

**SOUTHERN CALIFORNIA
PUBLIC POWER AUTHORITY**



**Request for Recommendations
for
Southern Transmission System Project Upgrade
Financing**

RFP Date: September 23, 2008

Response Deadline: October 1, 2008 by 5:00 PM PDT

Request for Recommendations for Southern Transmission System Project Upgrade Financing

The Southern California Public Power Authority (“SCPPA” or “the Authority”) is pursuing a project upgrade associated with the Authority’s Southern Transmission Project (“STS Project” or “the Project”). As further described below, the Project currently has a transmission rating of 1,920 MW and the specific upgrade which SCPPA is considering, would increase the transmission rating by 480 MW to 2,400 MW. The upgrade is intended to enable the transmission of electricity from anticipated renewable energy projects which SCPPA or the Project Participants (defined below) intend to develop.

Background

The STS Project was originally developed for the purpose of transmitting generated electricity from the Intermountain Power Project (“IPP”), a coal-fired, steam-electric generation station and switchyard located near Lynndyl, in Millard County, Utah, to Adelanto, California. The Project consists of (a) the AC/DC Intermountain Converter Station adjacent to the IPP AC switchyard; (b) the 500-kV DC bi-pole transmission line 488 miles in length, from the Intermountain Converter Station to the City of Adelanto, California; (c) the AC/DC Adelanto Converter Station, where the STS Project connects to the switching and transmission facilities of the Los Angeles Department of Water and Power (“LADWP”) and (d) related microwave communication system facilities.

The Project Participants and their Participation Percentages are shown below.

Department of Water and Power of Los Angeles	59.534%
City of Anaheim	17.647%
City of Riverside	10.164%
City of Pasadena	5.883%
City of Burbank	4.498%
City of Glendale	2.274%
Total	100.000%

The HVDC transmission line was originally designed to have the capability of transmitting in excess of the aggregate Generation Station Production anticipated to be delivered to the Project Participants. The AC/DC converter stations each consist of two solid state converter valve groups and have a combined rating of 1,920 MW with an overload rating for each group of 1,200 MW in the event one group is out of service.

SCPPA would intend to upgrade the project to utilize the full capacity of the HVDC transmission. The Project Participants would maintain their current Project Participation Percentages as shown above.

Financing Guidelines

SCPPA would like to establish certain guidelines to be utilized by respondents to the RFP, in order to provide the best guidance possible. SCPPA would like you to consider the following as you develop and present your recommendations:

Transaction Size:

At this point, SCPPA believes that the total cost of the project upgrade will be approximately \$120 million, with the amount subject to change. This includes the full amount of capital costs (including contingency) but excludes any financing costs.

Transaction Structure:

SCPPA would like to pursue a fixed rate bond structure. The amortization structure of the debt is intended to not extend beyond June 2027 when the STS Transmission Service Agreements expire. While SCPPA and the Participants have contemplated a level debt service structure, SCPPA is willing to consider alternatives, including wrapped debt service structures.

Transaction Schedule:

Given the requirements of the construction contract, SCPPA has a need for proceeds on December 1, 2008 or as quickly as the documentation and approval process will allow.

Form of Recommendations

Recommendations should not exceed 6 pages in length, excluding a one page signed and dated cover letter. SCPPA is familiar with all of the firms being solicited for recommendations and would request responses only to the questions given below.

Recommendation Questions

A. Credit and Structural Considerations

1. The STS Project has previously received ratings of Aa3/A+ ratings from Moody's and S&P in April 2008 on the Subordinate Lien (though no Senior debt is outstanding), which represented an upgrade from Moody's. Please describe your firm's assessment of the ratings and a rating strategy for the contemplated bond financing, including the advisability of a Fitch rating.
2. The most recent STS Project bond issue was sold without a reserve fund and without insurance. Please provide your firm's thoughts in regard to credit enhancement and reserve accounts as both might relate to the contemplated bond financing.
3. Discuss the debt structure that you believe is optimal for this financing, taking into account the STS project debt structure and applicable financing costs.

4. Please provide your firm's estimate of the spreads which the contemplated bonds would expect to have relative to the AAA GO MMD index.

B. Marketing and Distribution Considerations

1. Briefly describe your firm's current position, including net equity capital and excess net equity capital as of September 28, 2008, and describe your firm's ability to take bonds into inventory to support a transaction.
2. Discuss your firm's marketing strategy for the fixed rate bond issue and your firm's anticipated universe of buyers for the contemplated bond issue.
3. Provide any additional information you feel may be helpful to SCPPA in distinguishing firm's ability to market or underwrite bonds in the current market.

C. Minority-Owned or Women-Owned Firms

1. If applicable, please identify your firm as either a minority-owned and/or woman-owned firm. If applicable, please provide current profile firm in terms of ownership and management.

D. Compensation/Fees

1. Please discuss and outline the individual components of compensation your firm would receive under your recommendations. Please assume SCPPA would pay underwriter's counsel fees as is customary for SCPPA.

E. Conflicts/Disclosure

1. Indicate any conflicts or potentially conflicting situations your firm might have in executing your proposal, including any relationship with the Intermountain Power Agency.

Terms and Conditions

SCPPA reserves the right to reject any or all recommendations and SCPPA is under no obligation to execute a transaction as a result of this process.

All recommendations will remain firm for a period of sixty (60) days from the due date.

Submission Requirements

Electronic copies of your recommendation should be emailed to Craig Koehler at ckoehler@scppa.org; Dan Hartman at hartmand@pfm.com and William Frymann frymannw@pfm.com.

Should you have any questions regarding this request please contact Craig Koehler or Dan Hartman:

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Late or non-responsive recommendations will be rejected. No contact should be made with the SCPPA Board of Directors or the Finance Committee concerning this request for recommendations.