



ADDENDUM to

Request for Qualifications and Proposals

for

Natural Gas Prepayment Program

Response Deadline: June 30, 2006 by 5:00 p.m. PST

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

ADDENDUM to Request for Qualifications and Proposals for Natural Gas Prepayment Program

Purpose of Addendum

SCPPA, its individual members, and other interested municipal utilities in California have held a number of discussions over the past few months and have reviewed the RFP responses from the December 20, 2005 request for proposal on gas prepay transactions. Based on those RFP responses and ongoing internal review, substantial interest in completing a prepay transaction has been indicated. Participants in this process have currently indicated an interest of procuring a prepay gas supply of up to 30,000 MMBtu/day.

Given the outcome of these discussions and the rapidly evolving market and structures for tax-exempt gas prepay transactions, SCPPA is requesting additional information through this Addendum. Specifically, SCPPA is now interested in pursuing a transaction structure which provides variable rate commodity pricing at a discount to an index price (an "index minus" structure); however, SCPPA is still concurrently evaluating the feasibility of a fixed price structure. As part of SCPPA's ongoing evaluation process of gas prepay transactions to allow SCPPA to better evaluate the proposals, and to establish a shortlist of firms to be interviewed for a gas prepay structure, SCPPA is requesting that the following items be addressed by your firm through this Addendum to the December 2005 RFP.

Form of Proposal Addendum

- Your proposal should be appropriately bound and should specifically address the relevant questions included in this request.
- Proposals should address completely all of the questions provided below.
- Please refrain from submitting general marketing materials that do not explicitly respond to the questions.
- Proposals should not exceed 10 pages in length.

Questions

1. Given SCPPA's interest in moving toward an "index minus" structure, please describe the project structure that your firm(s) would implement to achieve this structure. In particular, please address the commodity swap component of the transaction to achieve an index minus transaction. Also, please describe all major legal (including tax) obstacles you are aware of or have encountered in

connection with your proposed structure, and the solutions that were used (or would be used) to address those legal obstacles.

2. For the "index minus" structure described in Question #1, please provide a specific outline of the key security features of your proposed financial structure. In particular, please describe in detail the protections afforded to SCPPA and the participating utilities upon the event of a gas supplier default. Please address the way in which your proposed structure would address a default of one, but not all, of the SCPPA participants. Will your firm have any credit capacity concerns for a transaction that could be quite sizeable? Please note any differences in security features between a fixed price and "index minus" transaction.
3. Assuming one gas supply agreement, could your proposed financing structure allow participants to provide debt financing outside of a single SCPPA credit and financing structure? If so, please briefly describe the considerations and complexity of such an arrangement.
4. Under the structure described above, has your firm executed a similar tax-exempt bond transaction? If so, what tax counsel(s) have provided opinions on your proposed financing structure? If a transaction has not been executed, has your firm retained tax counsel that has opined on tax considerations of the security structure proposed and, if so, which firm?
5. What would be the maximum term that your firm is able to provide the transaction structure described above? Does this differ from a fixed price transaction?
6. Given the financing structure described above and assuming delivery at So Cal border, please provide the current economics of the "index minus" transaction for 10-year, 15-year, and maximum term. Be specific in identifying the index and the fixed discount to the index for each term. In providing the expected economics, please identify your internal discount rate and forward gas curve in making your calculation as of June 27, 2006. To allow for comparable pricing, please assume that SCPPA's all-in cost of capital is 4.00% for a 10-year term and 4.50% for a 15-year term. Assume 20,000 MMBtu/day for this purpose.
6. Please outline the major operational considerations and business terms under the gas supply agreement that would be executed by your firm and SCPPA. Can your proposed structure accommodate multiple delivery points for the SCPPA participants?
7. Provide a specific and complete list of documents that your firm(s) would expect to execute with SCPPA as part of the gas supply component of the prepay financing structure. Provide a complete list of other major financing documents that would be required as part of the prepay financing structure.

Terms and Conditions

- SCPPA reserves the right to reject any or all proposals.

- 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 June 30, 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:

Dan Hartman
Managing Director
Public Financial Management
50 California St. Suite 2300
San Francisco CA 94111
(415) 982-5544

The proposal should be emailed to Craig Koehler at ckoehler@scppa.org, Dan Hartman at hartmand@pfm.com and William Frymann at frymannw@pfm.com. Identify your proposal for electronic filing purposes as: **[Firm Name] Gas Prepay Proposal Addendum Jun 2006.**

Late or non-responsive proposals will be rejected.