



Yoder/Fernandez

RESOLUTION NO. 6424

WHEREAS, the Omaha Public Power District (the “District”), a public corporation and political subdivision of the State of Nebraska, is vested pursuant to the provisions of Section 70-631 of the Nebraska Revised Statutes, as amended, with the power to borrow money and incur indebtedness for any corporate use or purpose upon such terms and in such manner as the District shall determine; and

WHEREAS, the Board of Directors of the District (the “Board”) has heretofore authorized a tax-exempt commercial paper program (the “CP Program”) pursuant to Resolution No. 5832 adopted by the Board on September 16, 2010 (the “CP Resolution”) subordinate notes of the District with maturities ranging from one to 270 days, and there is now outstanding as of the date hereof, \$250,000,000 aggregate principal amount of Omaha Public Power District Electric Revenue Notes, CP Series A (the “CP Notes”), payable from the revenues, income, receipts and profits of the District’s Electric System, subject to the prior payment of the costs and expenses of operating and maintaining the Electric System and to the payment of the principal of and interest on bonds issued pursuant to Resolution No. 1788 of the District adopted by the Board on January 20, 1972 (as amended, “Resolution No. 1788”); and

WHEREAS, Management of the District has identified the need for \$100 million of additional funds for additional liquidity and a short-term funding option for capital projects; and

WHEREAS, Management has determined, after consulting with Barclays Capital, the District’s Financial Advisor, that it is advisable and in the best interest of the District to increase the authorized borrowing level of the District’s CP Program from \$250 million to \$350 million; and

WHEREAS, the District’s CP Program will be supported by credit facilities at the aggregate \$350 million level; and

WHEREAS, the District anticipates confirmation of A-1+/P-1 credit ratings from S&P Global and Moody’s Investors Service which are the highest ratings attainable for the District’s CP Program; and

WHEREAS, the additional \$100 million of Commercial Paper shall be marketed by the existing Dealers of the District’s CP Program, BofA Securities Inc. and J.P. Morgan Securities LLC;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Omaha Public Power District as follows:

That the Authorized Amount of the District’s CP Program is hereby increased to \$350 million and Management is hereby authorized and directed to execute such documents, certificates and contracts as are necessary or advisable to effectuate such increase in the CP Program.

That Management is authorized to enter into agreements facilitating an increase of the CP Program to \$350 million, including agreements with BofA Securities Inc. and J.P. Morgan Securities LLC as Dealers of the District's Commercial Paper, and The Bank of New York Mellon Trust Company, N.A., as the Issuing & Paying Agent, subject to review and approval of such agreements by the District's General Counsel.

That the proceeds of CP Notes may be used for paying certain costs of fuel and construction of general system improvements and extensions, including improvements and extensions to the District's transmission and distribution system, generating system, office buildings and equipment, and paying certain other costs associated with the general corporate purposes of the District as provided in Section 3.9 of the CP Resolution, which costs may include the cost of refinancing outstanding indebtedness of the District and paying other costs associated with the issuance of CP Notes.



Board Action

BOARD OF DIRECTORS

March 16, 2021

ITEM

Authorization to increase the amount of Commercial Paper Notes Outstanding

PURPOSE

Authorize an increase in the amount of Commercial Paper Notes Outstanding


FACTS

- a. The District continually monitors its liquidity needs to assure that adequate funds are available to manage the District's operations.
- b. The District currently has a Commercial Paper Program with \$250 million of Commercial Paper Notes (CP Notes) outstanding.
- c. The District has identified the need for \$100 million of additional funds for additional liquidity and a short-term funding option for capital projects.
- d. The District and Barclays Capital, the District's Financial Advisor, have determined that the best option to obtain additional liquidity is to increase the Commercial Paper Program from \$250 million to \$350 million.
- e. The Commercial Paper Program is currently supported by two Credit Agreements with Bank of America, N.A. at an aggregate \$325 million level. The District is currently in the process of obtaining bids for additional Credit Agreements up to \$450 million.
- f. The District anticipates confirmation of its A-1+, P-1 credit ratings from S&P Global and Moody's Investors Service, which are the highest ratings attainable for the District's Commercial Paper Program.

ACTION

Authorization to increase the District's Authorized Amount of CP Notes outstanding from \$250 million to \$350 million.

RECOMMENDED:

DocuSigned by:

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 L. Javier Fernandez
 Vice President and Chief Financial Officer

APPROVED FOR BOARD CONSIDERATION:

DocuSigned by:

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 Timothy J. Burke
 President and Chief Executive Officer

LJF: TRV

Attachment: Resolution

OPPD Commercial Paper Program Proposed Increase

L. Javier Fernandez

Vice President – Financial Services & CFO

March 16, 2021

Commercial Paper History

- Commercial Paper (CP) program originally established in 1983 to provide a short-term variable rate funding mechanism
- CP issuance increased in 2019/20 from \$150 million to \$250 million
- The additional \$100 million of CP was used to refund Electric System Subordinate Revenue Bonds
 - Savings of approximately \$41 million based on original CP rates
- In conjunction with the CP increase, OPPD developed a model to monitor its variable rate debt (VRD) to help mitigate the risks associated with VRD

Variable Rate Debt Model

- VRD model has two primary outputs to monitor exposure to VRD
 - Coverage of interest on VRD
 - Calculated as ratio of projected monthly investment interest income to projected monthly interest expense on VRD
 - Targets minimum interest income of 1.5x interest paid on VRD
 - Current coverage of 3.8x
 - Percentage of OPPD's total debt
 - VRD maximum threshold of 20% of OPPD's total debt
 - 20% of total debt is equal to approximately \$294 million
- OPPD will not act immediately to change the levels of VRD or fund balances if the model indicates that current projections will not meet all metrics

Liquidity Facility

- Risk: Distressed market conditions could result in no interest from investors to buy or reinvest in maturing CP maturities. This would result in OPPD having to redeem (pay off) CP maturities.
- Mitigation: OPPD has a dedicated \$250 million line of credit that could be used to assist in redeeming CP maturities, if needed. By expanding the CP program, OPPD would also expand the dedicated line of credit, to provide the same level of risk mitigation.

Commercial Paper Program Proposed Increase

- CP provides access to a flexible, low cost form of financing
 - Cost of CP is more economic than accessing a bank line
- Intention is to periodically issue up to \$100 million of additional CP to provide funds for:
 - Additional liquidity support
 - Budget variances, SPP integrated market, market dislocations
 - Short-term funding option for capital projects
 - Power with Purpose
- VRD metrics may be exceeded in the short-term with additional CP issuances
 - CP would be refunded with long-term debt financings periodically
 - The threshold amount for VRD would increase as additional long-term debt issuances occur to support Power with Purpose

Strong Financial Position

- ‘Aa2’ and ‘AA’ Stable ratings from Moody’s and S&P, respectively
- ‘P-1’ and ‘A-1+’ commercial paper ratings from Moody’s and S&P, respectively
- Minimum projected debt service coverage of 2.0 times through 2022
- The District will have bank lines in place to support additional CP
 - Currently unused \$75 million bank line may be adjusted to allow for greater CP issuance or other corporate purposes

CP Program Recommendation

- OPPD staff recommends increasing the CP program authorization by \$100 million up to a maximum of \$350 million total.
 - Provides financial flexibility
 - Provides an alternative source of capital with low borrowing costs
 - Supports liquidity and 'AA' credit rating
- Upon Board's authorization, gradually increase the CP program, up to a maximum of \$100 million as needed to support:
 - Capital expenditure program related to Power with Purpose
 - Liquidity needs
- Monitor opportunities to refund CP portfolio with long-term financings.