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

<table>
<thead>
<tr>
<th>ANNUAL REQUIREMENTS</th>
<th>HEDGING REQUIREMENT</th>
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</thead>
<tbody>
<tr>
<td>CY 2022</td>
<td>Minimum 80% hedged</td>
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<tr>
<td>CY 2023</td>
<td>Minimum 60% hedged</td>
</tr>
<tr>
<td>CY 2024</td>
<td>Minimum 40% hedged</td>
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• 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 toExisting 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% + 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