



# Establishing Power Revenue Bond Program & Inaugural Approval

December 9, 2014

**Charles Perl, Deputy CFO**  
**Business and Financial Services**

# Power Bond Effort to Date...

---

Services of the San Francisco Public Utilities Commission

- Need to clearly define revenue pledge to repay bonds
  - ◆ Hetchy Water & Power Financial statements separated
  - ◆ Rate setting process clarified
  - ◆ Capital/financial plans, rates and projected debt all separate
- Rating Agency presentations over summer indicated strong indicative ratings for new Power Revenue Pledge & Credit

# Balanced Long-Term Planning

---

Services of the San Francisco Public Utilities Commission

- Two-Year Budget, 10-Year Financial/Capital Plans Balanced
  - ◆ \$748M Capital Plan assumed \$555M in power bonds
  - ◆ \$193M Revenue-funded and other sources
  - ◆ Provides funding for upcountry and in-City projects



# Hetch Hetchy Water & Power Enterprise 10-Year Capital Plan

Services of the San Francisco Public Utilities Commission

Projects financed  
with Series 2014A  
Power Bond  
Proceeds

<b>SFPUC: Hetch Hetchy Water and Power</b>							Capital Plan 10 YR Total FY 2015 - 24
Program/Project (Thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020-24	FY 2015 - 24
<b>SPENDING PLAN</b>							
<b>Hetchy Power</b>							
Streetlight	5,050	5,550	3,050	3,050	3,050	9,250	29,000
Transmission/Distribution	1,000	1,250	0	0	0	0	2,250
Renew able/Generation	6200	6200	3200	3200	1200	6000	26000
Energy Efficiency	1,000	1,000	1,000	1,000	1,000	5,000	10,000
Treasure Island	3,050	2,950	9,600	4,950	2,100	6,300	28,950
Power Infrastructure	25,798	18,048	13,675	17,950	16,725	28,894	121,090
Joint Projects - Power 55%	14,532	18,700	25,392	29,269	24,568	339,947	452,408
New Projects - Up-country Power	10,210	13,530	7,945	3,770	1,960	1,200	38,615
New Projects - Streetlights/Redevelopment	9,020	6,396	2,684	6,684	6,660	8,606	40,050
<b>Hetchy Power Total</b>	<b>75,860</b>	<b>73,624</b>	<b>66,546</b>	<b>69,873</b>	<b>57,263</b>	<b>405,197</b>	<b>748,363</b>
<b>Hetchy Water</b>							
Water Infrastructure	19,100	2,000	8,600	8,600	8,600	43,000	89,900
Joint Projects - Water 45%	11,890	15,300	20,775	23,948	20,101	278,138	370,152
New Projects - Water	720	1,960	1,880	1,135	23,905	4,375	33,975
<b>Hetchy Water Total</b>	<b>31,710</b>	<b>19,260</b>	<b>31,255</b>	<b>33,683</b>	<b>52,606</b>	<b>325,513</b>	<b>494,027</b>
<b>TOTAL</b>	<b>107,570</b>	<b>92,884</b>	<b>97,801</b>	<b>103,556</b>	<b>109,869</b>	<b>730,710</b>	<b>1,242,390</b>
<b>REVENUES</b>							
Power Bonds-55% Joint Assets	33,890	54,570	44,681	45,840	34,627	341,817	555,424
Water Bonds-Water Only & 45% Joint Assets	31,710	19,260	31,255	33,683	52,606	325,513	494,027
Revenue	23,252	17,354	19,841	21,644	19,832	60,366	162,288
Cap and Trade Auction Revenue	1,418	1,700	2,025	2,390	2,804	3,014	13,351
Project De-Obligation	17,300	0	0	0	0	0	17,300
<b>TOTAL</b>	<b>107,570</b>	<b>92,884</b>	<b>97,801</b>	<b>103,556</b>	<b>109,869</b>	<b>730,710</b>	<b>1,242,390</b>
Total San Francisco Jobs/Year	960	829	872	924	980	6,518	11,082
<b>Surplus(Shortfall)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

  
Balanced



# Power Revenue Bond Program

---

Services of the San Francisco Public Utilities Commission

- Est. \$45M sale early 2015 to fund critical upcountry hydropower facility projects
  - ◆ \$29.2M – powerhouse/ generator projects
  - ◆ \$5.8M – transmission line/distribution systems
  - ◆ \$3.1M – switchyard/substation/transformer projects
- Also funds financing costs- Capitalized Interest, Reserve Fund, Costs of Issuance
- Future commercial paper program being developed for interim financing of FY16 projects, including streetlights



# First SFPUC “Green Bonds” Issuance

---

Services of the San Francisco Public Utilities Commission

- New credit market designation identifying investment opportunity in environmentally beneficial projects
- SFPUC will self-certify that Bonds will fund HH power-related projects that generate 100% GHG-free electricity
- Broadens investor community for SFPUC bonds



# Power Bond Indenture Similar to Water and Wastewater

Services of the San Francisco Public Utilities Commission

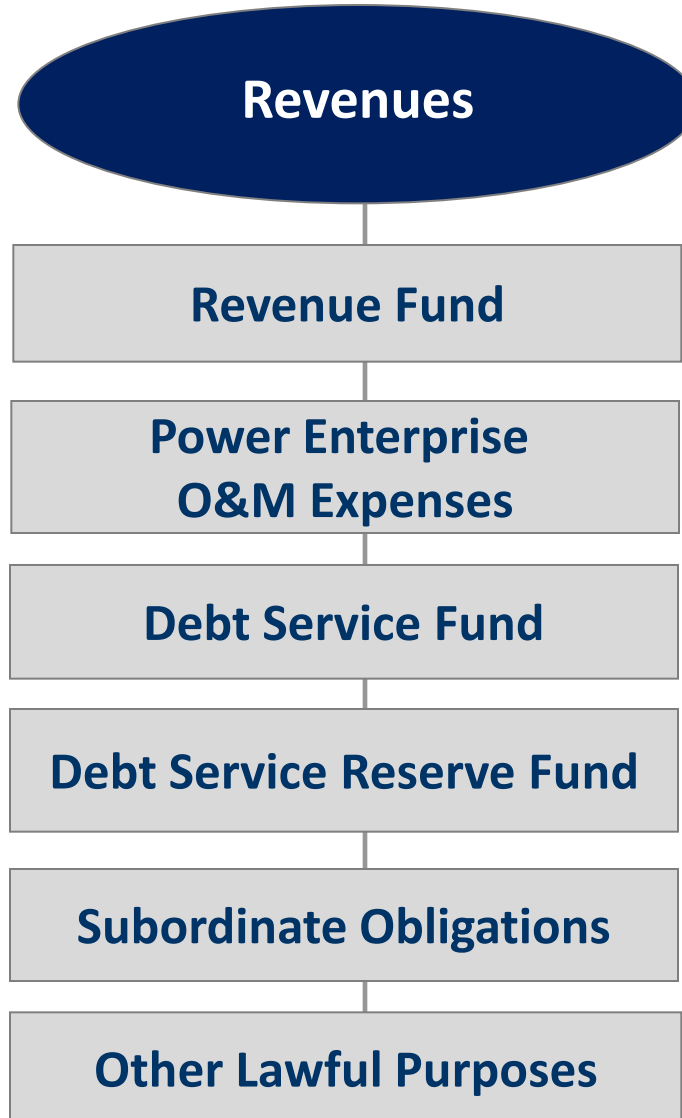
	Water Indenture	Wastewater Indenture	<u>Proposed Power Indenture</u>
<b>Net Revenues</b>	Revenues less O&M and any Priority R&R Fund Deposit	Same	Same
<b>O&amp;M</b>	Costs of the proper operation, maintenance and repair of the Enterprise	Same	Same
<b>Rate Covenant</b>	Maintain rates such that Net Revenues plus Available Funds are at least: 1.25x; Net Revenues only: 1.00x DSC	Same	Same
<b>Additional Bonds Test</b>	Net Revenues plus Available Funds are at least: 1.25x; Net Revenues only: 1.00x DSC	Same	Same
<b>Debt Service Reserve Fund</b>	At SFPUC's option, currently no Reserve Fund required	Same	100% Max Annual Debt Service (MADS)*

\*Series 2015A Power Bonds will include a reserve fund, but future bond series might not



# Flow of Funds - Same as Water and Wastewater

Services of the San Francisco Public Utilities Commission





# Future Policy Impacts

---

Services of the San Francisco Public Utilities Commission

- All existing power programs and services included as a part of Power Revenue Pledge
- Standard “Separate System” Indenture definition included to describe any possible future expansion outside of current service/ scope
  - ◆ Credit markets require this for revenue pledge
  - ◆ Separate System would need to have dedicated revenues to cover costs



# Forms of Agreement Needing Approval...

Services of the San Francisco Public Utilities Commission

1. SFPUC Resolution – Bond Authorization
2. Board of Supervisor Ordinance Establishing new Power Bond Program; links rate setting to debt service needs
3. Board of Supervisor Ordinance Approving Master Trust Indenture, Bond Documents & Authorizing Bond Sale
4. Master Trust Indenture & First Supplemental
5. Preliminary Official Statement
6. Continuing Disclosure Certificate
7. Bond Purchase Contract with Wells Fargo

# Next Steps and Future Actions

---

Services of the San Francisco Public Utilities Commission

- December 2014, Commission Action and BOS Ordinances introduced
- Jan/Feb 2015, Board of Supervisors considers Ordinances
- Late March 2015, Inaugural Power Bond sale

# Questions?