



TO: Board of Directors

FROM: Robert K. Rozanski

SUBJECT: Finance Committee Report – December 7, 2009

DATE: December 8, 2009

A meeting of the Finance Committee was held on December 7, 2009, at the SCPPA office in Pasadena.

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

Others present were: Stephen Cole (*Fulbright & Jaworski*); Mike Berwanger (in person), Dan Hartman and Will Frymann (by phone) (*Public Financial Management*); Therese Savery (*LADWP*); Richard Helgeson and Dave Walden (*SCPPA*).

1. **Investment Reports**

The Committee reviewed the Investment Reports for the month of October 2009, and agreed to forward the reports to the Board for receipt and filing.

2. **SCPPA Unaudited Quarterly Financial Statements**

The Committee reviewed the unaudited Quarterly Financial Statements for the period ended September 30, 2009, and recommended forwarding the statements to the Board for receipt and filing.

3. **Ice Energy Project**

Dave Walden updated the Committee on the status of the Ice Energy Project and related grants. The Committee recommended Board approval of a Unit Purchase and Sale Agreement, and form of a Maintenance and Verification and Services Agreement.

4. **Renewable Energy Project Financing Update**

Public Financial Management (PFM) provided an update on near-term renewable and other project financings:

- **Tieton Hydropower Project:** The November 10, 2009 sale of taxable (\$14,295,000) and tax-exempt (\$33,360,000) notes with an aggregate par value of \$47,655,000 closed on November 24, 2009. The tax-exempt and taxable notes achieved the highest possible short-term ratings, were

well received by investors, and sold at a yield of 0.41% and 0.70%, respectively. Proceeds from the notes were used to complete the acquisition of the Tieton Hydropower Project on November 30, 2009.

- **Canyon Power Project:** The November 3, 2009 sale of tax-exempt notes with a par value of \$170,435,000 closed on November 18, 2009. The tax-exempt notes achieved the highest possible short-term ratings, were well received by investors, and sold at a yield of 0.41%. Proceeds from the notes were used to refund \$104 million of notes due on December 2, 2009, and provide funding for construction of a portion of the Canyon Power Project.
- **Windy Point:** Windy Point is an estimated \$550 million prepayment transaction(s) involving DOE grants. The project is a two-phased, 262.2 MW wind project located in the State of Washington, with LADWP (242 MW or 92.37%) and Glendale (20 MW or 7.63%) as participants. Glendale executed a Layoff Agreement with LADWP. The commercial operation date (COD) for Phase I is expected in December 2009, and Phase II in January 2010. The developer plans to apply for additional DOE grant(s) in early 2010, and SCPPA will have 90-days from the developer's receipt of such grant funding to complete the prepayment transaction(s). JPMorgan has been selected as the lead underwriter. Given the size of the transaction(s), the project participants will consider adding additional underwriters to the syndicate.
- **Leaning Juniper Wind, Raser Geothermal, and Northwest Wind (Miller) Projects:** PFM reported that negotiations with respect to the Leaning Juniper Wind and Raser Geothermal Projects have significant issues to overcome and are moving forward at a slow pace; whereas, negotiations for the Northwest Wind (Miller) Project continues to progress.

The Committee also discussed the upcoming expiration of three SCPPA bond and/or tax counsel contracts, and concurred with extending such contracts for an additional year.

5. Milford I Wind Energy Project Financing Documents

PFM provided an update on the Milford I Wind Energy Project financing. The project participants discussed the financing schedule, final maturity of the bonds, approach for rating agencies, and the level of funding for a Debt Service Reserve Fund and an Operating Reserve Fund to address variable operating expenses. The Committee recommended Board approval of two resolutions, authorizing the execution and delivery of the legal documents; and approving the Preliminary Official Statement, Continuing Disclosure, and a financial advisory fee not-to-exceed \$250,000 and an underwriter management fee of \$125,000 in connection with the issuance of bonds.

6. Milford II Wind Energy Project

PFM provided an update on the Milford II Wind Energy Project financing. This 100 MW project is located adjacent to the Milford I Wind Energy Project, and has an estimated COD in late 2010. The project participants consist of LADWP (65%), Anaheim (25%), and Pasadena (10%). It is expected that Anaheim will lay off its entitlement to LADWP, subject to a three-year recall option. It was reported that a business arrangement has been reached and the approval process has commenced. Action on this item was deferred to the January 4, 2010 Finance Committee meeting.

7. Southern Transmission System Project Fiscal Year 2007/08 Over-Collection

The Committee discussed the disposition of Southern Transmission System Project funds that were over-collected in Fiscal Year 2007/2008. Project participants agreed to continue retaining such funds.

8. Professional Liability Insurance for SCPPA's Agents

The Committee was briefed that LADWP is expanding its professional liability insurance program to provide coverage to its employees that provide services to SCPPA. The annual cost of such insurance is estimated at \$75,000.

9. Magnolia Power Project Basis Swaps

PFM provided an update with respect to the implementation of two basis swaps, from SIFMA to a percentage of three-month LIBOR. It was reported that current swap indications are at 80% of 3-month Libor, which is short of the 85% target level.

10. Palo Verde 1987A, 1989A and 1997B Forward Securities Purchase Contracts

The Committee was updated on matters relating to the Palo Verde 1987A, 1989A and 1997B Forward Securities Purchase Contracts.

11. Market and VRDO Update

PFM provided a market and VRDO status update and reported that SCPPA's variable rate portfolio has remained relatively stable, with some improvement in the performance of Dexia-backed bonds; and that swap valuations are at levels similar to the prior month.

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