



TO: SCPPA Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Meeting of the SCPPA Finance Committee – July 2, 2007

DATE: July 3, 2007

A meeting of the Finance Committee was held on July 2, 2007, at the SCPPA office in Pasadena.

Committee members in attendance were: Acting Chairman Bill Carnahan (*SCPPA*); Mark Mazak (*Anaheim*); Bob Liu (*Burbank*); Jeannette Olko (*Colton*); Ned Basin (*Glendale*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); and Jerry Rogers (*Riverside*).

Others present were: Stephen Cole (*Fulbright & Jaworski*); William Frymann and Dan Hartman (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); and Craig Koehler, Steve Homer and Richard Helgeson (*SCPPA*).

1. Investment Report

The Committee reviewed the Investment Report for May 2007, and agreed to forward the report to the Board for receipt and filing.

2. Gas Prepayment Update

Public Financial Management (PFM) provided an update to the Gas Prepayment. Currently all of the Gas Prepay Participants are considering a 30-year term, except for LADWP and Pasadena, which are at 20-year terms respectively. The Participants have agreed to consider finalizing their respective deals while LADWP is under going its City Attorney review process.

SCPPA and PFM will coordinate a final meeting among the Participants (Anaheim, Burbank, Colton, Glendale, and Pasadena), Goldman Sachs and J. Aron to finalize any remaining deal points. Savings from Natural Gas Prepayments have increased over the past month with higher gas prices and larger spreads between taxable and tax-exempts rates. The current Net Present Value savings for a 20-year transaction is \$81.6 million or \$0.86 per MMBtu, compared to \$148.5 million or \$1.26 per MMBtu for a 30-year transaction (based on 20,000 MMBtu/day).

The Committee also requested that PFM follow up to review how SCPPA's proposed deal compares to how other transactions have priced in the marketplace.

3. **Gas Reserves Takeout Financing**

PFM provided an update and timetable to the Gas Reserves Takeout Financing. Based on the latest estimates, the total par amount will be \$125.5 million, including an estimated \$51.5 million for gas reserve drilling capital. The financing schedule contemplates pricing and closing in October 2007.

4. **Variable Rate Performance**

The Committee recommended that a letter prepared by PFM be sent to Citigroup regarding their ARS performance.

5. **Milford UPC Wind Project**

The Committee discussed the UPC Wind Project Power Purchase Agreement and Power Sales Agreement and recommended that the Board of Directors approve a resolution relating to same and the Agency Agreement between SCPPA and Los Angeles at its July or August meeting.

6. **STS Upgrade**

The Committee reviewed the status of the Southern Transmission System upgrade. The upgrade is proceeding.

7. **Anaheim Municipal Power Station Project**

The Committee reviewed a proposed reimbursement resolution which addresses the Anaheim Municipal Power Station Project, consisting of a 170 to 200 megawatt peaking generation facility to be located in Anaheim, to reimburse expenses incurred in the development of this Project pursuant to Section 1.150-2 of the United States Treasury Regulations. The Committee recommended that the Board approve the resolution to reimburse certain expenditures from a proposed tax-exempt bond financing in connection with the Anaheim Municipal Power Station Project.

8. **Unsolicited Proposals**

There were no unsolicited proposals since the last meeting.

Bill Carnahan also provided a brief update on other renewable projects, including, Pebble Springs wind, Solel solar, the Green Waste Facility Study, Greenpath North, and the Joint IID/LADWP Geothermal Project.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, AUGUST 6, 2007, AT 10:30 A.M. AT THE SCPPA OFFICE**