



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: May 4, 2010

A meeting of the Finance Committee was held on May 3, 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 and Steve Lins (*Glendale*); Mario Ignacio (*LADWP*); Dora Burns (*Riverside*); and Shari Thomas (*Pasadena*).

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

1. **Investment Reports**

The Committee reviewed the Investment Reports for the month and quarter ended March 31, 2010. Both reports were recommended for forwarding to the Board for receipt and filing.

2. **Renewable Energy Project Financing Update**

Public Financial Management (PFM) provided an update on certain renewable projects. Milford Wind Corridor II, Raser Geothermal, Windy Point III, and Miller Ranch Wind Projects are all progressing.

3. **Tieton Hydropower Project Update**

The Committee received an update from PFM with respect to the 2010 Tieton Hydropower Project Revenue Bonds. The expected structure is a blend of taxable and tax-exempt bonds with 30-year level debt service. The Committee recommended forwarding to the Board two resolutions approving the issuance of the bonds, the related legal documents and a preliminary official statement; and providing for SCPPA's continuing disclosure obligations in connection with such bonds.

4. **Windy Point/Windy Flats II Wind Energy Project**

The Committee received an update from PFM with respect to the Windy Point/Windy Flats Wind Energy Project financing. The developer has not received the DOE Grant funds. The Committee recommended forwarding to the Board two resolutions approving the issuance of the Bonds, the related legal documents and a Preliminary Official Statement, as well as authorizing a special billing obligation to LADWP in connection with certain transmission credits for the Windy Point/Windy Flats Project and providing for SCPPA's continuing disclosure obligations in connection with such bonds.

5. **Canyon Power Project Update**

PFM and Anaheim provided an update on the Canyon Power Project. Construction has begun and SCPPA and Anaheim are proceeding with the Canyon Power Project Financing. Rating agency preparation is underway for meetings next week. A number of detailed debt structural features have been resolved. Details regarding BABs call language, pricing and tax requirements being discussed.

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

PFM reported that SCPPA is preparing to replace the West LB Standby Purchase Agreement related to the STS 2000 Bonds. SCPPA received four responses to a request for replacement liquidity providers. Fulbright has begun the document drafting process for the agreement as well as the new disclosure document. The replacement of West LB will include getting consent from FSA, which has been initiated by PFM. 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. The Committee recommended forwarding to the Board a resolution authorizing the execution and delivery of documents in connection with the replacement liquidity facility.

7. **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 79.5% of three-month LIBOR, which is not at the 80% level which was earlier recommended by the Committee.

8. **Mead-Adelanto Constant Maturity Swap**

The Committee received an update from PFM with respect to a proposal for a further suspension of the existing constant maturity swap with J.P. Morgan Chase Bank, N.A. for the Mead-Adelanto Project bonds. The Committee decided to have PFM notify the Committee if the following levels are met: a suspension of the maturity swap for a maximum of eight additional years with at least \$4.2M 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.

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 proposal from Stone & Youngberg related to SIFMA index notes potentially for the STS 2000 Bonds; no action taken.

10.

Closed Session

Potential Litigation: Conference with legal counsel regarding the potential initiation of litigation pursuant to subdivision (c) of Section 54956.9 of the California Government Code (two potential cases).

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, JUNE 28, 2010, AT 10:30 A.M. AT THE SCPA OFFICE.**