



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Meeting of the SCPPA Finance Committee – May 4, 2009
DATE: May 5, 2009

A meeting of the Finance Committee was held on May 4, 2009, at the SCPPA office in Pasadena.

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

Others present were: Greg Broeking (*R.W. Beck representing Imperial Irrigation District*); Stephen Cole (*Fulbright & Jaworski*); Mike Berwanger and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP*); and Craig Koehler and Richard Helgeson (*SCPPA*).

1. Investment Reports

The Committee reviewed the Investment Reports for the month of March 2009, and the quarter ended March 31, 2009, and agreed to forward the reports to the Board for receipt and filing.

2. SCPPA Unaudited Quarterly Financial Statements

The Committee reviewed the unaudited Quarterly Financial Statements for the period ended March 31, 2009, and agreed to forward the statements to the Board for review and filing.

3. Public Financial Management Contract

The Committee deferred discussion of Public Financial Management's contract and retainer proposals until next meeting.

4. Renewable Energy Projects: Financing Update

PFM provided an update on renewable projects and potential financing opportunities.

Milford I

The potential financing for this project is rapidly approaching but the structure is dependent on the Developer's (First Wind) tax equity placement efforts. An amended PPA is in place which allows First

Wind to continue to try and place tax equity for the project. If First Wind can't place the tax equity then SCPPA has the obligation to buy the project outright at a predetermined price of \$400 million including an additional possibility of \$10 million penalty from First Wind for timing adjustment. First Wind is required to notify SCPPA 60 days prior to COD on its ability to place the tax equity. The timing of the financing could be anywhere from late 2009 to the end of 2010 with potential window of completion of only 90 days.

The Finance Committee recommended that the Board approve a resolution authorizing the Working Group to prepare all documents necessary or appropriate to sell and issue project revenue bonds, the proceeds of which will be used to either prepay for energy produced by the Milford Wind Corridor Phase I Project or to acquire the Milford Wind Corridor Phase I Project.

Northwest Wind (Linden Miller)

The project is very near to reaching a business arrangement and financing process needs to commence soon. The project is being developed by enXco and is 50 MWs at a cost of \$139 million. The business arrangement involves milestone payments beginning in September 2009. SCPPA will receive security interests in the project including all contracts and work product in return for its milestone payments. Financing approaches currently include fixed rate bonds and possibly a rolling BAN program where BANs are issued as payments are due.

Windy Point

The transaction structure is 202 MWs with a possible additional 60 MWs and will include a Tax-Exempt prepayment with a DOE Grant for ITC monetization. SCPPA will have any early Buy-Out Option at FMV after approximately year 5. A revised timetable is pending from the Developer but the construction has already begun. Prepayment bonds totaling approximately \$500 million will need to be issued shortly after COD and in conjunction with the DOE Grant. Tax counsel review of the transaction in its entirety will be critical. An all hands meeting is contemplated for May 11.

5. Canyon Power Project Update

The Committee received an update in connection with the Canyon Power Project. The project is on track and CEC licensing is expected in late September and financing is expected to occur in the second half of October or the first half of November 2009. The Committee requested PFM prepare an RFP for selection of an underwriter in connection with the project financing.

The Committee recommended that the Board approve a resolution authorizing the Working Group to prepare all documents necessary or appropriate to sell and issue project revenue bonds, the proceeds of which will be used to refund outstanding Revenue Notes and to fund all remaining costs and expenses associated with the acquisition and construction of the Canyon Power Project.

6. Palo Verde: Use of Tender Offer Moneys

The Committee discussed how to use the moneys received from the tender offer completed last month. *The Committee recommend that the Board approve a resolution authorizing the Finance Committee to effect, if market conditions are favorable, an additional tender offer or the direct sales of defeasance obligations relating to the Authority's Palo Verde Power Project Revenue Bonds, 1997 Subordinate Refunding Taxable Series B and authorizing the preparation of all documents necessary or appropriate in connection therewith.*

7. Mead-Adelanto and Mead-Phoenix Standby Bond Purchase Agreements

The Committee discussed the extension of the four Standby Bond Purchase Agreements with JPMorgan Chase Bank that expire October 1, 2009. The Standby Bond Purchase Agreements relate to the 2008 Bonds. The Committee authorized PFM to begin discussions with JPMorgan regarding negotiation of the renewals.

8. Market and VRDO Update

PFM provided a market and VRDO status report regarding potential restructuring on existing SCPPA variable rate debt. As a result of the 2009 Magnolia refinancing, the 2007-1 bonds were redeemed and the new 2009-1 and 2009-2 bonds are being remarketed. The initial weekly reset on the 2009-1 and 2009-2 bonds was 0.37% per annum. PFM continues to monitor and recommends no immediate action in regards to the Southern Transmission Series 2000 and 2001 series bonds.

9. AIG Update

PFM provided the Committee with an update on AIG. For the Gas Prepay Project, in addition to the Debt Service Fund and Working Capital Reserve Fund GICs, AIG maintains two offsetting commodity swaps, one with SCPPA and one with J. Aron. The commodity swap allows SCPPA to take advantage of an index-based transaction. PFM and Goldman have initiated a process to seek collateral from AIG and replace AIG with a more highly rated counterparty. PFM has worked to find a replacement provider for the Debt Service Fund and Working Capital Reserve Fund GICs, but has found no replacement. PFM is now seeking to have Goldman waive the par break and move to a market break upon a Goldman default.

10. Unsolicited Proposals

PFM provided a summary of the unsolicited proposals received. One unsolicited proposal was received from Citigroup in connection with the issuance of Build America Bonds (BABs) for the Canyon Power Project. PFM recommended no action at this time.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, JUNE 1, 2009, AT 10:30 A.M. AT THE SCPPA OFFICE**