



**TO:** Board of Directors  
**FROM:** Bill D. Carnahan  
**SUBJECT:** Finance Committee Report  
**DATE:** November 1, 2010

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A meeting of the Finance Committee was held on November 1, 2010, at the SCPPA office in Pasadena.

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

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

**1. Investment Reports**

The Committee reviewed the Investment Reports for the months of August and September 2010. The Committee recommended forwarding the reports to the Board for receipt and filing.

**2. Project Budget Comparison Reports**

The Committee reviewed the quarterly Project Budget Comparison Reports for the quarter ended June 30, 2010 and recommended forwarding the reports to the Board for receipt and filing.

**3. Linden Windy Energy Project**

The Committee received an update from Public Financial Management (PFM) with respect to the Linden Windy Energy Project financing closing. The financing closed September 28<sup>th</sup>. Total par amount was \$138,325,000. The transaction priced in a volatile yet attractive rate market resulting in an all-in TIC of 3.756%, which compared favorably with comparable deals.

**4. Mead-Phoenix/Mead-Adelanto Transmission Projects**

The Committee received an update from PFM regarding the extension of the liquidity facilities with JP Morgan for the 2008 Bonds. The Committee elected to pursue a 2-year renewal at 79 bps, a reduction of 43.5 bps from the prior level. The extension was finalized October 1<sup>st</sup>.

**5. Palo Verde Power Project 2008 Series B Refunding Bonds**

PFM updated the Committee on the Dexia notice of their option not to renew the Letter of Credit that expires August 26, 2011. The Committee will begin the process of either finding a replacement or refunding the bonds with fixed rate bonds in Spring 2011.

**6. STS Project 2001 Series A Subordinate Refunding Bonds**

PFM updated the Committee on the Dexia notice of their option not to renew the Standby Bond Purchase Agreement that expires June 13, 2012. The Committee will begin the process of either finding a replacement or refunding the bonds with fixed rate bonds in Spring 2011.

**7. Magnolia Power Project 2003-1 Series A Revenue Bonds**

PFM updated the Committee on possible refunding opportunities. There is currently \$76.29MM of Series 2003-1 bonds outstanding that are callable on July 1, 2013. Current refunding possibilities are challenged by negative arbitrage and fail to reach the 5% PV savings threshold. The Committee decided to take no action now, but monitor the refunding levels over time.

**8. Market and VRDO Update**

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

PFM updated the Committee on the importance of developing a BABs compliance program to ensure a de-minimis premium pricing over stated principal for bond issues, timely expenditure of proceeds, use of proceeds, arbitrage calculations, limits of issuance, calculation of interest payable and the 35% credit amounts. The Committee decided to implement such a program.

**9. Unsolicited Proposals**

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

**10. Closed Session**

**Potential Litigation:** The Committee will meet 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).

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**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING**

**WILL BE HELD MONDAY, DECEMBER 6, 2010, AT 10:30 A.M. AT THE SCPPA OFFICE**