

2018 Plan of Finance

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Plan of Finance Agenda

- Interest Rate Swap Termination Ordinance
 - Terminate 2006 LIBOR Swap
 - Terminate 2007 SIFMA Swap
- 2018A Bond Ordinance
 - Refund 2006A variable rate interest bonds
 - Refund 2007B variable rate interest bonds
 - Refund 2008B fixed rate interest bonds
 - Refund variable rate interest Series A and Series B Commercial Paper
 - Issue System Improvement fixed rate interest bonds

- Delegate to Utilities' Chief Executive Officer and Chief Planning and Finance Officer the determination of the timing and circumstances under which an outstanding interest-rate swap could be terminated
 - Only applicable to current outstanding interest rate swaps
 - In situations determined to be advantageous to Utilities
 - Would require that the cumulative net present value cost of terminating a swap or swaps not be greater than 5.0% of the outstanding principal amount of the bonds
 - Includes any termination payment and transaction costs
 - Ordinance will expire December 31, 2018
 - Currently planning to request annual renewal on Ordinance

Interest Rate Swaps Portfolio

Associated Bond	Counterparty	Type	PCT of Bond	Amount	Fixed Rate
2005A	Goldman Sachs	SIFMA	25.0%	\$ 20,805,000	4.710%
2005A	Bank of America	SIFMA	75.0%	62,415,000	4.710%
2006A	JPMorgan	LIBOR	100.0%	58,375,000	4.481%
2006B	Morgan Stanley	LIBOR	60.0%	39,330,000	4.119%
2006B	JPMorgan	LIBOR	40.0%	26,220,000	4.119%
2007A	Goldman Sachs	LIBOR	60.0%	37,263,000	3.198%
2007A	Morgan Stanley	LIBOR	40.0%	24,842,000	3.198%
2007B	BNY Mellon	SIFMA	100.0%	87,275,000	5.295%
2008A	Bank of America	SIFMA	100.0%	41,260,000	4.269%
2009C	Wells Fargo	LIBOR	100.0%	58,975,000	5.475%
2010C	Morgan Stanley	LIBOR	100.0%	43,015,000	3.881%
2012A	Morgan Stanley	LIBOR	100.0%	44,160,000	4.024%
TOTAL				\$543,935,000	

2006A and 2007B Swap Terminations

Bonds	Par Amount	PV Savings Amount	PV Savings PCT.	Termination Payment	DCH Impact
2006A 2007A	\$ 145.6 million	(\$0.7M) to \$0.4M	(1.39%) to 0.17%	\$ 26.8 million	17.3 days

- Benefits to Outstanding Debt Portfolio
 - Reduce outstanding variable rate debt and associated support costs / risks
 - Reduce counterparty exposure – swap & liquidity providers, remarketing agent
 - Decrease debt service for remaining life of debt
 - Decrease collateral posting risk
- Considerations
 - Large up-front termination payment from unrestricted cash
 - Market volatility may reduce the economic feasibility to terminate swaps

Par Amount	PV Savings Amount	PV Savings PCT
\$ 7.4 million	\$0.9 million	12.8%

- 2008B fixed rate bonds were issued with a 10-year call option
 - Utilities standard practice on fixed-rate bond issuance
- Utilities' Policy allows bonds to be refunded when present value savings is 3.0% or greater

Commercial Paper and System Improvement Revenue Bonds

- Utilities has elected to expand the 2018A bond issuance
 - Refund variable rate interest Commercial Paper
 - \$45.0 million in outstanding Commercial Paper utilized to reimburse capital expenditures for year-end 2017 through July 2018 according to approved budget
 - Issue fixed rate interest System Improvement Bonds
 - \$65.0 million in new System Improvement Bonds that will be used to reimburse capital expenditures from August 2018 through December 2019
 - According to 2018 approved budget and current 2019 forecast
 - Next expected bond issuance will be mid-2020
 - Exception if another interest rate swap can be terminated at terms advantageous to Utilities

2018A Bond Issuance

Series	Issue	Par Amount (\$ million)
2018A-1	Refund 2006A Variable Rate Bonds and issue fixed-rate bonds Associated with 2006 LIBOR Swap	\$ 58.4
2018A-1	Refund 2007B Variable Rate Bonds and issue fixed-rate bonds Associated with 2007 SIFMA Swap	87.3
2018A-2	Refund callable 2008B Fixed Rate Bonds	7.4
2018A-3	Refund outstanding Variable Rate Series A and Series B Commercial Paper	45.0
2018A-4	Issue System Improvement fixed-rate Bonds	<u>65.0</u>
Total		\$ 263.1

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Questions