

RESOLUTION NO. 1998-21

RESOLUTION OF THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (I) DETERMINING THE AMOUNT TO BE INCLUDED IN FUTURE ANNUAL BUDGETS TO PAY INCREASED COSTS RELATING TO PHASE I AND PHASE II OF THE RESTRUCTURING OF DEBT RELATING TO THE PALO VERDE PROJECT, (II) DIRECTING THAT CERTAIN AMOUNTS BE TRANSFERRED TO THE RESERVE ACCOUNT IN THE RESERVE AND CONTINGENCY FUND TO BE USED TO ENHANCE THE COMPETITIVENESS OF THE PALO VERDE PROJECT AND (III) AUTHORIZING THE OFFICERS OF THE AUTHORITY TO DO ALL OTHER THINGS DEEMED NECESSARY OR ADVISABLE

WHEREAS, the Board of Directors of the Southern California Public Power Authority (the "Authority") has taken significant actions in recent years to increase the competitiveness of the Palo Verde Project, and the Board of Directors desires to take additional actions to increase further the competitiveness of the Palo Verde Project; and

WHEREAS, one of the recent actions taken by the Board of Directors was the completion of the first phase of the debt restructuring relating to the Palo Verde Project ("Phase I"), whereby a substantial portion of such debt was restructured to accelerate the repayment of the debt; and

WHEREAS, another recent action taken by the Board of Directors was the sale of the Authority's Power Project Revenue Bonds, 1999 Subordinate Refunding Series A to restructure further the debt relating to the Palo Verde Project (and together with the delivery of such Bonds in April of 1999, "Phase II"); and

WHEREAS, another action taken by the Board of Directors was the accumulation of extra amounts in the Operating Fund (the "Operating Fund") and the Renewal and Replacement Account in the Reserve and Contingency Fund (the "Renewal and Replacement Account") created under the Indenture of Trust, dated as of July 1, 1981, between BNY Western Trust (the "Trustee") and the Authority (as supplemented and amended, the "Senior Indenture"); and

WHEREAS, R.W. Beck, Inc. has reviewed levels of funding for the Operating Fund and the Renewal and Replacement Account and based upon such review has recommended minimum reasonable levels of \$15.4 million and \$10.0 million, respectively (the amounts on deposit therein in excess of such amounts are referred to herein as the "Operating Fund Excess Amount" and the "Renewal and Replacement Account Excess Amount," respectively); and

WHEREAS, when compared to the net debt service amount set forth in the Annual Budget for the fiscal year ending June 30, 1997, Phase I and Phase II are expected to increase by approximately \$61.2 million per year through the fiscal year ending June 30, 2004 the amount to be paid by the participants in the Palo Verde Project (the "Participants"); and

WHEREAS, to increase further the competitiveness of the Palo Verde Project, the current Annual Budget for the Palo Verde Project provides for the collection of \$65 million to pay the increased net debt service costs resulting from Phase I and Phase II (the difference between such \$65 million and the actual increased net debt service costs resulting from Phase I and Phase II in a given year is referred to herein as the "Phase I and Phase II Surplus Amount"); and

WHEREAS, the Board of Directors desires to segregate in a separate account within the Senior Indenture the following amounts, which amounts, as provided in this Resolution, shall be used to enhance further the competitiveness of the Palo Verde Project: (i) any Operating Fund Excess Amount (which amount shall be determined annually in connection with the determination of any underbilling or overbilling of the Participants); (ii) any Renewal and Replacement Account Excess Amount (which amount shall be determined annually in connection with the determination of any underbilling or overbilling of the Participants); (iii) any Phase I and Phase II Surplus Amount (which amount shall be determined annually, through the fiscal year ending June 30, 2004, in connection with the determination of any underbilling or overbilling of the Participants); and (iv) such other amounts as the Board of Directors may determine from time to time.

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

1. In preparing the Annual Budgets for the Palo Verde Project for each fiscal year through the fiscal year ending June 30, 2004, the Authority's staff is hereby directed to include \$65 million in each such Annual Budget to pay for the increased net debt service costs resulting from Phase I and Phase II.

2. The Trustee is hereby directed to transfer to the Reserve Account the following amounts: (i) any Operating Fund Excess Amount (which amount shall be determined annually in connection with the determination of any underbilling or overbilling of the Participants); (ii) any Renewal and Replacement Account Excess Amount (which amount shall be determined annually in connection with the determination of any underbilling or overbilling of the Participants); and (iii) any Phase I and Phase II Surplus Amount (which amount shall be determined annually, through the fiscal year ending June 30, 2004, in connection with the determination of any underbilling or overbilling of the Participants).

3. Except as otherwise expressly provided in the Senior Indenture, the amounts on deposit in the Reserve Account (including the amounts referred to in the preceding paragraph of this Resolution) shall be used, as determined from time to time by the Board of Directors, to enhance the competitiveness of the Palo Verde Project.

4. Resolution No. 1997-7 of the Board of Directors is hereby repealed.

5. Each of the President, Vice President, Secretary and any Assistant Secretary of the Authority, and any other officer of the Authority, is hereby authorized and directed (i) to direct the Trustee to transfer amounts referred to in this Resolution to and from the appropriate Funds and/or Accounts as required by the Senior Indenture to effect the intent of this Resolution and (ii) to do and cause to be done any and all acts and things necessary or advisable for carrying out the matters contemplated by this Resolution.

6. This Resolution shall become effective immediately.

THE FOREGOING RESOLUTION is approved and adopted by the Authority this 17th day of September, 1998.



PRESIDENT
Southern California Public
Power Authority

ATTEST:



SECRETARY
Southern California Public
Power Authority