



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: September 13, 2010

A meeting of the Finance Committee was held on September 13, 2010, at the SCPPA office in Pasadena.

Committee members in attendance were: Bill Carnahan (*SCPPA*); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Bill Fox (*Glendale*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); and Reiko Kerr (*Riverside*).

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

1. Investment Reports

The Committee reviewed the Investment Report for the month ended July 2010. The Committee recommended forwarding the report to the Board for receipt and filing.

2. Windy Point/Windy Flats Wind Energy Project

The Committee received an update from Public Financial Management (PFM) with respect to the Windy Point/Windy Flats Wind Energy Project financing. The closing was September 9th. The All-in TIC was 3.51% on \$514MM 20-year tax-exempt bonds. The bonds received tremendous retail and institutional market support. This extraordinarily favorable pricing saved approximately \$10/MWh or \$115MM over the life of the project compared to original estimates.

3. Linden Windy Energy Project

The Committee received an update from PFM with respect to the Linden Windy Energy Project financing. The 25-year bonds will be a blend of tax-exempt and BABs for an estimated total par value \$137.7MM. S&P and Fitch have both confirmed ratings of "AA-/Stable". Morgan Stanley is lead underwriter with Citi, Siebert Brandford and BofA/Merrill Lynch as co-managers. SCPPA received a favorable tentative settlement of \$1.8M on the sales tax issue. Pricing will be on the September 15-16, and expected to close on September 28th.

4. Renewable Energy Project Financings

The Committee received an update from PFM with respect to near-term renewable energy project financings. Milford II, Miller Ranch and Windy Point III are progressing.

5. Mead-Phoenix / Mead-Adelanto Projects

The Committee was updated from PFM regarding the extension of the liquidity facilities with JP Morgan for the 2008 Bonds. The Committee has elected to pursue a 2-year renewal at 79bps pricing, a reduction of 43.5 bps from current levels. Expected closing is October 1st. The Committee recommended forwarding to the Board the adoption of two resolutions approving the amendments to the Standby Purchase Agreements and the approval of the fee letter.

6. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. All the variable rate bonds are trading well.

The Committee was informed about the recent Moody's announcement regarding their new methodology rating jointly supported LOC-backed bond issues that will include the basic ratings on the probability of default of both the bank and the issuer.

PFM updated the Committee on the importance of developing a DSRF investment strategy that includes active portfolio management. No action was taking, but PFM was requested to provide market valuations at the next meeting.

7. Unsolicited Proposals

The Committee reviewed unsolicited proposals that have been received from investment bankers. Proposals from BofA/Merrill Lynch, Barclays, Morgan Stanley and Wells Fargo were reviewed. No action with respect to the proposals was taken.

8. Palo Verde Nuclear Generating Station Termination Funding Status Report

The Committee was provided with SCPPA's Termination Funding Status Report for calendar year 2009. The project is a total \$425M overfunded, with SCPPA's portion being \$58.5M.

9. Pinedale Natural Gas Reserves

Mr. Homer informed the Committee that he would be presenting a revised budget for the Pinedale Natural Gas Reserves Project to the Board on September 16. He explained that the increase in the capital/drilling budget from \$18 million to \$72 million was in response to the new drilling program at the field, and discussed the cash flow implications to the various Participants.

10. Closed Session

Potential Litigation: The Committee met with legal counsel regarding significant exposure to litigation pursuant to subdivision (b) of Section 54956.9 of the California Government Code (two potential cases).

Potential Litigation: Conference with legal counsel regarding the potential initiation of litigation pursuant to subdivision (c) of Section 54956.9 of the California Government Code (two potential cases).

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, OCTOBER 4, 2010, AT 10:30 A.M. AT THE SCPPA OFFICE**