

RESOLUTION NO. 2000-7

RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY AUTHORIZING (I) THE EXECUTION AND DELIVERY OF AN AGREEMENT WITH THE AUTHORITY'S FINANCIAL ADVISOR FOR SERVICES RELATING TO A TENDER OFFER PROGRAM FOR THE PURCHASE OF CERTAIN SAN JUAN POWER PROJECT REVENUE BONDS AND THE ISSUANCE OF CERTAIN SAN JUAN POWER PROJECT REVENUE BONDS AND (II) THE EXECUTION AND DELIVERY OF AN AGREEMENT WITH BONDHOLDER COMMUNICATIONS GROUP FOR SERVICES RELATING TO SUCH TENDER OFFER PROGRAM

WHEREAS, on February 17, 2000, the Board of Directors of the Southern California Public Power Authority (the "Authority") authorized, among other things, the preparation of all documents necessary or appropriate for (i) a tender offer program pursuant to which the Authority will purchase and cancel certain of the San Juan Power Project Revenue Bonds, 1993 Series A (the "Tender Offer Program") and (ii) the sale and issuance of San Juan Power Project Revenue Bonds (the "2000 Bonds"), proceeds of which will be used to purchase bonds tendered pursuant to the Tender Offer Program; and

WHEREAS, the Board of Directors of the Authority desires to enter into certain agreements relating to the Tender Offer Program and the issuance of the 2000 Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

1. Public Financial Management, Inc. ("PFM") is hereby authorized to perform the services relating to the Tender Offer Program and the issuance of the 2000 Bonds as are described in the letter agreement between the Authority and PFM in substantially the form attached hereto as Attachment A, and each of the President, the Vice President and the Executive Director of the Authority is hereby authorized to execute and deliver such letter agreement.

2. Bondholder Communications Group ("BCG") is hereby authorized to perform certain services relating to the Tender Offer Program as described in the letter agreement between the Authority and BCG, in substantially the form attached hereto as Attachment B, and each of the President, the Vice President and the Executive Director of the Authority is hereby authorized to execute and deliver such letter agreement.

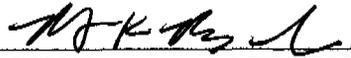
3. This Resolution shall become effective immediately.

THE FOREGOING RESOLUTION is approved and adopted by the Authority this 16th day of March, 2000.



PRESIDENT
Southern California Public
Power Authority

ATTEST:



ASSISTANT SECRETARY
Southern California Public
Power Authority



March 3, 2000

Mr. Dan Waters
Executive Director
Southern California Public Power Authority
225 South Lake Avenue
Suite 1410
Pasadena, CA 91101

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SCPPA-PASADENA

Dear Dan:

Pursuant to our previous conversations, SCPPA has asked Public Financial Management, Inc. ("PFM") to submit a fee proposal for work relating to SCPPA's San Juan Project, 2000 Refunding Series ("the Series 2000 Bonds"). We are very pleased to continue working on this project with SCPPA and to have the opportunity to submit this fee proposal.

The scope of work contemplated by this price proposal includes work for two separate components of the contemplated transaction. The first component of the transaction is the tender offer for portions of the Series 1993 Bonds. For this component of work, which is not associated with typical refinancings undertaken by SCPPA, PFM would offer SCPPA the following services: (i) identification of the proper tender candidates as market conditions change, (ii) assistance in drafting the disclosure and legal documents related to the tender offer and working with the Information Agent during this process, (iii) provision of analytical analysis related to the tender offer and communication with current holders, (iv) analysis of the tender prices requested by investors in terms of savings, and (v) coordination of the closing of the tender process. PFM would propose an hourly fee, based on our contractual hourly rates, up to a not to exceed amount of \$30,000 for this component of the transaction.

The second component of the transaction is the completion of a variable rate bond transaction to fund the purchase of the tendered bonds. This estimated \$100 million transaction will include all standard documentation (Preliminary Official Statement, Bond Indenture, etc.) for SCPPA's San Juan debt (as in prior bond issues) and will also involve the procurement of both bond insurance and a liquidity facility. The drafting of the standby bond purchase agreement (liquidity agreement) will be a time intensive negotiation between the liquidity bank and SCPPA. Additionally, the variable rate issue will also require treatment of certain reserve funds and tax issues associated with these funds. As such, the variable rate bond transaction will require substantial time and effort to complete in the same timeframe as the Series 2000 Bonds. PFM's fee for this component of the work will be \$40,000 if the bond transaction is less than \$75 million and \$50,000 if the transaction is greater than \$75 million.

Given the required work for the Series 2000 Bond transaction, the proposed fees would not exceed \$80,000, which is inclusive of all expenses. As communicated to the Finance Committee, these transactions are more complicated and involved than standard offerings and require more analytical work and documentation. Additionally, since the transaction may not close, it is expected that all of our fees (based on our contractual hourly rates) would be paid if the transaction failed to close due to market response of the tender process. This expense issue was understood and approved by the Finance Committee in moving forward with the tender program.

This proposed fee is consistent with the fee structure of our prior transactions and reflects the substantial analytical work, document preparation, rating and credit enhancement procurement, and all working group/Finance Committee/Board meetings for the transaction (both tender offer and variable rate bonds) over the next few months. Please feel free to call me (415-982-5544), should you have any questions regarding this proposal.

Sincerely,
PUBLIC FINANCIAL MANAGEMENT, INC.

A handwritten signature in black ink, appearing to read "Dan Hartman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dan Hartman
Managing Director

cc: Greg Leddy, SCPPA



Attachment A

January 27, 2000

Mr. Dan Waters
Executive Director
Southern California Public Power Authority
225 South Lake Avenue
Suite 1410
Pasadena, CA 91101

Dear Dan:

Pursuant to our previous conversations, SCPPA has asked Public Financial Management, Inc. ("PFM") to submit a fee proposal for work relating to SCPPA's Southern Transmission System, 2000 Subordinate Refunding Series A ("the Series 2000 Bonds). We are very pleased to continue working on this project with SCPPA and to have the opportunity to submit this fee proposal.

The scope of work contemplated by this price proposal includes work for two separate components of the contemplated transaction. The first component of the transaction is the tender offer for portions of the Series 1992 and Series 1993 Bonds. For this component of work, which is not associated with typical refinancings undertaken by SCPPA, PFM would offer SCPPA the following services: (i) identification of the proper tender candidates as market conditions change, (ii) assistance in drafting the disclosure and legal documents related to the tender offer and working with the Information Agent during this process, (iii) provision of analytical analysis related to the tender offer and communication with current holders, (iv) analysis of the tender prices requested by investors (both in terms of savings and relative value versus an interest rate swap), and (v) coordination of the closing of the tender process. PFM would propose a hourly fee, based on our contractual hourly rates, up to a not to exceed amount of \$30,000 for this component of the transaction.

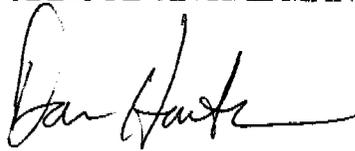
The second component of the transaction is the completion of a variable rate bond transaction to fund the purchase of the tendered bonds. This estimated \$100 million transaction will include all standard documentation (Preliminary Official Statement, Bond Indenture, etc.) for SCPPA's Southern Transmission System debt (as in prior bond issues) and will also involve the procurement of both bond insurance and a liquidity facility. The drafting of the standby bond purchase agreement (liquidity agreement) will be a time intensive negotiation between the liquidity bank and SCPPA. Additionally, the variable rate issue will also require treatment of certain reserve funds and tax issues associated with these funds. As such, the variable rate bond transaction will require substantial time and effort to complete in the same timeframe as the

Series 2000 Bonds. PFM's fee for this component of the work will be \$40,000 if the bond transaction is less than \$75 million and \$50,000 if the transaction is greater than \$75 million.

Given the required work for the Series 2000 Bond transaction, the proposed fees would not exceed \$80,000, which is inclusive of all expenses. As communicated to the Finance Committee, these transactions are more complicated and involved than standard offerings and require more analytical work and documentation. Additionally, since the transaction may not close, it is expected that all of our fees (based on our contractual hourly rates) would be paid if the transaction failed to close due to market response of the tender process. This expense issue was understood and approved by the Finance Committee in moving forward with tender program.

This proposed fee is consistent with the fee structure of our prior transactions and reflects the substantial analytical work, document preparation, rating and credit enhancement procurement, and all working group/Finance Committee/Board meetings for the transaction (both tender offer and variable rate bonds) over the next few months. Please feel free to call me (415-982-5544), should you have any questions regarding this proposal.

Sincerely,
PUBLIC FINANCIAL MANAGEMENT, INC.

A handwritten signature in black ink, appearing to read "Dan Hartman", written over a horizontal line.

Dan Hartman
Managing Director

cc: Greg Leddy, SCPPA

Bondholder Communications Group

*30 Broad Street, 46th Floor
New York, NY 10004
Phone: (212) 809-2663
Fax: (212) 422-0790*

March 9, 2000

Mr. Bill Carnahan
Executive Director
Southern California Public Power Authority
225 S. Lake Avenue -- Suite 1410
Pasadena, CA 91101

RE: Tender Offer Relating to San Juan Power Project Revenue Bonds, 1993 Series A

Dear Mr. Carnahan:

It would be our pleasure to assist the Southern California Public Power Authority in undertaking a tender offer with respect to the above-referenced bonds. We have handled numerous similar transactions over the past several years. Last week, we finished a major tender offer for the Los Angeles Department of Water and Power. We are well equipped to accomplish your transaction, working together with you, your advisors, bankers and counsel.

As part of our services with respect to the tender offer, we would:

- Provide assistance in the design of the mechanical aspects of the offer;
- Provide assistance in the crafting of language to be used in communicating the offer to bondholders, working closely with you, your advisors, investment bankers and counsel, and focusing on the mechanical aspects of the documents;
- Arrange for optional bondholder conference call(s);
- Coordinate printing with the financial printers, with particular attention to the print characteristics and quantities required for each document;
- Transmit the offer to bondholders, and follow up with bondholders by mail and telephone. We would coordinate our work with Merrill Lynch's institutional and retail sales teams, allocating responsibilities in a collegial working relationship. We would also coordinate the work of the project team with other brokerage and banking companies whose customers hold the bonds;
- Obtain bondholder response to the offer, including coordinating the back office activities of all bank and broker nominees holding positions in the bonds for the ultimate beneficial bond owners;

Bill Carnahan, SCPPA

March 9, 2000

Page 2 of 3

- “Bird Dog” bondholder responses, including following up to make certain that bonds that were promised to be tendered are actually tendered;
- Undertake continuing bondholder communications in relation to the timing of settlement and any potential future changes to the settlement date to reflect your deal’s legal and financial requirements; and
- Coordinate contact with the Depository Trust Company (DTC) and its Automated Tender Option Program (ATOP) to assure a successful receipt of tender instructions and settlement of the tender.

Heavy Retail Concentration

Our bondholder identification study has determined that approximately 77% of the bonds are in retail hands. Importantly, retail ownership is highly concentrated:

- ◆ Customers of Merrill Lynch hold the largest single block of retail bonds (\$39.6 million).
- ◆ Smith Barney’s customers are second at \$30.7 million.
- ◆ These two firms, along with three others (Morgan Stanley, Paine Webber and Prudential) account for 65% of all retail ownership.

We have worked on several highly successful tender offers with heavy retail concentration.

Fees and Expenses

Our fees are generally charged based upon the attached standard fee schedule. However, due to the fact that we handled the bondowner identification phase of the project, our “project set-up” fees for serving as Information Agent for the tender offer will be reduced by a customary discount of 50%, as the tender offer shall be treated as a “follow-on” project.

For your information, we have estimated the fees payable by SCPPA for the tender offer phase of the project at around \$34,000. The level of fees necessary to service retail accounts will be determined by the scope of the effort requested by the project team. The actual fees will be based on the fee schedule and the terms identified in this letter.

Our out-of-pocket expenses are separately billed to, and are payable by our client. Project set-up fees are payable upon acceptance and execution of this letter of engagement. Invoices are rendered monthly thereafter, or in advance of key project components.

Bill Carnahan, SCPPA

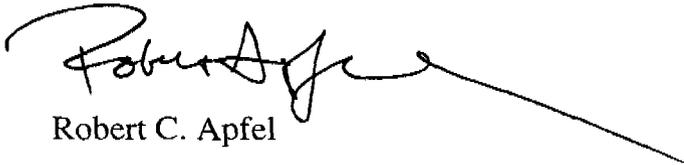
March 9, 2000

Page 3 of 3

If you would like for us to proceed with handling the tender offer, please sign a copy of this letter and return it to us via fax and mail.

It is our pleasure to be of service.

Sincerely,



Robert C. Apfel

cc: Mr. Dan Hartman, Public Financial Management
Ms. Margaret Chan, Merrill Lynch & Co.

TO: BONDHOLDER COMMUNICATIONS GROUP

Please proceed with the execution of a Tender Offer as described in this letter. We will pay your fees and expenses in the amounts described in this letter and in your attached fee schedule.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: 
Bill Carnahan
Executive Director

3/16/00
Date

Bondholder Communications Group

30 Broad Street, 46th Floor
New York, NY 10004
Phone: (212) 809-2663
Fax: (212) 422-0790

FEE SCHEDULE for Beneficial Owner Identification and Communication

Bondholder Identification

FULL Bond Owner Identification Reports

Our fees for the preparation of Full Reports encompass extracting, downloading and consolidating data pertaining to individual bond owners. We merge the trustee or paying agent's registered or coupon data into ours, generating a comprehensive list of beneficial owners for each issue. In the case of a trust, the party identified will typically be that individual with decision-making authority for the trust. In the case of an institution holding a beneficial interest, the party identified will typically be the individual, such as the portfolio analyst, research analyst or trader with control over the portfolio.

These fees include the preparation of written reports and data analyses to the client specifications, indicating the names and addresses of the beneficial owners. Additional data about investors, such as tax-ID #'s; telephone numbers, cross-holdings data or broker names, can be provided at an additional cost.

\$1,800 Issue Set-up Base Fee.

This fee applies to the initiation of the project, and includes one CUSIP per issue. For each additional CUSIP, a \$100 set-up fee will apply. If a project covers more than three issues, or more than 20 CUSIPs, discount pricing will be available.

\$100 Per nominee firm identified.

This fee applies per each firm identified as (e.g., banker, broker) holding nominee positions in the securities. When more than ten beneficial owners are identified at a nominee firm, an additional fee of \$5 per owner will apply.

- \$7 Per individual trustee or other nominee holder where the identity of ultimate beneficial ownership is unclear.**
- This applies when an additional "layer" of search procedures must be undertaken in order to identify ultimate ownership, e.g., when beneficial ownership is unclear.
- \$4 Coupon shell analysis.**
- For bearer issues, per coupon.
- \$225/hour Objecting Beneficial Owner ("OBO") Research.**
- This line of database analysis will be performed when we encounter institutional or individual investors who have requested that their broker or bank not disclose their names to the issuer.
- \$200 Trustee or Agent Bank Interface.**
- We set up and operate an interface system with the agent bank for the collection of registered holder lists.
- \$100/tape Conversion of Bondholder identification lists to Output Mag Tape.**

Bondholder Identification Comprehensive SUMMARY Reports

Some projects do not require information on the Full bondowner population. For these projects, a Comprehensive Summary Report may be a sound value. Priced SUBSTANTIALLY lower than the Complete Report, the Comprehensive Summary Report includes:

- *Disposition of ALL (100%) of bonds, on a summary basis;*
- *Largest institutional and individual holders;*
- *Identities of representative individual bond owners; holding approximately 40% of the principal amount of the bonds, drawn from all market sectors, and;*
- *Summary identifying information with respect to all remaining bonds, setting forth the location of the holdings, number and nature of the investors.*

\$1,000 Issue Set-up Fee.

This fee applies to the undertaking of the search project and includes the first CUSIP per issue. Additional CUSIPs are processed for:

\$30 Per Additional CUSIP.

\$30 Per nominee firm identified.

As in all types of our services, discounts are available for large debt portfolios comprising many CUSIPs and issues.

Beyond Bondholder Identification:
Consents, exchanges, tender offers and other bondowner initiatives

\$1,800	Base Issue Set-Up Fee. This fee applies to the initiation of the project, including one CUSIP for each issue. For each additional CUSIP per issue, a \$100 fee will apply. Discounts are available for more than 20 CUSIPs, or for more than three issues.
\$120 per nominee	Street Side communications interface This fee applies to all aspects of our work with DTC participants, as well as participants of other clearing systems, and downstream correspondents of direct participants.
\$12 per investor	Beneficial Bond Owner communications interface. This fee covers mailing materials to investors; follow-up phone calls to investors (using client-approved scripts); inbound "888" response service; tracking responses by each investor; mail and phone follow-ups for non-responding investors.
\$225 to \$475/hour	Consultation in designing investor communications program. This includes advice on structuring and drafting of the written materials for the exchange, consent, tender or other initiative. Fee scale per seniority of staff on the project.
\$1,500	Printing & Mailing Coordination. This includes coordinating the layout of back-office type forms; recommending papers, colors and print quantities; assisting in bidding-out print assignments; and overseeing printing and material shipments. Where the initiative contemplates bondholder response, the instant fee also includes arrangements for preparation of out-bound and in-bound envelopes.
\$1,000 +\$1 per owner	Teleconference Arrangements. The working group can communicate the issuer perspective with the bond ownership population at a designated time. We handle all the logistical arrangements of a Bondholder teleconference call,

with capabilities including tele-balloting, secured voting and access control.

\$2500 +\$125
per cusip + \$4
per item

Tabulation Agent Services.

This includes: costs of receiving consents and tenders, validating each submission, returning materials not conforming to instructions, auditing of results per bank or broker on a daily basis, incorporating audit and tally for tabulations; submitting to the client a certification of results and full supporting documentation.

NOTES TO FEE SCHEDULE

Out-of-pocket expenses. Our fees contemplate all costs outside of out-of-pocket expenses in accordance with the provisions of the Agreement. Out-of-pocket expenses, which include publication of notices, express courier and third-party fees, (e.g., DTC nominee/participant charges), long distance telephone, fax transmittal and receipt, copies, and regulatory filing fees are billed separately and payable within thirty days of receipt of the invoice, with receipts. In projects involving mailings to bondholders, which require numerous enclosures, we prefer the issuer to directly contract with a printer.

Multiple Phase Projects. Projects that start with the identification of bondholders are often followed with one or more subsequent efforts involving tenders, exchanges or consents, or extensions of such prior efforts. In such instances, the fees for the follow-up phase may be substantially discounted, as efficiencies may result.

Timing. A bondholder identification program typically takes 3.5 weeks. A "Rush" project can be undertaken, but additional out of pocket expenses should be expected. Our price quote for the project does not reflect an estimate of billable hours for the draft and design of the communications project, e.g., draft of the consents, notices, announcements or surveys. Billable hours will be tallied at the close of the project.

Discounts for large portfolios. Thanks to the efficiencies of working with large debt portfolios (those comprising over 20 CUSIPs or three or more bond issues), we are able to offer substantial discounts for services related to such portfolios. The size of the discounts relates to the number of issues in the portfolio, and other matters including the nature of the bonds (registered, bearer, book-entry). Please inquire.

Payment Due. Payment of all invoices is due prior to the execution of each phase of a project.