

Annual Treasury Updates

Information Only
No Action Requested Today

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Investment and Banking Policy

Annual Review has been completed

Includes Schedules authorizing staff to initiate financial transactions

Updates are needed to reflect changes in staffing and duties

- Internal Audit

- Payroll

- Accounting

No other Policy changes needed

Request Board adoption of resolution on March 1

2021 Operational Plan of Finance

Forecast Window	Activity	Action	Results End of Period	"Lower Results" Mitigation Tools
2021 Detailed Actions	Net Scheduled Principal Early Retirements* Net New Debt Refinancing Actions	\$ 26M \$ 85M \$ - None	Par \$396M Ratio 24%	Decrease cost growth
2022 – 2025 General Steps	Net Scheduled Principal Early Retirements* Net New Debt** Refinancing Actions	\$ 115M \$ 56M \$ 100M Monitor	Par \$325M Ratio 19%	Delay discretionary capital
2026 – 2028 Broad Path	Net Scheduled Principal Early Retirements Net New Debt Refinancing Actions	\$ 74M \$ - \$ 130M Monitor	Par \$381M Ratio 20%	Incremental rate increases

* \$73M 2020 Plan completion and early retirements 6 months in advance for savings and coverage support

** Forecast: New bond issuance of \$28M beginning in 2023

Hydro System Capital Funding

Long-term Power Sales Contracts cost plus adders continue to be utilized for pay-as-you-go capital

In 2019, Rock Island also began using Board approved internal loans to fund a portion of capital spending

Forecast 2021/22 Rock Island and Rocky Reach capital plans (plus ISS projects) of approximately \$230M are expected to exceed available power sales contract funds and require partial loan funding



Internal Loans

Match system funding need with available system cash
Loan cash from one District accounting system to another
Principal and interest paid back over time per schedule

Board affirmed Debt Philosophy and Planning Strategies:

First, internal loans from unrestricted funds, when available
Strategic external bond issuance are also evaluated and
recommended when prudent

Customer benefits of internal loans:

Supports debt leverage and coverage metrics
Avoids external bond issuance and interest costs
Uses available unrestricted cash earning interest at lower rate

2021 Internal Loan Recommendations

Recommending 2 years of capital funding from Financing System

2021 unrestricted cash forecast impact due to 2 year funding

Still well above metrics and no material impact to 2022 forecast

Power purchaser impacts (cost-plus contracts)

Share of annual principal and interest

Some contract adders increase with internal loan balance increases

Approximately 3% increase compared to 2020 costs

Purchaser outreach plan

Courtesy advance notice will be provided to power purchasers

In accordance with contracts, charges will begin in April

Loan Terms:

Per Contracts, to be set
by Resolution,
considered March 1

Term:
25 years

Interest Rate:
to be set March 31
(estimated at around 2.6%)

Amount:
not to exceed
Rocky Reach \$36M
Rock Island \$54M



February 16-28 Commissioner questions, power purchaser outreach

March 1 Request Board approval of resolutions

March 31 Issue internal loan