



# Municipal gas prepayment primer

IMGA presentation  
March 2022



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Participants should seek their own advice and guidance from appropriate legal, tax, financial and trading professionals when making decisions as to positions to take in the market.



bp can provide a  
targeted discount of

\$0.30/MMbtu

unique to US and  
municipal systems



# Muni natural gas prepay deals 101



- A municipal gas prepayment transaction is a combined long-term natural gas (NG) supply contract and a structured financing
- A municipal conduit issuer will sell bonds to fund the prepayment of a LT NG supply contract:
  - Interest on bonds issued by State or local governments is generally exempt from federal and sometimes state income tax (with restriction around investment-type properties)
  - Prepaid suppliers view the receipt of monies up-front through the lens of their alternative sources of capital (i.e. the traditional capital markets)
  - State or local entities who wish to prepay for natural gas or electricity must own a natural gas distribution system or municipal electric generation
- The net result of the transaction is advantage priced NG for the participating municipalities and up-front funding and a LT NG sales relationship for the prepaid supplier
- Municipal NG prepays enjoy statutory and regulatory support under USA Federal law:
  - August 1999 Department of Treasury proposed regulations attempting to modify tax-exempt nature of natural gas prepays, calling them investment-type properties and therefore illegal. However, in April 2002 specific language was added to regulations stating natural gas and electricity prepays NOT investment-type properties. Also, 2005 Congressional Energy Policy Act supported municipal gas & electric prepayments



# bp as a prepaid supplier



## NEW ISSUE – BOOK-ENTRY ONLY

RATING: (SEE “RATING” HEREIN)

In the opinion of Ballard Spahr LLP, Co-Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is not a preference item for purposes of the individual federal alternative minimum tax. Co-Bond Counsel also is of the opinion that interest on the Bonds is excluded from gross income for Kentucky income tax purposes and such Bonds are exempt from ad valorem taxes levied by the Commonwealth of Kentucky and all political subdivisions thereof. See “TAX MATTERS” herein.



**\$552,020,000**  
**PUBLIC ENERGY AUTHORITY OF KENTUCKY**  
**GAS SUPPLY REVENUE BONDS**  
**2020 SERIES A**

Dated: Date of Issuance

Due: As shown on the inside cover

The Public Energy Authority of Kentucky (“PEAK”) is issuing its Gas Supply Revenue Bonds, 2020 Series A (the “Bonds”) under a Trust Indenture dated as of March 1, 2020 (the “Indenture”), between PEAK and The Bank of New York Mellon Trust Company, N.A., as Trustee. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2020. The Bonds will be issued in book-entry form through the facilities of The Depository Trust Company. Purchases will be made in book-entry form through DTC participants in denominations of \$5,000 or any multiple thereof. Payments of principal of, premium, if any, and interest on the Bonds will be made directly to DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Bonds, all as described herein. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

From their Issue Date to and including May 31, 2026 (the “Initial Interest Rate Period”) the Bonds will bear interest in a Fixed Rate Mode at the Fixed Rates set forth on the inside cover page of this Official Statement. The Bonds maturing on December 1, 2050 are required to be tendered for purchase on June 1, 2026 (the “Mandatory Purchase Date”). The Bonds are not subject to tender at the option of the holders thereof prior to the Mandatory Purchase Date. During the Initial Interest Rate Period, the Bonds are subject to optional and extraordinary mandatory redemption as described herein.

The Bonds are being issued to finance the Cost of Acquisition of the Gas Project, which consists of a prepayment for an approximately 30-year supply of natural gas. PEAK will enter into a Prepaid Natural Gas Purchase and Sale Agreement (the “Gas Purchase Agreement”) with BP Energy Company, a Delaware corporation (“BPEC” or the “Gas Supplier”), under which the Gas Supplier is obligated to deliver specified daily quantities of gas to PEAK, to make payments for any gas not delivered or taken, to remarket gas not taken under certain circumstances, and to make an Early Termination Payment upon any early termination of the Gas Purchase Agreement. An early termination of the Gas Purchase Agreement will result in extraordinary mandatory redemption of the Bonds. The payment obligations of the Gas Supplier under the Gas Purchase Agreement and the Receivables Purchase Agreement described herein are unconditionally guaranteed by BP p.l.c., a company organized under the laws of England and Wales (“BP p.l.c.” or the “Gas Supplier Guarantor”).

PEAK will sell all of the natural gas to be delivered during the initial delivery period under the Gas Purchase Agreement to four municipal utilities and a joint action agency that serves municipal utilities and another joint action agency (the “Project Participants”) under long-term and short-term gas supply contracts (the “Gas Supply Contracts”) described herein.

The Bonds are special and limited obligations of PEAK payable solely from and secured solely by the Trust Estate pledged under the Indenture, which includes the Revenues received by PEAK under the Gas Supply Contracts and other revenues and funds. The payment of the Bonds is not guaranteed by BPEC, BP p.l.c., the Commodity Swap Counterparty or the Project Participants. Purchases of Bonds involve certain investment risks as described herein.

THE BONDS ARE SECURED SEPARATELY FROM ALL OTHER OBLIGATIONS ISSUED BY PEAK. THE BONDS ARE NOT AN INDEBTEDNESS OR OBLIGATION OF THE COMMONWEALTH OF KENTUCKY, ANY POLITICAL SUBDIVISION THEREOF, OR ANY MEMBER OF PEAK OR ANY PROJECT PARTICIPANT, AND ARE NOT AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION OF THE COMMONWEALTH OF KENTUCKY. NEITHER THE FAITH AND CREDIT OF THE COMMONWEALTH OF KENTUCKY, ANY POLITICAL SUBDIVISION THEREOF, PEAK, OR ANY MEMBER OF PEAK, NOR THE TAKING POWER OF THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED FOR THE PAYMENT OF THE BONDS. PEAK HAS NO TAXING POWER.

**This Official Statement describes the terms of the Bonds only during the Initial Interest Rate Period and must not be relied on after the Bonds are converted to another Interest Rate Period.**

The Bonds are offered, subject to prior sale, when, as and if issued and accepted by the Underwriters, subject to the approval of legality by Kutak Rock LLP, Bond Counsel to PEAK, and certain other conditions. Certain tax matters will be passed on for PEAK by Ballard Spahr LLP, Co-Bond Counsel. Certain legal matters will be passed upon for PEAK by its general counsel, G. Edward James, Esq., and for the Underwriters by Chapman and Cutler LLP. It is expected that delivery of the Bonds will be made on or about March 4, 2020, through the facilities of DTC.

J.P. Morgan

Goldman Sachs & Co LLC

Morgan Stanley

The purchase and ownership of the Bonds involve investment risks and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds, giving particular attention to the matters discussed under “INVESTMENT CONSIDERATIONS” herein. This Official Statement is dated February 19, 2020 and the information contained herein speaks only as of that date.

## NEW ISSUE – BOOK-ENTRY ONLY

RATING: (SEE “RATING” HEREIN)

In the opinion of Ballard Spahr LLP, Co-Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is not a preference item for purposes of the individual federal alternative minimum tax; however, interest paid to certain corporate holders of the Bonds indirectly may be subject to alternative minimum tax under circumstances described under “TAX MATTERS” herein. Co-Bond Counsel also is of the opinion that interest on the Bonds is excluded from gross income for Kentucky income tax purposes and such Bonds are exempt from ad valorem taxes levied by the Commonwealth of Kentucky and all political subdivisions thereof. See “TAX MATTERS” herein.



**\$996,000,000**  
**PUBLIC ENERGY AUTHORITY OF KENTUCKY**  
**GAS SUPPLY REVENUE BONDS**  
**2018 SERIES B**

Dated: Date of Issuance

Due: January 1 and July 1, as shown on inside front cover

The Public Energy Authority of Kentucky (“PEAK”) is issuing its Gas Supply Revenue Bonds, 2018 Series B (the “Bonds”) under a Trust Indenture dated as of September 1, 2018 (the “Indenture”), between PEAK and The Bank of New York Mellon Trust Company, N.A., as Trustee. Interest on the Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2019. The Bonds will be issued in book-entry form through the facilities of The Depository Trust Company. Purchases will be made in book-entry form through DTC participants in denominations of \$5,000 or any multiple thereof. Payments of principal of, premium, if any, and interest on the Bonds will be made directly to DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Bonds, all as described herein. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

From their Issue Date to and including December 31, 2024 (the “Initial Interest Rate Period”) the Bonds will bear interest in a Fixed Rate Mode at the Fixed Rates set forth on the inside cover page of this Official Statement. **The Bonds maturing after January 1, 2025 are required to be tendered for purchase on January 1, 2025 (the “Mandatory Purchase Date”).** The Bonds are not subject to tender at the option of the holders thereof prior to the Mandatory Purchase Date. During the Initial Interest Rate Period, the Bonds are subject to optional and extraordinary mandatory redemption as described herein.

The Bonds are being issued to finance the Cost of Acquisition of the Gas Project, which consists of a prepayment for an approximately 30-year supply of natural gas. PEAK will enter into a Prepaid Natural Gas Purchase and Sale Agreement (the “Gas Purchase Agreement”) with BP Energy Company, a Delaware corporation (“BPEC” or the “Gas Supplier”), under which the Gas Supplier is obligated to deliver specified daily quantities of gas to PEAK, to make payments for any gas not delivered or taken, to remarket gas not taken under certain circumstances, and to make an Early Termination Payment upon any early termination of the Gas Purchase Agreement. An early termination of the Gas Purchase Agreement will result in extraordinary mandatory redemption of the Bonds. The payment obligations of the Gas Supplier under the Gas Purchase Agreement and the Receivables Purchase Agreement described herein are unconditionally guaranteed by BP p.l.c., a company organized under the laws of England and Wales (“BP p.l.c.” or the “Gas Supplier Guarantor”).

PEAK will sell all of the natural gas to be delivered during the initial delivery period under the Gas Purchase Agreement to 14 municipal utilities and one joint action agency that serves municipal utilities (the “Project Participants”) under long-term and short-term gas supply contracts (the “Gas Supply Contracts”), and to its small municipal utility customers under the Operating and Services Agreements described herein.

The Bonds are special and limited obligations of PEAK payable solely from and secured solely by the Trust Estate pledged under the Indenture, which includes the Revenues received by PEAK under the Gas Supply Contracts and other revenues and funds. The payment of the Bonds is not guaranteed by BPEC, BP plc, the Commodity Swap Counterparty or the Project Participants. Purchases of Bonds involve certain investment risks as described herein.

THE BONDS ARE SECURED SEPARATELY FROM ALL OTHER OBLIGATIONS ISSUED BY PEAK. THE BONDS ARE NOT AN INDEBTEDNESS OR OBLIGATION OF THE COMMONWEALTH OF KENTUCKY, ANY POLITICAL SUBDIVISION THEREOF, OR ANY MEMBER OF PEAK OR ANY PROJECT PARTICIPANT, AND ARE NOT AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION OF THE COMMONWEALTH OF KENTUCKY. NEITHER THE FAITH AND CREDIT OF THE COMMONWEALTH OF KENTUCKY, ANY POLITICAL SUBDIVISION THEREOF, PEAK, OR ANY MEMBER OF PEAK, NOR THE TAKING POWER OF THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED FOR THE PAYMENT OF THE BONDS. PEAK HAS NO TAXING POWER.

**This Official Statement describes the terms of the Bonds only during the Initial Interest Rate Period and must not be relied on after the Bonds are converted to another Interest Rate Period.**

The Bonds are offered, subject to prior sale, when, as and if issued and accepted by the Underwriters, subject to the approval of legality by Kutak Rock LLP, Bond Counsel to PEAK, and certain other conditions. Certain tax matters will be passed on for PEAK by Ballard Spahr LLP, Co-Bond Counsel. Certain legal matters will be passed upon for PEAK by its general counsel, G. Edward James, Esq., and for the Underwriters by Chapman and Cutler LLP. It is expected that delivery of the Bonds will be made on or about September 25, 2018, through the facilities of DTC.

Morgan Stanley

J.P. Morgan

The purchase and ownership of the Bonds involve investment risks and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds, giving particular attention to the matters discussed under “INVESTMENT CONSIDERATIONS” herein. This Official Statement is dated September 12, 2018 and the information contained herein speaks only as of that date.

# Newest prepay opportunity



This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 16, 2021**

**NEW ISSUE – BOOK-ENTRY ONLY** **RATING: (SEE “RATING” HEREIN)**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and the Bonds and the interest thereon are exempt from all state, county, municipal and other taxation by the State of Alabama. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.*

**\$556,650,000\***  
**GULF STATES GAS DISTRICT**  
**GAS SUPPLY REVENUE BONDS**  
**SERIES 2021A**

**Dated: Date of Issuance** **Due: As shown on the inside cover**

The Gulf States Gas District (“Gulf States”) is issuing its Gas Supply Revenue Bonds, 2021 Series A (the “Bonds”) under a Trust Indenture to be dated as of the first day of the month in which the Bonds are issued (the “Indenture”), between Gulf States and The Bank of New York Mellon Trust Company, N.A., as Trustee. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2021. The Bonds will be issued in book-entry form through the facilities of The Depository Trust Company. Purchases will be made in book-entry form through DTC participants in denominations of \$5,000 or any multiple thereof. Payments of principal of, premium, if any, and interest on the Bonds will be made directly to DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Bonds, all as described herein. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Bonds are subject to optional redemption, sinking fund redemption and extraordinary mandatory redemption as described herein.

The Bonds are being issued to finance the Cost of Acquisition of the Gas Project, which consists of a prepayment for an approximately 30-year supply of natural gas. Gulf States will enter into a Prepaid Natural Gas Purchase and Sale Agreement (the “Gas Purchase Agreement”) with BP Energy Company, a Delaware corporation (“BPEC” or the “Gas Supplier”), under which the Gas Supplier is obligated to deliver specified daily quantities of gas to Gulf States, to make payments for any gas not delivered or taken, to remarket gas not taken under certain circumstances, and to make an Early Termination Payment upon any early termination of the Gas Purchase Agreement. An early termination of the Gas Purchase Agreement will result in extraordinary mandatory redemption of the Bonds. The payment obligations of the Gas Supplier under the Gas Purchase Agreement and the Receivables Purchase Agreement described herein are unconditionally guaranteed by BP p.l.c., a company organized under the laws of England and Wales (“BP p.l.c.” or the “Gas Supplier Guarantor”).

Gulf States will sell all of the natural gas to be delivered under the Gas Purchase Agreement to four municipal and public gas utilities and two joint action agencies that sell natural gas at wholesale to municipal utilities (the “Project Participants”) under long-term gas supply contracts (the “Gas Supply Contracts”) described herein.

The Bonds are special and limited obligations of Gulf States payable solely from and secured solely by the Trust Estate pledged under the Indenture, which includes the Revenues received by Gulf States under the Gas Supply Contracts and other revenues and funds. The payment of the Bonds is not guaranteed by BPEC, BP p.l.c., the Commodity Swap Counterparty or the Project Participants. Purchases of Bonds involve certain investment risks as described herein.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF GULF STATES AS DESCRIBED HEREIN. THE BONDS ARE NOT AN OBLIGATION OF, AND THEIR PAYMENT IS NOT GUARANTEED BY, BPEC, BP P.L.C., THE COMMODITY SWAP COUNTERPARTY, THE MEMBER MUNICIPALITIES, THE PROJECT PARTICIPANTS OR THE UNDERWRITERS. GULF STATES HAS NO TAXING POWER.

The Bonds are offered, when, as and if issued by Gulf States and accepted by the Underwriters, subject to the approval of validity by Alston & Bird LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Gulf States by Rosen Harwood, P.A. and McCarter & English, LLP, and for the Underwriters by Chapman and Cutler LLP. Certain tax matters will be passed on for Gulf States by Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2021.

The purchase and ownership of the Bonds involve investment risks and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds, giving particular attention to the matters discussed under “INVESTMENT CONSIDERATIONS” herein. This Official Statement is dated \_\_\_\_\_, 2021 and the information contained herein speaks only as of that date.

**Goldman Sachs & Co. LLC**

**J.P. Morgan** **Blaylock Van, LLC**

\* Preliminary; subject to change.

# Prepay industry since 2016

48 transactions totaling

**\$32 bn**

of par amount since 2016

bp has been involved in 17 of those transactions

**2**

as prepaid supplier

**15**

as BtB swap supplier

*many others*

as physical NG supplier

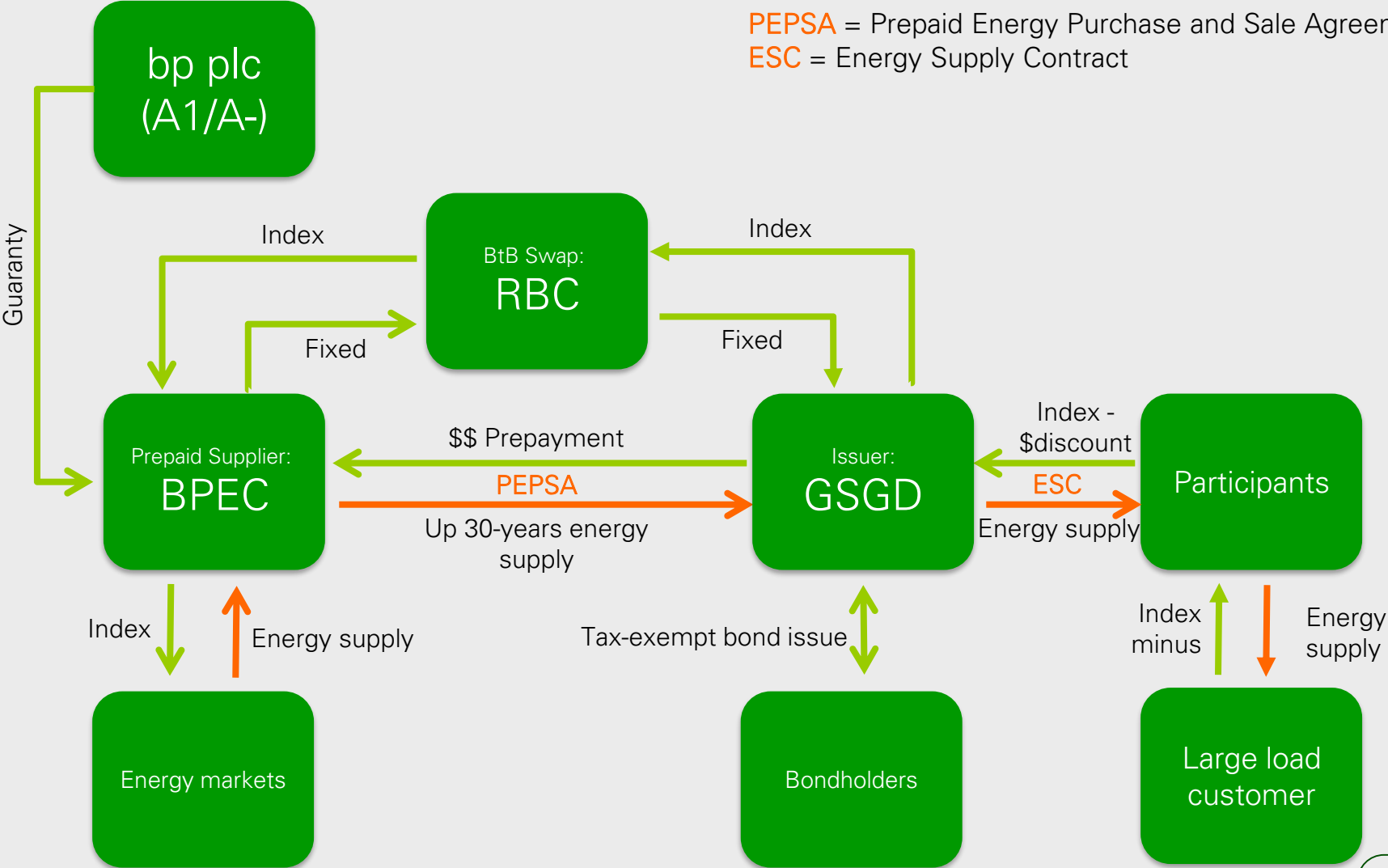
Issuer	Par (\$MM)	Pricing Date	Put Date	Final Maturity	Supplier	Swap CP(s)
Lower Alabama Gas	599	2/23/2016	N/A	9/1/2046	J. Aron	RBC
Black Belt Energy	447	6/15/2017	7/1/2022	8/1/2047	RBC	BP
Tennessee Energy	678	10/27/2017	5/1/2023	5/1/2048	J. Aron	RBC
Central Plains Energy	503	12/7/2017	N/A	9/1/2024	J. Aron	RBC
PEAK	833	1/19/2018	4/1/2024	4/1/2048	MS	BP
Main Street	1,022	1/26/2018	9/1/2023	4/1/2048	RBC	PGP
Black Belt Energy	687	3/1/2018	12/1/2023	12/1/2048	J. Aron	RBC
Main Street	1,000	4/24/2018	12/1/2023	8/1/2048	RBC	PGP
Southeast Alabama	722	5/3/2018	4/1/2024	4/1/2049	J. Aron	RBC
Southeast Alabama	970	6/8/2018	6/1/2024	6/1/2049	MS	BP
Patriots Energy Group	832	7/25/2018	2/1/2024	10/1/2048	RBC	PGP
Tennessee Energy	517	8/14/2018	11/1/2025	11/1/2049	J. Aron	RBC
PEAK	996	9/12/2018	1/1/2025	1/1/2049	BP	RBC
Central Plains Energy	535	11/16/2018	1/1/2024	3/1/2050	J. Aron	RBC
PEAK	902	12/7/2018	3/1/2025	12/1/2049	MS	BP
N Cal Energy Auth	540	12/10/2018	7/1/2024	7/1/2049	J. Aron	RBC
Tennergy	545	2/8/2019	9/1/2024	2/1/2050	RBC	JPM
PEAK	384	2/14/2019	6/1/2025	12/1/2049	MS	BP
Main Street	696	2/14/2019	N/A	5/15/2049	Macquarie	JPM/RBC
Main Street	675	4/30/2019	12/1/2024	8/1/2049	TD	RBC
Black Belt Energy	747	4/30/2019	12/1/2025	12/1/2049	MS	BP
Lancaster Port Auth	300	5/3/2019	2/1/2025	8/1/2049	RBC	BP
Iowa Pub Energy Fac	614	5/22/2019	9/1/2026	9/1/2049	J. Aron	JPM/BP
NM Muni Energy	616	6/11/2019	5/1/2025	11/1/2039	RBC	JPM
Central Plains Energy	782	11/7/2019	8/1/2025	12/1/2049	RBC	JPM
Main Street	632	11/25/2019	9/1/2026	3/1/2050	Citi	PGP
PEAK	556	12/20/2019	8/1/2027	2/1/2050	MS	Natixis
Lower Alabama Gas	634	1/17/2020	12/1/2025	12/1/2050	J. Aron	JPM/BP
PEAK	552	2/19/2020	6/1/2026	12/1/2050	BP	RBC
Black Belt	294	2/25/2020	10/1/2026	10/1/2049	MS	Natixis
Texas Muni Gas III	1,061	1/25/2021	N/A	12/15/2032	Macquarie	BAML/Citi
Black Belt	560	3/22/2021	12/1/2031	6/1/2051	RBC	BP
Tennergy	602	4/20/2021	9/1/2028	12/1/2051	MS	Natixis
Southeast Energy	420	4/20/2021	10/1/2028	11/1/2051	J. Aron	Axpo/BP
Tennessee Energy	466	6/9/2021	11/1/2031	5/1/2052	J. Aron	BP/RBC
Southeast Energy	660	6/15/2021	12/1/2031	12/1/2051	MS	Natixis
Main Street	757	8/24/2021	9/1/2028	5/1/2052	Citi	PEP
CCCFA	1,235	9/9/2021	5/1/2031	2/1/2052	MS	RBC
Black Belt	723	9/16/2021	12/1/2026	10/1/2052	J. Aron	Axpo/BP
Main Street	822	11/15/2021	9/1/2027	7/1/2052	RBC	PGP
CCCFA	603	11/15/2021	12/1/2027	10/1/2052	J. Aron	BP
Black Belt	1,005	11/30/2021	12/1/2026	10/1/2052	J. Aron	BP
Main Street	626	1/19/2022	11/1/2027	8/1/2052	Citadel	PGP
Black Belt	493	2/9/2022	12/1/2029	12/1/2052	J. Aron	BP/RBC
PEAK	686	2/23/2022	8/1/2030	8/1/2052	MS	Natixis
Black Belt	523	2/24/2022	10/1/2027	4/1/2053	J. Aron	RBC
Main Street	538	3/10/2022	12/1/2029	9/1/2052	Citi	PEP
MN Muni Gas	652	3/11/2022	12/1/2027	12/1/2052	RBC	BP
	<u>32,242</u>					

Source: Goldman Sachs

# bp deal transaction diagram

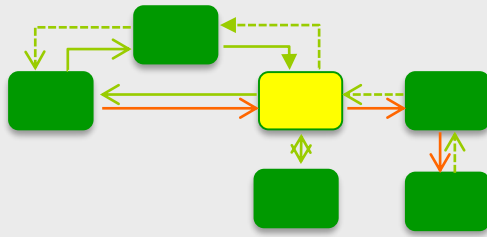


PEPSA = Prepaid Energy Purchase and Sale Agreement  
 ESC = Energy Supply Contract



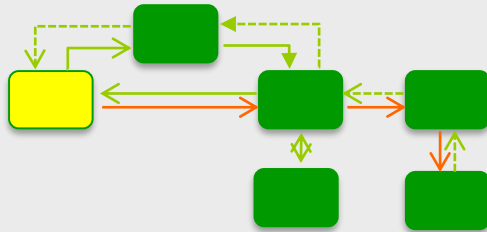


# Transaction components explained



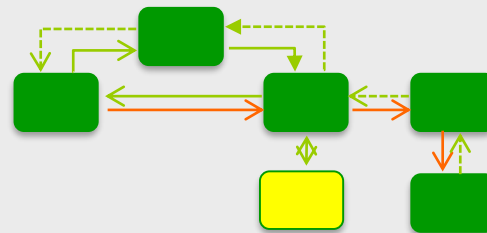
## Conduit issuer

- Entity that issues the bonds
- Although issuing the bonds, it is not the issuer's credit
- Receives bond proceeds and passes them directly to Prepay Supplier
- Receives index gas payments from Municipal
- Pays debt service



## Prepay supplier

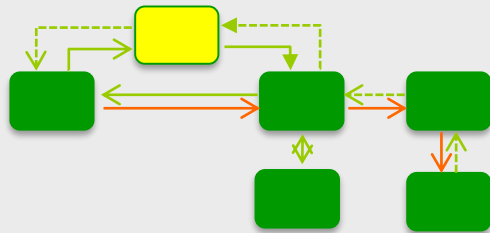
- Receives bond proceeds, carries as debt on financial statements
- Usually a financial institution (BP is the only non-financial that has played this role)
- Credit agencies look largely to this entity when assigning ratings to the bonds



## Bond holder

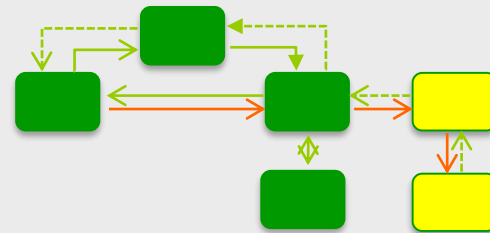
- Holders are usually large institutional investors
- Bond holders look to the credit of the Prepay Supplier
- Bondholders recognize that bonds are non-recourse to Conduit Issuer, Municipal Participant, or its customers

# Transaction components explained



## BtB commodity swap provider

- Converts the fixed NG price assumption into an index related transaction
- Cannot be the same entity as the Prepay Supplier
- Receives index and pays fixed to the Conduit Issuer
- Receives fixed and pays index to the Prepay Supplier



## Participant and its retail customers

- Municipal enters a pay-as-you go contract
- Purchases natural gas at a set discount to index
- Can be one municipality or several
- Retail customers are in service territory and under retail tariffs

# Repricing period examples



Bond Repricing Periods (30-year total term)



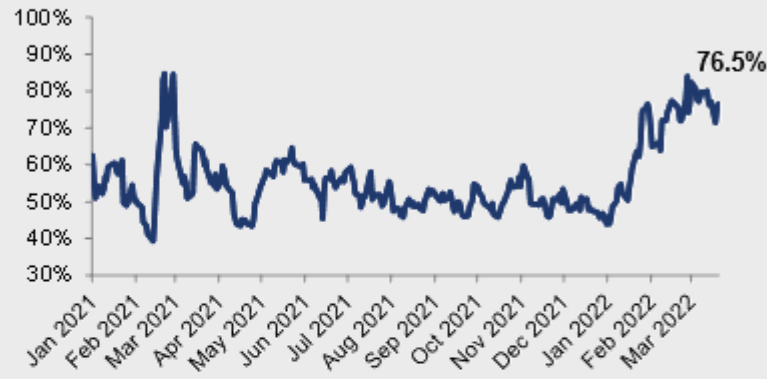
Min Discount**	\$0.30	\$0.20	\$0.20	\$0.20
Mkt Discount	\$0.32	\$0.30	\$0.17	\$0.18
Part Discount	\$0.32	\$0.30	\$0.17	\$0.18
Participant Option	Start of transaction...Deal closes meeting all discount and reserve expectations.	None. Minimum discount is met.	Participant option to leave for this repricing period.	Participant option to leave for this repricing period.

- Likely repricing period range. However, could go to the remaining term of the deal.
- \*\*indicative pricing

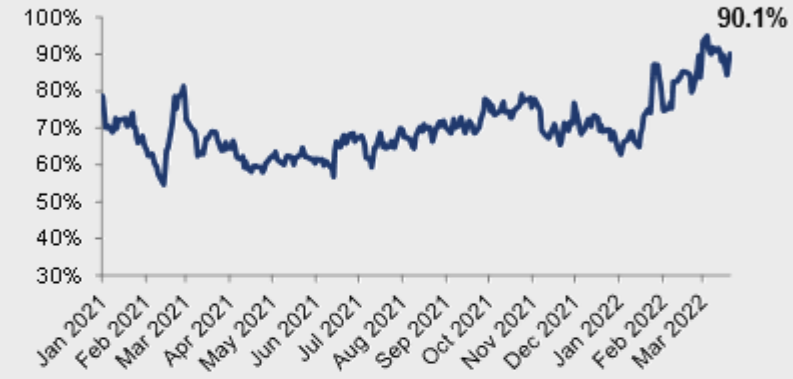




5-Year MMD/UST Ratio



10-Year MMD/UST Ratio



20-Year MMD/UST Ratio



30-Year MMD/UST Ratio



# Considerations



## Involved in a very complicated structured financing:

- Not debt of IMGGA or its members
- Only agreement executed is a Gas Supply Agreement (“GSC”) with the debt issuer
- IMGGA/participants not a party to the hedging derivative

## 30-year NG contract:

- Priority consumption of NG to meet “qualified use” requirement
- Remarketing of NG option in the event of load loss
- Slightly earlier payment terms (20th or B.D. prior) to meet cash flow requirements of structured financing
- Otherwise NAESB like commercial T&C’s

# Summary



- Municipal gas prepaids create a unique way for municipal gas and power entities to purchase NG supply at a set discount to index
- IMGAs could be a participant in future transactions
  - Details needed on further contracting between IMGAs and its participants and diligencing credit profile of IMGAs
- Participant discounts have been \$0.30/MMBtu or greater
  - Primarily via segmented “put bond” structures
  - Looking for the return of the 20- to 30-year fixed discount structure
- IMGAs can join BP’s GSGD deal with a simple gas supply contract
  - Pricing in late Q2 or Q3 2022
- Or IMGAs can join a future deal...there will be more coming