

JULY 9, 2021

# Prepay Transaction Overview



# Agenda

1. Timeline / Plan
2. Overview of Documents
3. Additional Parties & Selection Process
4. Key Risks

# Timeline / Plan

## Transaction Board Approval:

- Targeting July EBCE board approval
- May be pushed to September Board meeting
- SVCE, co-participant, in this Prepay transaction is seeking board approval in August (board is on recess in July)
- CCCFA (Issuer/conduit) will approve relevant documents in July or August board meeting
- Note that EBCE may move forward on the transaction to the extent that SVCE elects not to move forward or is delayed. MCE is currently moving forward on a separate prepay transaction and will likely precede our transaction to the market

## Bond raise and initiation of prepay:

- Targeting an August/September bond raise, but may be later based on completing documentation and market conditions

## Factors That May Impact Timing:

- Markets: Taxable vs. tax-exempt spreads have been improving, moving in the direction to achieve discounts we are seeking. A negative change in market conditions could delay timeline of deal execution.
- Assignment Consents: Finalizing the initial commodity transaction for assignment.

# Documents Overview: EBCE Signs

1. **Power Supply Contract**
  - Sets forth terms for which CCA receives energy for 30-year term
  - Signed by EBCE and the Issuer
2. **Assignment Agreement**
  - Details the terms of the limited assignment of the original energy PPA that is between a 3rd party energy seller
  - Signed by EBCE, the original PPA counterparty, and Morgan Stanley, the prepay provider
3. **Project Administration Agreement**
  - Sets out terms for CCA to act on behalf of the Issuer and coordination among the two CCAs (EBCE and SVCE)
  - Signed by EBCE, SVCE, and CCCFA (conduit issuer JPA)
4. **PPA Payments Custodial Agreement**
  - Details cash flows between PPA Buyer (CCA), Prepay Supplier, and Custodian
  - Signed by EBCE, Morgan Stanley, and Custodian bank – likely to be filled by the trustee, which will be contracted by the Issuer

# Documents Overview: CCCFA Signs

1. **Prepaid Agreement**
  - Details the flow of power and payments between the Prepay Supplier and the Issuer
  - Terms are largely mirrored in the Power Supply Contract
2. **Repricing Agreement**
  - Sets forth terms for remarketing and repricing for future bond repricing periods
3. **Trust Indenture**
  - Sets forth terms of bond issuance and rights of bondholders
  - Details that all revenues relevant to transaction flow to and through conduit issuer (CCCFA)
4. **Commodity Swap documents**
  - Docs pursuant to which the commodity price is hedged with a 3rd-party swap counterparty (to insulate transaction from market variations)
  - May be dormant for initial bond period if initiated with a fixed price contract, but turns on when transaction moves from fixed to floating
5. **Parent Guarantee**
  - Guarantee of “due and punctual payment” from Prepay Supplier to conduit issuer (CCCFA)
  - Flows in favor of conduit issuer and swap counterparty, respectively
6. **Front-End Custodial Agreement**
  - Outlines payment flows through the transaction, signed by CCCFA, Custodian, and Bond Trustee
  - *Also a Back-End Custodial Agreement which is signed by Morgan Stanley, Custodian, and Bond Trustee.*

# Documents Overview: Other

1. Preliminary Offering Statement (POS)
  - Official offering document used to market the bonds
  - Details parties (including appendix of info on CCAs operational history), transaction size and key terms
  - Not a signed document

# Additional Parties & Selection Process

In addition to the key parties outlined in previous presentations, a prepay also requires three other parties to complete specific tasks. The categories and selections processes are detailed below:

## 1. Custodian

- Role: Manage the Issuer Payments Account, i.e. cash flows in event of excess volumes
- Selection Process: Solicitation to be issued by PFM (Municipal Financial Advisor) to potential providers.

## 2. Commodity Swap Counterparty

- Role: Provide financial commodity swap when transaction moves from fixed to floating
- Selection Process: Solicitation issued by Morgan Stanley to potential providers. Responses received and under review.

## 3. Credit Rating Agency

- Role: Rate the bonds
- Selection Process: Discussions in process

# Key Risks

- If this transaction does not materialize: Loss of out-of-pocket costs \$25-50k and staff time
  - Consultants all contingent on successful deal
  - Consultants are primarily paid from deal proceeds vs. EBCE directly
- Opportunity cost of higher savings through a prepay transaction or alternative structure initiated at a different time.
  - To the extent that MS does not provide the minimum discount EBCE will have a right not to proceed in future repricing periods. Minimum discount will likely be set at around 6-7%. Target initial discount is 10%.
  - EBCE also has a right to shop the prepay provider if we view that the offered discounts are not at market
- Load loss or inability to assign a PPA into the prepay due to contractual limitations would likely lead to remediation or remarketing activities and potentially result in the loss of the discount.
  - Note that costs would not increase above contractual levels
- Regulatory risks, such as reclassifying a long-term PPA as a short-term PPA making it ineligible for SB350 qualification or disruption to PCC1 bundled classification due to the assignment of PPA
- Political risk associated with a transaction collapsing due to non-compliance to tax codes