

**Ambac**

Utility Refunding Relies On Project Revenue

Ambac Guarantee on Power Refunding Bonds Strengthens Issue

\$122,960,000

[Sacramento Power Authority](#)

Cogeneration Project Revenue Refunding Bonds, 2005 Series

Completed in 1997, Sacramento Power Authority's 160-megawatt gas-fired co-generation project has continued to play a strategic role in meeting Sacramento Municipal Utility District's (SMUD) power needs. Based on the project's efficient and reliable generation since start up, SMUD decided to take advantage of the underlying performance of the project and refinance the original construction bonds. The financing included the issuance of approximately \$123 million of refunding bonds, secured solely from a pledge of the revenue generated by the operation of the project. With no mortgage or lien securing the refunding bonds, SMUD sought a financial guarantee to further strengthen the underlying credit, reduce overall financing costs, and provide assurances for bondholders.

Ambac Assurance was selected as the financial guarantee provider and, with significant utility experience and a dedicated project finance team, was able to clearly identify the unique project strengths associated with the proposed transaction. Familiarity with SMUD, combined with the essential nature of the project, absence of construction risk, a strong seven-year operating history, and a long-term "take-or-pay" power purchase agreement with SMUD - subject to certain performance standards - enabled Ambac to provide a financial guarantee on a project revenue basis. The Cogeneration Project Revenue Refunding Bonds, Series 2005, were successfully issued in April 2005 with the highest ratings available thanks to the triple-A-rated Ambac guarantee.

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