

Green Bonds for Utilities

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KESTREL
VERIFIERS™

What Are Green Bonds?

- “Green” is a label applied to the bond
- Just like conventional bonds in how they are sold and repaid
- Proceeds used for projects and programs with an environmental or climate benefit
- Best practice to use an independent verifier, but some self-certify



Why Green Bonds?

- Diversify your investor base
- Quality Green Bonds are in high demand
- Showcase your environmental leadership
- Improve transparency with investors and stakeholders
- Support multiple objectives
 - Climate Action & Sustainability Resolutions, Climate Mayors Coalition, Carbon Neutrality

Accepted International Standards



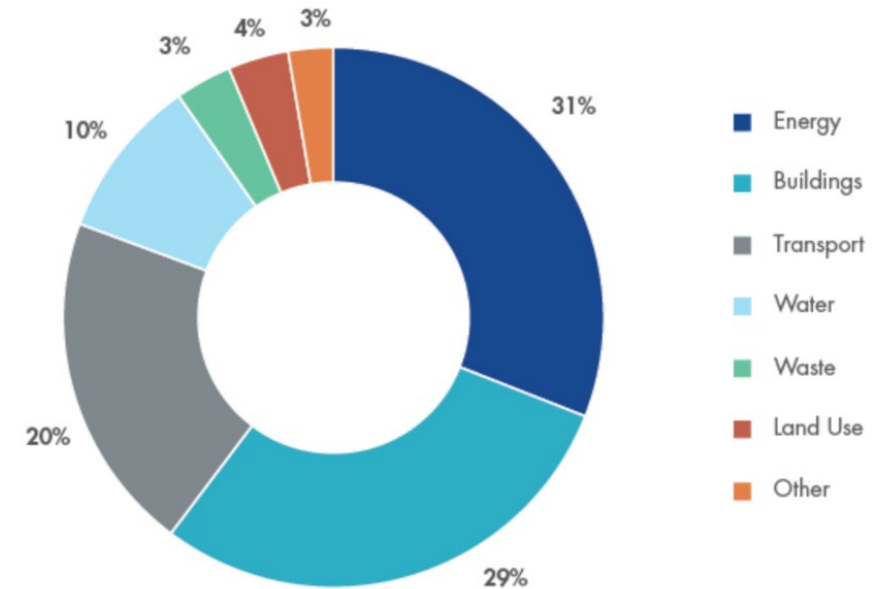
Standard Set By	The International Capital Market Association (ICMA)			Climate Bonds Initiative (CBI)
Core Components	<ol style="list-style-type: none"> 1. Use of Proceeds 2. Process for Project Evaluation and Selection 3. Management of Proceeds 4. Reporting 			In addition to meeting the ICMA 4 Components, Projects and assets contribute to a low carbon and climate resilient economy consistent with the 2 degrees Celsius warming limit in the Paris Agreement.
External Review	Recommended by the ICMA (not mandatory in the US)			Approved "3 rd Party Verifier" Required
Title of Report	"Second Party Opinion"			"Verifier's Report"
Definition	Proceeds will finance or re-finance, in part or in full, new and/or existing eligible Green Projects	Proceeds will finance or re-finance in part or in full new and/or existing eligible Social Projects	Proceeds will finance or re-finance a combination of both Green and Social Projects.	Projects consistent with lowering greenhouse gas emissions as established in the Paris Agreement.
Post Issuance Reporting	Not Required, but recommended			Required Verifier must submit within 24 months of sale.
Kestrel Timing	Competitive Sales ~1-5 days / Negotiated Sales ~1-3 weeks / Corporates ~1-3 weeks			

Many Green Opportunities for Utilities



Green Category	Project Details
Energy	Grid Modernization, Transmission, Distribution, Energy Storage, Solar Projects, Wind, Geothermal, Bioenergy, Hydropower, Energy Efficiency, Wildfire Risk Reduction, Climate Change Adaptation & Resilience
Buildings	Green Buildings. New energy efficiency projects and retrofits, Environmental Building Materials and Codes Incentives Programs.
Water/WW/Stormwater	Water and Sewer Infrastructure, Water Quality, Water Storage, Stormwater Management, CSO's, Wastewater Treatment, Flood Management, Drought Preparedness, Recycled Water, Multi-Benefit Projects, Climate Change Adaptation & Resilience
Waste to Energy	Energy recovery from waste, pyrolysis, anaerobic digestion

Green Bonds Issued by Use of Proceeds



Source: ICMA

More Great Candidates for Green Bonds - Utilities



<ul style="list-style-type: none">• Renewables• Energy Efficiency• Broadband	Wind, Solar, Hydro and small hydro; Transmission lines upgrades; Expansion of service to underserved areas
<ul style="list-style-type: none">• Climate Change Adaptation	Early warning systems and communications; Safety measures to prevent catastrophic wildfires; Wood to steel poles; Undergrounding; Vegetation management; relocation from coastal areas
<ul style="list-style-type: none">• PACE Bonds	Property Assessed Clean Energy (PACE) – Tax Assessments to finance weatherization, water and energy savings, climate hardening (roofs, shutters);
<ul style="list-style-type: none">• Community Solar	Community Choice Aggregation, Community Solar
<ul style="list-style-type: none">• Micro-Grids	Ports, Airports and Universities Eco-Blocks

Second Party Opinions



We also screen for the UNSDG's

For Issuers with multiple bonds of a similar nature, we can establish a Programmatic Approach for efficiency.



Deal Visibility / How Does “Green” Look?



New Issue – Book-Entry Only

S&P Global Ratings: AA
(See “UNDERWRITING AND LEGAL – Rating”)

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the date of issuance of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. See “TAX MATTERS.”



CITY OF EDMONDS, WASHINGTON
\$13,875,000 WATER AND SEWER REVENUE BONDS, 2020
(CERTIFIED CLIMATE BONDS)



Dated: Date of Initial Delivery

Due: December 1, as shown on inside cover

The City of Edmonds, Washington (the “City”), is issuing its Water and Sewer Revenue Bonds, 2020 (Certified Climate Bonds) (the “Bonds”), to carry out a plan of additions to its Water and Sewer Utility, to make a deposit into the Reserve Account, and to pay the costs of issuance of the Bonds. See “DESCRIPTION OF THE BONDS – Authority and Purpose.”

The Bonds have been certified as Climate Bonds by the Climate Bonds Initiative. See “DESCRIPTION OF THE BONDS – Climate Bond Certification.”

NEW ISSUE - FULL BOOK-ENTRY

RATING: S&P: “AA+”
See “RATING” herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The interest on the 2020 Measure O Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “LEGAL MATTERS – Tax Exemption.”



\$38,000,000
CITY OF BERKELEY
2020 General Obligation Bonds
(2018 Election Measure O: Affordable Housing)
(Federally Taxable)
(Sustainability Bonds)



\$7,790,000
CITY OF BERKELEY
2020 Refunding General Obligation Bonds,
Series A
2008 Election Measure FF: Neighborhood Branch
Library Improvements Project)
(Green Bonds)



Dated: Date of Delivery

Due: September 1, as shown on inside cover

Cover Page. This cover page contains information for quick reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire official statement to obtain information essential to making an informed investment decision.

Authority and Purpose. The captioned 2020 General Obligation Bonds (2018 Election Measure O: Affordable Housing) (the

Green Bond labels can make bonds more visible to institutional investors buying for impact funds.

Be a Best-in-Class Green Bond Issuer



INVESTORS LOOK FOR THESE THINGS:

TRANSPARENCY	Clear Project Descriptions with Budgets
INTEGRATION	Show Alignment with Adopted Plans
REPORTING	Voluntarily Report on Beneficial Impacts and Outcomes Have some Key Performance Indicators Include non-financial data in CAFR
EXTERNAL REVIEW	Independent Verification Accepted International Standards Taxables? European investors expect external reviews

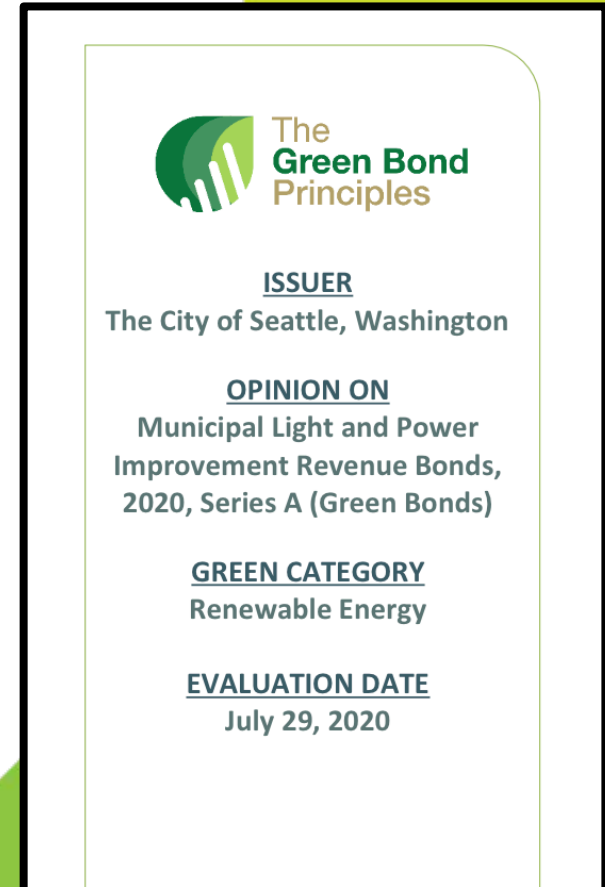
Verified Green Bonds
improve transparency.


Investors aren't the only ones reading your bonds.

Kestrel Verifiers evaluates Competitive bond sales listed on IPREO-IHS Markit for Green Bond eligibility.

- >\$20 million par
- We obtain Issuer permission to offer a Second Party Opinion.
- Underwriters pay the fee.

KestrelESG provides ESG data on individual bonds

A screenshot of the cover page for "The Green Bond Principles" document. The page is white with a thin green border. At the top left is the logo for "The Green Bond Principles", which consists of a green leaf-like shape with three vertical bars of increasing height. To the right of the logo, the text "The Green Bond Principles" is written in a green, sans-serif font. Below the logo and title, the text is centered and reads: "ISSUER" followed by "The City of Seattle, Washington"; "OPINION ON" followed by "Municipal Light and Power Improvement Revenue Bonds, 2020, Series A (Green Bonds)"; "GREEN CATEGORY" followed by "Renewable Energy"; and "EVALUATION DATE" followed by "July 29, 2020".

 The Green Bond Principles

ISSUER
The City of Seattle, Washington

OPINION ON
Municipal Light and Power Improvement Revenue Bonds, 2020, Series A (Green Bonds)

GREEN CATEGORY
Renewable Energy

EVALUATION DATE
July 29, 2020

ESG for Electric Utility Bonds



Environmental Considerations

Activities to support electrification

Fuel mix

Transition plan exists for non-renewable power

Social Considerations

Weatherization programs

System extension to underserved areas

Activities to support marginalized groups

Governance Considerations

Transparency - Can we clearly discern what activities are financed with this bond?

High-scoring utility bonds finance activities that support decarbonization and provide services to underserved populations



Thank you!

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