



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: July 11, 2011

A meeting of the Finance Committee was held on July 11, 2011, at the SCPPA office in Pasadena.

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

Others present were: Stephen Cole (*Fulbright & Jaworski*); Mike Berwanger, Dan Hartman and Rian Irani (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); Vernon Oates, Dick Helgeson and Steve Homer (SCPPA).

1. Financial Statements

The Committee reviewed the unaudited Quarterly Financial Statements for the quarter ended March 31, 2011, and recommended forwarding the statements to the Board for receipt and filing.

2. Investment Reports

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

3. Project Budget Comparison Reports

The Committee reviewed the Quarterly Project Budget Comparison Reports for the quarter ended March 31, 2011 and recommended forwarding the reports to the Board for receipt and filing.

4. Milford II Project Update

The Committee received an update from Public Financial Management (PFM) with respect to the Milford II Project financing. 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. Pricing is expected to be on July 27-28th and closing on August 11th.

Also, the Committee will recommend to the Board the following co-managers for the financing: Citi, Loop Capital, Stone & Youngberg and Bank of America Merrill Lynch.

5. AIG Investment/Swap Contracts Update

PFM discussed the successful assignment of the Prepaid Gas Investment Agreement, from AIG Matched Funding Corp. to American General Life Insurance Company of Delaware that closed June 30th. The assignment does not change the business terms of the original contract, except for the AIG Inc. guarantee.

PFM also discussed the possible termination of the other AIG GICs. AIG will terminate the Natural Gas Reserves Projects GIC on July 28, 2011. The STS Project 1992 DSRF, San Juan Project 2002B and 2005A DSRF GICs are fully collateralized and will remain in place. No provisions of these GICs were triggered by the AIG downgrade.

6. Palo Verde 2008 Bonds

PFM discussed the replacement of the expiring LOCs with JP Morgan and Dexia that closed July 6th. The 2008B Series reset at .07% on July 6th, down from the 3% Dexia backed trading levels a week earlier.

7. Hoover Project

PFM discussed the RFP for refunding of the 2001 Series. SCPPA received 11 responses. The selected firm will be notified in time for Board approval in July and the expected close of the transaction will occur by the end of August. One additional matter will be discussed prior to the Board action in July.

8. STS 2001 Series A

PFM updated the Committee on the recent liquidity RFP. SCPPA received seven responses. The Committee will be selecting a three-year facility. The selected firm will be notified shortly.

9. Moody's New Financial Metrics

PFM discussed Moody's changes to their public power rating criteria to which Moody's has requested comments by mid-August. The Committee decided to have PFM prepare the response document subject to comments and/or revisions from the SCPPA members.

10. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. The reset rates for the Dexia backed STS 2001 facility have remained an issue due to the Dexia downgrade.

11. Unsolicited Proposals

The Committee reviewed unsolicited proposals that have been received from investment bankers. The Committee took no action with respect to such proposals.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, AUGUST 1, 2011, AT 10:30 A.M. AT THE SCPPA OFFICE.**