



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: March 7, 2011

A meeting of the Finance Committee was held on March 7, 2011, 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*); Belen Valenzuela (*IID*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); and Reiko Kerr (*Riverside*).

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

1. Financial Statements

The Committee reviewed the unaudited Quarterly Financial Statements for the period ended December 31, 2010, and recommended forwarding the statements to the Board for receipt and filing.

2. Investment Reports

The Committee reviewed the Investment Report for the quarter ending December 31, 2010. The Committee recommended forwarding the report to the Board for receipt and filing.

3. STS 1991 Bonds

The final arbitrage rebate calculation was presented to the Committee.

4. Palo Verde 1996 Series C Bonds

The Committee discussed the Appeal of Disallowance for the arbitrage rebate made in October 2009. The Committee decided to have Fulbright & Jaworski speak with the IRS, but take no further action at this point.

5. Renewable Energy Project Financings

The Committee received an update from Public Financial Management (PFM) with respect to near-term renewable energy project financings; Windy Point III, Milford II, and Miller Ranch are all progressing.

6. Gas Prepaid Project

PFM discussed the possible termination of the AIG commodity swap and Guaranteed Investment Contract (GIC). AIG expects to assign the investment contract to AIG Sun America, which would cure the Event of Default (EOD) triggered by the AIG credit rating downgrade. The less critical assignment of the commodity swap is being explored with Deutsche Bank.

7. Other AIG GICs

PFM discussed the possible termination of the AIG GICs related to the Natural Gas Reserves Projects; the STS Project 1992 DSRF; and the San Juan Project DSRF. All agreements with the STS and San Juan Projects are collateralized, but the Natural Gas Project GIC has unique provisions. AIG can either terminate at par or assign the contract to cure EOD triggered by the AIG downgrade. The extension for remedy decision by AIG expires on March 18, 2011.

8. Palo Verde 2008 Bonds

PFM updated the Committee on possible options related to the expiring Letters of Credit with JPMorgan and Dexia. The Committee decided to move forward with a request for proposals for both facilities within the next month.

9. STS Constant Maturity Swap Suspension

PFM provided an update relating to a potential upfront payment which could be received by SCPPA for restructuring the existing Constant Maturity Swap on the STS project with JPMorgan. The Committee decided to have PFM notify the Committee if the following levels are met: a suspension of the swap for a maximum of five additional years with at least \$2.1M upfront payment. The Committee recommended forwarding to the Board a resolution authorizing the execution of documents and other actions in connection with the further suspension of such Constant Maturity Swap at such levels.

10. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. All the variable rate bonds are trading well.

11. Unsolicited Proposals

The Committee reviewed unsolicited proposals from Wells Fargo, RBC, Morgan Stanley and JPMorgan Chase. The Committee took no action with respect to such proposals.

12. Closed Session

Real Property: Conference with real property negotiators regarding negotiations with Lee & Associates concerning 1160 Nicole Court in Glendora, California. Negotiations entail both price and terms. Negotiator for Lee & Associates is Todd Launchbaugh. Negotiators for SCPPA are Executive Director Bill D. Carnahan and Scott Crawshaw, of CB Richard Ellis.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, APRIL 4, 2011, AT 10:30 A.M. AT THE SCPPA OFFICE.**