

**SOUTHERN CALIFORNIA  
PUBLIC POWER AUTHORITY**



**REQUEST FOR  
UNDERWRITER QUALIFICATIONS**

**RFP Date:**

December 9, 2011

**Response Deadline:**

January 13, 2012 by 5:00 PM PT

# REQUEST FOR UNDERWRITER QUALIFICATIONS

## **Purpose**

The Southern California Public Power Authority (“SCPPA” or the “Authority”) is soliciting proposals from qualified firms to potentially serve as senior manager(s) or co-manager(s) on future financings and refinancings. The Authority expects to qualify a pool of firms (“the SCPPA Underwriter Pool”) from which SCPPA will select senior manager(s) or co-manager(s) as needed for underwriting services during the next three year period starting in early 2012. SCPPA’s existing separate pools of underwriters for general projects and for renewable energy projects will no longer be utilized after the selection of the current combined underwriter pool.

Firm assignments, for individual financings in the future, will be made based in part on value-added financing and refinancing proposals recommended to the Authority by individual firms within the pool, and other relevant factors such as firm experience and fees. Assignments will be established at the time of each transaction from firms selected from SCPPA’s Underwriter Pool. The Authority does not guarantee that all firms within the pool will participate in transactions during the assignment period and reserves the right to determine the number of firms selected for each transaction. While SCPPA does not anticipate making changes to the underwriting pool within the first three years, SCPPA does retain the right to make changes for any reason without liability or cost to SCPPA.

## **Background**

SCPPA is a joint powers agency comprising eleven municipal utilities and one irrigation district. SCPPA’s members consist of the municipal utilities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District. Further information about SCPPA and its projects can be found on its website.

## **Questions**

### **A. General Firm Information**

1. Provide the names, post addresses, telephone numbers, and email addresses of the two principal contacts from your firm which SCPPA would contact for all future engagements.
2. Which representatives from your firm will SCPPA see and interact with on an ongoing basis? Which representatives from your firm’s underwriting desk would SCPPA work with on pricing transactions? Why do you believe these individuals are the best representatives from your firm for this job? Provide detailed information regarding these individuals’ public power resumes and the value you believe that each will add to SCPPA?

3. Please describe any significant restructuring, organizational change, or personnel turnover at your firm or within the municipal banking, underwriting, or trading divisions which you believe would be of interest to SCPPA.
4. If applicable, provide credit ratings by nationally recognized rating organizations (short and long-term debt) of your firm, and its related subsidiaries and/or affiliates that may provide products and/or services to SCPPA.
5. Indicate if your firm is involved in any Securities Exchange Commission (SEC) investigation regarding municipal sales methods, security dealings, underwritings, or related practices. Please disclose the status of such matters to the extent possible.
6. Indicate if your firm and/or any of your subsidiaries or affiliates are involved in any pending or threatened litigation, administrative proceedings or federal/state/city investigations, audits, subpoenas, or other information requests arising from the conduct of your municipal business activities. Please disclose the nature and status of such matters to the extent possible.
7. List any sanctions or penalties brought against your firm or any of its personnel (including suspension or disbarment) by any regulatory or licensing agencies involving state or local governments. Include a description of the reasons for the sanction or penalties and whether such sanctions or penalties are subject to appeal.
8. What is your firm's view regarding Corporate Citizenship? Describe your firm's commitment to creating social and economic opportunities for the people and business in Southern California. Include information such as, but not limited to, development or participation in any charitable programs or scholarships, and policies with regard to the use of women-owned, minority-owned and disadvantaged business enterprises.

#### **B. General Qualifications**

Please describe what your firm views its value-added has been to SCPPA over the last five years?

#### **C. Senior Manager or Co-Manager Interest**

Indicate whether your firm would like to be considered as a senior manager or as a co-manager for SCPPA's underwriting pool. Certain questions below do not pertain to firms interested only in consideration as a co-manager. Firms interested in serving as senior manager will automatically be considered for co-manager positions.

#### **D. Firm Experience**

For purposes of this section, firm experience should be specific to the responding firm and should not include information about experience of members of your team which was acquired while employed by a different firm. Information about individual team

member experience can be included in resumes in an appendix. These will not be counted towards the page limit.

Provide both the number of transactions and total par amount of transactions which your firm has completed as a senior manager only, for each of the following categories: 2009, 2010, and 2011 national transactions, 2009, 2010, and 2011 national public power transactions, 2009, 2010, and 2011 California transactions and 2009, 2010, and 2011 California public power transactions.

Responses should be provided in a form similar to the form of table given below. Transactions with multiple senior managers can be claimed under number of transactions by all senior managers and should be claimed in proportion to SDC credit received under total par amount.

Senior Managed Transactions				
Transaction Category	Applicable Year			
	National	National Public Power	California	California Public Power
Par Amount				
# Transactions				

Please also include a table listing the details for each of the National and California public power transactions your firm has completed since 2009 as an Appendix. These tables will not be included in the page limit.

Please provide 3 case studies (with references which are not SCPPA related) your firm believes demonstrate the type of relevant value added you would bring to SCPPA as a member of its underwriting pool. Please have 1 case study for each for the following: National public power account, California public power account, and a renewable transaction. If your firm does not have case studies across these three areas please provide case studies for clients that are most similar to SCPPA in financing needs.

Please include any other relevant experience related information you believe is important to SCPPA as it evaluates your proposal.

**E. Transaction Pricing**

1. What is your opinion regarding the appropriate way to treat “Professional Retail” (e.g. institutional vs. retail, AON, group net, net designated)? Would your firm have the same answer if it were book-runner vs. co-manager? What generates the best value for SCPPA?
2. What are your firm’s views regarding the group net vs. net designated debate? What do investors want to see? What generates the best value for SCPPA?
3. What investor accounts do you cover that your competition does not as it relates to adding value to SCPPA?
4. Please provide current spread to MMD estimates for 5, 10, 20, and 30 years, assuming SCPPA were to price bonds for the Magnolia (A1/AA-), Windy Point

(AA-/AA-) and STS (Aa3/AA-) projects. Please explain your justification for these spread levels, both by project and as it relates between projects.

5. Is there a penalty for JPA structures? If so, please detail why and what you assessed that penalty to be in the spreads above.
6. Please provide an example of when your underwriter added real value as a co-manager on a transaction with regard to a pricing scale or the pricing discussion. Who from your desk would work on SCPPA's co-managed deals? If different than your proposed underwriter, please explain.
7. How should SCPPA judge performance by your firm as a co-manager on its bond sales?
8. Does SCPPA receive a "green" benefit on its renewable bond sales? If so, please detail how much and describe how. If not, please explain why and detail how you think your firm could generate benefit or not.

#### **F. Remarketing**

1. SCPPA is re-evaluating its remarketing agent pool. Please detail why you should continue to act as a remarketing agent or should be added to this role. Please provide head-to-head summary remarketing comparisons as available versus other current remarketing agents in SCPPA's pool. Which series of bonds do you believe SCPPA would receive the best value from your remarketing services?

#### **F. Other Qualifications (Not Required for Co-Manager Only Proposals)**

1. What structures do you suggest SCPPA pursue without 1603 grants to lower its all-in cost on renewable projects? In what way is your firm uniquely qualified with respect to these suggestions?
2. Is your firm an active participant in the tax-equity markets? If so, where are those activities housed for entities like SCPPA? Please detail your activity. For a wind project for SCPPA, similar to the Milford Projects, what rate would you demand to take the tax-equity from the project in today's market?
3. What level of modeling does your firm do for renewable projects? Please describe in detail what your firm can offer SCPPA.

#### **G. Ability to Extend Credit**

1. Describe your firm's position on providing credit either in the form of a Letter-of-Credit, Standby Bond Purchase Agreement, or Direct Purchase to municipal issuers at the current time.
2. How much credit capacity does your firm currently have available for SCPPA, excluding credit facilities which are already in place?

#### **H. Fees**

SCPPA is not asking for fee proposals with this RFP. SCPPA reserves the right to negotiate appropriate fee arrangements at the time of any engagement based upon the specifics of the transaction and current market dynamics. We are interested in your firm's thoughts on some market dynamics as it relates to fees. It appears that over the last several months, market levels for takedowns have dropped precipitously as competition for league table rankings has increased. But there seemingly has developed a two tiered market on fees: an RFP driven market where issuers might see \$2.00 per bond takedowns for a 30-year sale and a negotiated market where issuers

will see a higher request e.g. \$5.00 per bond. There are several arguments made by firms around these two levels so we would ask you address these formally as follows:

1. Will your firm stock bonds if paid a \$2.00 takedown?
2. Do you believe that your firm will price as aggressively if paid a \$2.00 takedown vs. \$5.00? Can you please cite at least two specific pricing examples to support your statement?
3. What is SCPPA's value added for paying the higher takedown?

#### **I. Local, Minority or Woman Business Enterprise**

If applicable, please describe your firm as one of the following: Regional, Certified Minority-Owned or Minority- Owned/Women-Owned Business Enterprise.

If applicable, please describe your firm as either a MBE/WBE and please describe the ownership structure and the ownership percentages which have allowed your firm to maintain such a designation.

If your firm has offices with municipal finance bankers in California or is headquartered in California or has a municipal bond underwriting or trading desk in California, specify the locations of each.

#### **J. Conflicts/Disclosure**

Indicate any conflicts or potentially conflicting situations your firm might have in executing your proposal. Is your firm involved in any SEC or comparable investigation regarding sales methods, security dealings, underwritings or related practices? Please disclose the status of such matters.

### **Form of Recommendations**

Recommendations should not exceed 20 pages in length, excluding a one or two-page signed and dated cover letter and including appendices. Resumes should be included as an appendix and will not be counted towards this page limit. A summary of transactions should be included as an appendix as part of your firm's response to Question D, and will not be counted towards the page limit. No marketing information should be included within the resumes or transaction list. SCPPA encourages your firm to answer the questions herein as directly and succinctly as possible and to refrain from providing excessive marketing information other than that which is requested.

### **Terms and Conditions**

1. SCPPA reserves the right to reject any or all proposals.
2. SCPPA is under no obligation to execute a transaction as a result of this process.
3. SCPPA reserves the right to request clarification of information submitted and to request additional information.
4. Information in the recommendations will be deemed public and all recommendations will remain firm for a period of 90 days from the due date.

## **Submission Requirements**

One hard copy of your recommendation should be delivered on or before January 13, 2012 by 5:00 PM PT to the following individuals:

Mr. Vernon Oates, CPA  
Finance & Accounting Manager  
Southern California Public Power Authority  
225 S. Lake Avenue, Suite 1250  
Pasadena, CA 91101

Mr. Mario C. Ignacio, CFA  
Asst. Chief Financial Officer & Treasurer  
Los Angeles Department of Water & Power  
111 N. Hope Street, Room 465  
Los Angeles, CA 90012

Your response should also be emailed to Vernon Oates at [voates@scppa.org](mailto:voates@scppa.org), Mario Ignacio at [mario.ignacio@ladwp.com](mailto:mario.ignacio@ladwp.com), Dan Hartman at [hartmand@pfm.com](mailto:hartmand@pfm.com), Mike Berwanger at [berwangerm@pfm.com](mailto:berwangerm@pfm.com), Will Frymann at [frymannw@pfm.com](mailto:frymannw@pfm.com), and Rian Irani at [iranir@pfm.com](mailto:iranir@pfm.com).

**Late or non-responsive recommendations will be rejected.**

**No contact should be made with the SCPPA Board of Directors, SCPPA Finance Committee, or any Project Participants concerning this request for underwriter qualifications.**