

## RESOLUTION NO. 2016-084

### RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY AMENDING AND SUPERSEDING RESOLUTION NO. 1996-7 RESPECTING THE MANAGEMENT AND ADMINISTRATION OF THE PROJECT STABILIZATION FUND, AND AUTHORIZING CERTAIN ADDITIONAL ACTIONS IN CONNECTION THEREWITH.

WHEREAS, in 1996, the Board of Directors of the Southern California Public Power Authority (the "Authority") adopted Resolution No. 1996-7 to create a Project Stabilization Fund ("Fund") to assist its members (the "Members") in their efforts to compete in an environment of increased competition in the electric utility industry;

WHEREAS, the challenges facing Members are vastly different from those in existence 20 years ago when the Fund was created, making changes to the Authority's management and administration of the Fund necessary and appropriate, as set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS AS FOLLOWS:

1. Resolution No. 1996-7 is hereby amended and superseded in its entirety as hereinafter set forth. References to "this Resolution" refer to this Resolution No. 2016-084. For avoidance of doubt, Appendices A and B to Resolution No. 1996-7 are not included in this amendment and are no longer applicable. This Resolution shall be interpreted as continuing the program established by Resolution No. 1996-7 and not as a revocation or rejection thereof or any power conferred upon any officer or employee of the Authority.

#### ARTICLE I

#### DEFINITIONS

**Section 101. Definitions.** Except as otherwise provided by this Resolution, all capitalized terms which are used but not defined in this Resolution shall have the same meanings as such terms are given in the indentures of trust, power sales contracts, transmission service contracts and other similar agreements to which the Authority is a party that govern the external financing arrangements of the Authority. In this Resolution, in addition to the terms defined in the above recitals, the following terms shall have the indicated meanings:

**Account** shall mean an account established in the Fund by and for the benefit of a Member.

**Authority** shall mean the Southern California Public Power Authority.

**Authorized Authority Representative** shall mean for purposes of this Resolution:

- (a) **From the Authority:** any officer, the Executive Director, the Director of Project Administration, and the Chief Financial Officer;
- (b) **From LADWP:** the Principal Utility Accountant-Finance, the Manager of SCPPA Accounting, the Manager of LADWP Investments, the SCPPA Investments Manager, and the SCPPA Investments Accountant; and
- (c) **Others:** Any other person or entity as may be designated in writing by the Executive Director of the Authority.

**Authorized Member Representative** shall mean the Member's representative or alternate (or alternates) on the Authority's Board of Directors.

**Bank** shall mean a reputable financial institution engaged by the Authority for the purpose of receiving, holding and disbursing Member funds deposited pursuant to this Resolution, at all times acting in an agency capacity and not in the capacity of a trustee under any indenture of trust or similar agreement with the Authority.

**Board of Directors** or **Board** shall mean the Board of Directors of the Authority.

**Direction** shall mean the direction of a Member to the Authority to cause the Bank to make a payment from the Member's Account, as described in Section 203(2) or 203(3) hereof.

**Investment Securities** shall mean instruments authorized by the SCPPA Investment Policy.

**LADWP** shall mean the Los Angeles Department of Water and Power.

**Member** shall mean a member agency of the Authority.

**Monthly Billing Statement** shall mean the statement that is to be sent to a Member on a monthly basis pursuant to a power sales contract, transmission service contract or other similar contract between the Authority and the Member.

**Monthly Deposit Amount** shall mean the amount, if any, included on a Member's Monthly Billing Statement that is paid by the Member for deposit into such Member's Account.

**Moody's** shall mean Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency (other than Standard & Poor's) as may be designated in writing by the President or Executive Director of the Authority.

**Requisition** shall mean the requisition of the Authority to the Bank for the Bank to make a payment from a Member's Account, as described in Section 203(2) or 203(3) hereof.

**Standard & Poor's** shall mean Standard & Poor's Global Ratings or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency (other than Moody's) as may be designated in writing by the Authority.

**Trustee** shall mean a bank or other financial institution that acts in the capacity of a trustee under one or more indentures of trust between the Authority and such trustee. The term "Trustee" shall not include the Bank in its agency capacity.

## ARTICLE II

### ESTABLISHMENT AND ADMINISTRATION OF PROJECT STABILIZATION FUND AND ACCOUNTS THEREIN; DEPOSITS TO AND WITHDRAWALS FROM ACCOUNTS

**Section 201. Establishment and Administration of Project Stabilization Fund and Accounts Therein.** 1. The Authority shall promptly cause to be created the Fund and within such Fund a separate Account for each Member that requests an Account be established for its benefit. The Fund and the Accounts shall be held by the Bank for the benefit of the Authority and the respective Members (as described in greater detail in this Resolution). The name of a Member's Account shall include the name of the Member.

2. The Authority shall direct the Bank to hold the Fund separate and apart from all of the funds and accounts under the indentures of trust and supplemental indentures of trust to which the Authority is a party, and separate and apart from any general fund of the Authority, and shall direct the Bank not to combine, consolidate or commingle, for investment purposes or otherwise, moneys on deposit in the Fund with any moneys held under or pursuant to any such indenture of trust, supplemental indenture of trust or general fund.

3. In holding and administering the Fund and the Accounts (which shall be held and administered in trust) and in taking all other actions pursuant to this Resolution, the Bank shall be acting in its agency capacity and shall not be acting in its capacity as a Trustee under any indenture of trust or similar agreement to which the Bank is a party.

4. With respect to the Fund, a Member shall have a right and interest in only those moneys, if any, on deposit in its Account. No Member shall have any right or interest in moneys on deposit in any other Account. In addition, no other person or entity, including but not limited to the Bank (other than as provided in Section 404 of this Resolution), any Trustee, any creditor of the Authority or any other Member, shall have any right or interest in moneys on deposit in a Member's Account. The Bank, in

accepting its responsibilities under this Resolution, waives any and all rights of lien, attachment or set-off whatsoever, whether such rights arise by reason of statutory or common law, by contract or otherwise.

**Section 202. Deposits to the Fund.** 1. The Authority shall include on each Monthly Billing Statement of a Member, in such manner as the Authority deems appropriate, such Member's Monthly Deposit Amount (if any) for the month. Unless otherwise directed by the President, Vice President, Executive Director or Chief Financial Officer of the Authority, the Member's Monthly Deposit Amount (if any) shall be included on its Monthly Billing Statement relating to the Palo Verde Nuclear Generating Station; provided, however, that the City of Anaheim's Monthly Deposit Amount (if any) shall be included on its Monthly Billing Statement relating to the Hoover Upgrading Project. In the alternative, Members who have elected to be billed under the Alternative Billing Method authorized by Resolution 2015-025 shall be billed separately according to the method prescribed therein.

2. A Member's Monthly Deposit Amount (if any) shall be determined solely by an Authorized Member Representative of the Member. The Authority shall provide to the Bank a schedule setting forth the Members' Monthly Deposit Amounts. The schedule may be revised from time to time by the President, Vice President, Executive Director or Chief Financial Officer of the Authority upon the written request of one or more Members. The Authority shall file with the Bank a copy of each revised schedule within five business days of each such revision. Revisions to the schedule shall be made only on a prospective basis.

3. Failure by a Member to pay any or all of its Monthly Deposit Amount (or failure to take any other action under this Resolution) shall not constitute a default, an event of default, a breach of contract or otherwise under any agreement or contract between the Authority and such Member and shall not be the basis for the imposition of any penalty, charge (including interest charge) or other action against the Member by the Authority, the Bank, any Trustee or any other person or entity.

4. The Authority shall, prior to mailing to a Member a Monthly Billing Statement that includes a Monthly Deposit Amount, notify the Bank in writing and the applicable Trustee of (i) the Member's Monthly Deposit Amount to be included in such Monthly Billing Statement and (ii) the remaining amount covered by such Monthly Billing Statement (which remaining amount is to be paid by the Member for deposit into the funds and accounts of the indenture of trust to which the Trustee is a party). Notwithstanding the foregoing, the Authority shall take such action as shall be necessary or advisable to assure that no moneys received from a Member are deposited by the Bank into the Member's Account for a particular month unless the amount received by the Trustee from the Member is also sufficient to provide for the Member's required payment into the funds and accounts of the indenture of trust to which the Trustee is a party. The Authority shall direct each Trustee that receives Monthly Deposit Amounts to transfer such Amounts immediately to the Bank by wire transfer for immediate deposit into the Accounts of the Members that paid such Monthly Deposit Amounts. The Authority shall direct the Bank, if it is also a Trustee, to deposit promptly (through the Bank) into a Member's Account the (i) Member's Monthly Deposit

Amount received by it as a Trustee and (ii) the Member's Monthly Deposit Amount or Monthly Deposit Amounts received by it from any other Trustee or bank.

5. The Authority shall take such actions as are necessary to assure that no Trustee deposits any Monthly Deposit Amount into any fund or account established under any indenture of trust to which a Trustee is a party.

6. Amounts deposited into the Accounts shall not be deemed to have been deposited for the purposes of any particular Authority project for which the Authority has received any form of external financing. Amounts deposited into the Accounts shall not constitute (i) Revenues of the Authority, (ii) revenues, income, rents or receipts derived by the Authority from or attributable to Authority Capacity (or to the payment of costs thereof) or the ownership or operation of any Authority project, or (iii) Monthly Power Costs, Transmission Service Costs or Monthly Transmission Costs pursuant to any contract or agreement to which the Authority and a Member are parties. Monthly Deposit Amounts shall not constitute amounts required to be paid by the Members to any Trustee pursuant to any contract.

7. The Authority shall instruct the Bank to provide to the Authority by the fifteenth day of each month an accounting statement relating to the preceding month. The accounting statement shall set forth the following with respect to each Account: (i) the amount of any deposit or deposits to each Account; (ii) the amount withdrawn from each Account; (iii) any interest earnings credited to each Account; and (iv) the Account balance at the end of the month for each Account.

**Section 203. Withdrawals from Accounts.** 1. Amounts in a Member's Account, upon satisfaction of the conditions set forth in subsection (2) of this Section 203, may be applied to or set aside for, at the sole discretion of the Member, one or more of the following purposes:

(a) to pay Monthly Power Costs, Transmission Service Costs, Monthly Transmission Costs or any other costs payable by the Member relating to any Authority project in which the Member is a participant;

(b) to pay capital costs relating to any Authority project in which the Member is a participant;

(c) to pay operating expenses relating to any Authority project in which the Member is a participant;

(d) to purchase or redeem bonds or other obligations relating to any Authority project in which the Member is a participant, and to pay costs and expenses in connection therewith;

(e) to pay costs of issuance and any other costs incurred by the Authority in connection with the issuance of bonds (including refunding bonds) or other obligations relating to any Authority project in which the Member is a participant;

(f) to cure any deficiency in any fund or account in any indenture of trust relating to an Authority project in which the Member is a participant;

(g) any other lawful purpose relating to an Authority project in which the Member is a participant; and

(h) to pay any costs or expenses incurred by the Authority and payable by the Member to the Authority that do not relate to any specific Authority project.

2. The Authority shall direct the Bank to make payments for the purposes described in subsection (1) from the Accounts in the amounts, at the times, in the manner and on the terms and conditions set forth in this subsection (2). Before any payment from a Member's Account shall be made, the Member shall file with the Authority its Direction to the Authority for the Authority to cause the Bank to make such payment, provided by an Authorized Member Representative in a form satisfactory to the Authority, stating with respect to the payment to be made (a) the name and address of the person, firm, corporation or other entity to which payment is to be made (which may be, among others, the Authority or a Trustee), (b) the amount of such payment, (c) that such payment is a proper charge against the Account, (d) the date the payment is to be made by the Bank and (e) the means by which the payment is to be made (e.g., check or wire transfer). The Authority shall file with the Bank, after receipt by the Authority of the Member's Direction, the Authority's Requisition for such payment, signed by an Authorized Authority Representative. The Requisition shall (i) attach a copy of the Member's Direction and (ii) direct the Bank to make the payment in accordance with the Direction (if and to the extent available funds are on deposit in the Member's Account to make such payment).

3. Notwithstanding subsections (1) and (2) of this Section 203, a Member may from time to time request approval by the Board to withdraw available funds in the Member's Account for use by the Member for purposes other than those described in subsection (1), as determined by the Member in its sole discretion. Upon the Board's approval of such request, the Authority shall direct the Bank to pay the requested amount by check or wire transfer directly to the Member pursuant to such instructions as the Member may give. The Authority shall file with the Bank, after the Board's approval of the Member's request, the Authority's Requisition for such payment. The Requisition shall (i) attach a copy of the Board's resolution or other evidence of its action approving the Member's request, and (ii) direct the Bank to make the payment in accordance with the Member's request as approved by the Board.

### ARTICLE III

#### INVESTMENT OF MONEYS; SALE OF INVESTMENT SECURITIES

**Section 301. Investment of Moneys in Accounts.** 1. The Authority shall invest moneys deposited into the Accounts. Moneys in the Accounts shall be invested in Investment Securities and shall be invested and managed in accordance with all applicable laws (including, but not limited to, California Government Code §§

53600.3, 53600.5 and 53601). The maturity of an Investment Security (or, if applicable, the remaining maturity of an Investment Security) shall not exceed five years. An Authorized Member Representative or an officer or employee of a Member responsible for investment decisions may consult with the Authority from time to time regarding the maturity or maturities of Investment Securities to be purchased with moneys deposited in such Member's Account. Until such time as an Authorized Authority Representative directs otherwise, the Bank may act as principal or agent in the purchase or sale of Investment Securities and may purchase Investment Securities through its own investment department.

2. The Authority shall instruct the Bank that (i) moneys in the Accounts shall not be commingled for investment purposes without the prior written consent of the Authority and an Authorized Member Representative of each affected Member and (ii) in the event moneys are commingled for investment purposes in accordance with this Section 301(2), the Bank shall account for the amount invested by each affected Member, including for purposes of allocating the applicable proportionate amount of principal and interest (and gains or losses, if any) to the affected Members' Accounts.

3. Investment income earned on moneys or investments in an Account shall be credited to such Account. Nothing in this Resolution shall prevent any Investment Securities from being issued or held in book-entry form.

**Section 302. Sale of Investment Securities in Accounts.** 1. Investment Securities in a Member's Account may be sold by an Authorized Authority Representative. Any sale by an Authorized Authority Representative shall occur only after receipt of a written direction from the Member to sell the Investment Security or Investment Securities. Notwithstanding the foregoing, the Authority shall sell at the best price obtainable, or direct the Bank to present for redemption, any Investment Security in a Member's Account to the extent necessary to make a payment for the benefit of the Member pursuant to Section 203(2) or 203(3) of this Resolution.

2. Investment Securities purchased as an investment for an Account shall be deemed at all times to be a part of such Account and any profit realized from the sale of such Investment Securities shall be credited to such Account; any loss resulting from the sale of such Investment Securities shall be charged to the Account.

3. The Bank shall not be liable for any losses resulting from the sale or redemption of Investment Securities sold or redeemed in accordance with this Section 302.

## ARTICLE IV

### MISCELLANEOUS

**Section 401. Limitation of Authority Liability.** The obligations of the Authority under this Resolution as well as any costs or expenses of the Authority incurred in respect of its obligations hereunder shall not constitute or give rise to any

liability of the Authority. Neither the members of the Board of Directors of the Authority nor any officer, employee or agent of the Authority shall be individually liable in respect of any obligations of the Authority under this Resolution.

**Section 402. Effect of this Resolution.** 1. This Resolution is adopted for the purposes described in this Resolution, and is intended solely for the benefit of the Authority and its Members. Accordingly, the obligations of the Authority contained herein shall not be, or be deemed to be, covenants, agreements or conditions on the part of the Authority or any Member for purposes of any agreement, contract or other document, including any indenture of trust, Power Sales Contract, Transmission Service Contract, or other agreement, contract or document governing the external financing arrangements entered into from time to time by the Authority.

2. Neither the Bank nor any Trustee shall at any time be charged with the responsibility of monitoring, or taking any actions with respect to, the obligations on the part of the Authority contained herein. Neither the Bank nor any Trustee shall have any responsibility to perform any action to be performed by the Authority or any Member under this Resolution.

3. The Authority acknowledges that the Bank may consult with independent legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Resolution or its obligations described in this Resolution and that the Bank shall not incur any liability and shall be fully protected in acting in accordance with the opinion and instructions of such counsel.

4. The Authority acknowledges that in the absence of bad faith on its part, the Bank shall be protected in taking any action at the direction of the Authority as provided in this Resolution and that the Bank may conclusively rely as to the truth and correctness of the statements contained in any instruction, Direction, consent, approval or other document furnished to the Bank by the Authority pursuant to this Resolution.

5. The Authority acknowledges that the obligations of the Bank under this Resolution shall be limited to those expressly described in this Resolution.

**Section 403. Preservation of Tax Exemption.** The Authority shall not take any action under this Resolution if such action would cause the interest on any bond, note, obligation or other evidence of indebtedness issued by the Authority to be included in gross income of any owner thereof for purposes of federal income taxes.

**Section 404. Compensation and Indemnification of Bank.** The Authority may pay the Bank its customary fees and expenses for services rendered pursuant to this Resolution. The Bank's fees and expenses may be deducted from the Member Accounts in a manner deemed fair and equitable by the Executive Director, without following the process for withdrawals described in Article II of this Resolution.



**Section 405. Bank Records; Inspection of Bank Records.** The Authority shall direct the Bank to keep records of all deposits to and withdrawals from each Account. Upon the request of any Member, the Authority shall request that the Bank allow the Authority or an agent of the Authority (which may be a Member) to inspect or audit, during reasonable business hours, the books and records of the Bank with respect to the Fund and the Accounts.

**Section 406. Termination of Responsibilities.** The Authority shall have the right to terminate the Bank arrangements described in this Resolution upon written notice to the Bank. Any such notice shall include instructions to the Bank regarding the transfer or other disposition of all amounts in the Accounts, and upon such transfer or other disposition, the Bank shall have no further responsibilities pursuant to this Resolution.

**Section 407. Other Actions.** 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 advisable for carrying out the transactions contemplated by this Resolution.

**Section 408. Effective Date.** This Resolution shall become effective immediately.

THE FOREGOING RESOLUTION is approved and adopted by the Authority, this 18th day of August, 2016.



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PRESIDENT  
Southern California Public  
Power Authority

ATTEST:



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ASSISTANT SECRETARY  
Southern California Public  
Power Authority