



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: June 6, 2011

A meeting of the Finance Committee was held on June 6, 2011, at the SCPPA office in Pasadena.

Committee members in attendance were: Bill Carnahan (SCPPA); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Amer Jakher (*Colton*); Dave Davis (*Glendale*); Belen Valenzuela (*IID-on the phone*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); and Dora Burns (*Riverside*).

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

1. Investment Reports

The Committee reviewed the Investment Report for the month of April 2011. The Committee recommended forwarding the report to the Board for receipt and filing.

2. SCPPA RFPs

The Committee discussed the upcoming SCPPA Financial Advisor, Bond Counsel and Investment/Renewable Banking Team RFPs. The Committee decided the FA RFP will be sent out June 8th with response by July 8th. An invitation to interview the short list respondents from the Bond Counsel RFP will be made to each member's legal counsel. The currently separate Investment and Renewable Banking Teams will be collapsed into one pool with the RFP going out in October 2011.

3. Investment Banking Team Relations

The Committee discussed the impact to SCPPA related to potential changes in the project developer and investment banker relationships. The Committee decided to formalize the selection of each project Investment Banker with the project committees and continue with conflict-of-interest due diligence.

4. Milford II Project Update

The Committee received an update from Public Financial Management (PFM) with respect to the Milford II Project financing. COD is May 2nd; therefore SCPPA's prepayment deadline is August 30th. Initial drafts of Indenture of Trust, First Supplemental Indenture of Trust and POS with appendices have been circulated.

5. Gas Prepaid Project

PFM discussed the possible assignment of the Investment Agreement, from AIG Matched Funding Corp. to Sun America or American General. The deadline for the remedy has been extended to June 30th.

6. 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. The deadline for remedy has been extended to June 30th. All three GICs are collateralized; assignment is not critical at this point. Decision on these GICs will follow the Gas Prepaid solution.

7. Palo Verde 2008 Bonds

PFM updated the Committee on the progress related to the replacement of the expiring LOCs with JP Morgan and Dexia. The Committee approved the Letters of Credit and Reimbursement Agreements.

8. Hoover Project

PFM discussed the RFP for refunding of the 2001 Series. The RFP will be sent out June 6th for responses due by June 24th.

9. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. The reset rates for the Dexia backed Palo Verde 2008 Series B and STS 2001 have increased again primarily due to Dexia being put on Negative Watch by S&P on May 23rd, as well as other market problems.

10. Unsolicited Proposals

The Committee reviewed an unsolicited proposal from Citi relating to the novation of the STS 2000 Series A swap to Wells Fargo. The Committee chose to have PFM gather more information on the proposal.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, JULY 11, 2011, AT 10:30 A.M. AT THE SCPPA OFFICE.**