



TO: Board of Directors
FROM: Vernon D. Oates
SUBJECT: Finance Committee Report
DATE: April 6, 2010

A meeting of the Finance Committee was held on April 5, 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*); Reiko Kerr (*Riverside*); and Shari Thomas (*Pasadena*).

Others present were: Stephen Cole (*Fulbright & Jaworski*); Mike Berwanger, Dan Hartman (via teleconference) and Will Frymann (*Public Financial Management*); Nina Sanchez (*LADWP/SCPPA*); and Steve Homer and Vernon Oates (*SCPPA*).

1. Investment Reports

The Committee reviewed the Investment Reports for the month of February 2010, and recommended forwarding the reports to the Board for receipt and filing.

2. Project Budget Comparison Reports

The Committee reviewed the Project Budget Comparison Summary Report for the quarter ended December 31, 2009, and recommended forwarding the reports to the Board for receipt and filing.

3. Renewable Energy Project Financing Update

Public Financial Management (PFM) provided an update on certain renewable projects:

- **Milford II Wind Energy Project:** PFM updated the Committee with respect to the Milford II Project.
- **Raser Geothermal Project, Windy Point III Energy, and Miller Ranch Projects** are all progressing.

4. Tieton Hydropower Project Update

PFM reported that LADWP notified SCPPA that LADWP will not participate in this project. Glendale and Burbank will continue as participants. The notes mature on August 16, 2010, and may be refunded as early as May 18, 2010. The bond financing will be a blend of tax-exempt and taxable bonds. Citi will be the senior underwriter for the bonds. No action was taken on the decision of co-managers on the financing.

5. Windy Point/Windy Flats II Wind Energy Project

PFM reported that a DOE grant application has been filed by the developer. They expect to receive the grant any day. SCPPA will have 90 days from receipt of the grant by the developer to make its prepayment. The prepayment will be approximately \$600 million and will cover both phases of the project totaling 262.2 MW. Pricing is expected in June 2010, with closing in late June or early July. SCPPA had a positive meeting with Fitch regarding rating the project upon the full strength of the take-or-pay Power Sales Agreements. JPMorgan is the lead underwriter.

6. Canyon Power Project Update

PFM provided an update on the Canyon Power Project. It was reported that CEC approvals have been received and SCPPA/APU are proceeding on the financing. SCPPA/APU anticipate going to market with tax exempt bonds and Build America Bonds (BABs) in May 2010. Rating agency preparation is underway for early May meetings. The Canyon notes mature on August 3, 2010, and may be refunded as early as May 5, 2010. The 2010 financing will refinance the notes and provide additional proceeds to complete the project. PFM also provided an explanation of BAB compliance requirements as it relates to market pricing and stated redemption price. The Committee recommended forwarding to the Board the two resolutions for authorizing the issuance of 2010 Canyon Power Project Bonds and continuing disclosure related to the bonds to be issued.

7. Standby Bond Purchase Agreements Relating to the STS 2000 and 2001 Bonds

PFM reported that West LB will not extend its Standby Bond Purchase Agreement relating to the STS 2000 Bonds. As a result, and for certain other reasons, PFM recommended that SCPPA replace the West LB Standby Purchase Agreement. The Committee accepted the recommendation and authorized PFM to solicit bids and authorized PFM and Fulbright to negotiate a Standby Purchase Agreement with the new provider. The Committee indicated that the new Standby Bond Purchase Agreement should be in place by no later than mid July, 2010. The Committee also concluded that no action needs to be taken with respect to the Standby Bond Purchase Agreement relating to the STS 2001 Bonds.

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 recent swap indication is approximately 79-80.5% of three-month LIBOR, which is not at the 81.5% level which was earlier recommended by the Committee. Based upon further discussion, the Committee recommended that the level of savings must be at least 80% of three-month LIBOR, which level is consistent with the Board parameters.

PFM also presented and discussed a proposal received from Jeffries that relates to structuring options for basis swaps.

The Committee agreed that if the basis swaps reach a level of 80% or higher of three-month LIBOR for two consecutive days, a teleconference should be arranged.

9. 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. LIBOR and SIFMA rates have remained volatile, but current swap valuations have generally improved from the prior month.

PFM relayed an unsolicited call from AIG regarding termination of the STS Series 1991 swap and entering into a new swap. However, SCPPA would need to issue taxable bonds to fund the termination payment. The Committee authorized PFM to discuss with AIG a possible break-even termination only.

10. Rating Agency Update

The Committee received an update from PFM regarding the Global Scale Recalibration by Moody's Investors Service and Fitch Ratings.

11. Unsolicited Proposals

PFM also presented a proposal received from Ramirez relating to the reversal (or suspension) of two outstanding constant maturity swaps that SCPPA has associated with the Mead-Adelanto Project. In addition PFM presented a proposal from Goldman Sachs regarding refinancing developer debt relating to the Pebble Springs and Southwestern Wyoming Wind Projects via a non-recourse financing vehicle.

12. 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.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, MAY 3, 2010, AT 10:30 A.M. AT THE SCPPA OFFICE.**