



Utah Associated Municipal Power Systems

CFPP Town Hall Meeting

July 21, 2020

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PFM's CFPP Team

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Managing Director

- ❑ Western Region Manager
- ❑ Lead for majority of PFM's West coast power clients
- ❑ Previously served UAMPS as an investment banker

Mike Mace

Managing Director

- ❑ Public Power Group Manager
- ❑ Lead for many of PFM's largest public power clients
- ❑ FA to MEAG for @20years and lead on Vogtle

Eric Smith

Senior Managing Consultant

- ❑ Day-to-day on many of PFM's largest public power clients
- ❑ Led Quantitative efforts for MEAG Vogtle



Public Power Project Finance

- ◆ UAMPS will be using a tried and true financing structure that has been employed to construct large scale, joint-action power projects for over 50 years.
 - Joint action to achieve efficiencies and scale
 - Participant off-taker utilities from large to small and everywhere in between that enter long-term, take-or-pay contracts for all project output
 - Construction and long-term financing secured by revenues generated by output sold pursuant to contracts.
 - Financing credit strength is largely a function of off-taker utility credit strength and contract strength.
- ◆ Rating Agencies, Banks and Investors are VERY familiar with this structure
- ◆ PFM as the #1 ranked public power financial advisor, has worked with the majority of joint action agencies in the US



MEAG Plan of Finance

- ◆ PFM has served as financial advisor to MEAG Power throughout its ongoing construction and financing of Vogtle Units 3&4 AP1000 Nuclear Reactors
 - MEAG is 22.7% owner in Vogtle Units 3&4 which represents approximately 500MW generating capacity. Other owners include Georgia Power with 45.7%, and Ogelthorpe Power with 30.0%
 - MEAG has entered into PPAs with both JEA and PowerSouth for a portion of their power for the first twenty years of commercial operation of each unit.
 - Expected commercial operation dates of November 2021 and November 2022

- ◆ PFM has advised MEAG on over \$6 billion of nuclear financings, including:
 - \$2.6 billion of Build America Bonds
 - \$1.6 billion of long-dated tax-exempt bonds
 - \$1.8 billion of DOE Loan advances

- ◆ The DOE financings required extensive negotiations for many elements of the then new Loan Guarantee Program

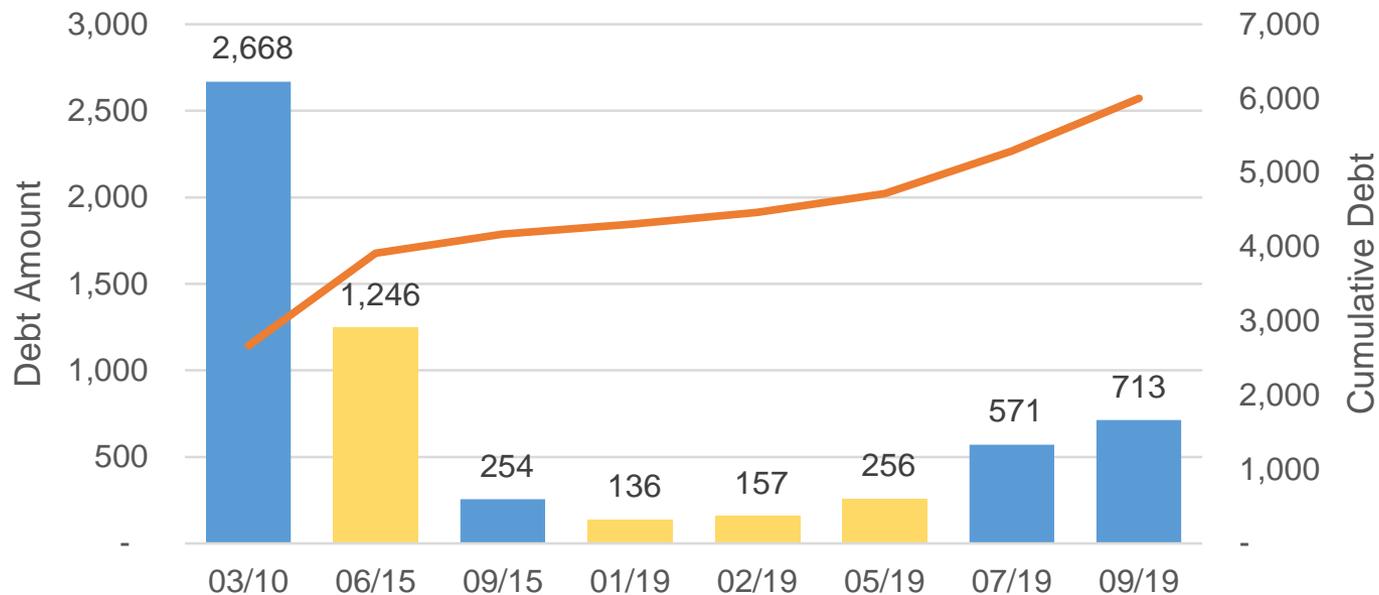
- ◆ The DOE Loans were estimated to produce over **\$900 million in NPV savings** versus public market debt at the time of issuance



Summary of MEAG Power Plan of Finance

- MEAG Power has utilized several financing alternatives throughout Vogtle construction
 - Public Market Debt Financings (blue bars) included Build America Bonds with federal tax subsidies and long-dated tax-exempt bonds (final maturity > 45 years)
 - DOE Loans (yellow bars) that included fixed and variable-rate notes with a maximum maturity of 30 years
 - DOE Variable-rate notes allow MEAG to “hedge” interest expense with interest earnings on invested funds

MEAG Power Vogtle Units 3&4 Debt Financings (in millions)



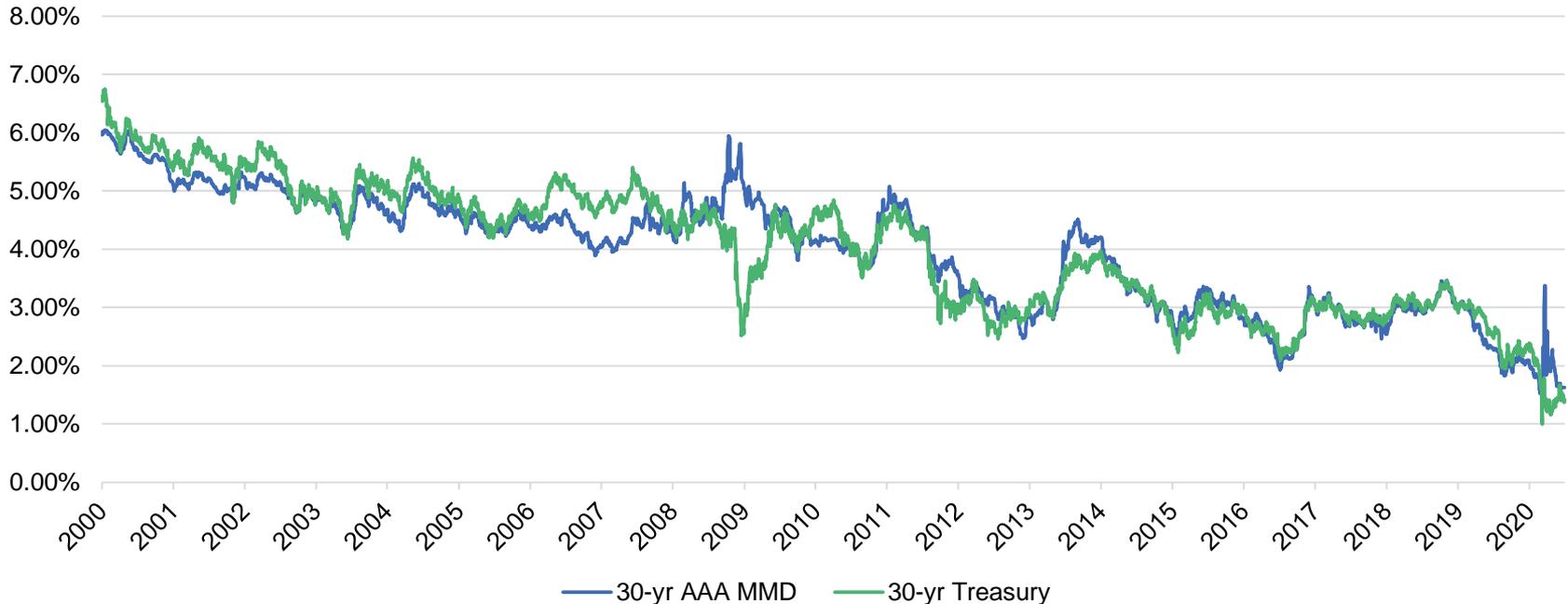
*MEAG also utilized a limited amount of interim/bridge financing as needed



Interest Rates and the Plan of Finance

- ◆ Borrowing cost has a very meaningful impact on the output cost of the CFPP
- ◆ Interest rates are near all-time record lows today
- ◆ But have been at significantly higher levels in the past
- ◆ A range of interest rates will be analyzed throughout the CFPP development/funding process

30-year AAA MMD and 30-year Treasury Rate Since 2000





Interest Rates and the Plan of Finance

- ◆ The CFPP will be funded over several years using
 - Taxable and tax-exempt tools
 - Short and long term products
 - And possible opportunities not currently provided for, but legislatively created in the future (e.g. Build America Bonds)

Summary of July 1, 2020 vs Historical (since January 2000) Municipal Market AAA Indices

Statistic	20-Yr Bond	30-Yr Bond
July 1, 2020	1.43%	1.63%
Historical Average	3.67%	3.89%
Minimum	1.19%	1.38%
Maximum	5.94%	6.04%

Summary of July 1, 2020 vs Historical (since January 2000) US Treasury Rates

Statistic	20-Yr Bond	30-Yr bond
July 1, 2020	1.20%	1.43%
Historical Average	3.91%	4.00%
Minimum	0.87%	0.99%
Maximum	6.97%	6.75%

- ◆ LCOE and Budget & Plan of Finance models have tested a range of interest rates assumptions
 - LCOE Model version targeting \$55/MWh requires ~4+% overall borrowing cost
 - Achievable under current market conditions, and reasonable given **recent** history



CFPP Plan of Finance

- The CFPP Plan of Finance covers a lengthy period of time and will incorporate the potential for a variety of financing tools to meet objectives at various development stages
- COLA Development funding is expected to be met by a blend of Line of Credit (in discussions with a bank) and DOE cost share/Loan
 - Bank Loan rate assumed at 4.40% with “undrawn” fee of 1% - **current bank loan rates are under 2%**
- COLA Review funding needs are expected to be met with a range of short-term financial tools
 - Line of Credit
 - Short term notes
 - Commercial paper
 - Other as may become available
- Post FNTF funding needs are expected to be met with a range of long-term financial tools
 - DOE Loan if available
 - Long-dated tax-exempt (and potentially taxable) CFPP Bonds (fixed rate and variable rate)
 - Other products as may become available



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