



# Board Presentation

1/13/22 Adjourned Meeting

# Consider Adoption of Resolution No. 2022-001, Approving Credit Agreement Amendment with JPMorgan

# Credit Agreement Amendment

- Recommendation:
  - 1) Adopt Resolution #2022-001 approving credit agreement amendment with JPMorgan, in a form substantially as attached, increasing the line of credit from \$6MM to \$15MM and authorize the Chief Executive Officer to execute all documents, subject to Special and General Counsel approval; and
  - 2) Approve related Fee Agreement with JPMorgan and authorize the Chief Executive Officer to execute all documents, subject to Special and General Counsel approval.

# Background

- January 21, 2021
  - CEA Board approved credit agreement with JPMorgan
  - Line of Credit \$6.00M
  - Start-up costs and initial cash flow
  - Repayment by 1/31/2026
- Power supply costs exceeding estimates due to current market conditions
- December 30, 2021
  - CEA Board adjusted rates
  - Generate sufficient revenue long-term
  - Shortfall in FY 21/22

# Amendments to Existing Terms & New Terms

- Increase from \$6.00MM to \$15.00MM
  - Repayment remains unchanged - 1/31/2026
- Additional quarterly and annual reporting requirements
  - Debt service coverage ratio
  - Days liquidity on Hand
  - Updates to Annual Budget
- Additional monthly reporting requirements
  - Liquidity report disclosing available liquidity
  - Report unrestricted cash
  - Power supply hedge position

# Amendments to Existing Terms & New Terms (cont)

- Report rate increases 5% or greater to JPMorgan within 5 business days of Board adoption
  - To include updated financial projection
- Debt Service Coverage Ratio – 1.40x
  - Test start changed from 6/30/22 to 6/30/23
  - If DSCR not met liquidity on hand exceeding 30 days for 2022/23 and 50 days thereafter can cure
  - Can only use this cure two times in any four consecutive quarters
- Repayment of \$5,000,000 of outstanding line of credit by 12/31/23
  - May be re-borrowed within 30 days

# Amendments to Existing Terms & New Terms (cont)

- Rolling power supply hedge requirement – inclusive of Escondido and San Marcos load

| ANNUAL REQUIREMENTS | HEDGING REQUIREMENT |
|---------------------|---------------------|
| CY 2022             | Minimum 80% hedged  |
| CY 2023             | Minimum 60% hedged  |
| CY 2024             | Minimum 40% hedged  |

- May be rolled into future years at JPMorgan discretion
- Annual meeting between JPMorgan and CEA to review and discuss market conditions
- Will not be required if CEA demonstrates would be adverse to CEA's financial position

# Amendments to Existing Terms & New Terms (cont)

- Rate adjustment effective 1/1/2022
  - CEA Board approved 12/30/2021
- Converts interest rate basis from LIBOR (discontinued) to SOFR (Secured Overnight Financing Rate)
  - Interest calculation:
    - $3.45\% + \text{SOFR Rate} + 0.10\%$ 
      - SOFR 1-Month Rate @ 12/22/21 – 0.05%
    - Sample calculation @ 12/22/21
      - $3.45\% + 0.05\% + 0.10\% = 3.60\%$  interest
- Staff, legal team and technical consultants vetted terms and determined acceptable and achievable



# Cost Estimate – through 1/31/2026

- 38% utilization – total draws \$6,000,000
  - Total costs - \$1,697,918
  - Interest only costs - \$1,667,918
- 50% utilization – total draws \$7,500,000
  - Total costs - \$1,802,508
  - Interest only costs - \$1,772,508
- 100% utilization – total draws \$15,000,000
  - Total costs - \$2,250,750
  - Interest only costs - \$ 2,220,750

# Cost Estimate – through 1/31/2026

- Costs related to credit agreement amendment
  - JPMorgan fee - \$10,000
  - JPMorgan legal – not to exceed \$20,000
  - CEA legal and technical – estimated \$20,000
- Sufficient revenue generated at current rates to cover financing costs, interest and repayment per the terms of the Credit Agreement Amendment

# Questions/Discussion