



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: December 3, 2012

A meeting of the Finance Committee was held on December 3, 2012, at the SCPPA office in Glendora.

Committee members present were: Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Rebecca Gallegos (*Colton*); Tim Hsu (*Glendale-via teleconference*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); Laura Nomura (*Riverside*);

Others present were: Stephen Cole (*Fulbright & Jaworski*); Mike Berwanger, Dan Hartman (via teleconference), and Rian Irani (*Public Financial Management*); Peter Huynh and Therese Savery (*LADWP/SCPPA*); Vernon Oates, Daniel Hashimi, and Rick Morillo (*SCPPA*).

The following matters are the business transacted by the Committee:

1. Investment Report

The Committee reviewed the Investment Report for the month ended October 31, 2012. The Committee recommended forwarding the report to the Board for receipt and filing.

2. Mead-Phoenix/Mead-Adelanto 1994 Series Bonds

SCPPA Bond Counsel and PFM (Public Financial Management) discussed the change in index and possible amendment to the respective Indentures. Effective December 31, 2012 the J.J. Kenny index will no longer publish the Intermediate Grade Index provided in the Indentures. The Committee recommended forwarding to the Board two resolutions to amend the Indenture of Trust to replace the Intermediate Grade J.J. Kenny index with the S&P Municipal 7 Day Intermediate Grade Rate Index.

3. Gas Prepay Project Unsolicited Proposal

The Committee reviewed data gathered by SCPPA Bond Counsel and PFM regarding the exposure risk and the cash payment related to the debt restructuring as proposed by Goldman Sachs. The Committee decided to move forward with the proposal and have PFM implement next steps with Goldman Sachs.

4. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. All variable issues are trading well. PFM provided comparison details of the Wells Fargo and Morgan Stanley remarketing trading spreads of the 2000 and 2001 STS Series "A" VRDO. The bonds remarketed by Morgan Stanley are trading at an average of 6bps higher than Wells Fargo. PFM has contacted Morgan Stanley regarding the issue.

PFM also discussed the termination of the swap and a fixed rate refinancing of the STS 2001 Series A bonds. The Present Value financial impact is negative at this point. PFM will continue to track this issue.

5. Unsolicited Proposals

The Committee reviewed unsolicited proposals from Barclays, Morgan Stanley and JP Morgan. The Committee took no action with respect to such proposals.

6. Palo Verde Nuclear Generating Station Termination Funding Status Report

The Committee was provided the SCPPA Termination Funding Status Report as of December 31, 2011. SCPPA is 114% overfunded at \$166MM compared to \$145.8MM in estimated costs of termination.

7. Hoover Upgrading Project

The Director of Finance and Accounting updated the Committee on the recent meeting of the Hoover Dam participants regarding the refinance of the Visitor Center debt and related options. A meeting of the Hoover Project participants was held on November 14th. At that meeting, among other items, the possibility of SCPPA being the issuer of bonds on behalf of all the participants for the refinancing of the Hoover Visitor Center was discussed. Due to limitations in the Joint Powers Agreement, SCPPA is not permitted to participate in such a transaction. Given the limited amount of debt for SCPPA, the Committee will not recommend issuing bonds for the transaction.

8. SCPPA Building Accounting

The Director of Finance and Accounting updated the Committee on the proper accounting methodology members should take regarding funds disbursed for the new SCPPA building. In summary, the funds are considered a long-term investment and should remain on the balance sheet until disposition.

**THE NEXT REGULARLY SCHEDULED
FINANCE COMMITTEE MEETING WILL BE ON JANUARY 7, 2013.**