

RESOLUTION NO. 2000-10

RESOLUTION OF THE SOUTHERN CALIFORNIA PUBLIC POWER
AUTHORITY AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE AN
AGREEMENT FOR FINANCIAL ADVISORY SERVICES WITH
PUBLIC FINANCIAL MANAGEMENT, INC.

AND PROVIDING FOR AN ADDITIONAL CONTRIBUTION TO THE
AUTHORITY'S REVOLVING GENERAL FUND, AND TAKING CERTAIN
RELATED ACTION
(RESTRUCTURING)

WHEREAS, the Southern California Public Power Authority (the Authority) owns interests in various generation and transmission projects, the output of which has been sold to members of the Authority; and

WHEREAS, the electric utility industry is being restructured so that the providers of electricity will be in competition with each other; and

WHEREAS, such restructuring has resulted in many changes in the electric utility industry which may affect the Authority generation and transmission projects, and which require Authority members to change the way they manage their resources; and

WHEREAS, certain of the Authority members have a need to retain consultants to develop and support financial activities.

WHEREAS, the Authority is willing and able to retain Public Financial Management, Inc. and to bill all expenses and costs of retaining such consultant to the member receiving service (Burbank).

WHEREAS, the Board of Directors of the Southern California Public Power Authority (the "Authority"), in its Resolution No. 1990-15, established a revolving general fund (the "General Fund") for the payment of costs and expenses incurred by the Authority from time to time in carrying out its purposes;

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1992-1, provided for the continuation of the General Fund and established a procedure to be followed with respect to additional contributions to the General Fund;

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1995-2, provided for a separate bank account (the Joint Planning Account) to hold and disburse the additional contributions to the General Fund with respect to joint planning matters;

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1995-13, changed the name of the Joint Planning Account to the Restructuring Account;


WHEREAS, the Board of Directors of the Authority wishes to provide for an additional contribution to the General Fund, and Members of the Authority are willing to make such additional contributions.

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

1. The Executive Director is authorized and directed to retain Public Financial Management, Inc. (PFM), at the request of a member of the Authority, provided that such member agrees, in writing, to bear all costs and expenses of such consultant.
2. The Board of Directors hereby provides for an additional contribution to the General Fund. Such additional contribution,
 - a) shall be solely for the purpose of paying costs and expenses incurred by the Authority with respect to the Burbank PFM Consulting Project, and pending application for such purpose the contribution shall not be expended to pay costs or expenses properly allocable to one or more projects as provided in Section 3 of Resolution No. 1992-1;
 - b) with respect to each bill SCPPA receives from PFM for services rendered to Burbank, shall be billed and collected by adding to the Authority's Palo Verde Project billings to Burbank the amount of such bill, with such amount designated as "Resolution No. 2000-10 Charge".

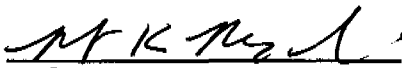
3. Although the amounts contributed under this Resolution and related income shall constitute part of the General Fund, they shall be held and accounted for in a separate subaccount within the existing Restructuring Account. The Executive Director of the Authority is hereby directed to establish a subaccount (the Burbank PFM Subaccount) within the Restructuring Account for the purpose of holding contributions and related income, and making disbursements, under this Resolution. The President, Vice President, Secretary, any Assistant Secretary and the Executive Director of the Authority are each authorized to execute checks drawn on the Restructuring Account from time to time.
4. Amounts contributed to and held in the General Fund and the Burbank PFM Subaccount pursuant to this Resolution will not be contributed or held for the purposes of any project for which the Authority has obtained any form of external financing. Such amounts shall not constitute (a) Revenues, or (b) revenues, income, rents or receipts derived by the Authority from or attributable to Authority Capacity (or to the payment of the costs thereof) or the ownership or operation of any Project. As used herein, "Revenues", "Authority Capacity" and "Project" shall have the respective meanings set forth in the indentures of trust and other instruments governing the external financing arrangements entered into from time to time by the Authority.
5. The President, Vice President, Secretary, any Assistant Secretary, Executive Director and any other officer of the Authority are each hereby authorized to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution.
6. This Resolution shall become effective immediately.

THE FOREGOING RESOLUTION is approved and adopted by the Authority this 20th day of April, 2000.



PRESIDENT
Southern California Public
Power Authority

ATTEST:



ASST. SECRETARY
Southern California Public
Power Authority



CITY OF BURBANK

164 WEST MAGNOLIA BOULEVARD, P.O. BOX 631, BURBANK, CALIFORNIA 91503-0631

PUBLIC SERVICE DEPARTMENT

April 10, 2000

Bill D. Carnahan
Executive Director
225 South Lake Avenue
Suite 1410
Pasadena, CA 91101

Re: Consultant to Perform Advisory Services for the Reduction of
Burbank's Generation Debt

Dear Bill:

The Burbank Public Service Department (the Utility) hereby requests SCPPA to enter into a professional services agreement with Public Financial Management (PFM) to perform the following task: To assist the Burbank Public Service Department with the anticipated reduction of the utility's generation debt.

The day-to-day activities of the consultant will be under the direction of Richard A. Corbi, Chief Financial Officer, Burbank Public Service Department.

The fixed fee will be \$20,000, and reasonable expenses to be billed at actual costs.

It is agreed that the Utility will be solely responsible for all costs incurred under said agreement. It is also agreed that Public Financial Management is performing this work for the Utility, and not SCPPA. All work products are the sole property of the Utility.

Fees and expenses paid by SCPPA pursuant to the Agreement shall be billed to the Utility with the SCPPA monthly power bill to the Utility for the Palo Verde Power Project.

Sincerely,

RONALD E. DAVIS
General Manager
Burbank Public Service Department

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A:RAC\CARNAHAN.LTR

AGREEMENT BETWEEN
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
and
PUBLIC FINANCIAL MANAGEMENT

This PROFESSIONAL SERVICES AGREEMENT (“Agreement”) is dated April 20, 2000 by and between Public Financial Management, (“Consultant”), with offices at 505 Montgomery Street, Suite 800, San Francisco, CA 94111 and Southern California Public Power Authority (“SCPPA”), with offices at 225 South Lake Avenue, Suite 1410, Pasadena, California 91101. SCPPA and Consultant are also referred to as parties.

WHEREAS, SCPPA owns interests in certain generation and transmission projects on behalf of its Members (the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Pasadena, Riverside, and Vernon; the Department of Water and Power of the City of Los Angeles; and the Imperial Irrigation District), and

WHEREAS, restructuring of the electric industry in California has resulted in Members of SCPPA needing Consulting services related directly or indirectly to SCPPA generation and transmission projects; and

WHEREAS, Consultant has many years of experience in the electric industry and is capable of providing Consulting services; and

WHEREAS, certain members have requested SCPPA to retain Consultant to provide the services described in exhibits attached hereto.

NOW, THEREFORE, in consideration of the promises herein and for other good and valuable consideration, the parties agree as follows:

- 1. Services to be Provided:** SCPPA engages the Consultant to perform consulting and related services (the “Services”) as described in the exhibit (the “Scope of Services”) for the Consultant. Detailed procedures and practices to be followed while performing the Services, including acceptance of the Services, shall be as set forth in the Scope of Services or a work order issued thereunder. Consultant will perform the services at the direction of and on behalf of the Member.

2. Independent Contractors:

- (a) Consultant is an independent contractor and is not an employee of the SCPPA. Services performed by the Consultant under this agreement are solely for the benefit of the SCPPA and its Members unless specified otherwise.
- (b) Consultant is not required to perform the services during a fixed hourly or daily time and if the services are performed at the Member's premises, then Consultant's time spent at the premises is to be agreed upon between the Consultant and Member. Except as provided in the Scope, SCPPA will not be required to furnish or provide any training to the Consultant to enable the Consultant to perform the Services. The order or sequence in which the Services are to be performed shall be agreed upon by the Consultant and the Member. Except to the extent that Consultant's work must be performed on or with Member's computers or Member's existing software, all materials used in providing the Services shall be provided by the Consultant.

- 3. **Standard of Care:** The Consultant will perform Services under this Agreement with the degree of skill and diligence normally practiced by a consultant performing the same or similar service.
- 4. **Changes/Amendments:** This Agreement may not be changed except by written amendment signed by both parties. Services not expressly set forth in this Agreement are excluded. Consultant shall promptly notify SCPPA if changes to the Scope of Services affect the schedule, level of effort or payment to Consultant. If Consultant determines that changes, including the exhibits should be made, the Consultant will notify SCPPA of such proposed changes, including the affects on the schedule, level of effort and payment for such changes. Thereafter, Consultant and SCPPA shall agree in writing on which changes, if any, shall be included in an amendment to the exhibits. If Consultant is delayed in performing the Services by any act of war, force majeure or other circumstance beyond its control, then Consultant shall not be considered to be in default of the performance of its obligations under this Agreement.

Notwithstanding the provisions of Section 4, the Executive Director of SCPPA is authorized to add or delete exhibits to this agreement provided that the Executive Director is requested to do so by the Member.

- 5. **Payment:** SCPPA agrees to pay Consultant for services in accordance with the terms and schedule contained in the exhibits. SCPPA shall pay invoiced amounts not more than sixty (60) days after delivery of an invoice which has been approved by the requesting Member.
- 6. **Taxes:** Any and all taxes imposed on Consultant's income, imposed or assessed by reason of this agreement or its performance, including but not limited to sales or use taxes, shall be paid by Consultant. Consultant shall be responsible for any taxes or penalties assessed by reason of any claims that Consultant is an employee of SCPPA, and SCPPA and Consultant specifically agree that Consultant is not an employee or agent of SCPPA.

7. **Indemnity:** To the extent permitted by law, Consultant agrees to indemnify, defend and hold harmless SCPPA and its Members' directors, officers and employees from and against any and all loss, damage, claim or liability, including reasonable attorneys' fees incurred by SCPPA in connection with the provision of the Services to the extent arising out of Consultant's negligence, willful misconduct or bad faith. To the extent permitted by law, SCPPA agrees to indemnify, defend and hold harmless Consultant from and against any and all loss, damage, claim or liability (including, without limitation, reasonable attorney's fees) incurred by Consultant in connection with the provision of the Services or to the extent arising out of SCPPA negligence, willful misconduct or bad faith.
8. **Limitation of Liability:** No employee or member of the Consultant shall have individual liability to SCPPA. To the extent permitted by law, the total liability of the Consultant to SCPPA for any and all claims arising out of this Agreement, whether caused by negligence errors, omissions, strict liability, breach of contract or contribution, or indemnity claims based on third party claims, shall not exceed one hundred fifty thousand dollars (\$150,000) or the fee amount received by the Consultant hereunder, whichever is lower, provided, however this limitation shall not apply in the event of gross negligence, willful misconduct or bad faith of the Consultant.

In no event and under no circumstances shall consultant be liable to SCPPA for any interest, loss or anticipated revenues, earnings, profits, increased expenses of operations, loss by reason of shutdown or non-operations due to late completion or for any consequential, punitive, indirect or special damages.

9. **Insurance.** Consultant shall maintain the following insurance coverage throughout the term of this Agreement, and upon request Consultant shall show SCPPA evidence of such coverage:
 - (a) **Automobile Insurance.** If Consultant uses, or intends to use, a personal automobile in the performance of this Agreement, automobile liability insurance with limits of not less than \$100,000.00 per person and \$300,000.00 per accident for bodily injury and not less than \$25,000.00 per accident for property damage.
 - (b) **Workers' Compensation Insurance.** Workers' Compensation Insurance and Employer's Liability Insurance on any employees of Consultant performing services under this Agreement.
 - (c) **General Liability and Property Damage Insurance.** Unless expressly waived and such waiver is evidenced by the signature of the requisite officers of SCPPA, Consultant shall maintain general liability insurance and property damage insurance in the amount of \$1,000,000.00 combined single limit.
 - (d) **Errors and Omissions Insurance.** Errors and Omissions Insurance which includes coverage for professional malpractice, in the amount of \$1,000,000.00. The policy shall provide for coverage of all claims occurring during the term of the policy

notwithstanding the fact that the claim may be asserted subsequent to the expiration of the policy.

(e) **Recovery from Consultant's Insurance.** Consultant agrees that in the event of loss due to any of the perils for which it has agreed to provide insurance, the Consultant shall look solely to its insurance for recovery.

(f) **Failure to Secure.** If Consultant at any time during the term of this Agreement, should fail to secure or maintain any insurance required under this Agreement, SCPPA shall be permitted to obtain such insurance in the Consultant's name or as an agent of the Consultant and shall be compensated by the Consultant for the cost of the insurance premiums at the maximum rate permitted by law computed from the date written notice is received that the premiums have been paid. Such costs can be assessed by deducting such costs from any amounts due and payable to the Consultant as compensation under the terms of this Agreement.

(g) **Additional Insured.** The naming of an additional insured shall not affect any recovery to which such additional insured would be entitled under this policy if not named as an additional insured and an additional insured named under this Agreement shall not be held liable for any premium or expense of any nature on this policy or any extension thereof. Proceeds from any policy or policies shall be payable to SCPPA primarily, and to the Consultant secondarily, if necessary.

(h) **Evidence of Insurance.** If requested by SCPPA, Consultant shall furnish Certificates of Insurance evidencing the required coverages or the original of the insurance policies for review by SCPPA.

The insurance policy shall contain the following claims:

“This insurance shall not be cancelled, limited in scope or coverage or non-renew until after thirty (30) days written notice has been given to the Executive Director, SCPPA, 225 S. Lake Avenue, Suite 1410, Pasadena, CA 91101”

“ It is agreed that any insurance maintained by SCPPA shall apply in excess of and not contribute with insurance provided by this policy.”

“SCPPA, its officers and employees are added as additional insureds with respect to the activities done pursuant to this agreement on behalf of the named insured.”

10. Terms and Termination: The term of this Agreement shall be one year from the date hereof, at which time, it shall either terminate or be extended by written agreement between SCPPA and the Consultant, unless sooner terminated in accordance with this section. Either party may terminate this Agreement upon thirty (30) days written notice to the other party. SCPPA shall pay Consultant for all services rendered to the date of termination plus reasonable expenses for winding down the services.

11. Use and Ownership of Work Products:

- (a) **Work Product.** As used in this agreement, the term “Work Product” means any and all materials fixed in a tangible medium of expressions, including software code, written or procedures, written documents, abstracts and summaries thereof, or any portions or components of the foregoing created, written, developed, conceived, perfected or designed in connections with the Services provided under this Agreement.
- (b) The Member shall retain all rights, title and interest in and to the Work Product, including all intellectual property rights therein and any and all enhancements, improvements and derivative works thereof, and Consultant obtains no rights therein.
- (c) **Deliverables.** Consultant shall deliver to the Member the studies, plans, specifications, or other documents as are identified in the Scope of Services; and Consultant shall, upon completion of all work, submit to the Member all information developed in the course of the Consultant’s services. Consultant shall, in such time and in such form as the Member may require, furnish reports concerning the status of services required under this Agreement. Consultant shall, upon request by Member and upon completion or termination of this Agreement, deliver to the Member all material furnished to Consultant by the Member.
- (d) **Year 2000 Compliance.** Consultant represents and warrants that all computer hardware, software, firmware, services data and products delivered under this Agreement, individually, and in combination, upon installation shall perform without fault the processing of date and date-related data (including, but not limited to, calculating, comparing, sequencing, storing, displaying and leap year calculations). Fault-free processing includes the manipulation of data with dates prior to, through, and beyond January 1, 2000. Software products, individually and in combination, shall successfully transition into the year 2000 with the correct system date, without human intervention, including leap year calculations. Software products, individually and in combination, shall also provide correct results when moving forward or backward in time across the year 2000.

In the event of any breach of this warranty, Consultant shall restore any of the foregoing products to the same level of performance as warranted herein, or repair or replace the products with conforming products so as to minimize interruption to Member’s ongoing business operation, time being of the essence, at Consultant’s sole cost and expense. This warranty does not extend to correction of Member’s errors in data entry or data conversion.

Nothing in this warranty shall be construed to limit any rights or remedies otherwise available under this Agreement. This warranty shall survive beyond termination or expiration of this Agreement.

- (e) **Confidentiality.** Consultant may be granted access to information that is exempt from disclosure to the public (Government Code Section 6254 and 6254.16) and may contain “trade secrets” (see Government Code Section 6254.7) when it is necessary for Consultant to perform its obligations pursuant to this Agreement. If Consultant is granted such access to confidential information, Consultant shall not be considered to be a member of the public as that term is used in Government Code Section 6254.5.

Consultant shall not disclose, publish, or authorize others to disclose or publish, design data, drawings, specifications, reports, or other information pertaining to the projects assigned to Consultant by the Member or other information to which the Consultant has had access during the term of this Agreement without the prior written approval of the Member.

- (f) **Records.** Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts, and other such information required by SCPA or the Member. The Consultant shall maintain adequate records on services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide access to SCPA or the Member or his designees at all proper times to such books and records, and gives SCPA or the Member or his designees the right to examine and audit such books and records and to make transcripts as necessary, and to all inspection of all work, data, documents, proceedings, and activities related to this Agreement.

12. Information Provided by Others: Member shall provide to the Consultant in a timely manner any information indicated is needed to perform the services hereunder. Consultant may rely on the accuracy of information provided by Member and its representatives.

13. Dispute Resolution: Consultant and SCPA shall attempt to resolve conflicts or disputes under this Agreement in a fair and reasonable manner and agree that if resolution cannot be made to attempt to mediate the conflict by a professional mediator. If mediation does not settle any dispute or action which arises under this Agreement or which relates in any way to this Agreement or the subject matter of this Agreement, it shall be subject to arbitration under the rules governing commercial arbitration as promulgated by the American Arbitration Association, arbitration shall be subject to the Federal Arbitration Act and the locale of the arbitration shall be southern California.

14. Miscellaneous:

- (a) This Agreement is binding upon and will inure to the benefit of the SCPA and Consultant and their respective successors and assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party; provided, however, that either party may assign this Agreement to a successor of the party’s entire business relating to this Agreement.

- (b) If any provision of this Agreement is invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect and the provision declared invalid or unenforceable shall continue in full force as to other circumstances in accordance with the laws of the State of California.
- (c) This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.
- (d) In any action to enforce or interpret this Agreement, the prevailing party shall be entitled to recover, as part of its judgment, reasonable attorneys' fees and costs from the other party.

IN WITNESS WHEREOF the parties have signed this Agreement the date first written above.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____

Title: Executive Director

By: _____

Public Financial Management

EXHIBIT A

SCOPE OF SERVICES

PFM will offer the following services:

- ***Compiling all Relevant Information.*** Much of the initial task for the Member is to gather all of the relevant data relating to the Member's debt obligations. Given our relationship with SCPPA and IPA, PFM will be able to gather this data fairly readily, including all arbitrage yield and negative arbitrage liabilities. This data is imperative for correctly calculating the most cost effective debt defeasance candidates for the Member.
- ***Prioritization of Defeasance Candidates.*** PFM will develop a financial model that will allow the Member to understand the economics of defeasing any part of its generation debt. This economic model will delineate on a bond by bond basis (for all of the Member's generation debt at IPA, SCPPA, etc.) the economics of defeasing the bonds or tendering for them and will rank all of the candidates in order of their economics. This model will incorporate all of the requisite variables in determining the economics: the coupon rates on the debt, call features, investment rates, discount rates, associated negative arbitrage, and issuance costs. As such, it will be a comprehensive guide to the economics of retiring the Member's debt. It should be mentioned that these candidates should be viewed in the context of the overall strategic plan, since the candidates may have different impacts on the cash flow and their economics may be different if viewed in a larger member context.
- ***Integration with Member's Financial Pro Formas.*** Given the need to integrate the debt defeasance with the overall plan, the financial model can be built to enable the Member to recalculate the Member's debt service requirements as a result of any planned or projected debt defeasance. As such, the planned defeasance of any bonds can be integrated with other Member analyses. The defeasance numbers can be transferred or downloaded into another file that the Member can use with its own overall financial pro formas. Thus, the model can be an extremely effective planning tool for the Member to use as it frequently recalculates its overall strategic plan.
- ***Crafting of Defeasance Program.*** While a defeasance program will be dependent upon the cash flows of the Member, PFM can help work with the Member in identifying a base line plan for defeasance of debt obligations. Though a number of policy issues will go into the defeasance program (e.g., rate setting issues and direct access), PFM can help the Member in refining its overall strategic plan to incorporate the specifics of a debt retirement program.
- ***Meetings with City Officials and City Council.*** PFM is often called upon to assist municipalities explain the intricacies of debt defeasance and tender programs to City Managers, City Councils, Boards of Directors, and other elected officials. PFM has held detailed workshops with City Council members across California, explaining the complexities associated with debt retirement strategies and can be an effective team member in working with elected officials and other professionals at the City.

EXHIBIT B

SCHEDULE OF COMPENSATION

Fee amount not to exceed \$20,000 to assist the Burbank Public Service Department with the anticipated reduction of the utility's generation debt.

Reasonable out-of-pocket expenses to be billed at actual costs.