



TO: SCPPA Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Meeting of the SCPPA Finance Committee – September 10, 2007

DATE: September 11, 2007

A meeting of the Finance Committee was held on September 10, 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*); Peter Huynh (*LADWP*); Shari Thomas (*Pasadena*); and Jerry Rogers (*Riverside*).

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

1. Investment Reports

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

2. Project Budget Comparison Reports

The Committee reviewed the Budget Comparison Reports for the period ended June 30, 2007, for all projects. The following reflects the net Authority Cost for each of the budgets:

- Hoover Upgrading Project: Approximately \$21K (1.16%) under budget
- Magnolia Power Project: Approximately \$1M (2.00%) over budget
- Mead-Adelanto Transmission Project: Approximately \$273K (1.28%) under budget
- Mead-Phoenix Transmission Project: Approximately \$84K (1.15%) under budget
- Natural Gas Project - Barnett: Approximately \$2.65M (32.0%) over budget
- Natural Gas Project: - Pinedale: Approximately \$18M (47.0%) under budget
- Ormat Geothermal Project: Approximately \$1.34M (25.96%) under budget
- Palo Verde Power Project: Approximately \$5.78M (8.90%) under budget
- San Juan Unit 3 Power Project: Approximately \$1.24M (1.46%) under budget
- Southern Transmission System Project: Approximately \$3.9M (4.5%) under budget.

3. Gas Prepayment Update

Public Financial Management (PFM) provided an update relative to the market and economic savings in connection with the Gas Prepayment. In connection with Project No. 1, all City Council approvals have been received, major documentation including the commodity swap is substantially done, and the rating agency process is nearing completion. Current pricing is scheduled for early October, but may be delayed due to market factors. Current gas flow is scheduled for November 1, 2007, but may be pushed back if pricing is delayed.

For Project No. 2, documents are currently under review by the Los Angeles City Attorney's office and have been submitted to the Contracts Committee. The anticipated sign-off by the City Administrator's office is pending. Comments on the documents from the rating agencies will also carry over to Project 2 documents. Current pricing is scheduled for late October, but may be delayed due to market factors. Current gas flow for Project 2 is also scheduled for November 1, 2007, but may be pushed back if pricing is delayed. Discussions were held with Goldman Sachs to discuss how they were addressing economic savings in connection with the current market conditions. The Committee also requested PFM to contact Merrill Lynch who was one of the underwriters that was interviewed but not selected for the financing, to determine if SCPPA could receive similar terms compared to more favorably priced deals that are scheduled to price or have recently priced.

4. Gas Reserves Takeout Financing

PFM provided an update to the Gas Reserves Takeout Financing. The Gas Reserves Takeout contemplates approximately \$140M taxable fixed rate financing with a final maturity in 2032, despite anticipated reserves output for more than 30 years. SCPPA Gas Reserves are divided into two projects, which are currently being financed by the same Merrill Lynch bridge loan. The current balance on that loan is \$73.5M. As part of the long-term financing, SCPPA anticipates taking out the existing loan and providing funding for the drilling of additional wells for five years. Material progress has been made on the legal documents and disclosure. The debt structure should probably be modeled to have some correlation to the expected output and the useful life and depletion of the Gas Reserves. Pricing is currently contemplated in late October with closing in early November, 2007.

5. Pebble Springs Wind Project Update

The Committee received a status update on the Pebble Springs Wind Project.

6. Milford UPC Wind Project Update

The Committee received a status update on the Milford UPC Wind Project.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD TUESDAY, OCTOBER 9, 2007, AT 10:30 A.M.
AT THE SCPPA OFFICE**