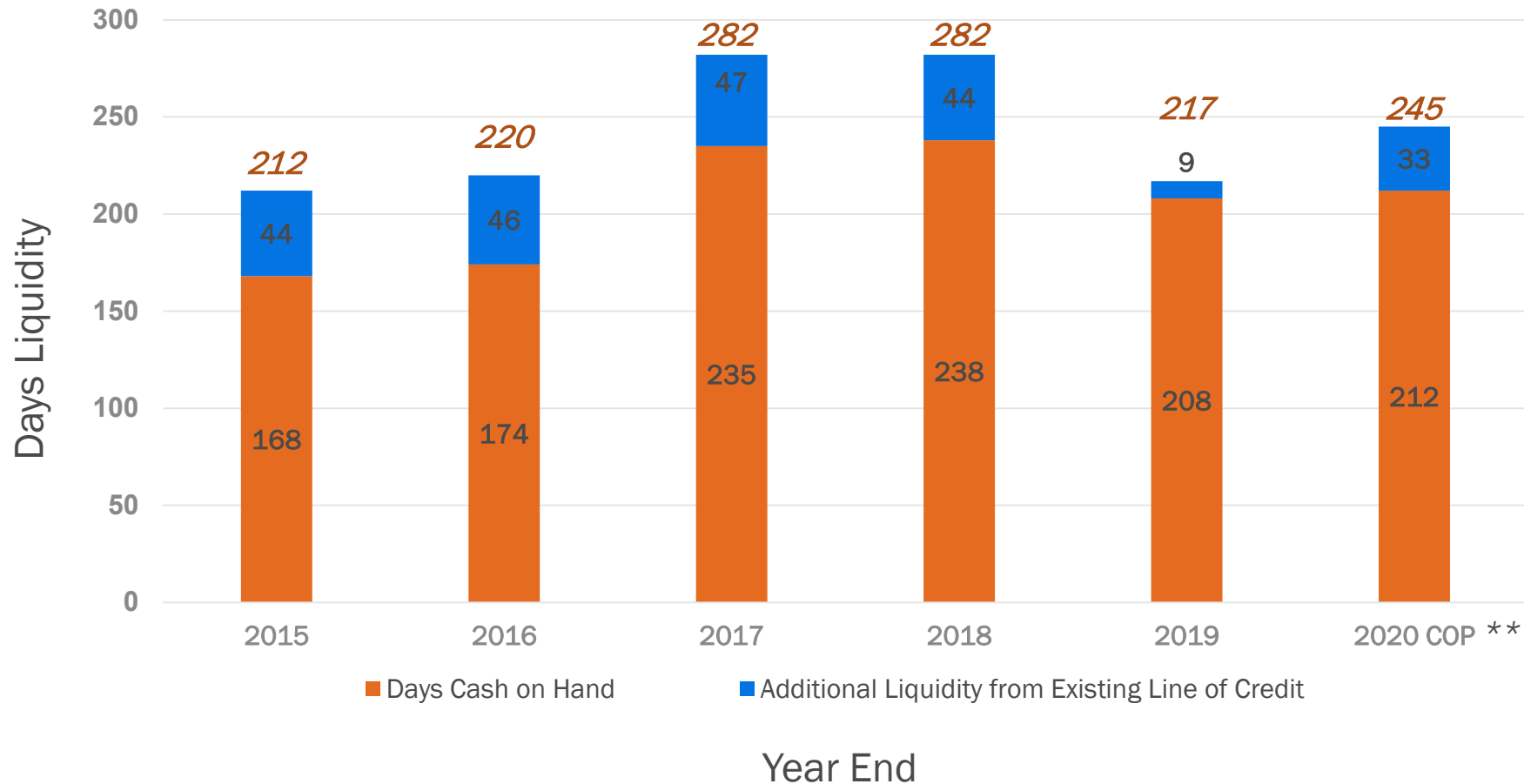
Debt Ratio*



* Share of debt to total capitalization (debt plus net position)

** Debt Ratio impacted by the write-off of Fort Calhoun Station

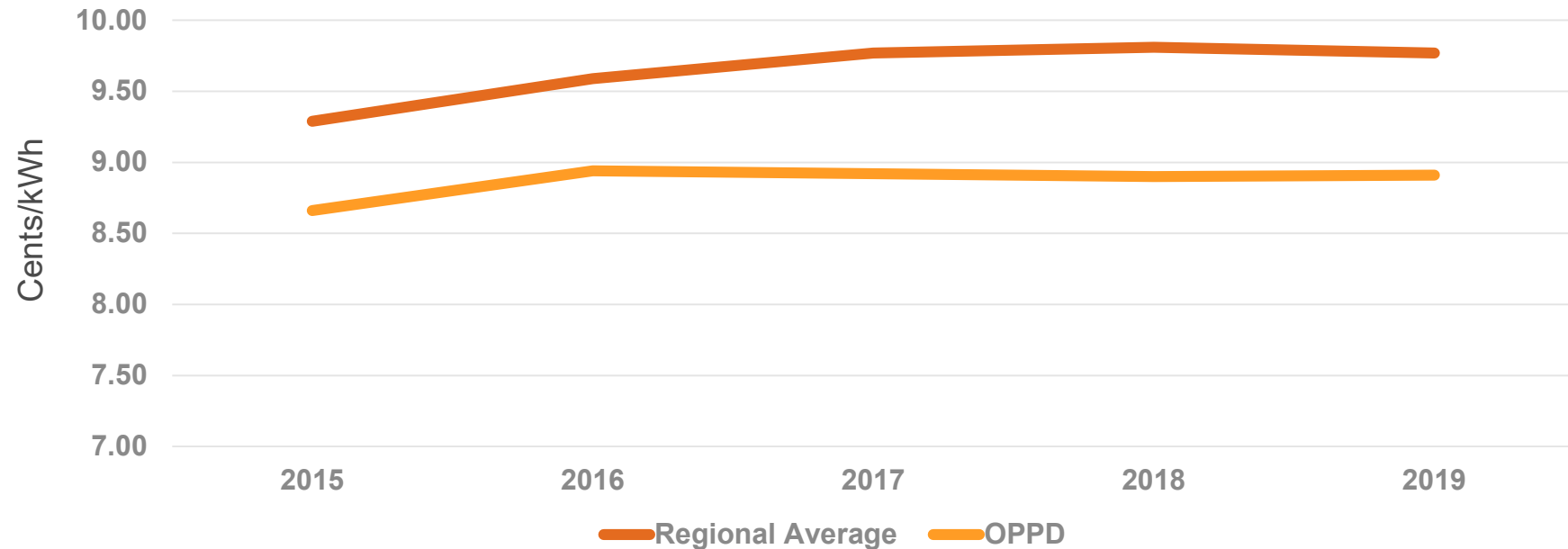
Days Liquidity *



* Includes cash and unrestricted lines of credit

** Cash projected as of 2/29/20, including \$50M in rate stabilization, \$94M in DBRA funds, and a \$75M line of credit increase

Competitive Position – Retail Rates



	2015	2016	2017	2018	2019**	2020
Regional* (Cents/kWh)	9.29	9.59	9.77	9.81	9.76	No general rate increase
OPPD (Cents/kWh)	8.66	8.94	8.92	8.90	8.90	
Below Reg. Avg. (%)	6.8%	6.8%	8.7%	9.3%	8.9%	

* Source: 2014-2018 EIA Form 861

**EIA Regional Short-Term Energy Model – April 2020

Credit Rating

OPPD's goal is to maintain an AA credit rating with the credit rating agencies consistent with the above expectations.

	2015	2016	2017	2018	2019
Moody's	Aa2	Aa2	Aa2	Aa2	Aa2
Standard & Poor's	AA	AA	AA	AA	AA

Pandemic Considerations

OPPD is well-positioned financially for the COVID-19 pandemic.

- Cash on hand is sufficient to operate for more than six months
- Requested increase in bank line of credit offers additional financial flexibility
- Total debt is decreasing and is manageable
- AA rating allows lower cost access to credit markets
- The effective rate restructure implemented in 2016 and finalized in 2019 has provided OPPD and its customer owners a significant source of stability, that is valued by the credit rating agencies and investors

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

Recommendation

- The Finance Committee has reviewed and accepted this Monitoring Report for SD-3 and recommends that the Board find OPPD to be sufficiently in compliance with Board Policy SD-3.