

MINUTES OF THE SEPTEMBER 17, 1992
REGULAR MEETING OF THE
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

A regular meeting of the Board of Directors was held on September 17, 1992, in the San Diego Room of the Pasadena Hilton Hotel, 150 South Los Robles Avenue, Pasadena, California 91101.

The meeting was called to order at 10:11 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. Edward K. Aghjayan, City of Anaheim (M), who left at 12:45 p.m., Mr. Joseph F. Hsu, City of Azusa (M), Mr. Terry Collins, City of Banning (M), Mr. Ronald V. Stassi, City of Burbank (M), Mr. Gale Drews, City of Colton (M), Mr. Michael P. Hopkins, City of Glendale (M), Mr. Kenneth S. Noller, Imperial Irrigation District (M), Mr. Eldon A. Cotton, City of Los Angeles (M), who left at 12:48 p.m., Mr. David C. Plumb, City of Pasadena (M), who left at 12:45 p.m., and Mr. Bill D. Carnahan, City of Riverside (M), who left at 12:45 p.m.

Also present were: Mr. Michael Bell, City of Anaheim, Mr. Nitin Modi, City of Colton, Mr. Tommy Wu, City of Glendale, SCPPA Executive Director, Ms. Linda M. Lazzerino, SCPPA Assistant Secretary, Mr. George R. Spencer, SCPPA staff members, Mr. Charles E. Patrick, Mr. Steven L. Homer, Ms. Nellie Ho, and Ms. Ann Peterson, Mr. William Williams, LADWP Assistant Chief Financial Officer, Mr. B C Monk, LADWP Director of Joint Venture Accounting, Ms. Estrella A. Vilorio, Manager of SCPPA Accounting,

Others attending were: Mr. John J. O'Brien and Ms. Margaret L. Chan, from O'Brien Partners, Edward W. Long, Esquire and Carolyn Clark, Esquire, from Mudge Rose Guthrie Alexander & Ferdon, Alan Watts, Esquire, from Rourke & Woodruff, Mr. Tom Staz, from Smith Barney, Harris Upham & Company, Inc., Mr. James E. Scott and Mr. Oscar J. Carlson, from The First Boston Corporation, Mr. Fenn Putman, from Lehman Brothers, Mr. Steven Dworkin, from Bear Stearns and Company, Mr. Mark J. Dadabbo, from Price Waterhouse, Mr. Ben Waitman, Los Angeles City Administrator's Office, Mr. Anthony H. Fisher, Merrill Lynch, Mr. Robert Montano, City of Riverside, Mr. Michael Williams, City of Colton, Mr. Robert Wilkins, III and Mr. Darryl Lacy, from Charles A. Bell Securities Corporation, Mr. Dennis B. Whitney and Mr. Alan N. Vallow, LADWP, Mr. John Werner, Pittsburgh National Bank, and Mr. Mark Vincent Allen, from Southern California Edison.

1. 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.

2. Approval of the Minutes of the Following Meeting

August 20, 1992 Regular Meeting - A motion was made by Mr. Michael Hopkins, seconded by Mr. Joseph Hsu, and unanimously carried that the Minutes of the August 20, 1992 Regular Meeting be approved as corrected.

3. Report of the Audit Committee

President Stassi reported that the Audit Committee had met with Price Waterhouse on September 14 to review the audit of SCPPA's Financial Statements, and found the report in order. Copies of the Report and Financial Statements were distributed.

4. Finance Committee

Approval of Underwriting Team for SCPPA's Refunding Program and San Juan Unit 3 Financing

Mr. Bill Carnahan referenced the written report of the Finance Committee meeting.

President Stassi reported that the Finance Committee also met to develop their recommendations to the SCPPA Board regarding the selection of a banking syndicate to handle SCPPA's potential refundings. As a part of that process, interviews of minority firms and candidates for Senior Banker were conducted.

The Finance Committee, after a request for proposals process including interviews and evaluations, recommended to the Board of Directors for its consideration and approval an investment banking team for refundings of the Authority consisting of The First Boston Corporation as Senior Manager, Bear, Stearns & Co. Inc., Goldman, Sachs, & Co., Morgan Stanley & Co., Incorporated, Smith Barney, Harris Upham & Co. Incorporated, Artemis Capital Group, Inc., Grigsby, Brandford & Co., Inc., and Smith Mitchell Investment Group Inc.

The Finance Committee also recommended that the Finance Committee (in consultation with the Authority's Financial Advisor and Bond Counsel) be authorized and directed to work with said team to identify viable refunding transactions for the Authority. Prior to undertaking any such refunding transaction with respect to a particular project of the Authority, the Finance Committee shall present to the Board of

Directors for its consideration and approval the proposed terms and conditions of the refunding, the projected present value savings and the proposed underwriting team and arrangements.

President Stassi related the criteria considered in selecting the Senior Banker, which included: knowledge of SCPA; participation and interaction with SCPA members, other bankers and consultants; refunding analysis; marketing ability; and past performance. He pointed out that First Boston was the consensus selection for Senior Banker, but by no means the unanimous choice.

Mr. Edward Aghjayan moved that the Finance Committee's recommendation for the underwriting team for potential refundings be approved. The motion was seconded by Mr. Carnahan and approved, with Los Angeles voting "no".

Mr. Eldon Cotton explained that Los Angeles voted "no" because one of the firms does business in South Africa, and Los Angeles has a strong policy of not dealing with such firms.

Mr. Stassi reported that the Management Committee for the San Juan 3 Project has elected to accept the underwriting team recommended by the Finance Committee for the anticipated San Juan 3 financing, with the Management Committee reserving the right to choose their Senior Banker at a later time.

Mr. Michael Hopkins moved that the investment banking team recommended at this meeting for refundings of the Authority be approved and designated as the investment banking team for the proposed financing by the Authority of an interest in San Juan Generating Station Unit 3. In addition, the Members of the Authority participating in such financing shall, as a group, designate the Senior Manager for the financing from among said team. The motion was seconded by Mr. Gale Drews and unanimously approved, with Anaheim and Los Angeles abstaining.

5. Authority's Annual Budget for the Hoover Upgrading Project For the Power Supply Year Commencing October 1, 1992

Mr. Charles Patrick presented the Authority's Annual Budget for the Hoover Upgrading Project for the Power Supply Year Commencing October 1, 1992. He explained that debt service was increasing because principal payments were now due on bonds which were not refunded, and discussed other major increases or decreases. Mr. Hsu moved that Resolution No. 1992-31 approving the Hoover Upgrading Project budget be approved. The motion was seconded by Mr. Terry Collins, and approved by roll call vote, with Los Angeles abstaining and Vernon absent.

6. Investment Agreement with Pittsburgh National Bank

Ms. Lazzerino referenced the written explanation of this subject in the Board notebooks, and gave a brief history of Pittsburgh's request to change the current investment agreement to a bank note, in order for Pittsburgh to avoid an insurance premium.

When Pittsburgh's legal counsel was unable to render an opinion that SCPPA would not be negatively affected by the change, SCPPA's advisors suggested that Pittsburgh consider the alternative of changing the investment agreement to a collateralized repurchase agreement. This would accomplish Pittsburgh's goal, and actually improve SCPPA's credit position.

Pittsburgh agreed, subject to a reduced interest rate on the repurchase agreement. Since all interest earned above the arbitrage bond yield of 6.9867% is rebated to the U.S. Government, the reduction would not change SCPPA's retained investment income.

Mr. Drews moved that Resolution 1992-38, authorizing amending the investment agreement with Pittsburgh National Bank, be approved. The motion was seconded by Mr. David Plumb and unanimously approved by roll call vote, with Vernon absent.

7. Mead-Phoenix and Mead-Adelanto Projects

Approval of Use of Bond Proceeds to Finance Mead-Phoenix/Mead-Adelanto Projects and Revision of Board Policy - City of Colton

Resolution No. 1992-25, approving the use of bond proceeds to finance Mead-Phoenix/Mead-Adelanto Projects was voted on by the other participants at the August 20, 1992 Board Meeting, with Colton being absent. A favorable vote from all participants is required under Board Policy. Colton voted "yes", completing the approval of Resolution No. 1992-25.

Approval of Project Votes for the Mead-Phoenix and Mead-Adelanto Projects

Mr. Carnahan moved that Resolution No. 1992-32, affirming project votes for the Mead-Phoenix Project, and Resolution No. 1992-33, affirming project votes for the Mead-Adelanto Project, be approved. The motion was seconded by Mr. Drews and unanimously approved by roll call vote, with Vernon absent.

8. Annual Report of the Operating Budget for the Palo Verde Project for Fiscal Year 1991-92

Mr. Steven Homer presented the Annual Report of the Operating Budget for the Palo Verde Project for Fiscal Year 1991-92, and noted that the Total Cost to the Authority was about 4% less than budgeted. This resulted in an overcollection of slightly more than \$6 million, which will be credited next month.

9. Annual Report of the Operating Budget for the Southern Transmission System Project for Fiscal Year 1991-92

Mr. Homer presented the Annual Report of the Operating Budget for the Southern Transmission System Project for Fiscal Year 1991-92, and pointed out that the Total Cost to the Authority was less than 1/2% over budget. This resulted in an undercollection of \$353,000, which will be billed next month.

10. Joint Planning Subcommittee

Mr. Robert Montano presented the Joint Planning Subcommittee's Executive Summary of the R. W. Beck Loads and Resources Forecast Report. He noted that the report shows capacity surpluses in the early years, especially in winter months, which diminish as the years pass. After 2005 there are large capacity deficits.

The Subcommittee felt the report was a valuable resource which showed opportunities for business among the members. The Subcommittee recommends that the Board accept the report today, and will recommend updating the data base when required, probably in about two years..

Mr. Cotton moved that the Board accept the 20-year Loads and Resource Forecast Report. The motion was seconded by Mr. Plumb and unanimously approved.

11. Executive Director's Report

Legislative Report

Ms. Lazzerino referenced the written report from Deborah Sliz in the Board packages, and told the Board that Ms. Sliz recommends supporting the negotiated proposal regarding integrated resource planning (Miller Bill).

Mr. Aghjayan reviewed the history of the Miller Bill and discussed other agencies which support or oppose it.

After further discussion, the Board agreed to send a letter to Senators Bennett Johnston, Bill Bradley, Malcolm Wallop and John Seymour supporting the integrated resource planning program contained in the House version of H.R. 776.

Mr. Alan Vallow updated the Board on the latest developments regarding transmission access provisions of the National Energy Strategy Bill. Of major concern is the possibility that acceptance of binding arbitration as the final dispute resolution mechanism may not be allowed to be a requirement for membership in a Regional Transmission Group. This could allow FERC into the dispute resolution process.

12. Management Reports

Mr. Spencer referenced the four management reports in the Board notebooks, including the monthly staff report, Palo Verde, Hoover, and Mead-Phoenix/Mead-Adelanto.

Mead-Phoenix/Mead-Phoenix Project

Mr. Spencer presented a comparison of the drawdown requirements presented at the December 1991 workshop and the current plan for the Mead-Phoenix/Mead-Adelanto Projects, as requested at the August Board Meeting.

Palo Verde Project

Mr. Cotton referenced the written report in the Board folders and discussed the status of the project. He also updated the Board on the current status of the El Paso bankruptcy.

Mr. Dennis Whitney addressed two questions from the August Board Meeting, regarding SCPPA's increased obligations if El Paso should default, and transmission availability.

He stated that Los Angeles has sufficient transmission capacity to handle SCPPA's 84 MW share of El Paso's entitlement until the year 2005, and that Edison probably has capacity available also. However, other parties are also interested in purchasing transmission service, so SCPPA members who wish to arrange a transmission contract should begin negotiating soon.

Mr. Whitney then distributed a handout showing each participant's increased cost for six months if El Paso defaults. SCPPA's six month cost would increase by \$3,790,000.

Mr. Cotton pointed out that the court could override the project agreements and extend the six month period, but at some point SCPPA would begin to get the energy (which would bring down the average cost of power), or El Paso would have to repay SCPPA's additional costs.

Hoover Uprating Project

Mr. Spencer referenced Mr. Patrick's written report.

13. Closed Session

At this point President Stassi announced that the Board would go into closed session to consider matters pending or threatened litigation or personnel matters, pursuant to Government Code Sections 54956.9 or 54957.6.

14. Consideration and Action regarding San Juan Unit 3 Project

Upon reconvening from closed session at 12:48 p.m. and ascertaining that a quorum still existed, Mr. Joseph Hsu reported that Riverside had withdrawn from the San Juan 3 Project, leaving five members participating. Riverside's 20 MW have been tentatively taken over by Imperial Irrigation District.

Mr. Watts reported that the negotiating group has been meeting with Century Power, and has resolved most of the substantive issues. Century is in the process of revising the purchase agreement, and the negotiating group is gathering comments on the remaining issues.

Mr. Watts explained Resolution 1992-34, declaring that acquiring an interest in this project is statutorily exempt from CEQA requirements. Ms. Lazzerino stated that this action was being taken on the oral representations of each of the participants that no construction in the state of California would be required in order to deliver power from the project. Written confirmation of this information will be required prior to closing of the San Juan Unit 3 purchase.

Mr. Watts also suggested that the Board authorize the Executive Director to execute a letter stating that the Board of Directors has approved and authorized the terms and conditions of the Purchase Agreement relating to acquisition of an entitlement in San Juan Unit 3 from Century Power Corporation. This letter would be attached to a draft of the purchase agreement, and sent to Public Service of New Mexico and Tucson Electric in place of a summary of terms of the purchase agreement. The same process would be used to transmit the agreements which need to be accepted for filing with FERC.

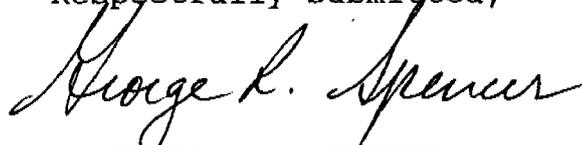
Mr. Edward Long explained Resolution No. 1992-35, giving SCPPA's officers the authority to execute the earnest money agreement once all the participants have agreed to it, Resolution No. 1992-36, which gives SCPPA's officers the authority to sign the purchase agreement once all the participants have agreed to the earnest money agreement, and Resolution No. 1992-37, which gives SCPPA's officers the authority to execute power sales contracts with the participants.

Mr. Collins moved that Resolution Nos. 1992-34, 1992-35, 1992-36, and 1992-37 be approved, as well as the motion regarding the summary of terms. The motion was seconded by Mr. Drews and approved by roll call vote, with Anaheim, Los Angeles, Pasadena, Riverside, and Vernon absent, and Burbank abstaining.

15. Other Business

There being no other business, the meeting was adjourned at 1:05 p.m.

Respectfully submitted,



GEORGE R. SPENCER
Assistant Secretary

c: Board of Directors