



Staff Report Item 10

TO: East Bay Community Energy Board of Directors
FROM: Howard Chang, Chief Operating Officer
SUBJECT: Prepay Transaction Recap (Informational Item)
DATE: November 17, 2021

Recommendation

Receive a recap of the energy prepayment transaction approved at the July 21 Board Meeting.

Background and Discussion

After many months of negotiations and structuring, the energy prepayment transaction EBCE jointly pursued with Silicon Valley Clean Energy (SVCE) closed on September 23, 2021. Staff is pleased to provide a recap of the transaction to memorialize key details for the board and public.

Key Details:

Bond Size & Classifications

The California Community Choice Financing Authority issued Clean Energy Project Revenue bonds on behalf of EBCE and SVCE; the bonds are called Series 2021B.

<u>Bond Principal Amount:</u>	\$1,234,720,000.00
<u>Total Bond Proceeds:</u>	\$1,475,895,642.50
<u>Municipal Bond Rating:</u>	A1
<u>Green Bond Certified?</u>	Yes

Volumes

The power flowing through the transaction will be split among the two CCAs, 54% to EBCE and 46% to SVCE; terms were agreed upon in the Project Administration Agreement. For the first ten years, EBCE will flow through 59MW and SVCE will flow through 50MW. The proportion will be maintained in future years as volumes may adjust.

Dates

The transaction runs for 30 years, with the first bond repricing in 10 years and likely subsequently repricing every 7-10 years depending on optimal bond tenors in future market conditions.

<u>Bond Issuance Date:</u>	September 7, 2021
<u>Transaction Close Date:</u>	September 23, 2021
<u>Power Supply Start Date:</u>	January 1, 2022
<u>Initial Bond Term (Before Repricing):</u>	10 years
<u>Final Bond Maturity Date:</u>	February 1, 2052

Prepay Parties:

Names and functions are as follows:

Prepay Buyer: East Bay Community Energy and Silicon Valley Clean Energy, jointly

- **Role:** Provide energy contracts to flow through prepay and receive discount

Prepay Supplier: Morgan Stanley

- **Role:** Structure transaction, bond underwriter, and energy provider

Municipal Advisor: PFM

- **Role:** Advise Prepay Buyer in negotiations; required by Municipal Securities Rulemaking Board (MSRB)

Bond Counsel: Orrick, Herrington & Sutcliffe

- **Role:** Represent bondholders

Tax Counsel: Orrick, Herrington & Sutcliffe

- **Role:** Provide tax opinion on transaction

Issuer's Counsel: Chapman and Cutler LLP

- **Role:** Represent issuer's interests, supporting drafting and negotiating terms of prepay agreement and associated energy supply agreements

Disclosure Counsel: Chapman and Cutler LLP

- **Role:** Prepare Official Statement

Bond Issuer: California Community Choice Financing Authority (CCCFA)

- **Role:** Issue municipal bonds for prepay

Custodian: Bank of New York Mellon

- **Role:** Manage the Issuer Payments Account

Commodity Swap Counterparty: Royal Bank of Canada

- **Role:** Provide financial commodity swap when transaction moves from fixed to floating and floating to fixed

Credit Rating Agency: Moody's

- **Role:** Rate the bonds

Action Items / Next Steps:

While the transaction has closed, there are a few items staff is still focused on pertaining to the Series 2021B deal.

- The first action item is seeking an arbitrage rebate agent to perform mandatory compliance functions related to the management and reporting of bond returns. The firm will ultimately be contracted by CCCFA.
- The second item is continuing disclosure; annual disclosures to the Municipal Securities Rulemaking Board (MSRB) are required for all municipal bond issuances. This requirement is ultimately CCCFA's, though the operational responsibility has been agreed to be placed on the CCA(s). Training on the requirements and processes of disclosure was provided to all members of CCCFA by Chapman and Cutler.
- The last item is pursuing approvals for future PPA assignments. EBCE is working with the sellers of a number of existing long-term PPAs to enable the ability to assign future contracts into this prepay, or other future prepays.

Financial Impact

The purpose of pursuing the prepay transaction is to achieve meaningful energy procurement cost savings. Through this initial transaction EBCE has secured over \$2 million in annual savings for the first ten years. Savings will also be realized after the first ten years, though the bonds will reprice at that point with minimum savings thresholds dependent on market conditions. EBCE has a minimum savings requirement of \$2/MWh.

The savings realized are net of all fees paid to all of the various parties involved in the prepay; those fees are payable from the proceeds of the prepay bonds. That is to say, there is no out-of-pocket cost to EBCE. Further, the fees are split between EBCE and SVCE.

Additionally, it is important to note that the prepay is non-recourse to EBCE. The ultimate counterparty with the Prepay Supplier is the CCCFA JPA, so CCCFA is therefore the counterparty to all the underlying agreements. CCCFA is a public entity separate and apart from the parties to the JPA Agreement, and the debts, liabilities, and obligations of CCCFA will not constitute debts, liabilities or obligations of EBCE or any representative of EBCE serving on the governing body of EBCE.

Attachments

- A. Official Statement