



Request for Qualifications and Proposals

for

Natural Gas Prepayment Program

Response Deadline: January 20, 2006 by 5:00 p.m. PST

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

Request for Qualifications and Proposals for Natural Gas Prepayment Program

Introduction

The Southern California Public Power Authority (“SCPPA”) is soliciting the interest of firms to participate in a natural gas prepayment program. SCPPA is requesting proposals that provide for either or both of: (1) a prepaid gas supply and (2) the financing of the prepayment. SCPPA would prefer to receive combined proposals that incorporate both gas supply and financing services. SCPPA will permit joint proposals from teams that include both gas supply and financing entities. However, to the extent there are firms that would prefer to submit proposals only for either of gas supply or financial underwriting services, SCPPA will consider separate selections of gas supply and underwriting services if it is determined that such separate selection would be in SCPPA’s best interest, and would meet SCPPA’s overall objectives of providing a secure supply of favorably priced natural gas. SCPPA reserves the right to reject all proposals, to select any number of prepayment programs, postpone its execution at any time, and to change the selected prepayment program at any time all without liability or cost to SCPPA.

SCPPA’s 310 MW Combined Cycle Magnolia Power Plant recently achieved commercial operation status and is now operational. In connection with that, several of SCPPA’s members, and possibly other municipal utilities that are not SCPPA members, are interested in exploring the feasibility of a natural gas prepayment program. Current estimated need is for approximately 14,500mmBTU/day to be funded through prepayment. SCPPA is considering prepayment terms ranging from 10 to 15 years, and could enter a natural gas prepayment agreement as early as mid-2006.

DISCUSSION OF GAS QUALITY, DELIVERY POINTS AND PIPELINE ACCESS

Scope of Services

The prepayment supply and underwriting team(s) will be expected to work with SCPPA’s finance team in the evaluation of financing strategies related to the prepayment program. SCPPA will expect an underwriting firm to serve as financing team leader. Specific responsibilities of the underwriting team will include, but are not limited to, the following:

- Structure, schedule, purchase and lead the execution of the program.
- Attend and participate in meetings related to the financing.
- Provide support services for completion of the financing.
- Analyze and assist in the evaluation of credit enhancement proposals, as appropriate.

- Provide ongoing information to finance team regarding the activity and status of the financing.
- Assist in preparation for presentations to Board of Directors, rating agencies, investors, and insurers, as appropriate.
- Present a timely, comprehensive summary of management performance to include distribution of bonds by syndicate member and investor category.

SCPPA will expect the firm or group responsible for gas supply to participate in activities that include, but are not limited to the following:

- Enter good faith negotiations related to the price, supply and delivery of natural gas.
- Assist in developing a credit structure that provides protections to SCPPA against the credit deterioration or default of the gas provider.
- Providing assurances, guarantees or other forms of credit enhancement that may be available to improve the credit ratings or marketability of bonds sold to finance the prepayment.
- Provide periodic and ongoing information related to natural gas and credit consideration throughout the life of the prepayment arrangements.

Prepayment Team Selection Criteria

SCPPA may or may not conduct interviews of firms following the receipt of written responses. The selection criteria for individual firms, or teams of firms, will include:

- Experience in the public power sector and with comparable prepayment programs.
- Demonstrated ability to execute a cost-effective program.
- A firm's capitalization and the ability to perform the outlined program.
- Innovative approach (as it relates to SCPPA's needs).
- Risk mitigation.
- Compensation (while compensation is important, it will not be used as the sole determinant in the selection process).
- Completeness and quality of the response.
- Other factors considered relevant by SCPPA.

Form of Proposal

- Your proposal should be appropriately bound and should specifically address the relevant questions included in this request.
- Joint proposals between gas suppliers and underwriting firms will be accepted.
- Combined or joint team proposals should address completely all of the questions provided below.
- Proposals for only the gas supply or underwriting services will also be accepted.
- Firms that elect to submit proposals addressing only either the gas supply or underwriting roles should clearly state this position and answer only those questions that relate to the desired role. Gas supply only respondents should address all questions EXCEPT those in Questions Section B, and Underwriter services only respondents should address all questions EXCEPT those in Questions Section C.
- Please refrain from submitting general marketing materials that do not explicitly respond to the questions.
- Proposals should not exceed 15 pages in length, excluding a one or two-page signed and dated cover letter.
- Questions should be restated before each answer.

Questions

A. Organization of Firm(s)/Contacts

1. Provide the name, address, telephone number and fax number of the principal contact(s) from your firm(s). (Resumes may be included as an appendix.) List the other members of your team. Briefly describe their proposed role in serving SCPA and briefly describe their relevant experience. If interviewed, key members of the team should appear.

B. Underwriting Experience/Approach

1. Describe your firm's public power finance presence both nationally and within California specifically. Please highlight recent experiences in financing prepayment programs.
2. Provide a case study that demonstrates your firm's ability to serve SCPA in this capacity.

3. Describe your proposed structure for a natural gas prepayment program for SCPPA. Summarize why your structure is the best structure and optimal for SCPPA. Discuss considerations, including timing, structure, tax and/or policy issues. Please discuss the risks inherent in your proposed structure of which SCPPA should be aware and how your structure mitigates such risk.
4. Discuss current industry issues specific to a prepayment program and how these issues have shaped your proposed approach. Note any market considerations that are specific to natural gas.
5. What do you anticipate will be the important credit considerations related to your proposed structure? SCPPA desires to limit its credit exposure only to highly rated entities and/or structures. How does your approach impact SCPPA and its Participants? How does your approach impact the creditworthiness of the bonds to be sold?
6. Describe your approach to marketing your proposed structure, including any considerations specific to your structure.
7. SCPPA is concerned that it could expend significant time, effort and financial resources and still be unable to complete a program. Do you envision this possibility as a real risk and why? What comfort can your firm provide that your structure is feasible and can be implemented successfully? Describe any other attributes that distinguish your firm from others offering similar services, that you believe would be helpful to SCPPA in the selection process.

C. Supplier's Experience/Approach

1. Describe your firm's public power finance presence both nationally and within California specifically. Please highlight recent experiences in financing prepayment programs.
2. Describe your firm's experience in dealing with publicly owned utilities specifically in California. Provide any recent transactions or financings in which you entered into long-term agreements to provide natural gas.
3. SCPPA anticipates buying a firm supply of natural gas of approximately 14,500mmBTU/day for between 10 and 15 years. Please discuss your firm's ability to provide this amount of gas and the risks that may be encountered in executing the delivery of the gas.
4. What do you anticipate will be the important credit considerations related to your proposed structure? SCPPA desires to limit its credit exposure only to highly rated entities and/or structures. How does your approach impact SCPPA and its Participants? How does your approach impact the creditworthiness of the bonds to be sold?

5. SCPPA is concerned that it could expend significant time, effort and financial resources and still be unable to complete a program. Do you envision this possibility as a real risk and why? What comfort can your firm provide that your structure is feasible and can be implemented successfully? Describe any other attributes that distinguish your firm from others offering similar services, that you believe would be helpful to SCPPA in the selection process.
6. Please provide a prepayment price for 14,500 mmBtu/d of natural gas delivered to SoCal Border for 15 years. The price should be based on transactable, i.e. better than notional, forward gas prices as of January 12, 2006, starting with balance of year 2006 (Jul'06-Dec'06), calendar year strips for 2007-2020, and the first half of 2021 (Jan'21-Jun'21). In addition to the prepayment price for this gas, please provide the underlying gas prices used for each calendar year period, in nominal dollars, for use in SCPPA's evaluation of the benefit of prepayment. SCPPA acknowledges that the prepayment price is subject to change based on fluctuations in the gas market; however the methodology for determining the prepayment amount shall not change.

D. Compensation/Fees/Costs

1. Identify and detail how your team proposes to be compensated for your services. Include your not-to-exceed proposal for underwriters' spread for your proposed structure, specifying management fee, average takedown, and a detailed breakdown of expenses. Highlight any other areas or forms of compensation relative to this program. Please describe any circumstances whereby you would propose to increase your fee outlined herein. How do these fees compare with other recent prepayment transactions?

E. Conflicts/Disclosure

1. Indicate any conflicts or potentially conflicting situations your firm might have in serving as an underwriter or supplier for a prepayment program for SCPPA.
2. Is your firm involved in any SEC or comparable investigation regarding sales methods, security dealings, underwritings or other practices? Please disclose the status of such matters.

Terms and Conditions

- SCPPA reserves the right to reject any or all proposals.
- SCPPA reserves the right to appoint an additional member or members of the underwriting team at any time.
- SCPPA reserves the right to request clarification of information submitted and to request additional information.

- Information in the proposals will be deemed public.
- All proposals will remain firm for a period of sixty (60) days from the proposal's due date.

Submission Requirements

Four hard copies of your response should be delivered on or before January 20, 2006, by 5:00 p.m. PST to:

Craig Koehler
Finance Director
Southern California Public Power Authority
225 South Lake Avenue, Suite 1250
Pasadena, California 91101

Three additional hard copies of your response should be delivered to:

Michael Mace
Public Financial Management
200 Eagle Bend Drive
Weddington, NC 28173
(704) 443-0115

The proposal should be emailed to Craig Koehler at ckoehler@scppa.org, Michael Mace at macem@pfm.com and Kathy Masterson at mastersonk@pfm.com. Identify your proposal for electronic filing purposes as: **[Firm Name] Gas Prepay Proposal Jan2006**

Late or non-responsive proposals will be rejected.

No contact should be made with the Board of Directors concerning this request for recommendations. Any communication your firm may have concerning this request should be in writing only and delivered, faxed, or emailed to the above.