

MINUTES OF THE FEBRUARY 20, 1992
REGULAR MEETING OF THE
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

A regular meeting of the Board of Directors was held on February 20, 1992, in the Santa Barbara Room of the Pasadena Hilton Hotel, 150 South Los Robles Avenue, Pasadena, California 91101.

The meeting was called to order at 10:04 a.m. by President Ronald V. Stassi.

The following Board members (M) and alternates (A) were present and acting in their capacity as representative for their member city: Mr. Michael Bell, City of Anaheim (A), Mr. Joseph F. Hsu, City of Azusa (M), Mr. Ronald V. Stassi, City of Burbank (M), Mr. Gale A. Drews, City of Colton (M), Mr. Michael P. Hopkins, City of Glendale (M), Mr. Eldon A. Cotton, City of Los Angeles (M), Mr. David C. Plumb, City of Pasadena (M), and Mr. Brian Thomas, City of Riverside (A).

Also present were: SCPPA Executive Director, Ms. Linda M. Lazzerino, SCPPA Assistant Secretary, Mr. George R. Spencer, SCPPA staff members, Mr. Steven L. Homer, Ms. Ann Peterson, Ms. Estrella A. Viloria, Manager of SCPPA Accounting, Mr. B C Monk, LADWP Director of Joint Venture Accounting, Mr. William G. Williams, LADWP Finance and Accounting, Mr. Bruce Blowey, and Mr. Ronald Balingit, LADWP Power Operating and Maintenance Division. Others attending were: Mr. Henry Lee, City of Pasadena, Ms. Margaret Chan, representing O'Brien Partners, Alan R. Watts, Esquire, from Rourke & Woodruff, Edward W. Long, Esquire, from Mudge Rose Guthrie Alexander & Ferdon, Michael T. Fisher, Esquire, from O'Melveny & Myers, Mr. Sam Al-Imam from Dean Witter Reynolds Inc., Mr. Lester Graves Lennon from M. R. Beal & Company, and Mr. Eric Seder, Mr. Tim Rattigan, and Mr. Tom Staz, from Smith Barney, Harris Upham & Company, Inc., Mr. Mark V. Allen, from Southern California Edison, and Mr. James Scott, from First Boston Corporation.

1. Approval of the Minutes
of the Following Meeting

January 16, 1992, Regular Meeting - A Motion was made by Mr. Joseph Hsu, seconded by Mr. Michael Hopkins, and unanimously carried that the Minutes of the January 16, 1992 Regular Meeting be approved.

2. Matters Relating to the
Palo Verde Project

Project Report

Mr. Eldon Cotton reported that Unit 1 went down February 15 for refueling. The goal is a 70-day refueling, bringing the unit back up on April 25.

Mr. Bruce Blowey referred to his letter of February 4, 1992, and reported on the El Paso Electric bankruptcy situation. He stated that El Paso had made efforts to stay current on its Palo Verde obligations, had requested permission to pay both pre-petition and post-petition trade claims, and had requested of APS and the other owners relief from the default provisions of the participation agreement. The court issued a restraining order which does not allow a declaration of default without further action by the court.

A creditors' committee was formed, which objected to payment of special or pre-petition costs. After negotiations among El Paso, APS, the Palo Verde owners, and the creditors' committee, the amount of pre-petition (unsecured) Palo Verde costs was limited to \$9.25 million, down from an exposure of up to \$20 million. SCPPA's portion of this is a little over \$600,000.

If a post-petition payment is missed, El Paso could then be declared in default. If pre-petition costs are not paid by the end of the year, default could also be declared.

Additionally, El Paso was authorized by the court order to continue making decommissioning payments.

Post Summary of Financing

Ms. Margaret Chan distributed a booklet which detailed the February 4 sale of \$130,480,000 of Palo Verde refunding bonds. She pointed out that the timing of the sale allowed SCPPA to capture the lowest rate since 1982. True interest cost was 5.99%, and present value savings was 6.23% (over \$7 million).

3. Matters Relating to the
Mead-Phoenix/Mead Adelanto Projects

Project Report

Mr. George Spencer reported on the Mead-Phoenix Coordinating Committee meeting of February 11. He stated that Los Angeles gave a status report on the remaining two agreements, (McCullough and Westwing Interconnection Agreements). The next draft of these agreements will be available on

February 26 and 27, and Mr. Spencer will distribute copies to SCPPA members for review and comment. Comments will be taken to the March 16 and 17 committee meeting, and a final draft will then be issued.

Mr. Spencer noted that APS and Nevada Power Company require the interconnection agreements to be sent to FERC for approval after execution. This adds another 60 days before the long term agreements can be signed, pushing the date to June 15.

Rating Agency Presentations

Ms. Linda Lazzerino referenced a memo from O'Brien Partners with an attachment of a draft letter from R. W. Beck setting out a scope of work and cost for preparation of a presentation to the bond rating agencies. The O'Brien memo recommended a small group to go to New York to participate in the presentations, and Ms. Lazzerino asked the Board for comments as to who should participate beyond the O'Brien recommendation. Mr. Michael Bell stated that Anaheim wished to participate as recommended, but was quite concerned that decisions be made by the Board and not by a small group.

Ms. Lazzerino also discussed the need for a consulting engineer's report on each project, and the recommendation to use R. W. Beck in place of SCPPA staff to produce it. Discussion followed regarding the need for report, the cost, and the best way to produce it. Since SCPPA staff is not available to produce the report in the short time available, R. W. Beck appeared to be the proper resource.

Mr. Gale Drews moved that the Executive Director be authorized to employ Beck for the engineer's report, that the Executive Director be requested to provide a schedule and scope of the rating agency presentations, and that all SCPPA Members be invited to attend the presentations. The motion was seconded by Mr. David Plumb and unanimously approved.

Following further discussion, it was agreed that only the small group as recommended by O'Brien would actually visit the rating agencies, and that all other members would be welcome to attend any luncheons or presentations to the general financial community which might be scheduled. Members will be better able to decide on their participation after the schedule and scope mentioned in the motion become available. Several members expressed a preference for the week of May 11, to avoid conflicts with other scheduled events.

4. Matters Relating to the Hoover Upgrading Project

Project Report

Mr. George Spencer referenced the Hoover Report in the Board package, and reported that 13 of the 17 units have been upgraded. The 14th unit is scheduled to come back on line February 21 or 22, another unit is scheduled for April, and the 16th unit in May. The last unit should be back in service by the end of the year.

Project Report

Ms. Lazzerino referenced a letter from Thomas Hine of Western dated January 27, 1992, setting out three alternatives for payment of accumulated credits and asking for responses from those with outstanding credits. She had received a call from Western stating their intention to go forward with Option #3. Ms. Lazzerino urged those involved to review the letter and voice any objections as soon as possible.

5. Matters Relating to the Southern Transmission System Project

1992 Refunding

Ms. Margaret Chan of O'Brien Partners updated the Board on the upcoming STS refunding. She stated the refunding would be between \$200-340 million, using a combination of crossover and regular advance refunding structures, similar to the recent Palo Verde refunding. Ms. Chan reported on the status of the draft documents and the market conditions necessary to achieve 5% present value savings.

Mr. Edward Long presented the documents which authorize the Board's officers to put the financing in place. Resolution 1992-4 allows flexibility in the type of structure within the parameters set forth. The principal amount minimum is \$150 million and the maximum is \$340 million. The maximum true interest cost is 7%, unless the Finance Committee (as defined in Resolution 1992-4) agrees unanimously to raise the cap to 7 1/2%. The underwriters' discount is not to exceed 1% of production, and the present value savings must equal or exceed 5%. Resolution 1992-5 is the "blue sky" resolution.

Mr. Cotton moved that both resolutions be approved by one Roll Call Vote. The motion was seconded by Mr. Hopkins and unanimously approved.

Resolution 1992-4 and Resolution 1992-5 were unanimously approved by Roll Call Vote, with Banning, Imperial, and Vernon absent, and Azusa and Colton abstaining.

Ms. Lazzerino referenced the recommendation of the Finance Committee (provided in the Board folders) concerning the Financial Advisor's fee for this refunding. Mr. Bell moved, seconded by Mr. Thomas and unanimously approved, that the agreement with O'Brien Partners setting the compensation at \$250,000, including out of pocket expenses, be approved.

6. Executive Director's Report

Ms. Lazzerino referenced the monthly report from Deborah Sliz. Ms. Lazzerino noted that Rep. George Miller of Riverside had a bill in progress concerning EMF. Representative Brown has requested comments from SPPA and the bill and a section-by-section analysis have been provided to the Board. She encouraged Board members to voice SPPA's opinion on a matter of importance and to use the opportunity to support an ongoing dialogue with Representative Brown. Ms. Sliz will draft a proposed response based on SPPA members' input.

Ms. Lazzerino stated that she had mailed to the members copies of the Miller bill regarding mandatory integrated resource planning under the direction of WAPA, and she asked for written responses. She stated she had been invited to participate in an APPA-hosted meeting on this subject in Denver on March 2, involving state agencies and joint action agencies. This conflicts with SPPA's Finance Committee Meeting, which she felt was her priority. Possible options would be to send Deborah Sliz, or a member of the Strategic Planning Committee, or no one. The decision to be made is whether to oppose the bill, or work to make it more palatable. The Board agreed that the Finance Committee Meeting was Ms. Lazzerino's priority, and Mr. Plumb offered to work with Mr. Carnahan to send a member of the Strategic Planning Committee to the APPA meeting.

Ms. Lazzerino discussed the status of the WATSCO proposal and thanked Del Smith and Ed Aghjayan of Anaheim for their help during the APPA winter meetings.

She reported on the status of the proposal from R. W. Beck to provide an additional report based on the information gathered for the Triennial Report, and the status of the Beck joint resources study.

7. Management Report

Mr. George R. Spencer referred to the report in the mailing notebooks, which lists staff's major activities for the month.

8. Compensation and Benefits Package for SCPPA Employees

Mr. Alan Watts referred to the memos and resolutions on this subject in the Board packages, and summarized the contents. Resolution 1992-6 is a resolution of intention by the Board to approve a contract with the Public Employees' Retirement System (PERS) and provide a retirement benefit to the SCPPA employees, Ms. Lazzerino and Ms. Ann Peterson. Mr. Watts estimated the future annual cost of the employer portion of this benefit to be 11.54% of SCPPA's \$121,000 per year payroll, or \$13,963.40. This fulfills the requirement under Section 7507 of the Government Code for a public announcement of future annual costs. It was noted during discussion that SCPPA also intends to pay the 7% employee contribution.

Resolution 1992-7 authorizes the provision of health care coverage under PERS, and Resolution 1992-8 provides for reimbursement of dental expenses.

Resolution 1992-9 rescinds Resolution 1983-24, which authorized funding of the deferred compensation plan. Payments to the deferred compensation plan by SCPPA will stop when the PERS retirement plan becomes effective. However, the employees may continue contributing to it if they desire.

Mr. Watts clarified that contributions to PERS for Ms. Lazzerino will be made back to the time of her employment by SCPPA, pursuant to her employment contract. Since SCPPA has been contributing to Ms. Peterson's deferred compensation up to the present time, no retro payments to PERS will be made on her behalf.

Mr. Gale Drews moved that all four resolutions be adopted, with the understanding that no policy is being set regarding future employees. The motion was seconded by Mr. David Plumb and unanimously approved.

9. Other Business

President Stassi referenced his February 10, 1992 memo regarding committee assignments, and assured the Board that the Executive Committee would not act on any issues without direction from the full Board. Discussion followed regarding the need for a Budget Committee, separate from the Finance Committee, and the added number of meetings required for members of both committees.

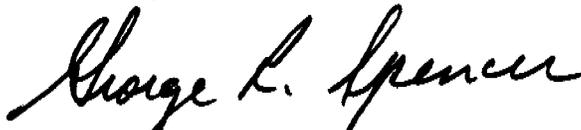
10. Opportunity for the Public to Address the Board

President Stassi afforded the public an opportunity to address the Board. There were no comments from the public.

11. Adjournment

There being no further business, the meeting was adjourned at 12:23 p.m.

Respectfully submitted,



GEORGE R. SPENCER
Assistant Secretary

c: Board of Directors