



CONSOLIDATED SYSTEM MASTER BOND RESOLUTION

Presented by
Debbie Litchfield, Treasurer
&
William Doyle, Bond Counsel
Orrick, Herrington & Suttcliffe
February 26, 2007



Overview

- Information only – no Board action today
- Seeking approval 3/12/07
- Bond Resolution Team
 - District Staff – Finance, Senior Team
 - Orrick Herrington - Bond Counsel
 - PFM - Financial Advisor
 - Lehman - Investment Banker
 - Feedback from Moody's, Standard & Poor's and Fitch



Process To Date

- Resolution presented and approved in form
 - 2007 swap authorization
 - August 1, 2005
 - Resolution 05-12747
 - 2009, 2011, 2013 swap authorization
 - April 3, 2006
 - Resolution 06-12882
 - Expectation that bonds issued 2007 and after would be under new Master Bond Resolution
- Current form provide to Board 2/14/07



Revenue Bonds Outstanding

By Issuing System As Of 12/31/06 (\$millions)

Consolidated Senior ⁽¹⁾ 1995-2005	\$ 637
Rocky Reach 1968	\$ 12
Rock Island 1955 & 1997	\$ 291
Wastewater 1998 (LUD purposes)	<u>\$ 1</u>
Total Revenue Bonds Outstanding	\$ 941

Proceeds from bonds issued by Consolidated System are loaned to other systems of the District.

⁽¹⁾ Consolidated Senior 1987-1994 retired July 2006. Consolidated Subordinate 1995-2005 became Consolidated Senior.



Framework For Debt Issuance

- Master Bond Resolution
 - General terms & conditions of the lien
 - Authorization, issuance & redemption of bonds
 - Funds & payment process
 - Investment parameters
 - Covenants
 - Defaults & Remedies
 - Bond Trustee
- Series or Supplemental Resolution
 - Specific terms & conditions of the bond series
 - Authorize amount of bonds to be issued
 - Purpose of such bonds
 - Approve bond purchase contract, official statement, related documents
 - Cure ambiguity or clarify provisions of the Master Resolution



New Resolution Purpose

- Strengthen covenants & protections provided to investors
- More closely conforms to industry standards
- Conforms to provisions commonly included in resolutions and agreements of other public power issuers
- Credit positives for District – address rating agency concerns
- Does not supersede covenants & requirements of Senior bonds



Principal Changes

- Flow of funds provision – payment priority
- Pledge of revenues
- More traditional additional bonds test
 - Historical or projected
 - 1.0 times from Net Revenues
 - 1.25 times with Available Funds
- Revised rate covenants
 - Covenant on all Consolidated Bonds, not just non-hydro
 - Revenue sufficiency test
 - Coverage test: 1.0 times excluding Available Funds
 - Coverage test: 1.25 times with Available Funds



Principal Changes

- Requires third party bond trustee
 - Typical rights, obligations and default remedies
 - Debt payments flow through trustee
 - Trustee holds Reserve Funds
- Formalized Rate Stabilization Fund
 - Allows transfers between Revenue and Rate Stabilization funds
 - Such transfers impact debt coverage calculations
 - Initial deposit prior to 1-1-2008 is exempt
 - May be use for any lawful purpose that stabilizes rates & charges for retail Distribution customers
 - Does not apply to Consolidate Senior bond coverage



Next Steps.....Questions?

- 2007 Plan of Finance
 - \$93.75M Refinancing (2007 Swaps)
 - Up to \$60M new money
 - Cover 2007 & 2008 Capital
 - Hydro Modernization & Relicensing
 - Anticipate pricing mid-May with proceeds received May 31
 - Board Updates – April 2, May 7, June 4
- Other New Master Resolutions
 - Rocky Reach & Rock Island Q2-Q3/2007
- Questions?