



Consent Item 6

TO: East Bay Community Energy Board of Directors
FROM: Howard Chang, Chief Operating Officer & Treasurer
SUBJECT: Energy Prepay Transaction #3 Summary of Results (Informational)
DATE: September 20, 2023

Recommendation

Receive an informational item to summarize the results of EBCE's third energy prepay transaction.

Background and Discussion

On July 19, 2023, EBCE approved moving forward with its third energy prepay transaction. Working with Morgan Stanley as the bond underwriter, we successfully priced the bonds on August 9, 2023 and closed the prepay transaction on August 16, 2023.

Details of the transaction are below.

Total Bond Proceeds: \$1,037,266,229.50

Start Date: Jan 1, 2024

Tenor of the initial bonds: 7 years

Cost of Issuance: 0.59%

Average Annual Savings for Initial Term: \$6,931,707

Given the strong execution and opportune market timing, it is very notable that this has resulted in the highest savings discount on a MWh basis of \$12.67/MWh of any Morgan Stanley Prepay to date. This transaction is EBCE's third prepay transaction. Together with the savings from EBCE's previous two prepay transactions, EBCE has secured annual savings of approximately \$14MM, which represents roughly a 2% discount on energy costs to all EBCE customers. All three prepay transactions are 30 energy contracts. The savings from the second prepay transaction are locked in until 2031, which is when the bonds will need to be repriced, and the future discount will be based on market conditions at that time. The savings from the first transaction are locked in until 2032 because it closed on 10-year bonds and the savings from the second transaction are locked in until 2029 because it closed on 6-year bonds.

Through the energy prepay transaction this discount is being applied to a variety of long and short-term renewable energy and large hydro contracts that EBCE is assigning into the structure. Based on the number of eligible source-specified PPAs under contract, EBCE will seek to continue to execute additional prepay transactions in the coming years to maximize the available savings.

EBCE's board approved and adopted a resolution subject to the following parameters:

- (a) the Bonds will not be obligations of EBCE, but will be limited obligations of the Issuer payable solely from the revenues and other amounts pledged therefor under the Indenture, including amounts payable by EBCE under the Power Supply Contract;
- (b) the aggregate principal amount of the Bonds shall not exceed \$1,000,000,000;
- (c) the annual energy savings to EBCE under the Power Supply Contract shall be at least \$4.50 per MWh

The executed transaction complies with all aspects of the resolution with a principal amount of \$997,895,000 and savings of over \$12.67/MWh. Note that the principal amount of \$997,895,000 is less than the proceeds of \$1,037,266,229.50. This difference exists because the standard market coupon on bonds is 5%, but currently the market yield is in the 4% range. Therefore, the bonds are priced with a small premium, which increases the proceeds actually invested by bondholders at day 1.

Previous Background Information:

An energy prepayment is a long-term financial transaction available to municipal utilities and tax-exempt entities such as CCAs that enables a meaningful power procurement cost savings opportunity. This prepay structure has historically been utilized for natural gas procurement and is now being applied towards renewable energy. To date, EBCE, Silicon Valley Clean Energy (SVCE), MCE, CPA, and Pioneer Energy, have executed prepay transactions and currently a number of other CCAs are also in the process of initiating a similar structure.

Financial Impact

There is no financial impact related to receiving this informational item.

Attachments

None