



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: May 2, 2011

A meeting of the Finance Committee was held on May 2, 2011, at the SCPPA office in Pasadena.

Committee members in attendance were: Bill Carnahan (*SCPPA*); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Peggy Keigler (*Colton*); Dave Davis (*Glendale*); Belen Valenzuela (*IID*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); and Reiko Kerr (*Riverside*).

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

1. Investment Reports

The Committee reviewed the Investment Reports for the month of March 2011 and the quarter ending March 31, 2011. The Committee recommended forwarding the reports to the Board for receipt and filing.

2. Milford II Project Update

The Committee received an update from Public Financial Management (PFM) with respect to the Milford II Project financing. SCPPA received notice of COD on May 2nd. S&P and Fitch are expected to be approached for ratings with presentations planned for the week of June 27th.

3. Gas Prepaid Project

PFM discussed the possible assignment of the Investment Agreement, from AIG Matched Funding Corp. to Sun America. The deadline for assignment has been extended to May 31st. At this point, Sun America has provided tentative approval with only logistical issues remaining.

4. Other AIG GICs

PFM discussed possible termination of the AIG GICs related to the Natural Gas Reserves Projects; the STS Project 1992 DSRF; and the San Juan Project DSRF.

5. **Palo Verde 2008 Bonds**

PFM updated the Committee on the progress related to the replacement of the expiring LOCs with JP Morgan and Dexia. SCPPA is progressing with replacing both LOCs with three-year LOCs from Citi at a price of 50 bps. With the current facilities expiring August 26th, contract negotiations will be underway shortly.

6. **Hoover Project**

PFM discussed the possible refunding of the 2001 Series. A current refunding would generate over 5% PV savings, but due to the small transaction size, costs of issuance are material. The Committee took no action.

7. **Windy Point Debt Service Reserve Fund Investment**

PFM discussed investment options for the Windy Point Project reserve fund. The reserve fund has a balance of \$10,261,537 and an arbitrage yield of 2.974%. A Forward Delivery Agreement at current rates would allow SCPPA to eliminate all or significantly all of the negative arbitrage on the 2010 financing. The Committee took no action, but wants to monitor rates to achieve a level that would clearly recover all negative arbitrage incurred to date.

8. **Market and VRDO Update**

The Committee received a market and VRDO status report from PFM. The reset rates on SCPPA's Dexia backed variable rate series continue to increase, which include the 2008 Palo Verde and 2001 STS issues.

9. **Unsolicited Proposals**

The Committee did not review any unsolicited proposals from investment bankers.

10. **Closed Session**

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

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, JUNE 6, 2011, AT 10:30 A.M. AT THE SCPPA OFFICE.**