



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: January 9, 2012

A meeting of the Finance Committee was held on January 9, 2012, at the SCPPA office in Pasadena.

Committee members in attendance were: Bill Carnahan (*SCPPA*); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Dave Davis (*Glendale*); Belen Valenzuela (*IID*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); Reiko Kerr and Kevin Milligan (*Riverside*).

Others present were: Stephen Cole (*Fulbright & Jaworski*); Dan Hartman (*PFM via teleconference*), Mike Berwanger and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); Vernon Oates and Daniel Hashimi (*SCPPA*).

The following matters are the business transacted by the Committee:

1. Investment Report

The Committee reviewed the Investment Reports for the month ended November 30, 2011. The Committee recommended forwarding the report to the Board for receipt and filing.

2. Magnolia Series 2009-1 and 2009-2 Bonds

Public Financial Management (PFM) updated the Committee on the progress of replacing the letters of credit, expiring this year. Contract negotiations with the banks have completed. The transaction is expected to close on January 18.

3. Constant Maturity Swaps

The Committee reviewed current valuations and opportunity to terminate one, or both of the STS and Mead-Adelanto Constant Maturity Swaps. The market value of the Mead-Adelanto swap net of costs has not reached the \$6MM level as previously authorized by the Committee and the Board.

4. STS Series 2002-A

The Committee discussed the refunding and investment banker recommendation. An RFP for a select number of firms, based on coverage and current banker pool participation, will be distributed on January 10.

5. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. SCPPA is still experiencing high reset levels for the Magnolia VRDO backed by KBC due to the recent credit downgrade. This will be alleviated by the LOC replacement expected to close January 18.

6. Unsolicited Proposals

The Committee reviewed unsolicited proposals from Citi and Morgan Stanley. The Committee took no action with respect to such proposals.

7. Palo Verde Nuclear Generating Station Termination Funding Status Report

The Committee received SCPPA's Termination Funding Status Report for calendar year 2010. The estimated termination costs for SCPPA's share of the facility are \$144,538,000 and current funding levels are \$161,714,805, rendering a 112% funding level as December 31, 2010.

8. Magnolia Project

The Committee discussed uses for the excess bond proceeds from the 2006 Magnolia financing. The participants decided, subject to Board approval, to use the excess proceeds to pay debt service and certain capital costs.

9. Private Use Policy

The Committee discussed the revised memorandum and recommended sending it to the Board for approval.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, FEBRUARY 6, 2012, AT 10:30 A.M. AT THE SCPPA OFFICE.**