

FOR CONSIDERATION

December 19, 2017

TO: The Finance and Audit Committee of the Board of Trustees

FROM: Thomas Falcone

SUBJECT: Recommendation to the Board of Trustees for the Authorizations relating to the issuance of Electric System General Revenue Bonds and the execution or termination of one or more Financial Contracts and other related agreements.

Requested Action

The Finance and Audit Committee is requested to recommend to the Board of Trustees to authorize the issuance of up to \$880,000,000 aggregate principal amount of Electric System Revenue Bonds (the “Authorized Bonds”) for the purposes of (i) funding costs of system improvements and/or reimbursing such costs already incurred, including refinancing of notes or revolving credit agreement borrowings incurred to finance such costs, up to a principal amount of \$430,000,000, (ii) refunding outstanding bonds of the Authority, (iii) financing capitalized interest on the bonds to be issued, (iv) funding amounts due for the termination of Financial Contracts entered into in connection with any Authorized Bonds or refunded bonds, and (v) paying fees and expenses in conjunction with each of the foregoing and the issuance of the bonds, including reimbursement of fees and expenses expended by the Authority in connection therewith, all as described herein. The Trustees are also being requested to authorize the execution and delivery of one or more interest rate or basis swaps relating to the Authorized Bonds and the termination, assignment or amendment of any swaps relating to any refunded bonds.

Plan of Finance

The Authority is considering issuing the Authorized Bonds for the purposes described above.

The Authority has outstanding fixed rate bonds eligible for advanced refunding. Should appropriate market conditions exist, the Authority is requesting authorization to refund such bonds. The Authority has also determined that it may be appropriate to enter into one or more interest rate or basis swaps (“Financial Contracts”) relating to the Authorized Bonds, should they provide debt service savings or mitigate interest rate risk for the Authorized Bonds as compared to merely issuing bonds. Authorization to enter into such agreements with an aggregate notional amount of up to \$430,000,000 is requested. The material terms of the agreements relating to any such Financial Contracts are expected to be substantially similar to agreements previously entered into by the Authority and may include interest rate risk, basis risk, settlement risk, termination risk, counterparty risk, and certain continuing covenants.

Authorized Actions

The Authorized Bonds will be issued as either fixed rate or variable rate bonds or a combination thereof and sold either on a negotiated basis (i) to one or more underwriters for resale to investors or (ii) directly to one or more investors or financial institutions at such price or prices and on such terms and conditions as they shall determine to be the most cost effective and advantageous for the Authority. The new Authorized Bonds could be issued in conjunction with such previously authorized, but not yet issued, bonds or be sold separately.

To the extent that any variable rate bonds are secured by letters of credit, the selection of bank letters of credit providers to credit enhance such Bonds will be made by a selection committee comprised of Authority staff pursuant to a new procurement process. The proposed terms and conditions of the bank letter of credit agreements are expected to be substantially similar to the agreements previously executed by the Authority with letter of credit banks.

Any underwriter, dealer, or swap counterparty will be one of the firms approved pursuant to the Authority's most recent procurement for underwriting, investment banking and swap counterparty services, which firms include BofA Merrill Lynch, Barclays, Citigroup, Goldman, Sachs & Co., J.P. Morgan, Jefferies, Morgan Stanley, RBC Capital Markets, Ramirez & Co. Inc., Siebert Cisneros Shank & Co. LLC, TD Securities and Wells Fargo Securities. The Trustees are requested to permit the Chief Executive Officer or Chief Financial Officer of the Authority to designate, as necessary, the underwriters, remarketing agents, or swap counterparties, as applicable, assigned to each bond series from the Board approved list of firms.

As and to the extent that Refunding Bonds are issued for the purpose of refunding bonds with respect to which there are existing interest rate swap agreements, the Chief Executive Officer, Chief Financial Officer or Controller of the Authority will be authorized to allocate such interest rate swap agreements to other Authority bonds or notes or to terminate or amend such agreements, all as such officer may determine appropriate so as to permit the Authority to obtain the benefit of such interest rate swap agreements or to minimize the cost associated with the refunding and to the extent that such agreements are terminated or amended, some or all of the costs of such termination or amendment may be funded with the proceeds of the Refunding Bonds.

Recommendation

Based upon the foregoing, I recommend that the Finance and Audit Committee adopt the resolution attached hereto recommending that the Board of Trustees authorize the issuance of up to \$880,000,000 aggregate principal of Electric System General Revenue Bonds, of which no more than \$430,000,000 in bonds may be issued to fund new money capital expenditures, the execution and delivery of one or more new interest rate swap agreements, and the termination or amendment of one or more interest rate swap agreements, all as described above.

Attachments

Exhibit A Resolution

Exhibit B Twenty-Seventh Supplemental Bond Resolution