



## Legislation Text

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**File #:** 170877., **Version:** 2

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### **Modification to The Energy Authority's Guarantees (B)**

On February 28, 2000, the City Commission approved GRU's membership in The Energy Authority (TEA), an organization comprised of public power organizations throughout the United States whose primary function is to buy and sell wholesale energy for its members at the best possible prices.

Guarantees have always been important in the electric and gas markets. These guarantees are provided to potential Sellers by TEA on our behalf in one of two forms depending upon what is required by the Seller. The first is a Bank Letter of Credit. The total amount of the current TEA letter of credit is \$29 million. The second is a Trade Guaranty which is essentially a written document promising to pay. The current total of the TEA trade guaranty is \$144.5 million.

In order to access a broader pool of counterparties with which to do business and to assist with operational and management expenses, TEA has determined it would be beneficial to establish another form of guaranty, a Bank Line of Credit. The Bank Line of Credit permits TEA to borrow under a revolving line of credit rather than asking for additional capital contributions from the members. To create this third alternative, funds would be moved from the existing TEA trade guaranty to the line of credit, thereby providing a third guaranty without increasing the total dollar amount of the existing guarantees. TEA is not asking for an increase in the Advance from its members. The Advance Agreement will continue to permit the TEA board to reallocate the components of the Advance between the Trade Guaranty and the Bank Guaranty. That is how TEA will accommodate the additional collateral that will be needed by the bank to provide the revolving line of credit - by increasing the amount of the Bank Guaranty and decreasing the amount of the Trade Guaranty. This reduction in the Trade Guaranty requires an amendment to the "Guaranty Limit" provided in the Trade Guaranty under Section 7 of the Amended and Restated Electric Advance Agreement.

This item was presented to the UAB on March 8, 2018.

The total dollar amount of TEA's existing guarantees will not be increased by the proposal. If approved, TEA will be able to offer three forms of guarantees to potential Sellers.

The City Commission authorize the General Manager or his designee to execute and deliver such documents as may be required to effect amendments to the Restated and Amended Electric Advance Agreement with The

Electric Authority to enable The Electric Authority to add a third alternative guaranty in the form of a Bank Line of Credit.

At their March 8, 2018 meeting, the UAB voted unanimously to recommend that the City Commission approve the staff recommendation.