



Bogner/Fernandez

**RESOLUTION NO. 6375**

**WHEREAS**, the Board of Directors has determined it is in the best interest of the District, its employees, and its customer-owners to establish written policies that describe and document OPPD's corporate governance principles and procedures; and

**WHEREAS**, each policy was evaluated and assigned to the appropriate Board Committee for oversight of the monitoring process; and

**WHEREAS**, the Board's Finance Committee (the "Committee") is responsible for evaluating Board Policy SD-3: Access to Credit Markets on an annual basis. The Committee has reviewed the SD-3: Access to Credit Markets Monitoring Report and finds OPPD to be sufficiently in compliance with the policy as stated.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors accepts the SD-3: Access to Credit Markets monitoring report, in the form as set forth on Exhibit A attached hereto and made a part hereof, and finds OPPD to be sufficiently in compliance with the policy as stated.

# SD-3: Access to Credit Markets Monitoring Report

May 12, 2020  
Javier Fernandez  
Vice President & Chief Financial Officer



# SD-3: Access to Credit Markets

In order to achieve a low cost and flexible cost structure, OPPD shall maintain financial ratios and targets to ensure efficient and cost effective access to the credit markets.

Therefore:

- For OPPD's annual budgets the Board establishes a minimum total debt service coverage\* ratio of 2.0 times.
- When making resource decisions, OPPD shall take into consideration long-term revenue requirements, debt to equity ratios, minimum risk adjusted liquidity\* levels, competitive position, financial risk and financial flexibility.
- OPPD's goal is to maintain an AA credit rating with the credit rating agencies consistent with the above expectations.

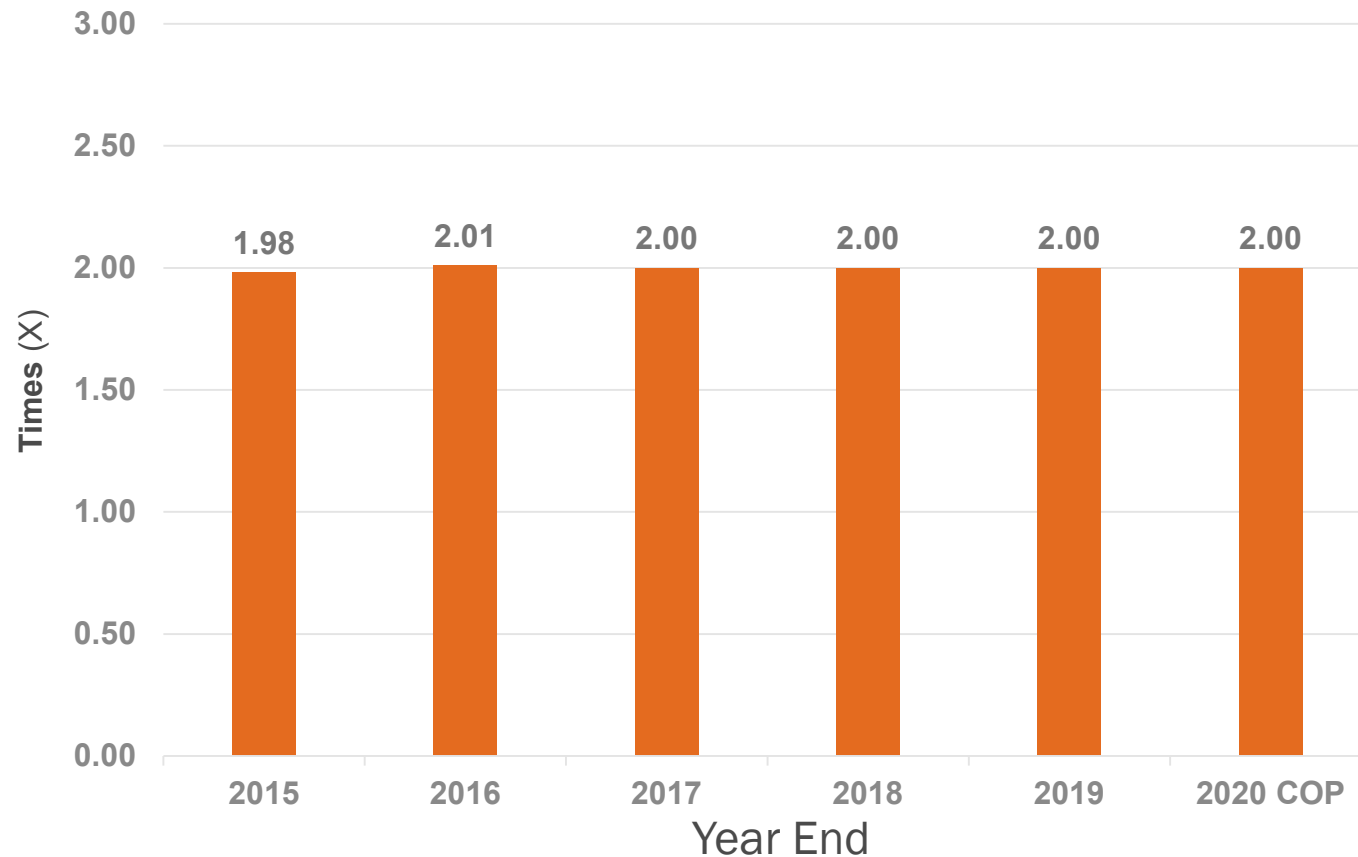
## \*TERMS AND DEFINITIONS

*Total Debt Service Coverage:* Revenues less expenses divided by total annual senior and subordinate lien debt interest and principal payments.

*Liquidity:* Total cash (operating and supplemental cash accounts) and unrestricted lines of credit available to meet ongoing daily cash requirements.

# Total Debt Service Coverage

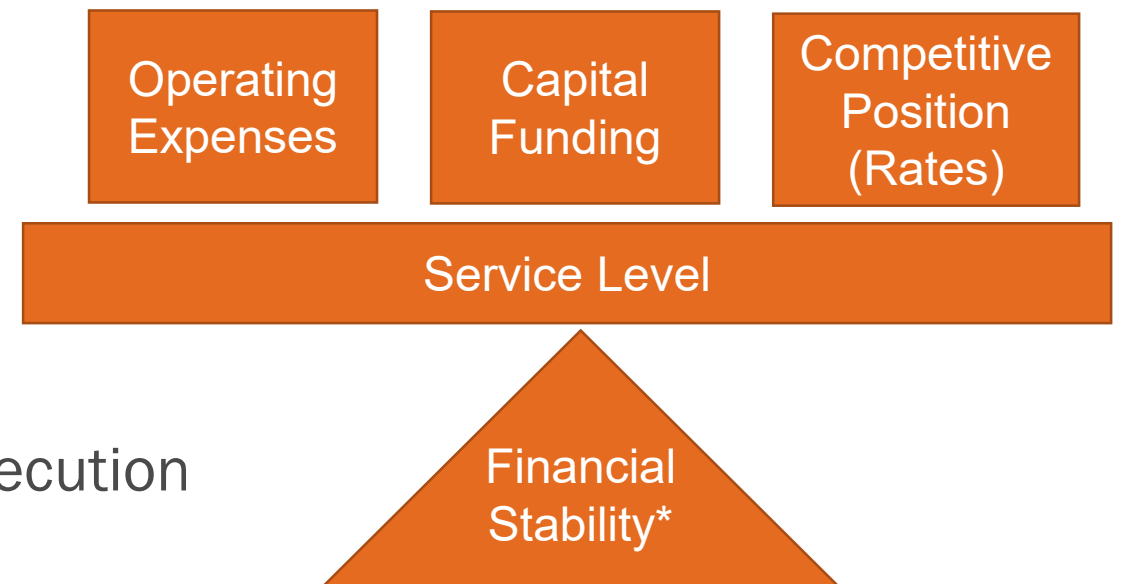
For OPPD's annual budgets, the Board established a minimum total debt service coverage ratio of 2.0 times.



# Resource Decisions are made through the Corporate Operating Plan (COP)

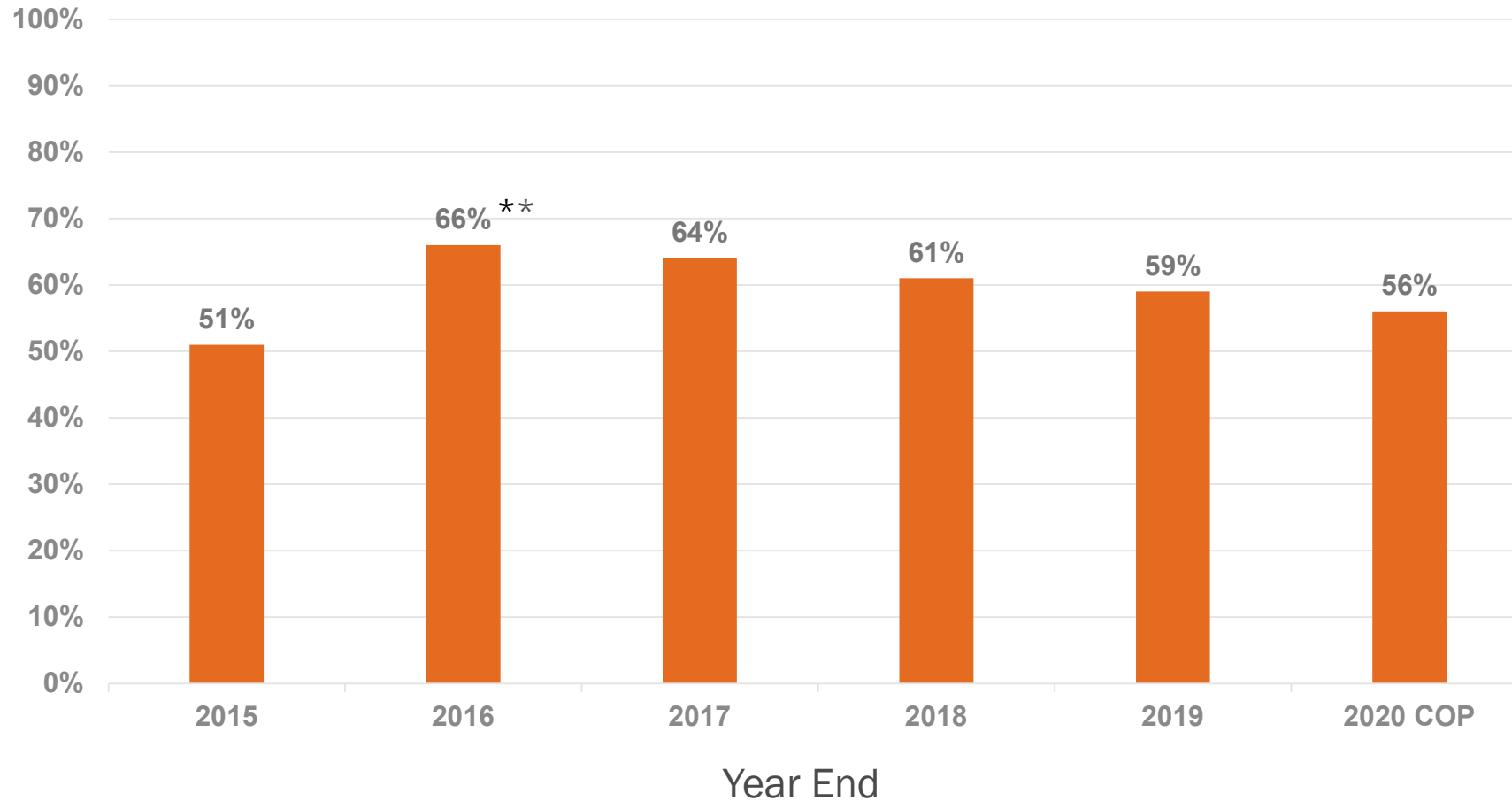
When making resource decisions, OPPD shall take into consideration long-term revenue requirements, debt to equity ratios, minimum risk adjusted liquidity levels, competitive position, financial risk and financial flexibility.

- Board of Director's Strategic Directives
  - Competitive position in establishing rates (SD-2)
- Long-term revenue requirements
  - Operational requirements (SD-4)
  - Enterprise and financial risks (SD-15)
- Flexibility of plan to adjust with operational execution



\* As measured by Debt Service Coverage, Liquidity and Debt to Equity Ratio

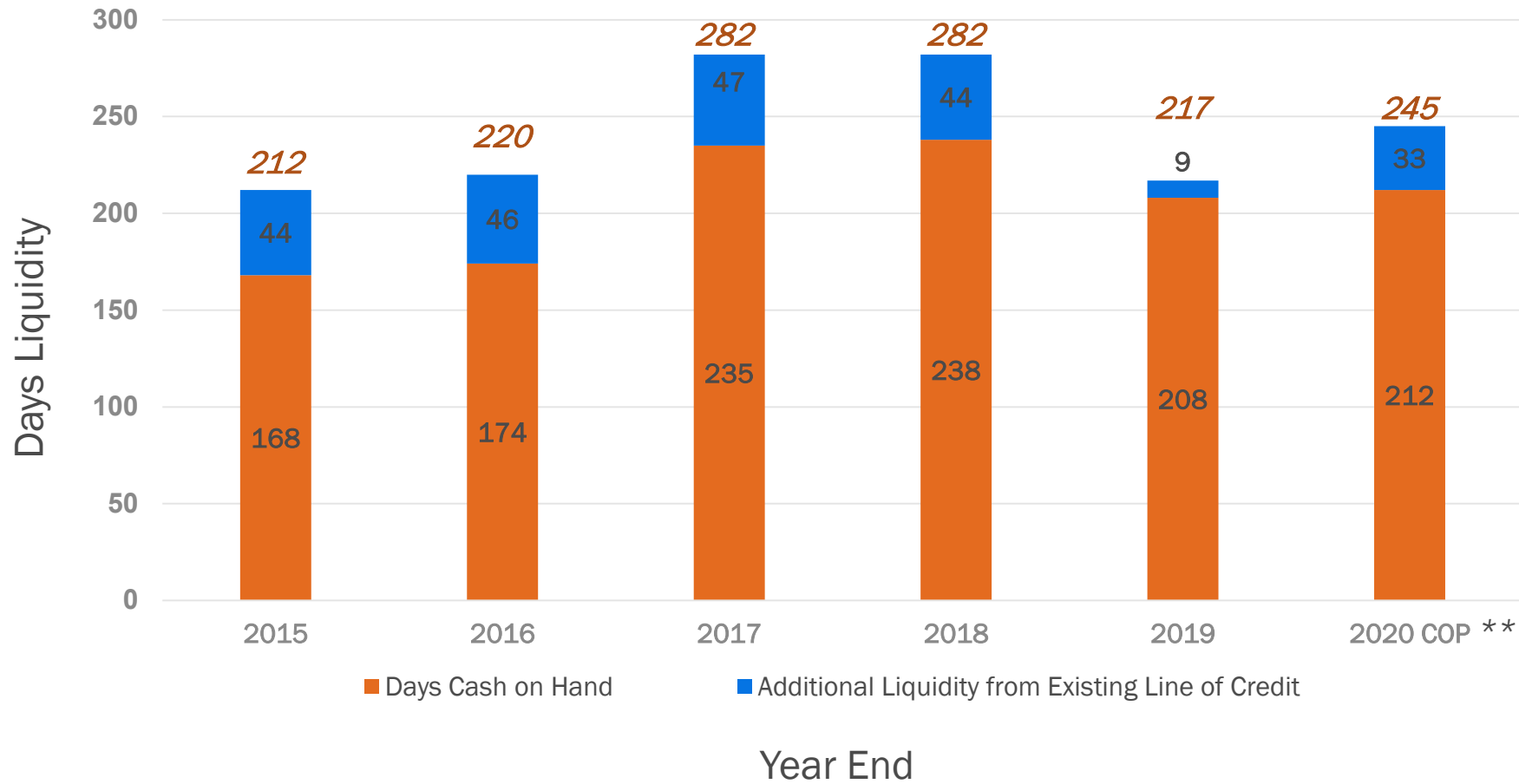
# Debt Ratio\*



\* Share of debt to total capitalization (debt plus net position)

\*\* Debt Ratio impacted by the write-off of Fort Calhoun Station

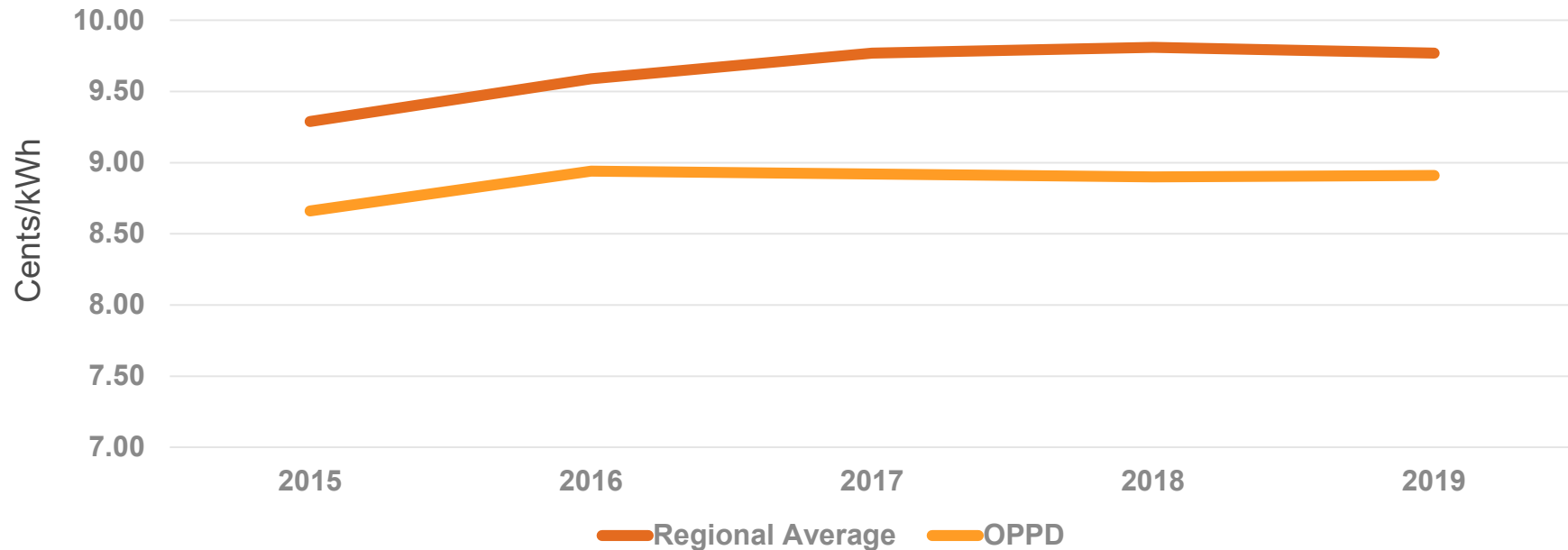
# Days Liquidity \*



\* Includes cash and unrestricted lines of credit

\*\* Cash projected as of 2/29/20, including \$50M in rate stabilization, \$94M in DBRA funds, and a \$75M line of credit increase

# Competitive Position – Retail Rates



	2015	2016	2017	2018	2019**	2020
Regional* (Cents/kWh)	9.29	9.59	9.77	9.81	9.76	No general rate increase
OPPD (Cents/kWh)	8.66	8.94	8.92	8.90	8.90	
Below Reg. Avg. (%)	6.8%	6.8%	8.7%	9.3%	8.9%	

\* Source: 2014-2018 EIA Form 861

\*\*EIA Regional Short-Term Energy Model – April 2020



# Credit Rating

OPPD's goal is to maintain an AA credit rating with the credit rating agencies consistent with the above expectations.

	2015	2016	2017	2018	2019
Moody's	Aa2	Aa2	Aa2	Aa2	Aa2
Standard & Poor's	AA	AA	AA	AA	AA

# Pandemic Considerations

OPPD is well-positioned financially for the COVID-19 pandemic.

- Cash on hand is sufficient to operate for more than six months
- Requested increase in bank line of credit offers additional financial flexibility
- Total debt is decreasing and is manageable
- AA rating allows lower cost access to credit markets
- The effective rate restructure implemented in 2016 and finalized in 2019 has provided OPPD and its customer owners a significant source of stability, that is valued by the credit rating agencies and investors

*OPPD's strong financial position has allowed it to access credit markets during the current market downturn while lower rated entities have had limited access*

# Recommendation

- The Finance Committee has reviewed and accepted this Monitoring Report for SD-3 and recommends that the Board find OPPD to be sufficiently in compliance with Board Policy SD-3.



# Board Action

## BOARD OF DIRECTORS

May 12, 2020

### ITEM

SD-3: Access to Credit Markets Monitoring Report

### PURPOSE

To ensure full Board review, discussion and acceptance of SD-3: Access to Credit Markets Monitoring Report

### FACTS

- a. The Board confirmed the Corporate Governance Initiative Charter in December 2014, in order to assess and refine OPPD's corporate governance infrastructure.
- b. The first set of Board policies were approved by the Board on July 16, 2015. A second set of Board policies were approved by the Board on October 15, 2015.
- c. Each policy was evaluated and assigned to the appropriate Board Committee for oversight of the monitoring process.
- d. The Finance Committee is responsible for evaluating Board Policy SD-3: Access to Credit Markets Monitoring Report on an annual basis.
- e. The Finance Committee has reviewed the SD-3: Access to Credit Markets Monitoring Report and is recommending that OPPD be found to be sufficiently in compliance with the policy as stated.

### ACTION

The Finance Committee recommends Board approval of the 2020 SD-3: Access to Credit Markets Monitoring Report.

RECOMMENDED:

/s/ L. Javier Fernandez  
L. Javier Fernandez  
Vice President and Chief Financial Officer

APPROVED FOR REPORTING TO BOARD:

/s/ Timothy J. Burke  
Timothy J. Burke  
President and CEO

LJF: jap

Attachments: Exhibit A - Monitoring Report  
Resolution