



National Federation of Municipal Analysts

Recommended Best Practices in Disclosure

for Public Power Electric Utilities & Joint Action Agencies

The National Federation of Municipal Analysts (NFMA) has been at the forefront of efforts to improve disclosure in the municipal bond market since our inception in 1983. The NFMA is a 1,200-member organization, made up primarily of research analysts representing asset managers, insurance companies, broker/dealers, bond insurers, rating agencies, and other stakeholders in the municipal market. One of the main initiatives of the NFMA is to promote timely and complete disclosure of financial and operating information needed to assess the credit quality and risk of a municipal debt issue. The NFMA's efforts have ranged from broad disclosure-related issues to more detailed, sector-specific work such as these Recommended Best Practices (RBPs) in Disclosure papers. For further information on the NFMA's continuing work in the area of disclosure, please see the "Disclosure Guidelines" and "Position Statements" pages of the organization's website at www.nfma.org.

NFMA analysts work with a broad array of stakeholders to develop RBPs in Disclosure, including municipal issuers, industry groups, bond counsel, and underwriters. Such legal disclosure requirements are based on whether information is "material" within the meaning of the federal anti-fraud laws and the RBPs should be read and applied, given that standard. We seek out municipal sector specialists to develop our best practices guidelines. RBPs are descriptions of the sector-specific financial and operating information needed to enable investors and other market participants to assess risk. The NFMA believes that the best practice in disclosure is one that provides a steady flow of timely information from borrowers to the market. Initial drafts of the RBPs in Disclosure are widely circulated, and input is then solicited from interested parties during an industry comment period. The paper is then revised to incorporate the feedback received. The NFMA understands that this RBP is not intended to be a one-size-fits-all recommendation and that all information requested may not apply to every transaction in the sector.

This paper presents the RBP in Disclosure for Public Power Electric Utilities and Joint Action Agencies in the public power electric utility sector. This document is to be used in conjunction with, not to supplant, the guidance provided in the amendments to SEC Rule 15c2-12 (the Rule), which mandates an issuer's commitment to provide continuing disclosure of financial and operational information on an annual basis (see <http://www.sec.gov/> for further information about these amendments). The NFMA's disclosure efforts are a continuous process, and the guidelines provided in this paper will be revisited and changed as market conditions warrant. We encourage interested parties to submit comments at any time to Lisa Good at lgood@nfma.org for consideration in the development of future versions of these RBPs in Disclosure.

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INTRODUCTION

This RBP in Disclosure covers state or local government owned and operated public power electric utilities and community choice aggregators (CCAs). This paper also includes joint action agencies (JAAs) that operate in a single or multiple states. These guidelines are applicable to debt secured by revenues generated from the operation of the municipal (public power) electric utility or from revenues from power sales contracts of a JAA. While our goal is to include the information analysts believe is key in evaluating the credit quality of these utilities, we are aware that not all items requested will be readily available from all issuers or applicable to every issuer and that the materiality of the information may be the deciding factor in the effort to supply the information. We strongly

encourage use of the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA®) as the means to post these documents. We also encourage the development and maintenance of internal and external investor relations websites for the dissemination of this information.

This RBP in Disclosure is organized to provide the reader with ease in finding what data elements are pertinent and where this information should be disclosed. The most detailed disclosure is generally provided in the preliminary or final official statement (Official Statement) when the bonds are being issued. Some of this information, while detailed, does not change significantly from year to year. Changes, both financial and operational, should be provided in the annual financial report or Annual Comprehensive Financial Report (referred to herein as Annual Report), preferably, as soon as possible, but within nine months after the fiscal year ends. Any information that may materially impact an analyst's view of the credit quality of the issuer should be provided on an interim basis once the information is public.

TYPE & FREQUENCY OF RBP_s IN DISCLOSURE FOR PUBLIC POWER ENTITIES

Primary Market Disclosure

At the time of a bond offering, the Official Statement should include summaries of the legal documents, information on the use of the funds, legal pledge of the issuer to repay the debt, and current economic, financial, and operating data relevant to the pledge upon which credit ratings and investment decisions are based. The Official Statement should also include a summary of the pledge by the issuer to provide secondary market disclosure to investors, stating the frequency with which it will provide annual disclosure under the Rule, as well as interim data.

Secondary Market – Annual and Interim Disclosure

The most common annual secondary disclosure documents for public power entities are the Annual Consolidated Financial Report, and the Annual Financial Information on Operating Data. These reports include the audited financial statements and relevant statistical data and update the types of key information provided in the Official Statement. This information includes a description of the underlying economy and demographics of the service area.

The NFMA strongly urges public power entities with outstanding bonds to issue secondary market updates on a quarterly basis, as financial and operating information can grow stale and inaccurately represent an issuer's current profile. Interim financial disclosures are recommended on at least a quarterly basis. The interim disclosure document need only include items that have changed since the last disclosure document (Official Statement, Annual Report, or last interim disclosure document) was prepared. It is expected that most items recommended to be included in the interim disclosure documents are already being produced, often publicly available, and may be unaudited.

In situations where an issuer is facing an emergency that will have a material impact on its health and/or operational sustainability (Emergency Event), the NFMA has provided guidance for primary and secondary market disclosures in its White Paper on Guidance & Insights Regarding Emergency Event Disclosure Affecting State & Local Governments: COVID-19 Focus, June 2021 (White Paper). While COVID-19 is one such Emergency Event, the White Paper focuses on disclosures for any future Emergency Events such as large-scale tropical storms, disease outbreaks, fires and significant weather damage. See [www.nfma.org/Resources/Best Practices in Disclosure](http://www.nfma.org/Resources/Best_Practices_in_Disclosure) to locate this White Paper.

The NFMA’s general guidelines for RBPs in Secondary Market Disclosure include the following:

1. Audited financial statements should be available to interested parties as soon as possible but within nine months of the issuer’s fiscal year end;
2. Any material event notices, including those required under the Rule, should be released in accordance with the Rule and referenced in the interim disclosure document either immediately preceding or following the event notice;
3. All disclosures should be made through the use of the MSRB’s EMMA® website (available at <http://emma.msrb.org/Home>);
4. The NFMA encourages issuers to create investor relations sections on their websites for the purpose of posting annual and interim financial and other disclosure information that is available (in addition to the use of EMMA®); and,
5. The NFMA encourages issuers and/or their representatives to respond promptly to questions from investors about credit matters on outstanding obligations by returning calls and emails promptly.

HOW TO USE THIS PAPER

There are fifteen major sections of this RBP, each containing specific items deemed to be material in assessing credit risk. These sections are:

- I. General Description
- II. Economy of the Service Area
- III. Competitiveness
- IV. Revenues
- V. Generation Facilities & Long-term Power Procurement Contracts
- VI. Power Supply & Future Generation Plans/Integrated Resource Plan (IRP)
- VII. System Reliability Record
- VIII. Transmission Access
- IX. Climate & Regulatory Risks
- X. Environmental, Social & Governance (ESG)/Risk Management & Resiliency
- XI. Cyber & Physical Security
- XII. Management & Governance
- XIII. Debt & Financial Obligations
- XIV. Historical & Forecast Financial Metrics
- XV. General Fund Transfers

As previously stated, this RBP is not intended to be a one-size-fits-all recommendation. All the information requested may not apply to every transaction in this sector.

Three Columns – Description and Meaning of “X” and “*”

To the right of each item are three columns indicating whether the item should be disclosed in the Official Statement and updated in the Annual Report and/or in the Interim Disclosure. An “X” in the column indicates that the item should be included in that disclosure document. We recommend that items marked with an asterisk (*) be included in the Interim Disclosure when the information has changed since it was disclosed in the Official Statement and/or Annual Report.

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I. GENERAL DESCRIPTION	Official Statement	Annual Report	Interim Disclosure
Describe the issuer. Indicate if the issuer is a district, an authority or a department within the city or county, a community choice aggregator or a joint action agency.	X	X	*
Provide utility contact information, including a link to website where additional information may be found.	X	X	*
Provide credit ratings by rating agencies.	X	X	X
II. ECONOMY OF THE SERVICE AREA	Official Statement	Annual Report	Interim Disclosure
Provide location [city, county, state(s)], square miles covered and other unique characteristics.	X	X	
Provide breakdown of customer base by type (industrial/commercial/residential and wholesale). For JAA, list the JAA participants.	X	X	
Show demand trends (key drivers of changes in demand over the last five years). Describe the AI and data center demand growth trend.	X	X	*
List top ten customers by usage. If a JAA, only list top ten participant cities.	X	X	
Include Median Household Income (MHI), and energy bill as % of MHI.	X	X	
III. COMPETIVENESS	Official Statement	Annual Report	Interim Disclosure
Provide a comparison with nearby utilities, for the following: Average revenue per kwh for each customer class vs. state average; for JAAs, the wholesale power cost to participants (\$/Mwh).	X	X	
IV. REVENUES	Official Statement	Annual Report	Interim Disclosure
List top customers, most current year, if material to total revenues.	X	X	
List revenues by customer segment (residential / commercial /industrial/wholesale). For JAA, list JAA participants	X	X	

V. GENERATION FACILITIES & LONG-TERM POWER PROCUREMENT CONTRACTS	Official Statement	Annual Report	Interim Disclosure
List the types of generation facilities by capacity, energy, and fuel source.	X	X	*
Show and describe current capacity and availability factors for major generation units.	X	X	*
Provide details on long-term power contracts, including source and tenure (if available).	X	X	*
Provide a description of any take-and-pay or take-or-pay contracts, including court validation order.	X	X	
Provide the schedule for plant retirements and decommissioning.	X	X	
List and describe potential stranded assets (uneconomic generation assets).	X	X	
VI. POWER SUPPLY & FUTURE GENERATION PLANS/ INTEGRATED RESOURCE PLAN (IRP)	Official Statement	Annual Report	Interim Disclosure
Detail current IRP and any material proposed changes to portfolio.	X	X	
Provide construction/project updates (if any) with financial implications.	X	X	*
Provide updates on participation in any federal grant or tax credit programs for transmission or generation projects.	X	X	
Discuss distributed generation plans.	X	X	
List any non-recourse debt or contract (e.g., gas prepays).	X	X	X
VII. SYSTEM RELIABILITY RECORD	Official Statement	Annual Report	Interim Disclosure
Provide System Average Interruption Duration Index (SAIDI) in minutes for the last five years.	X	X	

VIII. TRANSMISSION ACCESS	Official Statement	Annual Report	Interim Disclosure
List and describe transmission access.	X	X	
Detail participation in Regional Transmission Organizations (RTOs) and Independent Transmission Organizations.	X	X	
Describe involvement in regional power marketing agreements (ownership/participation).	X	X	
IX. CLIMATE & REGULATORY RISKS	Official Statement	Annual Report	Interim Disclosure
Detail net zero emissions targets' goals and timing (if applicable and available).	X	X	X
Describe intermittency issues caused by generation type.	X	X	
Explain any existing carbon compacts (e.g., Regional Greenhouse Gas Initiative).	X	X	
Discuss the financial impacts of changing local, state, and federal environmental regulations.	X	X	
List and elaborate on any potential regulatory enforcement actions.	X	X	*
X. ESG/RISK MANAGEMENT & RESILIENCY	Official Statement	Annual Report	Interim Disclosure
Provide the utility's current ESG-sustainability statement.	X	X	
Report emissions by type and metric tons for the past five years and future projections (if available).	X	X	
Discuss utility's risk management plan.	X	X	
Describe current and/or planned storm hardening and resiliency measures and costs.	X	X	

ESG/RISK MANAGEMENT & RESILIENCY, continued	Official Statement	Annual Report	Interim Disclosure
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Discuss financial and operational responses to natural disasters.	X	X	*
Describe insurance and other financial tools to recover potential losses from breaches.	X	X	

XI. CYBER & PHYSICAL SECURITY	Official Statement	Annual Report	Interim Disclosure
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Disclose any past cybersecurity and physical breaches, the area of the breach and its financial impact.	X	X	X
Describe policies and procedures in place in the event of breach or attack.	X	X	
Describe insurance and other financial tools to recover potential losses from breaches.	X	X	

XII. MANAGEMENT & GOVERNANCE	Official Statement	Annual Report	Interim Disclosure
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Elaborate on the current rate-making process and the governing board's policies to establish rates to maintain sound financial metrics.	X	X	X
Discuss utility customer service programs including low-income ratepayer programs.	X	X	
Show the last five years of annual rate increases/decreases.	X	X	
Describe current three/five/ten-year rate policy plans.	X	X	
Disclose debt, derivative, and investment policies.	X	X	
Discuss current management succession planning.	X	X	

XIII. DEBT & FINANCIAL OBLIGATIONS	Official Statement	Annual Report	Interim Disclosure
Show current and planned future debt and financial leverage.	X	X	
Show legal covenants including rate covenant test, additional bonds test, flow of funds and debt service reserve fund and any other reserve requirement.	X	X	
Provide breakdown of debt and lease obligations.	X	X	
Update pending major litigation, with dollar amounts.	X	X	X
State any failed remarketings and financial impacts.	X	X	
Provide current and previous pension and OPEB liabilities.	X	X	
XIV. HISTORICAL & FORECASTED FINANCIAL METRICS	Official Statement	Annual Report	Interim Disclosure
Provide a minimum of five years of annual consolidated financial reports and the past year's budget.	X	X	
Provide current pension and OPEB financials.	X	X	
Calculate key financial ratios and provide comments on material changes.	X	X	
Define, calculate, and show days cash on hand, and other available liquidity measurements for the last five years.	X	X	
Define, calculate and show operating margins for the last five years.	X	X	
Define, calculate and show debt service coverage for the last five years.	X	X	
Define, calculate and show debt service coverage net of transfers, for last five years.	X	X	

**HISTORICAL & FORECASTED
 FINANCIAL METRICS, continued**

	Official Statement	Annual Report	Interim Disclosure
Define, calculate, and show financial leverage as a percentage of net fixed assets for the last five years.	X	X	
Provide financial forecasts with calculated metrics for the next five years.	X	X	

XV. GENERAL FUND TRANSFERS

	Official Statement	Annual Report	Interim Disclosure
Show general fund transfers as a percentage of gross revenues for the last five years.	X	X	

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NFMA constituent societies, individual members or their firms may not agree with all provisions in these RBPs. The NFMA is not a regulatory agency and compliance with the RBPs advanced herein does not constitute a “safe harbor” from any State or Federal rules and regulations. Nothing in this paper is to be construed as an offer or recommendation to buy or sell any security or class of securities.