



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Meeting of the SCPPA Finance Committee – April 6, 2009
DATE: April 7, 2009

A meeting of the Finance Committee was held on April 6, 2009, at the SCPPA office in Pasadena.

Committee members in attendance were: Acting Chairman Craig Koehler (*SCPPA*); Ed Zacherl (*Anaheim*); Jeannette Olko (*Colton*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); and Dora Burns (*Riverside*).

Others present were: Evilia Waloejo (*Burbank*); Greg Broeking (*R.W. Beck representing Imperial Irrigation District*); Aileen Ma (*Riverside*); Stephen Cole (*Fulbright & Jaworski*); Dan Hartman, Mike Berwanger, and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP*); and Steve Homer and Richard Helgeson (*SCPPA*).

1. Investment Report

The Committee reviewed the Investment Report for the month of February 2009, and agreed to forward the report to the Board for receipt and filing.

2. Project Budget Comparison Reports

The Committee reviewed the Budget Comparison Reports for the period ended December 31, 2008. Listed below is the net Authority Cost for each of the following budgets:

- | | |
|---------------------------------------|---|
| • Hoover Upgrading Project: | Approximately \$17.4K (2.93%) under budget |
| • Magnolia Power Project: | Approximately \$1.02M (4.07%) under budget |
| • Mead-Adelanto Transmission Project: | Approximately \$3.06 (27.98%) under budget |
| • Mead-Phoenix Transmission Project: | Approximately \$3.50M (91.9%) over budget |
| • Natural Gas Project - Barnett: | Approximately \$4.64M (39.3%) under budget |
| • Natural Gas Project - Pinedale: | Approximately \$7.74M (60.96%) under budget |
| • Ormat Geothermal Project: | Approximately \$2.46M (52.12%) under budget |
| • Palo Verde Power Project: | Approximately \$8.45M (18.71%) under budget |
| • San Juan Unit 3 Power Project: | Approximately \$3.73M (9.50%) over budget |

- Southern Transmission System: Approximately \$1.39M (3.26%) under budget.
The Budget Comparison Reports will be presented to the Board at the April meeting.

3. LADWP Renewable Project Tax Counsel

The Committee reviewed LADWP's request that SCPPA use Nixon Peabody as tax counsel for certain ongoing renewable projects where LADWP is a participant. The Committee will discuss and consider further at the next meeting.

4. Magnolia Power Project A Refunding Revenue Bonds 2007-1 Refinancing

PFM provided an update in connection with the refinancing for the Magnolia Power Project A, Refunding Revenue Bonds 2007-1 Series. The refinancing is proceeding according to schedule with the contemplated pricing/closing on April 21st and 23rd, respectively. KBC and BofA have both received credit approval for their respective Letters-of-Credit. JPMorgan and Citi have agreed to recoupon the existing swaps on an uninsured basis and have agreed to a number of amendments to the swaps to facilitate the new transaction. SCPPA will execute a SIFMA based swap and will follow up with a basis swap later if desired. The Trustee is in the process of terminating the existing reserve fund GIC with FSA. FSA was unwilling to negotiate a favorable above par termination value on the contract. Bank related documents are finalized pending any comments from the rating agencies, and swap agreements are finalized pending results of pricing on the 21st. The POS is nearly final and should be ready to be mailed once the ratings are received.

5. Palo Verde Project 1997B Escrow Restructuring

The Committee received a summary of the results in connection with tendering the Palo Verde Project 1997 Series B Bonds and discussed possible future purchases of the 1997 Series B Bonds that were not purchased. SCPPA received \$104.3M of individual tender offers, \$94.8M of which produced positive benefits for SCPPA. While the ultimate volume of tenders was lower than expected, the transaction represented a significant success and found savings for SCPPA producing approximately \$4.6M of present value savings in received cash. The participants discussed what they would like to do with respect to the net proceeds received for the tender and will provide direction to the Committee at the next meeting.

6. Public Financial Management Contract

The Committee reviewed PFM's current contract retainer and discuss services in connection with ongoing renewable deals. The Committee requested PFM to provide a proposal for both its regular retainer and a renewable retainer for discussion and consideration at the next meeting.

7. Renewable Energy Project Financing Update

PFM provided an update on the following renewable projects and potential financing opportunities:

- Leaning Juniper 2 – 90MW wind project located in Oregon; in two phases; cost \$530M; expected COD of May 2010 and March 2011; financing approach will be installment payments.
- Milford I – 200MW wind project located in Utah; cost of \$400M and expected COD of November 2009; financing will be a Tax-Equity (if available) with \$260M prepayment with Muni-Ownership Buyout Right.

- Milford II - 100MW wind project located in Utah; estimated cost \$275M; expected COD June 2010; financing will utilize a Tax-Equity approach with a \$180M prepayment. The Committee recommended the Board approve Reimbursement Resolutions in connection with certain Project expenditures that will be incurred and paid prior to the issuance of the proposed financing bonds.
- Northwest Wind (Miller/Linden) – 100MW wind project located in Washington; project cost of \$140M with expected COD at the end of 2009; financing will be done through installment payments
- Raser 3 and 4 – Geothermal plants located approximately 80 miles beyond IPA unit in Utah; Raser 3 is 55MW at cost of \$190M and Raser 4 is 33MW at cost of \$115M; estimated COD is end of 2010 and 2011; the expected financing will utilize a DOE Grant with prepayment. The Committee recommended the Board approve a Reimbursement Resolution in connection with certain Project expenditures that will be incurred and paid prior to the issuance of the proposed financing bonds for Raser 3 and Raser 4.
- Windy Point – 262MW wind project located in Washington; estimated project cost of \$667M; timing for funding and COD are October 2009; financing will utilize a DOE Grant with a prepayment.

8. Ice Energy Update

PFM provided an update in connection with Ice Energy project proposal. This is a very cutting edge project for SCPPA both in terms of technology and business and financial structure. The project uses a distributed peak-shaving storage device designed to shift part of the cost of A/C usage to off-peak hours. The technology is in its 4th generation and is backed by 20 years of development. Many of the project details are still being negotiated and given participation of multiple parties will likely take longer than estimated. The financing is expected to be similar to the Gas Reserves deal (i.e., a separate bond issue for each participant), with potential for 7 different bond issuances of various sizes across several credits. The project build out period is up to two years and involves significant tax and bond issues that must be addressed.

The Committee recommended the Board approve the following resolutions in connection with the Ice Energy Project: authorizing the Working Group to begin work on the preparation of all documents necessary to sell and issue Power Project Revenue Obligations; a Development Agreement; a Reimbursement Resolution in connection with certain Project expenditures that will be incurred and paid prior to the issuance of the proposed financing bonds; and a DOE Funding Grant Application.

9. Market and VRDO Update

PFM provided a market and VRDO status report regarding potential restructuring on existing SCPPA variable rate debt. Variable rate performance in February and March was very similar to January with generally low rates but some continuing pressures on the Dexia backed paper.

10. AIG Considerations Update

PFM provided the Committee with an update and status of AIG. SCPPA continues to work on reducing the exposure to AIG. For San Juan and the Gas Reserves, SCPPA is in the process of terminating the agreements at par, and PFM is working on the negotiations. For the Gas Prepay Project, SCPPA should be concerned with the status of AIG. SCPPA is in the process of reaching out to AIG for a more favorable package which works for SCPPA economically and which reduces AIG's exposures. The Committee requested PFM to continue to monitor and report back to the Committee at the next meeting.

11. Build America Bonds and Stimulus Bill Provisions

PFM provided the Committee an overview of the American Recovery & Reinvestment Act of 2009 (ARRA 2009) and Build America Bond Program (BAB). As a whole, ARRA 2009 focuses in two areas: 1) appropriations for government programs, and 2) tax-based incentives. Of the \$787 billion package, more than \$40 billion is appropriated for clean energy initiatives and new or modified tax incentives. It includes various spending initiatives for State and Local governments, as well as provisions and enhancements related to municipal bond issuance and the laws governing their type and use. The BAB creates two new types of tax subsidy/credit bonds that may be used by municipal issuers as an option for accessing the capital markets and is limited to calendar years 2009 and 2010. For the issuer Subsidy BABs, municipal issuers may sell taxable bonds and receive a direct tax subsidy from the U.S. Treasury equaling 35% of the interest on the bonds. The second type is the Investor Subsidy BABs, where the municipal issuers may sell taxable bonds and the investor receives a tax credit equaling 35% of the interest on the bonds. The credits are also transferrable from the investor to a third party. The intent of the BAB program is to expand municipal issuer reach into the global taxable bond market, enhancing market access and potentially lowering overall borrowing costs versus traditional tax-exempt debt.

12. Unsolicited Proposals

PFM provided a summary of the unsolicited proposals received. The Committee recommended no action at this time.

The Budget Workshop will be held at the SCPPA offices on April 13, 2009, at 10:30 A.M., to review the Draft 2009/10 SCPPA Administrative & General Expense Budget.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, MAY 4, 2009, AT 10:30 A.M. AT THE SCPPA OFFICE**