



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: April 4, 2011

A meeting of the Finance Committee was held on April 4, 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*); Shari Thomas (*Pasadena*); and Reiko Kerr (*Riverside*).

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

1. Investment Reports

The Committee reviewed the Investment Report for the month of February 2011. The Committee recommended forwarding the report to the Board for receipt and filing.

2. Project Budget Comparison Reports

The Committee reviewed the quarterly Project Budget Comparison Reports for the quarter ended December 31, 2010. The Committee recommended forwarding the reports to the Board for receipt and filing.

3. Renewable Energy Project Financings

The Committee received an update from Public Financial Management (PFM) with respect to near-term renewable energy project financings. Milford II is progressing; the anticipated COD is May 2nd. SCPPA is to finalize financing within 120 days of COD. Windy Point III and Miller Ranch are currently on hold.

Dave Walden gave a brief oral update regarding renewable projects in various development stages.

4. Gas Prepaid Project

PFM discussed the possible assignment of the AIG commodity swap and Investment Agreement. Currently AIG is pursuing assignment of the agreement to AIG Sun America, with Wells Fargo and BNP Paribas as possible alternatives. The extension for remedy expires April 25th, but will be extended. Assignment of the commodity swap to possibly Deutsche Bank is less critical, but still underway.

5. Other AIG GICs

PFM discussed possible assignment of the AIG GICs related to the Natural Gas Reserves Projects; the STS Project 1992 DSRF; and the San Juan Project DSRF. The AIG extension for remedy expires April 25th, but will be extended. AIG has suggested they will terminate at par. The STS and San Juan GICs are fully collateralized, which protects SCPPA in all credit events, with the exception being unpredictable rulings in bankruptcy court.

6. Palo Verde 2008 Bonds

PFM updated the Committee on the RFP process related to the expiring LOCs with JP Morgan and Dexia. The RFP was sent to 24 firms; responses are due April 8th.

7. STS Constant Maturity Swap Suspension

PFM reviewed the suspension of the existing Constant Maturity Swap on the STS project with JP Morgan completed on March 18th. SCPPA netted an upfront payment of \$2,555,000. This payment was higher than the approved level of \$2,100,000.

8. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. The Palo Verde Bonds' performance has not been negatively impacted by the events in Japan. However, the Palo Verde 2008 B series has been trading at higher spreads due to the recent news of Dexia's possible downgrade by Moody's and assignment of a negative outlook by S&P.

PFM also discussed monitoring reinvestment of certain project Debt Service Reserve Funds; Forward Delivery Agreement mechanics related to the STS 2002 Series A bonds; and refunding opportunities for the Magnolia 2003-1 Series A and Hoover 2001 Series A bonds. No action was taken.

9. Unsolicited Proposals

The Committee reviewed unsolicited proposals from Barclays, De La Rosa, Jefferies, J.P. Morgan, Morgan Stanley and Siebert Brandford Shank. The Committee took no action with respect to such proposals.

10. Closed Session

The Committee went into closed session, but took no action.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, MAY 2, 2011, AT 10:30 A.M. AT THE SCPPA OFFICE.**