



TO: SCPPA Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Meeting of the SCPPA Finance Committee – August 6, 2007

DATE: August 7, 2007

A meeting of the Finance Committee was held on August 6, 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 Reiko Kerr (*Riverside*).

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

1. Investment Reports

The Committee reviewed the Investment Reports for June 2007 and quarter ended June 30, 2007, and agreed to forward the reports to the Board for receipt and filing.

2. Swap Termination Valuation Update

Public Financial Management (PFM) provided the Committee with an update to the Quarterly Swap Termination Valuation as of June 30, 2007. The valuation on SCPPA's eleven outstanding swaps was (\$57.1) million as of June 29, 2007. This negative valuation decreased from (\$80.5) million from the previous quarter, due to increases in swap rates in the market. The Committee agreed to forward the report to the Board for receipt and filing.

3. Gas Prepayment Project No. 1 Update

The Committee received an update for the Gas Prepayment Projects, and reviewed the associated fees. Participant approvals from respective Participant City Councils will be August 13 for Pasadena, and August 21 for Anaheim, Burbank, Colton, and Glendale. Final volumes and delivery points have been communicated with J. Aron, and the documentation is substantially complete. Rating agency calls are scheduled for August 8, and ratings are expected by late August. Current pricing schedule is set for September 11-12, but may be impacted by the September 20 Goldman Sachs earnings release. Gas flow is contemplated for October 1, but may be pushed back if pricing is delayed.

The Committee recommended the following actions: (i) that the Board approve the fees associated with the Project 1 transaction, and (ii) adopt resolutions authorizing the documents required for the sale and issuance of the 2007 Gas Project Revenue Bonds (Project No. 1), Series 2007A, Series 2007B, and Series 2007C, and approve majority Project voting instead of 80% of the Project Votes cast thereon.

4. **Gas Reserves Takeout Financing**

PFM provided an update to the Gas Reserves Takeout Financing. Substantial progress has been made on the legal documents and disclosure. The amount of borrowing is to include current takeout of \$72 million for the Merrill Lynch bridge loan, and \$50 million to cover five years of capital costs associated with drilling. The current schedule contemplates pricing and closing in November 2007.

5. **Agua Mansa Project (Azusa, Banning, Colton)**

The Committee recommended that the Board approve a resolution to reimburse certain expenditures from a proposed tax-exempt bond financing in connection with the Agua Mansa Power Plant (Agua Mansa Project).

6. **Milford UPC Wind Project**

The Committee recommended that the Board adopt a resolution authorizing the Power Sales Agreement and certain related agreements in connection with the Milford UPC Wind Project.

7. **STS Upgrade**

The Committee received a status of the Southern Transmission System upgrade. The upgrade is proceeding for the proposed \$100 million financing.

8. **Presentation to Moody's Investors Service**

The Committee received a copy of a presentation provided by SCPPA management and PFM given to Moody's Investors Service on July 23. Moody's is preparing a rating report on SCPPA's projects to be released at a later date.

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