



TO: Board of Directors

FROM: Robert K. Rozanski

SUBJECT: Finance Committee Report – February 1, 2010

DATE: February 3, 2010

A meeting of the Finance Committee was held on February 1, 2010, at the SCPPA office in Pasadena.

Committee members in attendance were: Robert Rozanski (*SCPPA*); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Peggy Keigler (*Colton*); Bill Fox (*Glendale*); Greg Broeking (*IID*), Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); and Reiko Kerr (*Riverside*).

Others present were: Stephen Cole (*Fulbright & Jaworski*); Mike Berwanger, Dan Hartman and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP*); and Richard Helgeson (*SCPPA*).

1. Investment Reports

The Committee reviewed the Investment Reports for the month and quarter ended December 31, 2009, and recommended forwarding the reports to the Board for receipt and filing.

2. Auction Rate Securities

The Committee discussed matters relating to auction rate securities.

3. Renewable Energy Project Financing Update

Public Financial Management (PFM) provided an update on near-term renewable project financings, as follows:

- **Milford II Wind Energy Project:** PFM reported that Anaheim (25% share) and Pasadena (10% share) have terminated participation in this project, leaving LADWP as the sole participant. Discussions are underway to determine if this project will be financed through SCPPA or by LADWP.
- **Raser Geothermal Project:** PFM reported that negotiations continue to be challenging and are progressing at a slow pace.

4. Milford I Wind Energy Project Financing Update

PFM reported that the January 27, 2010 pricing of the Milford Wind Corridor Phase I Project, Revenue Bonds, 2010-1 was very successful. SCPA was able to leverage strong A1/AA- bond ratings and a State of California bond issuance blackout period to achieve tight spreads to the AAA MMD index. The All-In True Interest Cost of 4.196% was lower than the expected 4.25% level, resulting in slightly lower prepaid energy costs. The financing transaction is scheduled to close on February 9, 2010.

5. Windy Point/Windy Flats Wind Energy Project

PFM provided an update on the Windy Point/Windy Flats Wind Energy Project. It was reported that the commercial operation date for Phase 1 has been achieved, and Phase II is expected at anytime. The participants consist of LADWP (92.37%) and Glendale (7.63%). Glendale has executed a layoff agreement for its entitlement share to LADWP (i.e., similar to the Linden Wind Energy Project or "Linden" arrangement).

This estimated \$550 million prepayment transaction will include both phases of this 262.2 MW project. The developer is in the process of applying for a Department of Energy grant and could receive such funds by the end of February. SCPA has 90 days upon the developer's receipt of the grant funds to close the transaction. A financing kick-off meeting is being planned for mid-March, and discussions with Rating Agencies will commence soon. JP Morgan is the lead underwriter, and given the size of the transaction, participants will consider expanding the number of underwriters in the syndicate.

6. Miller Ranch Wind Project

PFM provided an update on the Miller Ranch Wind Project. This estimated 51 MW to 121 MW project will be the "second phase" of Linden, which is located in the state of Washington. The project participants consist of LADWP and Glendale. It was reported that four configuration alternatives continue to be evaluated. It was confirmed that Morgan Stanley will be lead underwriter.

7. Magnolia Power Project Basis Swaps

PFM provided an update with respect to the implementation of two basis swaps, from SIFMA to a percentage of three-month LIBOR. It was reported that the current swap indication is approximately 80% of 3-month LIBOR, which is less than the 85% target level. PFM briefed the Committee on alternatives to enhance potential savings, including: (1) delaying the start date of the swaps by one or two years, and (2) providing the swap counterparties with options to terminate the swaps, at their sole discretion, at specified dates.

8. Mead-Adelanto Project and Mead-Phoenix Project Revenue Bonds

The Committee received an update with respect to the status of interest payments to be made to holders of the Mead-Adelanto Project Revenue Bonds, 1994 Series A and the Mead-Phoenix Project Revenue Bonds, 1994 Series A auction rate bonds that were slightly underpaid for the period January 1 to June 30, 2009. The payments are within the maximum threshold established by the Committee, and are currently being processed.

9. Palo Verde 1987A, 1989A and 1997B Forward Securities Purchase Contracts

The Committee was updated on matters relating to the Palo Verde 1987A, 1989A and 1997B Forward Securities Purchase Contracts. The Committee reaffirmed a request that PFM analyze and confirm compliance with yield restrictions on the tax-exempt bonds.

10. Market and VRDO Update

PFM provided a market and VRDO status update and reported that SCPPA's variable rate portfolio has remained relatively stable for the past few months, and all series of bonds have been performing fairly well. Further, swap valuations for some bond series have improved slightly from the prior month.

11. Closed Session

The Committee met with legal counsel regarding significant exposure to litigation pursuant to subdivision (b) of Section 54956.9 of the California Government Code (one potential case).

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, MARCH 1, 2010, AT 10:30 A.M. AT THE SCPPA OFFICE.**