



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: March 8, 2010

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

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

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

1. Investment Reports

The Committee reviewed the Investment Reports for the month ended January 31, 2010, and recommended forwarding the reports to the Board for receipt and filing.

2. Unaudited Quarterly Financial Statements

The Committee reviewed unaudited Quarterly Financial Statements for the period ended December 31, 2009, and recommended forwarding the statements to the Board for receipt and filing.

3. Renewable Energy Project Financing Update

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

- **Milford II Wind Energy Project:** PFM reported that Glendale has opted to join with LADWP as a second participant in the Milford II Project. Glendale would take on a 5 MW (5% share) of the project. LADWP would take the remaining 95 MW (95%). As with the Windy Point and Linden Wind Projects, Glendale would undertake a layoff agreement with LADWP.
- **Raser Geothermal Project:** PFM reported that negotiations continue to be challenging for the Raser Geothermal Project but the project participants remain the same assuming that the project is able to move forward at some point.

- **Windy Point III Wind Energy Project:** PFM reported that SCPPA is progressing with a third phase of the Windy Point Wind Project. This phase is for an anticipated 48.3 MW to 98.6 MW. The project participants are expected as LADWP (92.37% share) and Glendale (7.63% share).
- **Milford I Wind Energy Project:** PFM provided a comprehensive report of the January 27, 2010 pricing of the Milford Wind Corridor Phase I Project, Revenue Bonds, 2010-1. The pricing was very successful and 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 has closed.

4. Canyon Power Project Update

PFM reported that SCPPA is progressing with a long-term financing for the Canyon Power Project. The CEC license is currently in the final stages of approval and full approvals should be in place by April 6, 2010. SCPPA and Anaheim are moving ahead with the rating process for the transaction. The expected transaction is expected to make use of both Tax-Exempt bonds and Build America Bonds and will be used to refinance the 2009 Notes which were issued for interim financing.

5. Milford Wind Corridor Phase II

The Committee recommended forwarding to the Board for approval a resolution authorizing the execution and delivery of agreements relating to the Milford Wind Corridor Phase II Project including Power Sales Agreements (with LADWP and Glendale), the Power Purchase Agreement (with Milford Wind Corridor Phase II, LLC), the Contract for Sale and Purchase of Milford Wind Phase II Energy (i.e., the Layoff Agreement, with LADWP and Glendale), and the Agency Agreement (with LADWP).

6. 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.

This estimated \$650 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 in March. SCPPA 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.

7. Windy Point III Wind Energy Project

PFM provided an update on the preliminary stages of the Windy Point Phase III transaction. This phase is for an anticipated 48.3 MW to 98.6 MW. The project participants are expected as LADWP (92.37% share) and Glendale (7.63% share). The financing structure for Phase III is expected to be the same prepayment structure as is being executed for Phases I and II.

8. 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 81% of three-month LIBOR, which above the 80% level which was authorized by the Board. PFM briefed the Committee on the history of the Basis Swap market.

PFM also presented and discussed proposals received from Barclay's which relate to structuring options for the Basis Swaps.

The Committee had previously authorized execution the Basis Swaps at levels of 85% of 3-Month LIBOR and the Committee authorized the PFM and Fulbright to work with Barclay's and RBC to finalize the swap documents and authorized appropriate representatives of SCPPA to work with PFM to execute the transactions at levels of 81.5% of 3-month LIBOR if such levels became available.

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.

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.

PFM also presented proposals received from Ramirez and Jefferies relating to the reversal two outstanding Constant Maturity Swaps which SCPPA has associated with the Southern Transmission Project and Mead Adelanto Project. The Committee considered options relating to the reversal or termination of those swaps and agreed to reexamine options at the next meeting of the Finance Committee.

11. Rating Agency Update

The Committee received a briefing update regarding meetings with Moody's Investors Service in the prior weeks.

12. Unsolicited Proposals

The Committee reviewed unsolicited proposals that had been received from investment bankers. PFM described a number of proposals received and the Committee decided to bring some proposals back for consideration at the next meeting of the Finance Committee.

13. Closed Session

The Committee delayed discussion regarding 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, APRIL 5, 2010, AT 10:30 A.M. AT THE SCPPA OFFICE.**