



**SOUTHERN CALIFORNIA
PUBLIC POWER AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT AND
COMBINED FINANCIAL STATEMENTS**

JUNE 30, 2007 AND 2006

CONTENTS

	Pages
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-21
INDEPENDENT AUDITOR'S REPORT	22
FINANCIAL STATEMENTS	
Combined Financial Statements	23-32
Notes to Combined Financial Statements	33-60
SUPPLEMENTAL INFORMATION	
Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 2007	
Palo Verde Project	61
Hoover Uprating Project	62
San Juan Project	63
Magnolia Power Project	64
Southern Transmission System Project	65
Mead-Phoenix Project	66
Mead-Adelanto Project	67
Multiple Project Fund	68
Natural Gas (Pinedale and Barnett) Projects	69

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of Southern California Public Power Authority (the "Authority" or "SCPPA"), provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2007 and 2006. Please read this discussion and analysis in conjunction with the Authority's Combined Financial Statements, which begin on page 23. Description and other details pertaining to the Authority are included in the Notes to Combined Financial Statements.

The Authority is a joint powers authority whose primary purpose has been to provide joint financing for its member agencies that consist of eleven municipal electric utilities and one irrigation district in California. On a combined basis, these entities provide electricity to more than 2 million retail electric customers. A Board of Directors (the "Board") governs the Authority, which consists of one representative from each member agency.

The Authority has interests in the following projects:

PALO VERDE PROJECT

On August 14, 1981, the Authority purchased a 5.91% interest in the Palo Verde Nuclear Generating Station ("PVNGS"), a 3,810 megawatt nuclear-fueled generating station near Phoenix, Arizona, a 5.56% ownership interest in the Arizona Nuclear Power Project High Voltage Switchyard, and a 6.55% share of the right to use certain portions of the Arizona Nuclear Power Project Valley Transmission System (collectively, the "Palo Verde Project"). Units 1, 2 and 3 of the Palo Verde Project began commercial operations in January 1986, September 1986, and January 1988, respectively.

HOOVER UPGRATING PROJECT

As of March 1, 1986, the Authority and six participants entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to the Authority in return for the Authority's agreement to make advance payments to the United States Bureau of Reclamation ("USBR") on behalf of such participants. The Authority has an 18.68% interest in the contingent capacity of the Hoover Upgrading Project ("HU").

SAN JUAN PROJECT

Effective July 1, 1993, the Authority purchased a 41.80% interest in Unit 3 and related common facilities of the San Juan Generating Station ("SJGS") from Century Power Corporation. Unit 3, a 497-megawatt unit, is one unit of the four-unit coal-fired power generating station in New Mexico.

MAGNOLIA POWER PROJECT

In March 2003, the Authority received approval from the California Energy Commission for construction of the Magnolia Power Project. The Project consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts and was built on a site in the City of Burbank, California. The plant is the first that is wholly owned by the Authority and entitlements to 100% of the capacity and energy of the Project have been sold to six of its members. The City of Burbank, a Project participant, managed its construction and also serves as the Operating Agent for the Project. Commercial operations began September 22, 2005.

ORMAT GEOTHERMAL ENERGY PROJECT

The Authority entered into long term Power Purchase Agreements in December 2005 with divisions of Ormat Technologies, Inc. for up to 20 megawatts ("MW") of electric generation. The Project started delivery of approximately 5 MW in January 2006 from geothermal energy facilities located in Heber, California. This is one of the sources of renewable energy for the project participants and additional megawatts are expected to become available in the future. The City of Anaheim acts as the Scheduling Coordinator on behalf of the Project Participants.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTHERN TRANSMISSION SYSTEM PROJECT

On May 1, 1983, the Authority entered into an agreement with the Intermountain Power Agency ("IPA") to defray all the costs of acquisition and construction of the Southern Transmission System Project ("STS"), which provides for the transmission of energy from the Intermountain Generating Station in Utah to Southern California. STS commenced commercial operations in July 1986. The Department of Water and Power of the City of Los Angeles ("LADWP"), a member of the Authority, serves as project manager and operating agent of the Intermountain Power Project ("IPP").

MEAD-PHOENIX AND MEAD-ADELANTO PROJECTS

As of August 4, 1992, the Authority entered into an agreement to acquire an interest in the Mead-Phoenix Project ("Mead-Phoenix"), a transmission line extending between the Westwing substation in Arizona and the Marketplace substation in Nevada. The agreement provides the Authority with an 18.31% interest in the Westwing-Mead project component, a 17.76% interest in the Mead Substation project component and a 22.41% interest in the Mead-Marketplace project component.

As of August 4, 1992, the Authority also entered into an agreement to acquire a 67.92% interest in the Mead-Adelanto Project ("Mead-Adelanto"), a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. Funding for these projects was provided by a transfer of funds from the Multiple Project Fund and commercial operations commenced in April 1996. LADWP serves as the operations manager of Mead-Adelanto.

NATURAL GAS PROJECTS

PINEDALE PROJECT - On July 1, 2005, the Authority, together with LADWP and Turlock Irrigation District ("TID"), acquired 42.5% of an undivided working interest in three natural gas leases located in the Pinedale Anticline region of the State of Wyoming. The Authority's individual share in these interests equals 14.9%. The purchase includes 38 operating oil and gas wells and associated lateral pipelines, equipment, permits, rights of way, and easements used in production. The natural gas field production is expected to increase for several more years as additional capital is invested on drilling new wells and then decline over a life expectancy greater than 30 years.

BARNETT PROJECT - Natural gas resources in the Barnett shale geological formation in Texas was acquired from Collins and Young Holding, L.L.P. ("C&Y") for a total of \$84 million with an effective production date of April 1, 2006. The acquisition settled on October 26, 2006 and was completed on December 7, 2006 when the participants, together with TID, exercised their option to purchase additional resources from C&Y. Two of the original participants, LADWP and the City of Glendale, made the decision not to participate but have agreed to pay their respective share of the development costs incurred through October 13, 2006. The Gas Sales Agreements have been revised accordingly to adjust the entitlement shares and product cost shares for the remaining participants.

MULTIPLE PROJECT FUND

During fiscal year 1990, the Authority issued Multiple Project Revenue Bonds for net proceeds of approximately \$600 million to provide funds to finance costs of construction and acquisition of ownership interests or capacity rights in one or more, then unspecified, projects for the generation or transmission of electric energy. Certain of these funds were used to finance the Authority's interests in Mead-Phoenix and Mead-Adelanto.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

PROJECTS' STABILIZATION FUND

In fiscal year 1997, the Authority authorized the creation of a Projects' Stabilization Fund. Deposits may be made into the fund from budget under-runs, after authorization of individual participants, and by direct contributions from the participants. Participants have discretion over the use of their deposits. This fund is not a project-related fund; therefore, it is not governed by any project Indenture of Trust. The members participate in the Projects' Stabilization Fund by making deposits to the fund at their discretion.

PARTICIPANT OWNERSHIP INTERESTS

The Authority's participants may elect to participate in the projects. As of June 30, 2007, the members have the following participation percentages in the Authority's operating projects:

Participants	GENERATION				TRANSMISSION			NATURAL GAS		
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geo-thermal Energy Project	Southern Trans-mission System Project	Mead-Phoenix Project	Mead-Adelanto Project	Pinedale Project	Barnett Project
City of Los Angeles	67.0%	-	-	-	-	59.5%	24.8%	35.7%	-	-
City of Anaheim	-	42.6%	-	38.0%	60.0%	17.6%	24.2%	13.5%	35.7%	45.4%
City of Riverside	5.4%	31.9%	-	-	-	10.2%	4.0%	13.5%	-	-
Imperial Irrigation District	6.5%	-	51.0%	-	-	-	-	-	-	-
City of Vernon	4.9%	-	-	-	-	-	-	-	-	-
City of Azusa	1.0%	4.2%	14.7%	-	-	-	1.0%	2.2%	-	-
City of Banning	1.0%	2.1%	9.8%	-	10.0%	-	1.0%	1.3%	-	-
City of Colton	1.0%	3.2%	14.7%	4.2%	-	-	1.0%	2.6%	7.1%	9.1%
City of Burbank	4.4%	16.0%	-	31.0%	-	4.5%	15.4%	11.5%	14.3%	27.3%
City of Glendale	4.4%	-	9.8%	16.5%	15.0%	2.3%	14.8%	11.1%	28.6%	-
City of Cerritos	-	-	-	4.2%	-	-	-	-	-	-
City of Pasadena	4.4%	-	-	6.1%	15.0%	5.9%	13.8%	8.6%	14.3%	18.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The Authority has entered into power sales, natural gas sales, and transmission service agreements with the above project participants. Under the terms of the contracts, the participants are entitled to power output, natural gas, or transmission service, as applicable. The participants are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service. The contracts cannot be terminated or amended in any manner that will impair or adversely affect the rights of the bondholders as long as any bonds issued by the specific project remain outstanding.

The contracts expire as follows:

Palo Verde Project	2030
Southern Transmission System Project	2027
Hoover Uprating Project	2018
Mead-Phoenix Project	2030
Mead-Adelanto Project	2030
San Juan Project	2030
Magnolia Power Project	2036
Natural Gas Project - Pinedale	2030
Natural Gas Project - Barnett	2030
ORMAT Geothermal Project	2031

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

CRITICAL ACCOUNTING POLICIES

Net assets - The Authority's billing amounts to the participants are determined by its Board of Directors and are subject to review and approval by the participants. Billings to participants are designed to recover "costs" as defined by the power sales, natural gas sales, and transmission service agreements. The billings are structured to systematically provide for debt service requirements, operating funds, and reserves in accordance with these agreements. The accumulated difference between billings and the Authority's expenses calculated in accordance with generally accepted accounting principles are presented as net assets (deficit). It is intended that this difference will be recovered in the future through billings for repayment of principal on the related bonds.

Investment policy and controls - The Authority's investment function operates within a legal framework established by Sections 6509.5 and 53600 et. seq. of the California Government Code, Indentures of Trust, instruments governing financial arrangements entered into by the Authority to finance and operate Projects, and the Authority's Investment Policy. The Indentures of Trust authorize the establishment of specific Project funds and accounts, specify how monies are to be applied, and name third party Trustees.

Funds available for investment include proceeds from bonds and notes sales, payments from the participants, maturities of previous investments, earnings, exchanges of securities and interest from swap agreements. Funds are managed and invested separately and principal and earnings are credited and allocated to designated funds or accounts as outlined in each Project's Indenture of Trust, Fiscal Agency Agreement, or in the Projects' Stabilization Fund which was established by a Board Resolution.

The three fundamental criteria in the investment program, ranked in accordance of importance, are: safety of principal, liquidity, and return. An exception to the preceding criteria is made for the Palo Verde Nuclear Decommissioning Trust Funds, as liquidity will not be a factor until 2023. The investment criteria for the Decommissioning Trust Funds, in order of importance, are as follows: safety, return, and liquidity.

Debt management program - The Authority's financing goal is to obtain the lowest prudent rates of interest on debt issues and to issue debt in the most cost-effective manner. In addition, the Authority will continue to utilize debt management strategies that reduce the overall cost of borrowing for its members. In general, the Authority issues new money debt and refunding debt on either a negotiated or competitive basis as determined by the Board. A minimum net present value savings of 5%, as a percent of the refunded par amount, is the general target when determining the potential to refund existing Authority debt. The Authority may also use interest rate swaps or other derivative products to help meet important financial objectives.

Jointly owned utility plant - The Authority owns interests in several generating stations, transmission systems, and gas reserve leases. Under these arrangements, a participating member has an undivided interest in a utility plant and is responsible for its proportionate share of the costs of construction and operation and is entitled to its proportionate share of the energy produced. All utility plant of the Authority, with the exception of the Magnolia Power Project, is jointly owned. The related cost and accumulated depreciation for these projects has been reflected in each project's financial statements in utility plant. Additionally, the Authority's share of expenses for each project is included in the statements of revenues, expenses, and changes in net assets (deficit) as part of operations and maintenance expenses.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

USING THIS FINANCIAL REPORT

This annual financial report consists of a series of financial statements and reflects the self-supporting activities of the Authority that are funded primarily through the sale of energy, natural gas, and transmission services to member agencies under project specific "take or pay" contracts that require each member agency to pay its proportionate share of operating and maintenance expenses and debt service with respect to such projects.

Combined financial statements - The Combined Financial Statements, using an accrual basis of accounting, provide an indication of the Authority's financial health. The Combined Statements of Net Assets (Deficit) include all of the Authority's assets and liabilities, as well as an indication about which assets can be utilized for general purposes and which assets are restricted as a result of bond covenants and other commitments. The Combined Statements of Revenues, Expenses and Changes in Net Assets (Deficit) report all of the revenues and expenses during the time periods indicated. The Combined Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income, cash payments for bond principal payments, and capital additions and betterments.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Combined Financial Statements (Continued)

Combined Summary of Financial Condition and Changes in Net Assets (Deficit)

(In Thousands)

	JUNE 30,		
	2007	2006	2005
Assets			
Net utility plant	\$ 1,006,994	\$ 995,599	\$ 986,292
Investments	556,518	558,497	689,286
Cash and cash equivalents	149,740	80,778	108,240
Other	103,290	112,223	88,015
Total assets	<u>\$ 1,816,542</u>	<u>\$ 1,747,097</u>	<u>\$ 1,871,833</u>
Liabilities and Net Assets (Deficit)			
Noncurrent liabilities	\$ 1,842,488	\$ 1,806,660	\$ 1,961,741
Current liabilities	191,137	186,969	143,123
Total liabilities	<u>2,033,625</u>	<u>1,993,629</u>	<u>2,104,864</u>
Net Assets (Deficit)			
Invested in capital assets, net of related debt	(742,312)	(715,204)	(657,908)
Restricted net assets	429,686	361,732	332,426
Unrestricted net assets	95,543	106,940	92,451
Total net deficit	<u>(217,083)</u>	<u>(246,532)</u>	<u>(233,031)</u>
Total liabilities and net assets (deficit)	<u>\$ 1,816,542</u>	<u>\$ 1,747,097</u>	<u>\$ 1,871,833</u>
Revenues, Expenses and Changes in Net Assets (Deficit) for the year ended June 30			
Operating revenues	\$ 390,005	\$ 330,987	\$ 220,813
Operating expenses	(291,202)	(248,507)	(171,926)
Operating income	98,803	82,480	48,887
Investment income	33,622	18,932	36,631
Debt expense	(113,028)	(106,198)	(106,083)
Loss on extinguishment of debt	-	-	(85,827)
Change in net assets	19,397	(4,786)	(106,392)
Net Deficit, beginning of year	(246,532)	(233,031)	(125,131)
Release of Over Billings From Prior Year	-	-	(22,503)
Net Contributions/(Withdrawals) By Participants	10,052	(8,715)	20,995
Net Deficit, end of year	<u>\$ (217,083)</u>	<u>\$ (246,532)</u>	<u>\$ (233,031)</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Combined Financial Statements (Continued)

Net Deficit

During fiscal year 2007, the Authority's net deficit decreased by \$29 million, mainly due to the increase in assets of \$69 million and the increase in liabilities of \$40 million.

The increase in the Authority's assets is due to the following:

- Utility plant - increased by \$11 million.
This increase is the net effect of \$47 million for the acquisition of the Barnett Natural Gas Reserves, \$42 million of capital expenditures in the Palo Verde, San Juan, Magnolia and the Natural Gas Reserve Projects offset by \$78 million of scheduled depreciation in all projects.
- Investments - decreased by \$2 million.
This decrease is due to \$39 million reallocation of investments from long-term to short-term in the STS, Ormat, Mead-Phoenix, Mead-Adelanto, and Pinedale Projects and the PSF; and \$5 million draw down from the FSA investment agreement in the Palo Verde Project. The decreases were offset by an increase of \$10 million in contributions by the participants to the PSF, \$19 million of proceeds from the 2006A Magnolia Bonds; \$8 million reinvestment of interest earnings in Palo Verde and the PSF Funds; and \$5 million increase in the market values of the Palo Verde and the PSF.
- Cash and cash equivalents - increased by \$69 million.
This increase is primarily due to \$39 million reallocation of investments from long-term to short-term in the STS, Ormat, Mead-Phoenix, Mead-Adelanto, and Pinedale Projects and the PSF; and accumulated collections of \$30 million in over billings in all Projects.
- Other assets - decreased by \$9 million.
This decrease is mainly due to a decrease of \$6 million in accounts receivable in the Palo Verde Project, because of the higher maintenance expense and lower interest earnings allocated to debt service in fiscal year 2006; and a decrease of \$3 million in accounts receivable which reflects lower drilling activity in the Pinedale Project.

The increase in the Authority's liabilities of \$40 million is primarily due to the following:

- \$36 million increase in long-term debt due to the net effect of the issuance of the 2006A Revenue Bonds, the 2007A Refunding Revenue Bonds and the redemption of a portion of the 2003A Revenue Bonds in the Magnolia Project; \$44 million increase for the acquisition of the Barnett Natural Gas Reserves; \$10 million increase in advances from participants for capital expenses in the Barnett Project and \$4 million increase in advances for maintenance expenses in the Magnolia Power Project; and \$3 million increase in arbitrage payable. These increases were offset by \$58 million in principal payments and amortization costs on long-term debt in all projects.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Combined Financial Statements (Continued)

During fiscal year 2006, the Pinedale Natural Gas Reserves and the Ormat Geothermal Project were acquired and the callable bonds for the Multiple Project Revenue Bonds, 1989 Series, were redeemed (See Note 5). As a result of these events, long-term investments decreased by \$131 million; cash and cash equivalents decreased by \$27 million; and liabilities decreased by \$111 million. In addition, Utility plant increased by \$9 million because of the net effect of the acquisitions; capital expenditures in the Natural Gas Project, ongoing construction in the Magnolia Project; and the accumulated depreciation in all projects. Other Assets increased by \$24 million because of increases in accounts receivable in various projects for debt service, capital billings, and gas and oil sales; and the recognition of spare parts inventory in the Magnolia Project.

Net Operating Income

The net increase in operating income by \$16 million is due to the net effect of the following:

- Increase in operating revenues of \$59 million primarily due to the additional billings of \$39 million for operations and maintenance in the Magnolia Power Project which is now in commercial operation; \$13 million for the anticipated environmental upgrades in 2008 for the San Juan Project; and \$7 million for the newly acquired projects, Ormat and the Barnett Natural Gas Project.
- Increase of \$43 million in Operating Expenses mainly due to recognition of \$35 million operating expenses in the Magnolia Power Project and \$5 million in the Ormat and Barnett Natural Gas Project; and \$3 million in the San Juan and Palo Verde Project due to higher cost of coal and nuclear expenses respectively.

During fiscal year 2006, net operating income increased by \$34 million primarily due to increased participant's billings of \$14 million for higher debt service payments in the Mead-Phoenix and Mead-Adelanto Projects and \$8 million for maintenance expenses and debt service payments in the Palo Verde Projects, and \$1.5 million recognition of net operating income relating to the start-up of the Natural Gas Projects and \$6.5 million relating to the commencement of commercial operation in the Magnolia Power Plant.

Investment Income

- Investment income increased by \$15 million mainly due to the increase in market values of investments.

During fiscal 2006, investment income decreased by \$18 million due to the use of funds to redeem the callable portion of the Multiple Project Revenue Bonds and the decrease in market value of the long-term securities in the Palo Verde Decommissioning Trust Funds.

Combined Financial Statements (Continued)

Debt Expense

Debt expense increased by \$7 million mainly due to:

- \$5.5 million increase in debt service costs due to the Magnolia Power Project being in operations for 12 months compared to 9 months of start-up operations in prior year, and the costs related to the issuance of the 2006A Revenue Bonds; and
- \$1.5 million of debt service costs related to the acquisition of the Barnett Natural Gas Project.

Long-term debt - The Authority has financed the acquisition of most of its Projects through the issuance of revenue bonds. The exception is the Natural Gas Project wherein some of the natural gas participants used cash for their percentage of the acquisition. Capital additions to all of these Projects are financed through revenues received from the Participants.

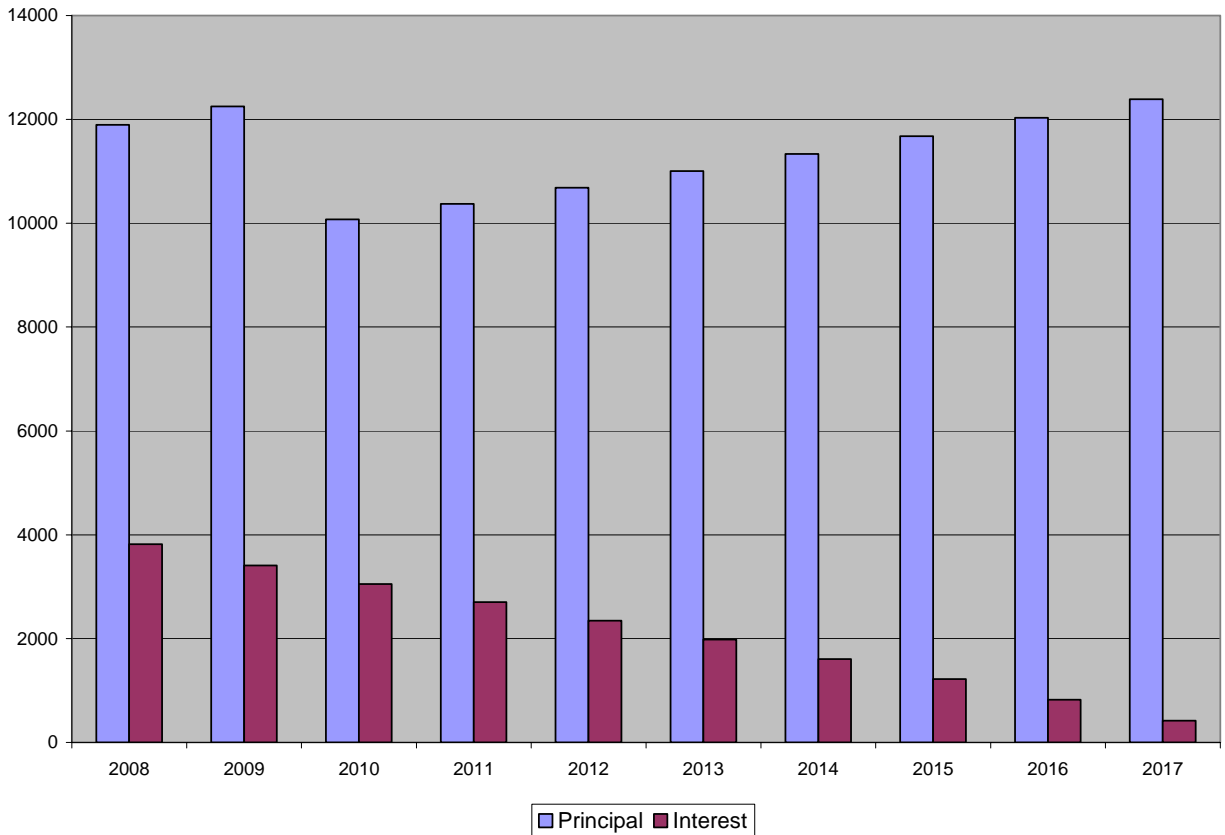
During Fiscal Year 2007, the Authority issued bonds for Magnolia as follows:

- \$223,260,000 of Magnolia Power Project A Refunding Revenue Bonds, 2007-1 to refund \$202,375,000 of the Magnolia Power Project A Bonds, Revenue Series 2003-1 in June 2007; and
- \$37,730,000 of Magnolia Power Project A Revenue Bonds, 2006-1 in July 2006 (See Note 5)

The following graphs for each of the Authority's Projects provide an indication of the principal and interest payments on the bonds that are due each year following June 30, 2007 until the bonds mature. Interest is reflected on an accrual basis.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PALO VERDE PROJECT
Debt Service Requirements
Fiscal Year Ending June 30, 2008 (\$ in thousands)**



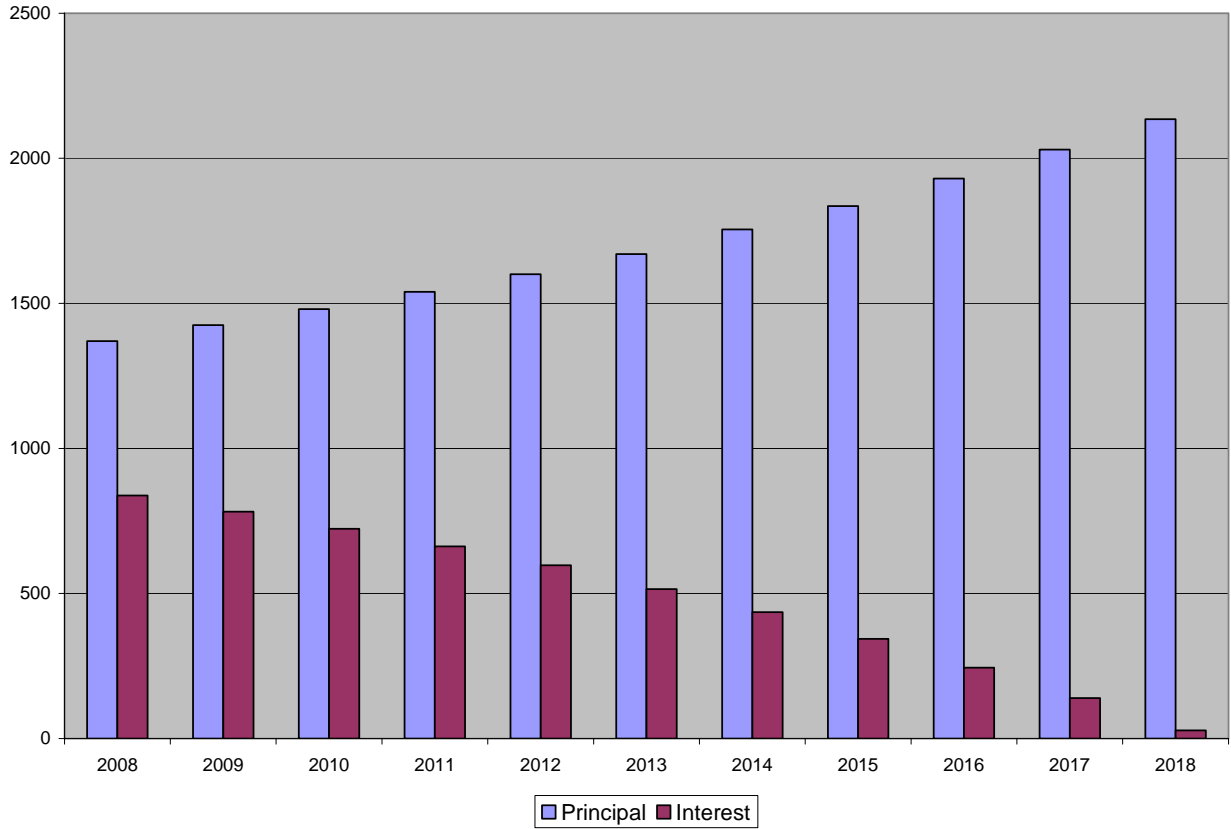
Interest payments on the remaining bonds are payable on the first Wednesday of each month. Principal maturity of \$11.5 million was paid on June 6, 2007. The bonds mature in the fiscal year ended June 30, 2017.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

HOOVER UPRATING PROJECT

Debt Service Requirements

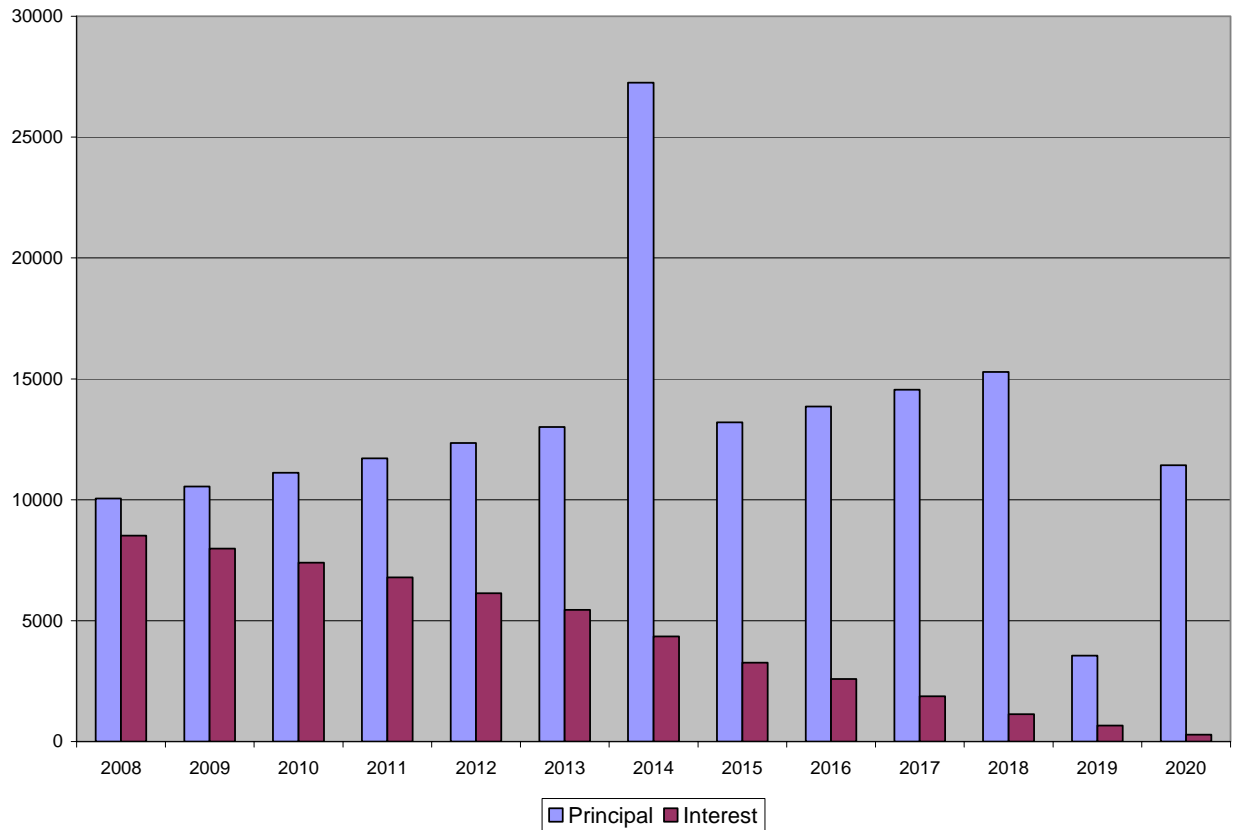
Fiscal Year Ending June 30, 2008 (\$ in thousands)



Interest payments on the bonds are payable semi-annually on October 1 and April 1 of each year. Principal maturities of \$1.3 million were paid on October 1, 2006. The bonds mature in the fiscal year ended June 30, 2018.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

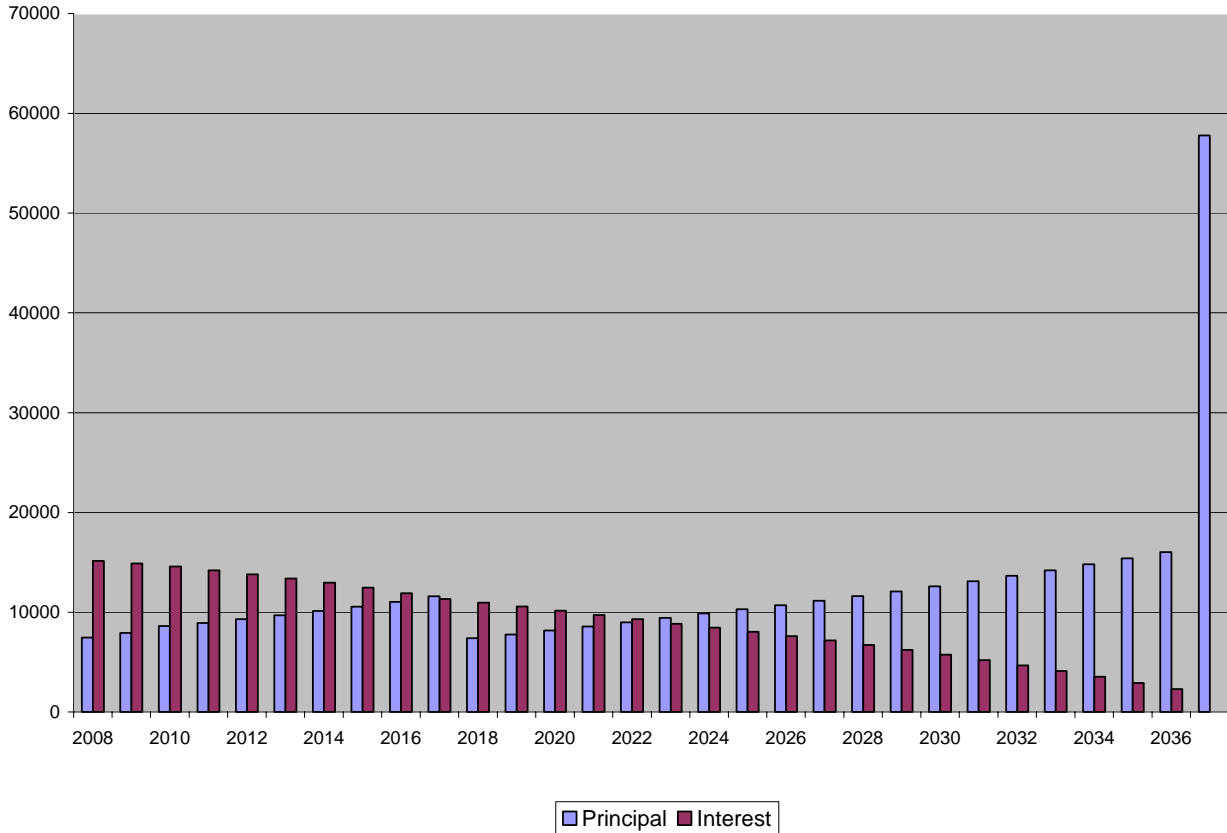
**SAN JUAN PROJECT
Debt Service Requirements
Fiscal Year Ending June 30, 2008 (\$ in thousands)**



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. Principal maturities of \$9.6 million were paid on January 1, 2007. The bonds mature in the fiscal year ended June 30, 2020.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

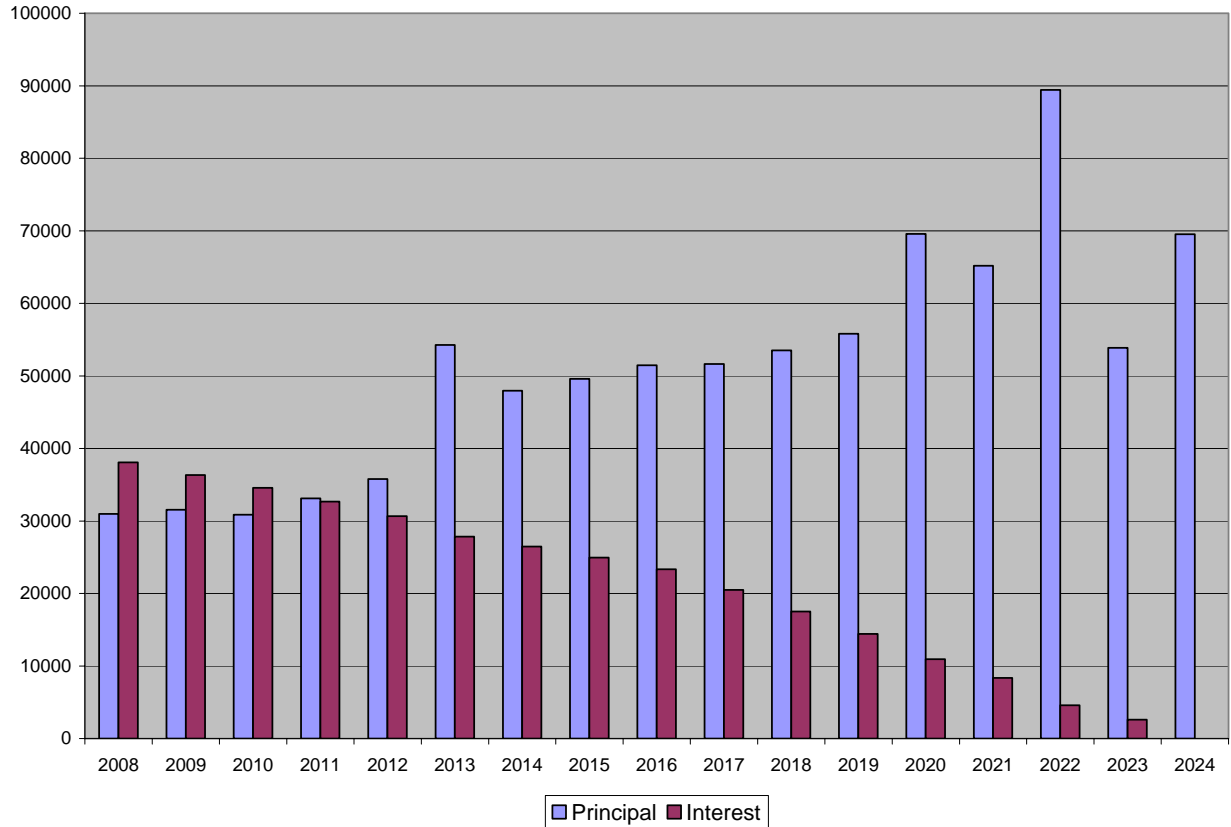
**MAGNOLIA POWER PROJECT
Debt Service Requirements
Fiscal Year Ending June 30, 2008 (\$ in thousands)**



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. Principal maturities of \$3.7 million were paid on July 1, 2006, and \$202,375,000 par value of bonds were refunded on June 13, 2007. The bonds mature in the fiscal year ended June 30, 2037.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**SOUTHERN TRANSMISSION SYSTEM PROJECT
Debt Service Requirements
Fiscal Year Ending June 30, 2008 (\$ in thousands)**



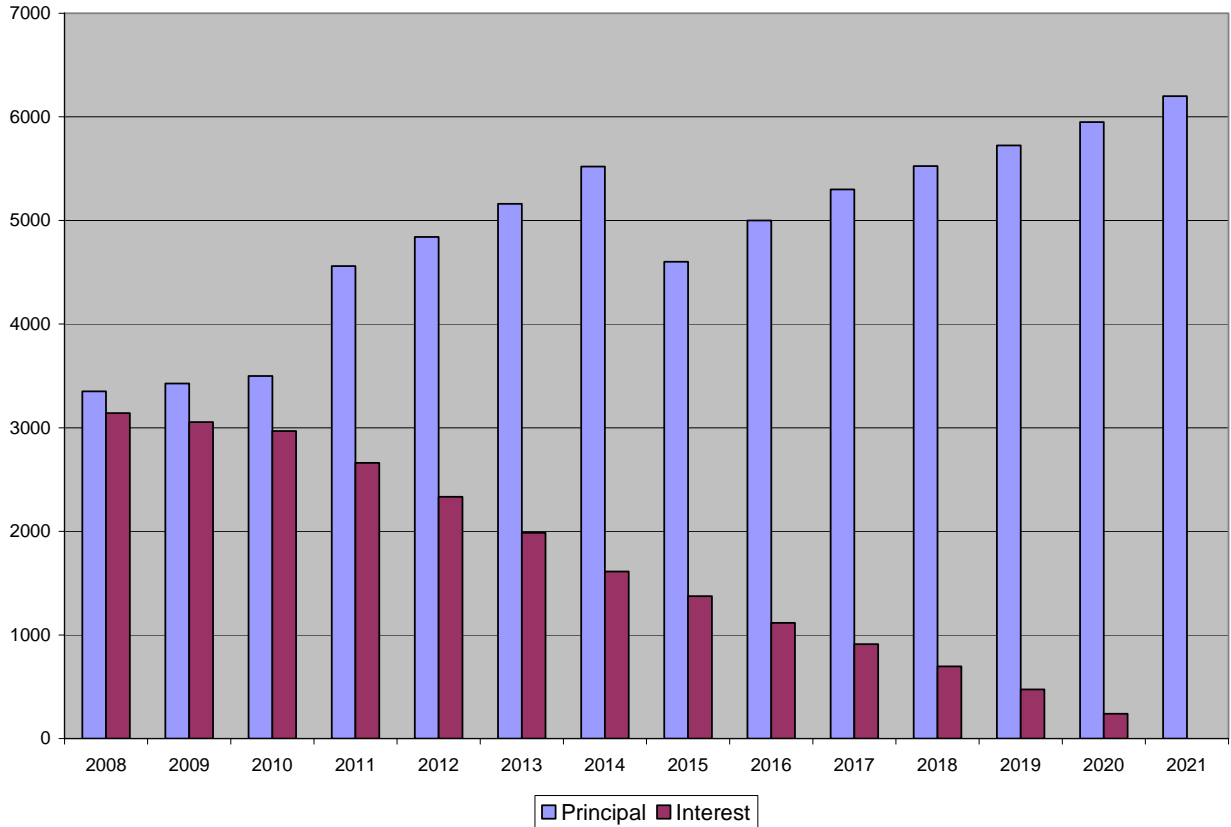
Fixed interest on the bonds is paid semi-annually on July 1 and January 1 of each year. Variable interest is paid monthly, except for the 2003A bonds, which is paid weekly. Principal maturities of \$34.2 million were paid on July 1, 2006. The bonds mature in the fiscal year ended June 30, 2024.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MEAD-PHOENIX PROJECT

Debt Service Requirements

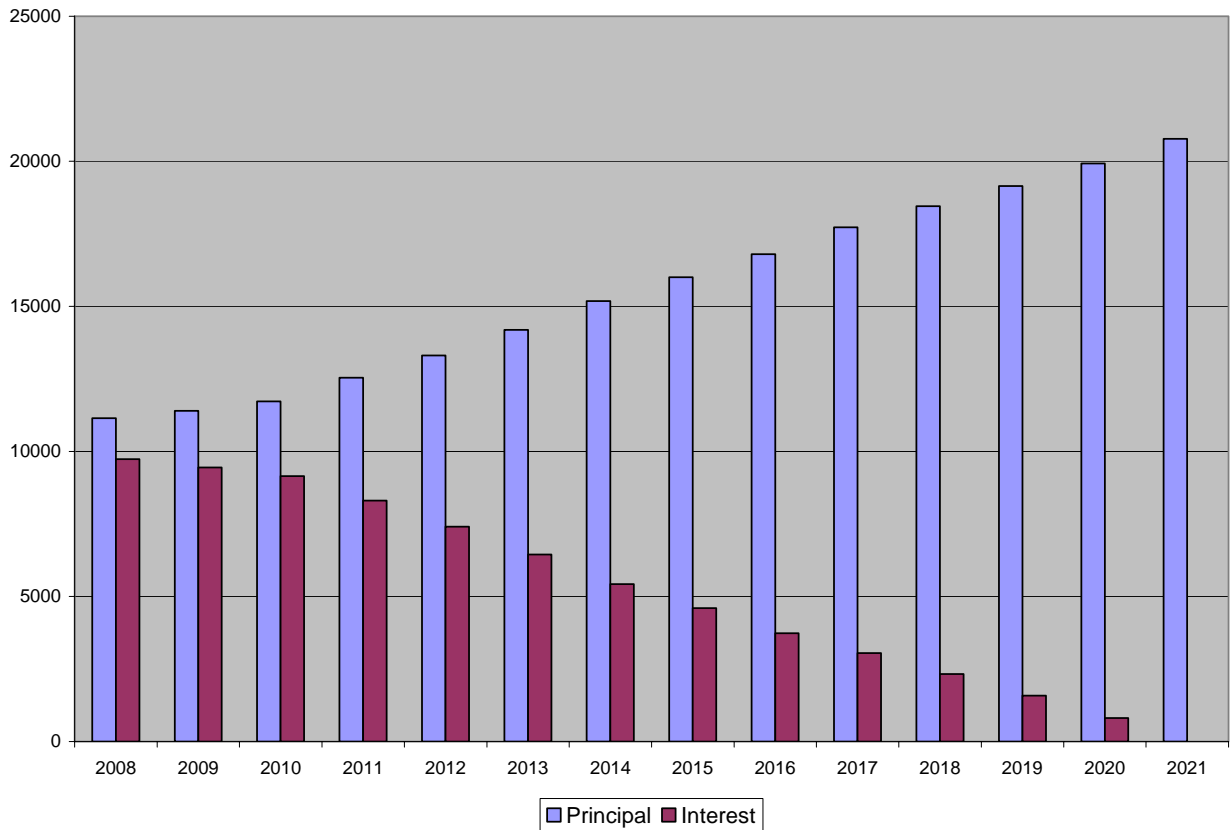
Fiscal Year Ending June 30, 2008 (\$ in thousands)



Fixed interest on the bonds is paid semi-annually on July 1 and January 1 of each year. Variable interest is paid weekly. Principal maturities of \$3.3 million were paid on July 1, 2006. The bonds mature in the fiscal year ended June 30, 2021.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MEAD-ADELANTO PROJECT
Debt Service Requirements
Fiscal Year Ending June 30, 2008 (\$ in thousands)**



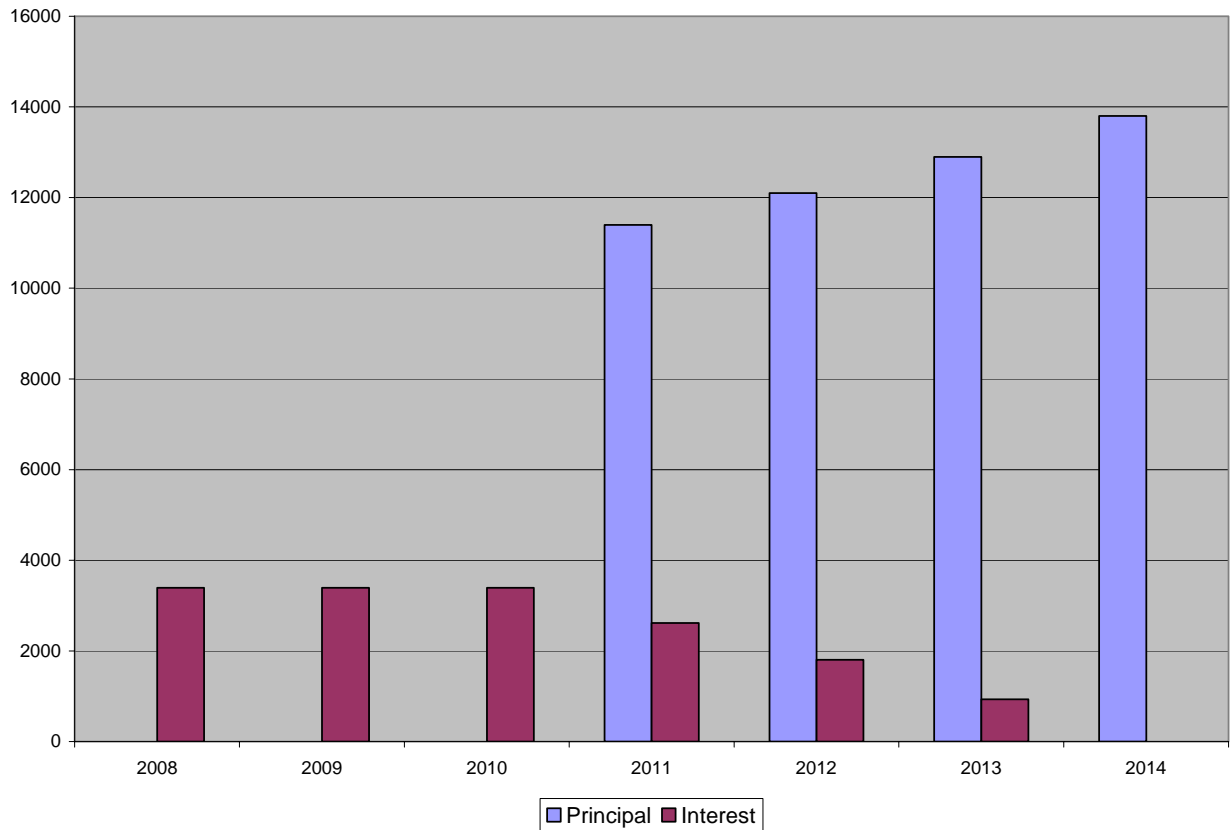
Fixed interest on the bonds is paid semi-annually on July 1 and January 1 of each year. Variable interest is paid Tuesdays, Wednesdays, and Thursdays of every week. Principal maturities of \$10.9 million were paid on July 1, 2006. The bonds mature in the fiscal year ended June 30, 2021.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

MULTIPLE PROJECT FUND

Debt Service Requirements

Fiscal Year Ending June 30, 2008 (\$ in thousands)



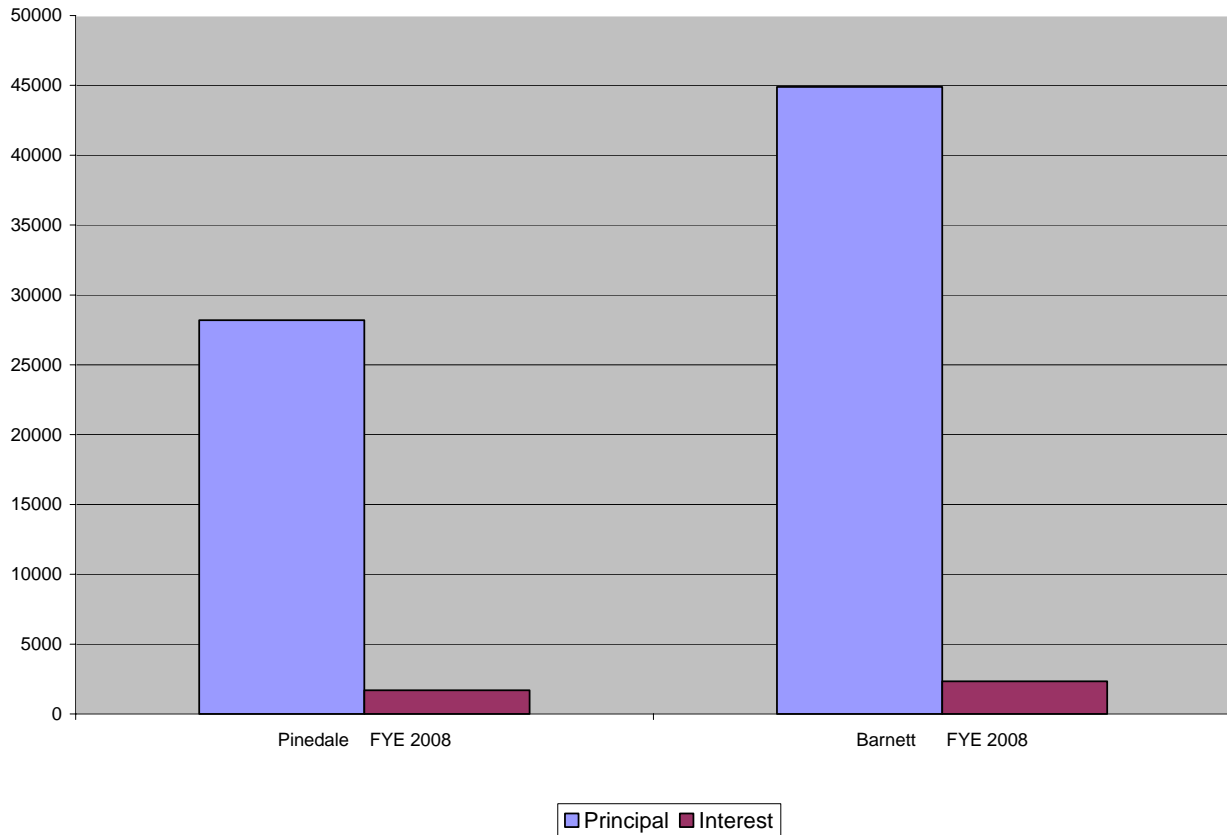
Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. There were no principal maturities for the year ended June 30, 2007. The bonds mature in the fiscal year ended June 30, 2014.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

NATURAL GAS PROJECTS

Debt Service Requirements

Fiscal Year Ending June 30, 2008 (\$ in thousands)



Interest payments on the outstanding amount of the bonds is payable monthly. There were no principal payments for the year ended June 30, 2007. The bonds mature in the fiscal year ended June 30, 2008, unless the maturity is extended with the consent of the owners.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Outlook - The Authority's credit strength is based on:

- The collective credit strengths of each project participant;
- The absence of concentration risk as evidenced by the lack of substantial reliance by one participant on the resources financed;
- The low cost power the Projects provide the participants; and,
- Strong legal provisions.

The Authority has take-or-pay power sales, natural gas sales and transmission service contracts which unconditionally require the Participants to pay for the cost of operating and maintaining the Projects, including debt service, whether or not the Projects are operating or operable. Although the contracts have not been court-tested, a municipal utility's authority to enter into such contracts is rooted in the State's constitutional provisions for municipal electric utilities.

Through the collaborative efforts of its members, the Authority has developed a comprehensive and dynamic strategic plan that provides a common vision for its members and a platform for joint action. SCPPA continues its involvement in legislative and regulatory affairs at both the state and federal levels to protect represented customers, by assuring resource adequacy, excellent reliability, and environmental stewardship. Backed by one of the strongest financial ratings in the utility industry, SCPPA maintains its traditional role of providing financing for its members' natural gas, generation and transmission projects. In addition to the conventional areas of power, investments are also being made to provide customers with more renewable generation and energy efficiency. Renewable energy will continue to play an important role for the future. Investment by SCPPA members in renewable programs, have totaled nearly \$198 million to date.

Natural Gas Prepayment Program - The Authority is in the process of negotiating agreements, on behalf of interested participants, for a long-term supply of natural gas through a Prepayment Program. The Natural Gas Prepayment Program consists primarily of the acquisition of the right to receive an aggregate amount of approximately 129 billion cubic feet of natural gas from a Gas Supplier ("supplier") pursuant to the terms of Prepaid Natural Gas Sales Agreements ("agreements"). SCPPA will be able to offer discounted gas to the Project Participants through Gas Supply Contracts ("GSC"). There is a separate GSC with each Project Participant.

The gas will be delivered by the supplier to designated Delivery Points on the natural gas pipelines that serve the Project Participants in specified daily quantities each month over approximately 30-year term of each of the agreements. The supplier is also obligated to make payments to SCPPA for gas not delivered under any agreement for specified reasons, including *force majeure* events. The supplier has also agreed to remarket, on a daily or monthly basis, quantities of gas designated by SCPPA. In the event that the supplier is unable to remarket the gas, the supplier has agreed to purchase such gas for its own account. The agreements will also require the supplier to post collateral sufficient to pay the termination payment and savings amount if the supplier is downgraded below a specified rating. By prepaying the gas supply, SCPPA's participants will be able to procure gas supply at a discounted, fixed price. SCPPA has structured its prepayment program under the strictest compliance with the IRS regulations.

The Authority will issue bonds to prepay the gas supply. Payment from the Participants for the natural gas supply, when delivered, will be sufficient to pay bond debt service. Payment obligation to bondholders shifts to the gas supplier if the supplier defaults or fails to deliver the gas. By entering into a gas price swap, the participants' convert their discounted fixed price to a discounted index price. The swap eliminates price risk and the participants can hedge gas price exposure for various terms at advantageous times in the market, outside of the gas prepayment transaction. This project is in its final completion stage.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Renewable Projects - SCPPA members are committed to the use of renewable energy resources in the future.

High Winds Energy Center - Energy from the High Winds Energy Center in Solano County, California, is now a part of the participating members’ resource portfolios. SCPPA members, including the cities of Anaheim, Azusa, Colton, Glendale, and Pasadena, contracted with PPM Energy (a division of Pacificorp Holdings) for 30 megawatts (MW) of the 150 MW wind facility. PPM also provided a firming service, which guaranteed SCPPA members firm delivery of energy, at predetermined rates, regardless of the wind conditions at the site. Although the purchase contracts under the project were between the individual members and PPM, SCPPA played a key role in bringing this project to a reality through the issuance of the Renewable RFP and coordinating contract negotiations.

Ameresco Chiquita Energy LLC - SCPPA has entered into a Power Purchase Agreement with Ameresco Chiquita Energy LLC for 100% of the electric generation from a landfill gas to energy facility to be located at the landfill site in Valencia, California (Ameresco Landfill Gas to Energy Project). The SCPPA participants in this project include the cities of Burbank and Pasadena, with their respective shares listed below. This project, which is expected to go on-line December 31, 2008, will initially be for 8 Megawatts with an option to increase the output by an additional 8 Megawatts in the future when additional gas becomes available.

<u>Participants</u>	<u>Contract Share</u>
City of Burbank	16.6667%
City of Pasadena	83.3333%

Milford Wind Corridor Phase I Project - The Milford Wind Corridor Phase I Project is a 200 MW wind power project planned to be located in the Beaver and Millard Counties, Utah. The wind power will be delivered to SCPPA through the Intermountain Power Project switching station located in Delta, Utah. The terms of the project is 20 years with an expected commercial operation date of December 31, 2008. An early buyout option is included in the agreement after the 10th contract year. There is an anticipated present value cost savings of approximately \$42 million as compared to a straight purchase of the facility on the commercial operation date.

Similar to other SCPPA projects, the Milford Wind Corridor Phase I project will be paid for entirely by the participants (LADWP, Burbank, and Pasadena). The project will have no fiscal impact on non-participating members, with the exception of a small decrease in administrative and general expenses. This project is in the final planning stages, approval by the participants is expected in the near future.

Pebble Springs Wind Project - The Pebble Springs Wind Project, a 98.7 MW wind project, is planned to be located in Gilliam County, Oregon. The wind power is scheduled to be delivered to SCPPA through the project substation by December 31, 2008. SCPPA, along with LADWP, Burbank, and Glendale, will be responsible for transporting and scheduling the energy from the project substation to the Project Participants at the Nevada Oregon Border (NOB) through either an agency agreement with LADWP or other means. The terms of the project is 18 years with a right of first offer after the 10th contract year. The right of first offer would give SCPPA the opportunity to purchase the project prior to it being offered for sale to another party. This project is in the final planning stages, approval by the participants is expected in the near future.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary

The management of the Authority is responsible for preparing the information in this management discussion and analysis, combined financial statements and notes to combined financial statements. We prepared the financial statements according to accounting principles generally accepted in the United States of America, and they fairly portray the Authority's financial position and operating results. The notes to the financial statements are an integral part of the basic financial statements and provide additional financial information.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Participants of
Southern California Public Power Authority

We have audited the accompanying combined statements of net assets (deficit) of Southern California Public Power Authority (the Authority) as of June 30, 2007 and 2006 and the related combined statements of revenues, expenses and changes in net assets (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern California Public Power Authority as of June 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis preceding the combined financial statements is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The additional supplemental information, as listed in the table of contents, following the combined financial statements and notes to combined financial statements is also not a required part of the basic financial statements but is supplementary information provided for purposes of additional analysis. We did not audit or perform any other procedures on this information and express no opinion on it.

Moss Adams LLP

Vancouver, Washington
September 18, 2007

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF NET ASSETS (DEFICIT)
JUNE 30, 2007
(AMOUNTS IN THOUSANDS)

ASSETS

	GENERATION				TRANSMISSION			NATURAL GAS		MISCELLANEOUS			Total	Eliminations	Total Combined
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Energy Project	Southern Transmission System Project	Mead-Phoenix Project	Mead-Adelanto Project	Pinedale Project	Barnett Project	Multiple Project Fund	Projects' Stabilization Fund			
ASSETS															
Noncurrent assets															
Utility plant															
Production	\$ 650,944	\$ -	\$ 176,249	\$ 278,303	\$ -	\$ -	\$ -	\$ -	\$ 3,975	\$ 822	\$ -	\$ -	\$ 1,110,293	\$ -	\$ 1,110,293
Transmission	14,076	-	-	15,144	-	674,606	50,770	172,319	-	-	-	-	926,915	-	926,915
General	2,782	21	7,443	14,825	-	18,911	2,640	473	1,063	-	-	-	48,158	-	48,158
Natural gas reserves	-	-	-	-	-	-	-	-	44,747	46,340	-	-	91,087	-	91,087
	667,802	21	183,692	308,272	-	693,517	53,410	172,792	49,785	47,162	-	-	2,176,453	-	2,176,453
Less accumulated depreciation	586,538	21	151,154	19,655	-	409,375	16,237	50,760	4,883	501	-	-	1,239,124	-	1,239,124
	81,264	-	32,538	288,617	-	284,142	37,173	122,032	44,902	46,661	-	-	937,329	-	937,329
Construction work in progress	17,338	-	21,896	23	-	-	236	-	1,573	8,423	-	-	49,489	-	49,489
Nuclear fuel, at amortized cost	20,176	-	-	-	-	-	-	-	-	-	-	-	20,176	-	20,176
Net utility plant	118,778	-	54,434	288,640	-	284,142	37,409	122,032	46,475	55,084	-	-	1,006,994	-	1,006,994
Special funds															
Restricted investments															
Decommissioning funds	141,654	-	-	-	-	-	-	-	-	-	-	-	141,654	-	141,654
Other funds	24,579	2,255	38,089	45,363	-	58,681	7,399	22,628	64	-	66,296	69,969	335,323	-	335,323
	166,233	2,255	38,089	45,363	-	58,681	7,399	22,628	64	-	66,296	69,969	476,977	-	476,977
Unrestricted investments															
Other funds	78,263	1,278	-	-	-	-	-	-	-	-	-	-	79,541	-	79,541
Total special funds	244,496	3,533	38,089	45,363	-	58,681	7,399	22,628	64	-	66,296	69,969	556,518	-	556,518
Other noncurrent assets															
Advance to IPA - restricted	-	-	-	-	-	11,550	-	-	-	-	-	-	11,550	-	11,550
Advances for capacity and energy, net - restricted	-	13,638	-	-	-	-	-	-	-	-	-	-	13,638	-	13,638
Deferred debit	-	-	22,615	1,900	-	-	-	-	-	-	-	-	24,515	-	24,515
Unamortized debt expenses	624	218	1,404	3,580	-	5,937	705	2,333	-	-	-	-	14,801	-	14,801
Other assets	-	-	87	-	-	-	-	-	-	-	-	-	87	-	87
Total other noncurrent assets	624	13,856	24,106	5,480	-	17,487	705	2,333	-	-	-	-	64,591	-	64,591
Total noncurrent assets	363,898	17,389	116,629	339,483	-	360,310	45,513	146,993	46,539	55,084	66,296	69,969	1,628,103	-	1,628,103
Current assets															
Special funds															
Cash and cash equivalents - restricted	6,697	620	9,180	24,497	-	24,622	5,936	15,683	18,255	1,401	8	9,883	116,782	-	116,782
Cash and cash equivalents - unrestricted	7,784	106	3,924	3,452	1,597	4,055	380	650	10,835	175	-	-	32,958	-	32,958
Interest receivable	1,701	31	91	368	9	20	275	836	8	-	2,163	790	6,292	-	6,292
Accounts receivable	686	-	673	2,839	-	1,373	-	-	1,680	1,057	-	-	8,308	-	8,308
Due from other project - restricted	-	-	-	-	-	-	5,396	14,840	-	-	-	-	20,236	(20,236)	-
Materials and supplies	6,537	-	3,519	9,907	-	-	-	-	-	-	-	-	19,963	-	19,963
Prepaid and other assets	176	1,411	349	1,648	-	-	-	-	552	-	-	-	4,136	-	4,136
Total current assets	23,581	2,168	17,736	42,711	1,606	30,070	11,987	32,009	31,330	2,633	2,171	10,673	208,675	(20,236)	188,439
Total assets	\$ 387,479	\$ 19,557	\$ 134,365	\$ 382,194	\$ 1,606	\$ 390,380	\$ 57,500	\$ 179,002	\$ 77,869	\$ 57,717	\$ 68,467	\$ 80,642	\$ 1,836,778	\$ (20,236)	\$ 1,816,542

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF NET ASSETS (DEFICIT)
JUNE 30, 2007
(AMOUNTS IN THOUSANDS)

LIABILITIES AND NET ASSETS (DEFICIT)

	GENERATION				TRANSMISSION			NATURAL GAS		MISCELLANEOUS			Total	Eliminations	Total Combined
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Energy Project	Southern Transmission System Project	Mead-Phoenix Project	Mead-Adelanto Project	Pinedale Project	Barnett Project	Multiple Project Fund	Projects' Stabilization Fund			
LIABILITIES															
Noncurrent liabilities															
Long-term debt	\$ 88,373	\$ 15,879	\$ 161,540	\$ 353,150	\$ -	\$ 735,641	\$ 60,340	\$ 192,959	\$ 26,900	\$ 44,400	\$ 42,553	\$ -	\$ 1,721,735	\$ -	\$ 1,721,735
Notes payable	51,372	-	-	2,734	-	-	-	-	-	-	-	-	54,106	-	54,106
Advances from participants	-	-	32,000	5,304	-	-	-	-	19,326	10,017	-	-	66,647	-	66,647
Total noncurrent liabilities	139,745	15,879	193,540	361,188	-	735,641	60,340	192,959	46,226	54,417	42,553	-	1,842,488	-	1,842,488
Current liabilities															
Debt due within one year	11,895	1,370	10,050	7,450	-	30,950	3,350	11,150	1,300	500	-	-	78,015	-	78,015
Notes payable due within one year	4,756	-	-	1,232	-	-	-	-	-	-	-	-	5,988	-	5,988
Advances from participants due within one year	-	-	-	14,218	-	-	-	-	18,672	137	-	-	33,027	-	33,027
Accrued interest	316	220	4,384	3,837	-	9,537	1,001	2,884	139	216	1,694	-	24,228	-	24,228
Accounts payable and accruals	18,175	120	3,553	2,020	1,604	6,616	874	2,221	4,747	1,255	-	-	41,185	-	41,185
Accrued property tax	1,800	-	200	-	-	-	-	-	6,694	-	-	-	8,694	-	8,694
Due to other projects	-	-	-	-	-	-	-	-	-	-	20,236	-	20,236	(20,236)	-
Total current liabilities	36,942	1,710	18,187	28,757	1,604	47,103	5,225	16,255	31,552	2,108	21,930	-	211,373	(20,236)	191,137
Total liabilities	176,687	17,589	211,727	389,945	1,604	782,744	65,565	209,214	77,778	56,525	64,483	-	2,053,861	(20,236)	2,033,625
NET ASSETS (DEFICIT)															
Invested in capital assets, net of related debt and advances from participants															
	19,135	-	(115,751)	(62,980)	-	(476,512)	(25,576)	(79,744)	(1,051)	167	-	-	(742,312)	-	(742,312)
Restricted net assets (deficit)	112,415	699	33,590	42,805	-	85,335	18,003	51,102	63	1,048	3,984	80,642	429,686	-	429,686
Unrestricted net assets (deficit)	79,242	1,269	4,799	12,424	2	(1,187)	(492)	(1,570)	1,079	(23)	-	-	95,543	-	95,543
Total net assets (deficit)	210,792	1,968	(77,362)	(7,751)	2	(392,364)	(8,065)	(30,212)	91	1,192	3,984	80,642	(217,083)	-	(217,083)
Total liabilities and net assets (deficit)	\$ 387,479	\$ 19,557	\$ 134,365	\$ 382,194	\$ 1,606	\$ 390,380	\$ 57,500	\$ 179,002	\$ 77,869	\$ 57,717	\$ 68,467	\$ 80,642	\$ 1,836,778	\$ (20,236)	\$ 1,816,542

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF NET ASSETS (DEFICIT)
JUNE 30, 2006
(AMOUNTS IN THOUSANDS)

ASSETS

	GENERATION				TRANSMISSION			NATURAL GAS	MISCELLANEOUS		Total	Eliminations	Total Combined	
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Natural Gas Project	Multiple Project Fund				Projects' Stabilization Fund
ASSETS														
Noncurrent assets														
Utility plant														
Production	\$ 647,672	\$ -	\$ 173,713	\$ 277,109	\$ -	\$ -	\$ -	\$ -	\$ 592	\$ -	\$ -	\$ 1,099,086	\$ -	\$ 1,099,086
Transmission	14,076	-	-	15,079	-	674,606	50,770	172,319	-	-	-	926,850	-	926,850
General	2,770	21	7,443	14,761	-	18,911	2,640	473	693	-	-	47,712	-	47,712
Natural gas reserves	-	-	-	-	-	-	-	-	44,747	-	-	44,747	-	44,747
	664,518	21	181,156	306,949	-	693,517	53,410	172,792	46,032	-	-	2,118,395	-	2,118,395
Less accumulated depreciation	560,670	21	137,888	8,492	-	390,618	14,834	46,260	2,646	-	-	1,161,429	-	1,161,429
	103,848	-	43,268	298,457	-	302,899	38,576	126,532	43,386	-	-	956,966	-	956,966
Construction work in progress	12,401	-	6,570	-	-	-	80	-	3,752	-	-	22,803	-	22,803
Nuclear fuel, at amortized cost	15,830	-	-	-	-	-	-	-	-	-	-	15,830	-	15,830
Net utility plant	132,079	-	49,838	298,457	-	302,899	38,656	126,532	47,138	-	-	995,599	-	995,599
Special funds														
Restricted investments														
Escrow accounts	-	-	-	-	-	6,535	-	-	-	-	-	6,535	-	6,535
Decommissioning funds	133,489	-	-	-	-	-	-	-	-	-	-	133,489	-	133,489
Other funds	23,629	2,813	38,589	26,241	1,733	64,669	11,394	33,939	3,705	65,395	63,018	335,125	-	335,125
Total restricted investments	157,118	2,813	38,589	26,241	1,733	71,204	11,394	33,939	3,705	65,395	63,018	475,149	-	475,149
Unrestricted investments														
Other funds	82,788	560	-	-	-	-	-	-	-	-	-	83,348	-	83,348
Total special funds	239,906	3,373	38,589	26,241	1,733	71,204	11,394	33,939	3,705	65,395	63,018	558,497	-	558,497
Other noncurrent assets														
Advance to IPA - restricted	-	-	-	-	-	11,550	-	-	-	-	-	11,550	-	11,550
Advances for capacity and energy, net - restricted	-	16,405	-	-	-	-	-	-	-	-	-	16,405	-	16,405
Deferred debit	-	-	23,853	-	-	-	-	-	-	-	-	23,853	-	23,853
Unamortized debt expenses	784	269	1,653	5,038	-	6,642	807	2,673	108	-	-	17,974	-	17,974
Other assets	-	-	70	-	-	-	-	-	-	-	-	70	-	70
Total other noncurrent assets	784	16,674	25,576	5,038	-	18,192	807	2,673	108	-	-	69,852	-	69,852
Total noncurrent assets	372,769	20,047	114,003	329,736	1,733	392,295	50,857	163,144	50,951	65,395	63,018	1,623,948	-	1,623,948
Current assets														
Special funds														
Cash and cash equivalents - restricted	1,824	18	5,081	11,278	611	15,497	1,883	3,567	3,685	-	3,075	46,519	-	46,519
Cash and cash equivalents - unrestricted	3,776	776	6,113	14,876	-	1,109	291	976	6,342	-	-	34,259	-	34,259
Interest receivable	1,414	29	129	375	7	28	300	848	6	2,130	500	5,766	-	5,766
Accounts receivable	6,934	-	835	2,154	-	1,090	-	-	4,429	-	-	15,442	-	15,442
Due from other project - restricted	-	-	-	-	-	-	5,013	13,787	-	-	-	18,800	(18,800)	-
Materials and supplies	6,711	-	3,427	9,877	-	-	-	-	-	-	-	20,015	-	20,015
Prepaid and other assets	37	-	343	216	-	-	-	-	552	-	-	1,148	-	1,148
Total current assets	20,696	823	15,928	38,776	618	17,724	7,487	19,178	15,014	2,130	3,575	141,949	(18,800)	123,149
Total assets	\$ 393,465	\$ 20,870	\$ 129,931	\$ 368,512	\$ 2,351	\$ 410,019	\$ 58,344	\$ 182,322	\$ 65,965	\$ 67,525	\$ 66,593	\$ 1,765,897	\$ (18,800)	\$ 1,747,097

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF NET ASSETS (DEFICIT)
JUNE 30, 2006
(AMOUNTS IN THOUSANDS)

LIABILITIES AND NET ASSETS (DEFICIT)

	GENERATION				TRANSMISSION			NATURAL GAS	MISCELLANEOUS		Total	Eliminations	Total Combined	
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Natural Gas Project	Multiple Project Fund				Projects' Stabilization Fund
LIABILITIES														
Noncurrent liabilities														
Long-term debt	\$ 98,215	\$ 16,821	\$ 171,715	\$ 316,740	\$ -	\$ 755,702	\$ 63,154	\$ 202,596	\$ 28,200	\$ 41,279	\$ -	\$ 1,694,422	\$ -	\$ 1,694,422
Notes payable	55,736	-	-	3,965	-	-	-	-	-	-	-	59,701	-	59,701
Advances from participants	-	-	32,000	1,510	-	-	-	-	19,027	-	-	52,537	-	52,537
Total noncurrent liabilities	153,951	16,821	203,715	322,215	-	755,702	63,154	202,596	47,227	41,279	-	1,806,660	-	1,806,660
Current liabilities														
Debt due within one year	11,545	1,315	9,570	3,735	-	34,230	3,250	10,850	-	-	-	74,495	-	74,495
Notes payable due within one year	4,526	-	-	1,182	-	-	-	-	-	-	-	5,708	-	5,708
Advances from participants due within one year	-	-	-	26,652	-	-	-	-	6,643	-	-	33,295	-	33,295
Accrued interest	360	233	4,624	7,662	-	9,402	960	2,824	145	1,694	-	27,904	-	27,904
Accounts payable and accruals	11,039	106	3,510	11,507	2,344	1,596	531	1,050	7,087	-	-	38,770	-	38,770
Accrued property tax	1,830	-	219	-	-	-	-	-	4,748	-	-	6,797	-	6,797
Due to other projects	-	-	-	-	-	-	-	-	-	18,800	-	18,800	(18,800)	-
Total current liabilities	29,300	1,654	17,923	50,738	2,344	45,228	4,741	14,724	18,623	20,494	-	205,769	(18,800)	186,969
Total liabilities	183,251	18,475	221,638	372,953	2,344	800,930	67,895	217,320	65,850	61,773	-	2,012,429	(18,800)	1,993,629
NET ASSETS (DEFICIT)														
Invested in capital assets, net of related debt and advances from participants	23,103	-	(129,794)	(15,332)	-	(480,390)	(26,941)	(84,242)	(1,608)	-	-	(715,204)	-	(715,204)
Restricted net assets (deficit)	99,600	1,163	31,027	(996)	-	88,876	17,630	49,317	2,769	5,752	66,594	361,732	-	361,732
Unrestricted net assets (deficit)	87,511	1,232	7,060	11,887	7	603	(240)	(73)	(1,046)	-	(1)	106,940	-	106,940
Total net assets (deficit)	210,214	2,395	(91,707)	(4,441)	7	(390,911)	(9,551)	(34,998)	115	5,752	66,593	(246,532)	-	(246,532)
Total liabilities and net assets (deficit)	\$ 393,465	\$ 20,870	\$ 129,931	\$ 368,512	\$ 2,351	\$ 410,019	\$ 58,344	\$ 182,322	\$ 65,965	\$ 67,525	\$ 66,593	\$ 1,765,897	\$ (18,800)	\$ 1,747,097

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)

	GENERATION					TRANSMISSION			NATURAL GAS		MISCELLANEOUS		Total Combined
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Pinedale Project	Barnett Project	Multiple Project Fund	Projects' Stabilization Fund	
Operating revenues													
Sales of electric energy	\$ 66,398	\$ 2,345	\$ 82,857	\$ 108,473	\$ 3,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,888
Sales of transmission services	-	-	-	-	-	84,569	7,248	21,147	-	-	-	-	112,964
Sales of natural gas	-	-	-	-	-	-	-	-	8,402	4,751	-	-	13,153
Total operating revenues	<u>66,398</u>	<u>2,345</u>	<u>82,857</u>	<u>108,473</u>	<u>3,815</u>	<u>84,569</u>	<u>7,248</u>	<u>21,147</u>	<u>8,402</u>	<u>4,751</u>	<u>-</u>	<u>-</u>	<u>390,005</u>
Operating expenses													
Operations and maintenance	34,557	2,838	48,502	87,190	3,935	17,238	1,094	1,625	4,621	1,535	-	-	203,135
Depreciation, depletion and amortization	18,453	-	10,573	11,162	-	18,757	1,403	4,500	2,237	501	-	-	67,586
Amortization of nuclear fuel	8,702	-	-	-	-	-	-	-	-	-	-	-	8,702
Decommissioning	8,666	-	3,113	-	-	-	-	-	-	-	-	-	11,779
Total operating expenses	<u>70,378</u>	<u>2,838</u>	<u>62,188</u>	<u>98,352</u>	<u>3,935</u>	<u>35,995</u>	<u>2,497</u>	<u>6,125</u>	<u>6,858</u>	<u>2,036</u>	<u>-</u>	<u>-</u>	<u>291,202</u>
Operating income (loss)	<u>(3,980)</u>	<u>(493)</u>	<u>20,669</u>	<u>10,121</u>	<u>(120)</u>	<u>48,574</u>	<u>4,751</u>	<u>15,022</u>	<u>1,544</u>	<u>2,715</u>	<u>-</u>	<u>-</u>	<u>98,803</u>
Non operating revenues (expenses)													
Investment income	11,513	211	2,808	3,170	115	4,369	757	2,140	180	31	4,331	3,997	33,622
Debt expense	(6,955)	(145)	(9,132)	(16,601)	-	(54,396)	(4,022)	(12,376)	(1,748)	(1,554)	(6,099)	-	(113,028)
Net non operating revenues (expenses)	<u>4,558</u>	<u>66</u>	<u>(6,324)</u>	<u>(13,431)</u>	<u>115</u>	<u>(50,027)</u>	<u>(3,265)</u>	<u>(10,236)</u>	<u>(1,568)</u>	<u>(1,523)</u>	<u>(1,768)</u>	<u>3,997</u>	<u>(79,406)</u>
Change in net assets (deficit)	578	(427)	14,345	(3,310)	(5)	(1,453)	1,486	4,786	(24)	1,192	(1,768)	3,997	19,397
Net assets (deficit) - beginning of year	210,214	2,395	(91,707)	(4,441)	7	(390,911)	(9,551)	(34,998)	115	-	5,752	66,593	(246,532)
Net contributions by participants	-	-	-	-	-	-	-	-	-	-	-	10,052	10,052
Net assets (deficit) - end of year	<u>\$ 210,792</u>	<u>\$ 1,968</u>	<u>\$ (77,362)</u>	<u>\$ (7,751)</u>	<u>\$ 2</u>	<u>\$ (392,364)</u>	<u>\$ (8,065)</u>	<u>\$ (30,212)</u>	<u>\$ 91</u>	<u>\$ 1,192</u>	<u>\$ 3,984</u>	<u>\$ 80,642</u>	<u>\$ (217,083)</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2006
(AMOUNTS IN THOUSANDS)

	GENERATION					TRANSMISSION			NATURAL GAS	MISCELLANEOUS		Total Combined
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Natural Gas Project	Multiple Project Fund	Projects' Stabilization Fund	
Operating revenues												
Sales of electric energy	\$ 68,739	\$ 2,359	\$ 69,123	\$ 69,837	\$ 886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,944
Sales of transmission services	-	-	-	-	-	84,061	7,017	20,722	-	-	-	111,800
Sales of natural gas	-	-	-	-	-	-	-	-	8,243	-	-	8,243
Total operating revenues	<u>68,739</u>	<u>2,359</u>	<u>69,123</u>	<u>69,837</u>	<u>886</u>	<u>84,061</u>	<u>7,017</u>	<u>20,722</u>	<u>8,243</u>	<u>-</u>	<u>-</u>	<u>330,987</u>
Operating expenses												
Operations and maintenance	33,714	2,575	46,883	54,873	914	17,300	1,119	1,417	4,150	-	-	162,945
Depreciation, depletion and amortization	18,274	-	10,489	8,492	-	19,629	1,403	4,500	2,646	-	-	65,433
Amortization of nuclear fuel	6,860	-	-	-	-	-	-	-	-	-	-	6,860
Decommissioning	10,156	-	3,113	-	-	-	-	-	-	-	-	13,269
Total operating expenses	<u>69,004</u>	<u>2,575</u>	<u>60,485</u>	<u>63,365</u>	<u>914</u>	<u>36,929</u>	<u>2,522</u>	<u>5,917</u>	<u>6,796</u>	<u>-</u>	<u>-</u>	<u>248,507</u>
Operating income (loss)	<u>(265)</u>	<u>(216)</u>	<u>8,638</u>	<u>6,472</u>	<u>(28)</u>	<u>47,132</u>	<u>4,495</u>	<u>14,805</u>	<u>1,447</u>	<u>-</u>	<u>-</u>	<u>82,480</u>
Non operating revenues (expenses)												
Investment income	2,533	97	2,112	988	35	4,802	742	2,082	101	4,245	1,195	18,932
Debt expense	(7,273)	(419)	(9,461)	(11,901)	-	(54,303)	(3,735)	(11,580)	(1,433)	(6,093)	-	(106,198)
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-
Net non operating revenues (expenses)	<u>(4,740)</u>	<u>(322)</u>	<u>(7,349)</u>	<u>(10,913)</u>	<u>35</u>	<u>(49,501)</u>	<u>(2,993)</u>	<u>(9,498)</u>	<u>(1,332)</u>	<u>(1,848)</u>	<u>1,195</u>	<u>(87,266)</u>
Change in net assets (deficit)	<u>(5,005)</u>	<u>(538)</u>	<u>1,289</u>	<u>(4,441)</u>	<u>7</u>	<u>(2,369)</u>	<u>1,502</u>	<u>5,307</u>	<u>115</u>	<u>(1,848)</u>	<u>1,195</u>	<u>(4,786)</u>
Net assets (deficit) - beginning of year	215,219	2,933	(92,996)	-	-	(388,542)	(11,053)	(40,305)	-	7,600	74,113	(233,031)
Release of over billings from prior years	-	-	-	-	-	-	-	-	-	-	-	-
Net withdrawal by participants	-	-	-	-	-	-	-	-	-	-	(8,715)	(8,715)
Net assets (deficit) - end of year	<u>\$ 210,214</u>	<u>\$ 2,395</u>	<u>\$ (91,707)</u>	<u>\$ (4,441)</u>	<u>\$ 7</u>	<u>\$ (390,911)</u>	<u>\$ (9,551)</u>	<u>\$ (34,998)</u>	<u>\$ 115</u>	<u>\$ 5,752</u>	<u>\$ 66,593</u>	<u>\$ (246,532)</u>

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)

	GENERATION				TRANSMISSION			NATURAL GAS		MISCELLANEOUS		Total Combined	
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Energy Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Pinedale Project	Barnett Project	Multiple Project Fund		Projects' Stabilization Fund
Cash flows from operating activities													
Receipts from participants	\$ 71,033	\$ 2,354	\$ 84,144	\$ 58,352	\$ 3,015	\$ 87,781	\$ 7,209	\$ 21,118	\$ 9,945	\$ 2,784	\$ -	\$ -	\$ 347,735
Receipts from sale of oil and gas	-	-	-	-	-	-	-	-	17,327	1,008	-	-	18,335
Payments to operating managers	(33,658)	(257)	(48,344)	(47,967)	(3,875)	(17,521)	(1,261)	(1,485)	(24,287)	(1,177)	-	-	(179,832)
Other disbursements and receipts	7,633	-	-	-	(7)	-	167	-	(2)	12	-	-	7,803
Net cash flows from operating activities	45,008	2,097	35,800	10,385	(867)	70,260	6,115	19,633	2,983	2,627	-	-	194,041
Cash flows from noncapital financing activities													
Advances (withdrawals) by participants, net	-	-	-	(10,538)	-	-	-	-	15,349	10,458	-	10,052	25,321
Cash flows from capital financing activities													
Additions to plant, net	(22,058)	-	(18,432)	(2,232)	-	-	(156)	-	(2,126)	(55,101)	-	-	(100,105)
Debt interest payments	(4,650)	(906)	(9,247)	(16,026)	-	(40,876)	(3,350)	(10,457)	(1,640)	(1,339)	(3,389)	-	(91,880)
Proceeds from sale of bonds	-	-	-	261,892	-	-	-	-	-	44,900	-	-	306,792
Payment for defeasance of revenue bonds	-	-	-	(219,059)	-	-	-	-	-	-	-	-	(219,059)
Transfer of funds from escrow	-	-	-	-	-	6,535	-	-	-	-	-	-	6,535
Principal payments on debt	(11,545)	(1,315)	(9,570)	(4,917)	-	(34,230)	(3,250)	(10,850)	-	-	-	-	(75,677)
Payment for bond issue costs	-	-	-	(2,125)	-	-	-	-	-	-	-	-	(2,125)
Net cash used for capital and related financing activities	(38,253)	(2,221)	(37,249)	17,533	-	(68,571)	(6,756)	(21,307)	(3,766)	(11,540)	(3,389)	-	(175,519)
Cash flows from investing activities													
Interest received on investments	2,098	145	2,392	2,996	113	3,818	755	2,076	808	31	4,298	2,332	21,862
Purchases of investments	(2,177)	(1,326)	(19,482)	(80,695)	-	(33,367)	(1,876)	(4,066)	(60)	-	(8,336)	(73,187)	(224,572)
Proceeds from sale/maturity of investments	2,205	1,237	20,449	62,114	1,740	39,931	5,904	15,454	3,749	-	7,435	67,611	227,829
Net cash provided by (used for) investing activities	2,126	56	3,359	(15,585)	1,853	10,382	4,783	13,464	4,497	31	3,397	(3,244)	25,119
Net increase (decrease) in cash and cash equivalents	8,881	(68)	1,910	1,795	986	12,071	4,142	11,790	19,063	1,576	8	6,808	68,962
Cash and cash equivalents, beginning of year	5,600	794	11,194	26,154	611	16,606	2,174	4,543	10,027	-	-	3,075	80,778
Cash and cash equivalents, end of year	\$ 14,481	\$ 726	\$ 13,104	\$ 27,949	\$ 1,597	\$ 28,677	\$ 6,316	\$ 16,333	\$ 29,090	\$ 1,576	\$ 8	\$ 9,883	\$ 149,740

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)

	GENERATION				TRANSMISSION			NATURAL GAS		MISCELLANEOUS		Total Combined	
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Energy Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Pinedale Project	Barnett Project	Multiple Project Fund		Projects' Stabilization Fund
Reconciliation of operating income (loss) to net cash provided by operating activities													
Operating income (loss)	\$ (3,980)	\$ (493)	\$ 20,669	\$ 10,121	\$ (120)	\$ 48,574	\$ 4,751	\$ 15,022	\$ 1,544	\$ 2,715	\$ -	\$ -	\$ 98,803
Adjustments to reconcile operating income (loss) to net cash provided by operating activities													
Depreciation	18,453	-	10,573	11,162	-	18,757	1,403	4,500	2,237	501	-	-	67,586
Decommissioning	8,666	-	3,113	-	-	-	-	-	-	-	-	-	11,779
Advances for capacity and energy	-	2,583	-	-	-	-	-	-	-	-	-	-	2,583
Amortization of nuclear fuel	8,702	-	-	-	-	-	-	-	-	-	-	-	8,702
Changes in assets and liabilities													
Accounts receivable	6,247	-	145	46	-	(283)	-	-	(29)	(1,057)	-	-	5,069
Accounts payable and accruals	6,878	7	162	(9,573)	(740)	3,212	(41)	103	278	559	-	-	845
Other	42	-	1,138	(1,371)	(7)	-	2	8	(1,047)	(91)	-	-	(1,326)
Net cash provided by operating activities	\$ 45,008	\$ 2,097	\$ 35,800	\$ 10,385	\$ (867)	\$ 70,260	\$ 6,115	\$ 19,633	\$ 2,983	\$ 2,627	\$ -	\$ -	\$ 194,041
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)													
Cash and cash equivalents - restricted	\$ 6,697	\$ 620	\$ 9,180	\$ 24,497	\$ -	\$ 24,622	\$ 5,936	\$ 15,683	\$ 18,255	\$ 1,401	\$ 8	\$ 9,883	\$ 116,782
Cash and cash equivalents - unrestricted	7,784	106	3,924	3,452	1,597	4,055	380	650	10,835	175	-	-	32,958
	\$ 14,481	\$ 726	\$ 13,104	\$ 27,949	\$ 1,597	\$ 28,677	\$ 6,316	\$ 16,333	\$ 29,090	\$ 1,576	\$ 8	\$ 9,883	\$ 149,740

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006
(AMOUNTS IN THOUSANDS)

	GENERATION				TRANSMISSION			NATURAL	MISCELLANEOUS		Total Combined	
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Energy Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Natural Gas Project	Multiple Project Fund		Projects' Stabilization Fund
Cash flows from operating activities												
Receipts from participants	\$ 49,275	\$ 2,351	\$ 70,039	\$ 78,649	\$ 3,031	\$ 84,135	\$ 7,083	\$ 20,666	\$ 14,228	\$ -	\$ -	\$ 329,457
Receipts from sale of oil and gas	-	-	-	-	-	-	-	-	16,620	-	-	16,620
Payments to operating managers	(30,082)	(271)	(45,013)	(52,528)	(715)	(18,371)	(1,046)	(1,508)	(18,920)	-	-	(168,454)
Other disbursements and receipts	7,633	-	-	4	-	-	-	-	4	-	-	7,641
Net cash flows from operating activities	26,826	2,080	25,026	26,125	2,316	65,764	6,037	19,158	11,932	-	-	185,264
Cash flows from noncapital financing activities												
Advances (withdrawals) by participants, net	-	-	-	6,512	-	-	-	-	43,860	-	(8,715)	41,657
Cash flows from capital financing activities												
Additions to plant, net	(20,809)	-	(5,421)	(25,531)	-	-	(3)	-	(69,165)	-	-	(120,929)
Debt interest payments	(5,133)	(954)	(8,461)	(15,959)	-	(41,230)	(3,436)	(10,653)	(1,186)	(8,626)	-	(95,638)
Proceeds from notes	-	-	-	6,109	-	-	-	-	-	-	-	6,109
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	29,900	-	-	29,900
Transfer of funds from escrow	-	-	-	-	-	4,200	-	-	-	-	-	4,200
Principal payments on debt	(11,300)	(1,275)	(9,160)	(1,012)	-	(31,470)	-	-	(1,700)	(170,200)	-	(226,117)
Transfer of funds to escrow	-	-	-	-	-	-	-	-	-	(89)	-	(89)
Payment for bond issue costs	-	-	(97)	-	-	-	-	-	(214)	-	-	(311)
Net cash used for capital and related financing activities	(37,242)	(2,229)	(23,139)	(36,393)	-	(68,500)	(3,439)	(10,653)	(42,365)	(178,915)	-	(402,875)
Cash flows from investing activities												
Interest received on investments	1,604	118	1,868	1,471	28	3,239	683	1,884	297	10,437	1,825	23,454
Purchases of investments	(14,254)	(1,774)	(28,558)	(41,284)	(1,733)	(36,500)	(4,537)	(13,430)	(3,697)	(418)	(17,070)	(163,255)
Proceeds from sale/maturity of investments	21,587	1,591	21,479	50,554	-	15,791	1,987	3,853	-	168,896	2,555	288,293
Net cash provided by (used for) investing activities	8,937	(65)	(5,211)	10,741	(1,705)	(17,470)	(1,867)	(7,693)	(3,400)	178,915	(12,690)	148,492
Net increase (decrease) in cash and cash equivalents	(1,479)	(214)	(3,324)	6,985	611	(20,206)	731	812	10,027	-	(21,405)	(27,462)
Cash and cash equivalents, beginning of year	7,079	1,008	14,518	19,169	-	36,812	1,443	3,731	-	-	24,480	108,240
Cash and cash equivalents, end of year	\$ 5,600	\$ 794	\$ 11,194	\$ 26,154	\$ 611	\$ 16,606	\$ 2,174	\$ 4,543	\$ 10,027	\$ -	\$ 3,075	\$ 80,778

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006
(AMOUNTS IN THOUSANDS)

	GENERATION					TRANSMISSION			NATURAL GAS	MISCELLANEOUS		Total Combined
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geothermal Energy Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Natural Gas Project	Multiple Project Fund	Projects' Stabilization Fund	
Reconciliation of operating income (loss) to net cash provided by operating activities												
Operating income (loss)	\$ (265)	\$ (216)	\$ 8,638	\$ 6,472	\$ (28)	\$ 47,132	\$ 4,495	\$ 14,805	\$ 1,447	\$ -	\$ -	\$ 82,480
Adjustments to reconcile operating income (loss) to net cash provided by operating activities												
Depreciation	18,274	-	10,489	8,492	-	19,629	1,403	4,500	2,646	-	-	65,433
Decommissioning	10,156	-	3,113	-	-	-	-	-	-	-	-	13,269
Advances for capacity and energy	-	2,310	-	-	-	-	-	-	-	-	-	2,310
Amortization of nuclear fuel	6,860	-	-	-	-	-	-	-	-	-	-	6,860
Changes in assets and liabilities												
Accounts receivable	(3,544)	-	(785)	(12,196)	-	(1,046)	30	(7)	(2,058)	-	-	(19,606)
Accounts payable and accruals	(4,695)	(14)	3,745	23,298	2,344	49	106	(145)	9,992	-	-	34,680
Other	40	-	(174)	59	-	-	3	5	(95)	-	-	(162)
Net cash provided by operating activities	<u>\$ 26,826</u>	<u>\$ 2,080</u>	<u>\$ 25,026</u>	<u>\$ 26,125</u>	<u>\$ 2,316</u>	<u>\$ 65,764</u>	<u>\$ 6,037</u>	<u>\$ 19,158</u>	<u>\$ 11,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,264</u>
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)												
Cash and cash equivalents - restricted	\$ 1,824	\$ 18	\$ 5,081	\$ 11,278	\$ 611	\$ 15,497	\$ 1,883	\$ 3,567	\$ 3,685	\$ -	\$ 3,075	\$ 46,519
Cash and cash equivalents - unrestricted	<u>3,776</u>	<u>776</u>	<u>6,113</u>	<u>14,876</u>	<u>-</u>	<u>1,109</u>	<u>291</u>	<u>976</u>	<u>6,342</u>	<u>-</u>	<u>-</u>	<u>34,259</u>
	<u>\$ 5,600</u>	<u>\$ 794</u>	<u>\$ 11,194</u>	<u>\$ 26,154</u>	<u>\$ 611</u>	<u>\$ 16,606</u>	<u>\$ 2,174</u>	<u>\$ 4,543</u>	<u>\$ 10,027</u>	<u>\$ -</u>	<u>\$ 3,075</u>	<u>\$ 80,778</u>

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 1 - Organization and Purpose

The Southern California Public Power Authority (the "Authority"), a public entity organized under the laws of the State of California, was formed by a Joint Powers Agreement dated as of November 1, 1980 pursuant to the Joint Exercise of Powers Act of the State of California. The Authority's participants consist of eleven Southern California cities and one public district of the State of California. The Authority was formed for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy and production of natural gas for sale to its participants. The Joint Powers Agreement has a term of fifty years.

The Authority has interests in the following projects:

Palo Verde Project - On August 14, 1981, the Authority purchased a 5.91% interest in the Palo Verde Nuclear Generating Station ("PVNGS"), a 3,810 megawatt nuclear-fueled generating station near Phoenix, Arizona, a 5.56% ownership interest in the Arizona Nuclear Power Project High Voltage Switchyard, and a 6.55% share of the right to use certain portions of the Arizona Nuclear Power Project Valley Transmission System (collectively, the "Palo Verde Project"). Units 1, 2 and 3 of the Palo Verde Project began commercial operations in January 1986, September 1986, and January 1988, respectively.

Hoover Upgrading Project - As of March 1, 1986, the Authority and six participants entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to the Authority in return for the Authority's agreement to make advance payments to the United States Bureau of Reclamation ("USBR") on behalf of such participants. The Authority has an 18.68% interest in the contingent capacity of the Hoover Upgrading Project ("HU").

San Juan Project - Effective July 1, 1993, the Authority purchased a 41.80% interest in Unit 3 and related common facilities of the San Juan Generating Station ("SJGS") from Century Power Corporation. Unit 3, a 497-megawatt unit, is one unit of a four-unit coal-fired power generating station in New Mexico.

Magnolia Power Project - In March 2003, the Authority received approval from the California Energy Commission for construction of the Magnolia Power Project ("MPP"). The Project consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts and was built on a site in the City of Burbank, California. The plant is the first that is wholly owned by the Authority and entitlements to 100% of the capacity and energy of the Project have been sold to six of its members. The City of Burbank, a Project participant, managed its construction and also serves as the Operating Agent for the Project. Commercial operations began September 22, 2005.

- **Gas Supply and Services Agreement:** SCPPA entered into an agreement with Occidental Energy Marketing, Inc. ("OEMI") beginning January 2005. This agreement is renewed each year unless notification is given by either party prior to December 31, of each year. OEMI provides 100% natural gas plant requirements on a daily basis, and also includes an option for the participants to bring in their own gas supply. In addition, OEMI provides gas balancing services.
- **Natural Gas Transportation:** SCPPA has an agreement with Southern California Gas Company ("SoGas") for intrastate transmission services. The agreement took effect in January 2005 and will expire in January 2009. SoGas provides transportation, storage, and balancing services of natural gas from the Southern California Border to the MPP Plant.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 1 - Organization and Purpose (Continued)

- **Parts and Special Services Agreement:** SCPPA entered into an 18 year agreement with General Electric International (“GE”) in September 2005. Currently, the agreement covers only the gas turbine, but effective August 2007, an amendment will be added to the agreement to include coverage for the gas generator, the steam turbine, and the steam generator. GE provides planned and unplanned maintenance, including replacement parts, based on factored fired hours.

Ormat Geothermal Project - The Authority entered into long term Power Purchase Agreements in December 2005 with divisions of Ormat Technologies, Inc. for up to 20 megawatts (“MW”) of electric generation. The Project started delivery of approximately 5 MW in January 2006 from geothermal energy facilities located in Heber, California. This is one of the sources of renewable energy for the project participants and additional megawatts are expected to become available in the future. The City of Anaheim acts as the Scheduling Coordinator on behalf of the Project Participants.

Southern Transmission System Project - On May 1, 1983, the Authority entered into an agreement with the Intermountain Power Agency (“IPA”), to defray all the costs of acquisition and construction of the Southern Transmission System Project (“STS”), which provides for the transmission of energy from the Intermountain Generating Station in Utah to Southern California. STS commenced commercial operations in July 1986. The Department of Water and Power of the City of Los Angeles (“LADWP”), a member of the Authority, serves as project manager and operating agent of the Intermountain Power Project (“IPP”).

Mead-Phoenix and Mead-Adelanto Projects - As of August 4, 1992, the Authority entered into an agreement to acquire an interest in the Mead-Phoenix Project (“Mead-Phoenix”), a transmission line extending between the Westwing substation in Arizona and the Marketplace substation in Nevada. The agreement provides the Authority with an 18.31% interest in the Westwing-Mead project component, a 17.76% interest in the Mead Substation project component and a 22.41% interest in the Mead-Marketplace project component.

As of August 4, 1992, the Authority also entered into an agreement to acquire a 67.92% interest in the Mead-Adelanto Project (“Mead-Adelanto”), a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. Funding for these projects was provided by a transfer of funds from the Multiple Project Fund and commercial operations commenced in April 1996. LADWP serves as the operations manager of Mead-Adelanto.

Natural Gas Projects

Pinedale Project - On July 1, 2005, the Authority, together with LADWP and Turlock Irrigation District (“TID”), acquired 42.5% of an undivided working interest in three natural gas leases located in the Pinedale Anticline region of the State of Wyoming. The Authority’s individual share in these interests equals 14.9%. The purchase includes 38 operating oil and gas wells and associated lateral pipelines, equipment, permits, rights of way, and easements used in production. The natural gas field production is expected to increase for several more years as additional capital is invested on drilling new wells and then decline over a life expectancy greater than 30 years.

- **Joint Operating Agreement (“JOA”):** In July 2005, SCPPA’s purchase of the natural gas reserve interests at Pinedale, WY (“Pinedale”) included an underlying long-term JOA with the operator Ultra Resources, Inc. SCPPA pays the operator for SCPPA’s share of both operating and drilling/capital expenses on a monthly basis.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 1 - Organization and Purpose (Continued)

- **Gathering and Processing Agreements:** SCPPA's purchase of Pinedale included underlying agreements with Jonah Gas Gathering Company, Questar Gas Management Company, and Mountain Gas Resources, Inc. for gathering and processing of the natural gas.

Barnett Project - Natural gas resources in the Barnett shale geological formation in Texas was acquired from Collins and Young Holding, L.L.P ("C&Y") for a total of \$84 million with an effective production date of April 1, 2006. The acquisition settled on October 26, 2006 and was completed on December 7, 2006 when the participants, together with TID, exercised their option to purchase additional resources from C&Y. Two of the original participants, LADWP and the City of Glendale, made the decision not to participate but have agreed to pay their respective share of the development costs incurred through October 13, 2006. The Gas Sales Agreements have been revised accordingly to adjust the entitlement shares and product cost shares for the remaining participants.

- **Joint Operating Agreement ("JOA"):** In October 2006, SCPPA's purchase of the natural gas reserve interests at Barnett, TX ("Barnett") included an underlying long-term JOA with the operator Devon Energy Production Company, L.P. SCPPA pays the operator for SCPPA's share of both operating and drilling/capital expenses on a monthly basis.

Multiple Project Fund - During fiscal year 1990, the Authority issued Multiple Project Revenue Bonds for net proceeds of approximately \$600 million to provide funds to finance costs of construction and acquisition of ownership interests or capacity rights in one or more, then unspecified, projects for the generation or transmission of electric energy. Certain of these funds were used to finance the Authority's interests in Mead-Phoenix and Mead-Adelanto. On July 1, 2005, \$162.1 million of the Multiple Project Revenue Bonds were redeemed.

Projects' Stabilization Fund - In fiscal year 1997, the Authority authorized the creation of a Projects' Stabilization Fund. Deposits may be made into the fund from budget under-runs, after authorization of individual participants, and by direct contributions from the participants. Participants have discretion over the use of their deposits within SCPPA project purposes. This fund is not a project-related fund; therefore, it is not governed by any project Indenture of Trust. The members participate in the Projects' Stabilization Fund by making deposits to the fund at their discretion.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 1 - Organization and Purpose (Continued)

Participant Ownership Interests - The Authority's participants may elect to participate in the projects. As of June 30, 2007, the members have the following participation percentages in the Authority's operating projects:

Participants	GENERATION				TRANSMISSION				NATURAL GAS	
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geo-thermal Energy Project	Southern Trans-mission System Project	Mead-Phoenix Project	Mead-Adelanto Project	Pinedale Project	Barnett Project
City of Los Angeles	67.0%	-	-	-	-	59.5%	24.8%	35.7%	-	-
City of Anaheim	-	42.6%	-	38.0%	60.0%	17.6%	24.2%	13.5%	35.7%	45.4%
City of Riverside	5.4%	31.9%	-	-	-	10.2%	4.0%	13.5%	-	-
Imperial Irrigation District	6.5%	-	51.0%	-	-	-	-	-	-	-
City of Vernon	4.9%	-	-	-	-	-	-	-	-	-
City of Azusa	1.0%	4.2%	14.7%	-	-	-	1.0%	2.2%	-	-
City of Banning	1.0%	2.1%	9.8%	-	10.0%	-	1.0%	1.3%	-	-
City of Colton	1.0%	3.2%	14.7%	4.2%	-	-	1.0%	2.6%	7.1%	9.1%
City of Burbank	4.4%	16.0%	-	31.0%	-	4.5%	15.4%	11.5%	14.3%	27.3%
City of Glendale	4.4%	-	9.8%	16.5%	15.0%	2.3%	14.8%	11.1%	28.6%	-
City of Cerritos	-	-	-	4.2%	-	-	-	-	-	-
City of Pasadena	4.4%	-	-	6.1%	15.0%	5.9%	13.8%	8.6%	14.3%	18.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The Authority has entered into power sales, natural gas sales, and transmission service agreements with the above project participants. Under the terms of the contracts, the participants are entitled to power output, natural gas or transmission service, as applicable. The participants are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service. The contracts cannot be terminated or amended in any manner that will impair or adversely affect the rights of the bondholders as long as any bonds issued by the specific project remain outstanding.

The contracts expire as follows:

Palo Verde Project	2030
Southern Transmission System Project	2027
Hoover Uprating Project	2018
Mead-Phoenix Project	2030
Mead-Adelanto Project	2030
San Juan Project	2030
Magnolia Power Project	2036
Natural Gas Project - Pinedale	2030
Natural Gas Project - Barnett	2030
ORMAT Geothermal Project	2031

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 1 - Organization and Purpose (Continued)

The Authority's interests in natural gas, generation, and transmission projects are jointly owned with other utilities, except for the Magnolia Power Project, which is wholly owned by the Authority. Under these arrangements, a participating member has an undivided interest in a utility plant and is responsible for its proportionate share of the costs of construction and operation and is entitled to its proportionate share of the energy or natural gas produced. Each joint plant participant, including the Authority, is responsible for financing its share of construction and operating costs. The financial statements reflect the Authority's interest in each jointly owned project as well as the project that it owns. Additionally, the Authority's share of expenses for each project is included in the statements of revenues, expenses, and changes in net assets (deficit) as part of operations and maintenance expenses.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation - The combined financial statements of the Authority are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting and the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with rules issued by the GASB. Revenues are recognized when earned and expenses are recognized when incurred. The format of the Statement of Net Assets (Deficit) follows the inverted approach which is consistent with the Federal Energy Regulatory Commission (FERC).

- **Invested in capital assets, net of related debt, and advances from participants** - This component of net assets consists of (a) capital assets, (b) net of accumulated depreciation, and (c) unamortized debt expenses, reduced by the outstanding balances of any bonds, other borrowings, and advances from participants that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- **Restricted** - This component consists of net assets on which constraints are placed as to their use. Constraints include those imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.
- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt and advances from participants."

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 2 - Summary of Significant Accounting Policies (Continued)

Utility plant - The Authority's share of construction and betterment costs, natural gas reserves, intangibles, and nuclear fuel associated with PVNGS, STS, Mead-Phoenix, Mead-Adelanto, SJGS, Magnolia Power Project and the Natural Gas Projects are included as utility plant and recorded at cost. Costs include labor, materials, capitalized interest costs on funds used in construction, and allocated indirect charges such as engineering, supervision, transportation and construction equipment, retirement plan contributions, health care costs, and certain administrative and general expenses. The costs of routine maintenance, repairs, and minor replacements incurred to maintain the plant in operating condition are charged to the appropriate operations and maintenance expense accounts in the period incurred. The original cost of property retired, net of removal and salvage costs, is charged to accumulated depreciation.

Depreciation expense is computed using the straight-line method based on the estimated service lives, principally thirty-five years for PVNGS, STS, Mead-Phoenix and Mead-Adelanto, thirty years for Magnolia and twenty-one years for SJGS.

Natural gas reserve depletion - Depletion expense for the Natural Gas Project is computed using the unit of production method based on the future production of the proved developed producing wells, estimated at 54 years. The depletion rate for the Pinedale Project was \$1.90/MMbtu and the estimated total net revenue volume was 24,351,608 MMBtu up to the period ending 2060 at June 30, 2007. The depletion rate for the Barnett Project was \$1.63/MMbtu and the estimated total net revenue volume was 28,906,440 up to the period ending 2060 at June 30, 2007.

A summary of changes in Utility Plant follows (amounts in thousands):

	Balance July 1, 2006	Additions	Disposals	Transfers	Balance June 30, 2007
Nondepreciable utility plant					
Land	\$ 42,472	\$ -	\$ -	\$ -	\$ 42,472
Construction work in progress	19,051	29,256	6	(8,820)	39,493
Construction work in progress - gas	3,752	9,996	-	(3,752)	9,996
Nuclear fuel*	15,830	10,782	(6,436)	-	20,176
Total nondepreciable utility plant	<u>81,105</u>	<u>50,034</u>	<u>(6,430)</u>	<u>(12,572)</u>	<u>112,137</u>
Depreciable utility plant					
Production					
Nuclear generation (Palo Verde Project)	646,936	4,464	(1,192)	-	650,208
Coal-fired plant (San Juan Unit 3 Project)	173,712	2,956	(419)	-	176,249
Gas-fired plant (Magnolia Power Project)	277,109	1,194	-	-	278,303
Transmission	885,115	65	-	-	885,180
General	47,019	141	(65)	-	47,095
Acquisition of gas reserves	44,747	46,340	-	-	91,087
Intangibles	592	4,205	-	-	4,797
Well equipment and production facilities	693	369	-	-	1,062
Total depreciable utility plant	<u>2,075,923</u>	<u>59,734</u>	<u>(1,676)</u>	<u>-</u>	<u>2,133,981</u>
Less accumulated depreciation	<u>(1,161,429)</u>	<u>(79,365)</u>	<u>1,670</u>	<u>-</u>	<u>(1,239,124)</u>
Total utility plant, net	<u>\$ 995,599</u>	<u>\$ 30,403</u>	<u>\$ (6,436)</u>	<u>\$ (12,572)</u>	<u>\$ 1,006,994</u>

*Nuclear fuel disposals represent amortization.

Note 2 - Summary of Significant Accounting Policies (Continued)

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Nuclear fuel - Nuclear fuel is amortized and charged to expense on the basis of actual thermal energy produced relative to total thermal energy expected to be produced over the life of the fuel. Under the provisions of the Nuclear Waste Policy Act of 1982, the federal government assesses each entity with nuclear operations, including the participants in PVNGS, \$1 per megawatt hour of nuclear generation. The Authority records this charge as a current year expense. See Note 8 for information about spent nuclear fuel disposal.

Nuclear decommissioning - Decommissioning of PVNGS is expected to commence subsequent to the year 2026. The total cost to decommission the Authority's interest in PVNGS is estimated to be \$125.6 million in 2006 dollars (\$339.5 million in 2022 dollars, assuming a 6% estimated annual inflation rate). This estimate is based on an updated site specific study prepared by an independent consultant in 2004. The Authority is providing for its share of the estimated future decommissioning costs over the remaining life of the nuclear power plant through annual charges to expense, which amounted to \$8.7 million and \$10.2 million in fiscal years 2007 and 2006, respectively. The decommissioning liability is included as a component of accumulated depreciation and was \$211.4 and \$202.7 million at June 30, 2007 and 2006, respectively.

The Authority contributes to external trusts set up in accordance with the Arizona Nuclear Power Plant participation agreement and Nuclear Regulatory Commission requirements. As of June 30, 2007, decommissioning funds totaled approximately \$142.9 million, including approximately \$1.2 million of interest receivable.

Demolition and site reclamation - Demolition and site reclamation of SJGS, which involves restoring the site to a "green" condition, is projected to commence subsequent to the year 2014. Based upon the study performed by an independent engineering firm, the Authority's share of the estimated demolition and site reclamation costs is \$30.8 million in 2003 dollars. The Authority is providing for its share of the estimated future demolition costs over the remaining life of the power plant through annual charges to expense of \$3.1 million. The demolition liability is included as a component of accumulated depreciation and totaled \$43.5 million and \$40.5 million at June 30, 2007 and 2006, respectively.

As of June 30, 2007, the Authority has not billed participants for the cost of demolition nor has it established a demolition fund.

Investments - Investments include United States government and governmental agency securities, guaranteed investment contracts, medium term notes and money market accounts. These investments are reported at fair value and changes in unrealized gains and losses are recorded in the statement of revenues, expenses and changes in net assets (deficit) with the exception of the guaranteed investment contracts which are recorded at amortized cost. Gains and losses realized on the sale of investments are generally determined using the specific identification method.

The Bond Indentures for the eight Projects and the Multiple Project Fund require the use of trust funds to account for the Authority's receipts and disbursements. Cash and investments held in these funds are restricted to specific purposes as stipulated in the Bond Indentures.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 2 - Summary of Significant Accounting Policies (Continued)

Advances for capacity and energy - Advance payments to the United States Bureau of Reclamation for the uprating of the 17 generators at the Hoover Power Plant are included in advances for capacity and energy. These advances are being reduced by the principal portion of the credits on billings to the Authority for energy and capacity. The current portion of these Advances is recorded under Prepaid and Other Assets in the Current Assets Section of the Combined Statements of Net Assets (Deficit).

Advance to IPA - Advance to IPA consists of cash transferred to IPA for reserve, contingency and self insurance funding.

Deferred Debits - Certain expenses which may be subject to amortization in the future or items where final disposition is uncertain is classified as Deferred Debits and the underlying liability is presented in Advances from Participants.

Unamortized debt expenses - Debt premiums, discounts, and issue expenses are deferred and amortized to expense over the lives of the related debt issues. Losses on refunding related to bonds redeemed by refunding bonds are amortized over the shorter of the life of the refunding bonds, or the remaining term of bonds refunded. Unamortized issue costs are recorded as a non current asset. All other unamortized debt expenses are recorded as an offset or addition to long-term debt.

Cash and cash equivalents - Cash and cash equivalents include cash and investments with original maturities of 90 days or less.

Materials and supplies - Materials and supplies consist primarily of items for construction and maintenance of plant assets and are stated at the lower of cost or market.

Arbitrage rebate and yield restrictions - The unused proceeds from the issuance of tax-exempt debt have been invested in taxable financial instruments. The excess of earnings on investments, if any, over the amount that would have been earned if the investments had a yield equal to the bond yield or yield restricted rate, is payable to the IRS within five years of the date of the bond offering and each consecutive five years thereafter until final maturity of the related bonds.

The recorded liability of the Multiple Project Fund of \$20.2 million (\$5.4 million payable to the Mead-Phoenix Project and \$14.8 million payable to the Mead-Adelanto Project) is a result of the cumulative savings from the 1994 refunding of the 1989 Multiple Project Bonds. The partial refunding within five years of the original issuance triggered a recalculation of the arbitrage yield, reducing the Multiple Project Fund's rebate liability.

During the fiscal year ended June 30, 2007, the Authority made rebate payments to the IRS of \$0.23 million for the STS bonds.

Recorded arbitrage rebate and yield restriction liabilities as of June 30, 2007, were \$0.17 million for Palo Verde, \$2.06 million for STS, \$0.67 million for Mead-Phoenix, and \$1.86 million for Mead-Adelanto.

Revenues - Revenues consist of billings to participants for the sales of electric energy, natural gas and transmission service in accordance with the participation agreements. Generally revenues are fixed at a level to recover all operating and or debt service costs over the commercial life of the property.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 2 - Summary of Significant Accounting Policies (Continued)

In September 1998, the Palo Verde participants approved a resolution authorizing the Authority to bill the participants an additional \$65 million annually through June 30, 2004 to pay for increased debt service costs as a result of a refunding completed in October 1997. In addition, the participants resolved to transfer any over billings, renewal and replacement excess funds or surplus amounts through June 30, 2004 into the Palo Verde reserve account. On November 20, 2003, the Authority adopted a resolution to utilize the amounts on deposit in the reserve accounts to pay a portion of the operating and maintenance expenses of the Palo Verde Project starting July 1, 2004. Funds held in the reserve account as a result of this resolution totaled \$60 million and \$64.5 million as of June 30, 2007 and 2006, respectively.

Transportation Costs - As a result of the sales and purchases agreements for natural gas entered into by SCPPA, the participants receive less volume than processed incurring embedded transportation costs. These costs are recorded as participants' revenue and expense to the Natural Gas Project. At June 30, 2007, transportation costs were approximately \$240,000 for the Pinedale Project and \$85,000 for the Barnett Project.

In Kind Contribution - Each participant of the Magnolia Power Plant is responsible for their own share of natural gas. They may elect to bring fuel to the plant or purchase fuel from Occidental Energy Marketing, Inc. (OEMI). OEMI computes the daily imbalances of fuel volume per participant using the daily consumption data that the Operating Manager provides. Monthly, actual fuel burnt is reported together with the daily imbalances, participants' in kind contribution, and fuel purchases from OEMI.

In kind contributions are valued at fair market value and recorded as participant revenue and fuel expense to the Magnolia Power Project. SCPPA values the participants' fuel contribution using monthly average pricing from the Project's OEMI fuel purchases. During the fiscal year ended June 30, 2007 the participants' contribution in kind was approximately 6.7 million MMBtu and was valued at approximately \$43.0 million.

Note 3 - Investments

The Authority's investment function operates within a legal framework established by Sections 6509.5 and 53600 et. seq. of the California Government Code, Indentures of Trust, instruments governing financial arrangements entered into by the Authority to finance and operate Projects and the Authority's Investment Policy.

Guaranteed investment contracts ("GICs") are contracts that guarantee the owner principal repayment and a specified interest rate for a predetermined period of time. GICs are typically issued by insurance companies and marketed to institutions that qualify for favorable tax status under federal laws. These types of securities provide institutions with guaranteed returns. GICs are negotiated on a case-by-case basis.

Based on SCPPA's Investment Policy, certain vehicles such as GICs, flexible repurchase agreements or forward debt service agreements, may be entered into only upon approval of the SCPPA Board. In addition, eligible securities and general limitations are derived from each Project's Indenture of Trust, the Government Code and SCPPA's evolving investment practices.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 3 - Investments (Continued)

The operative Indentures of Trust in which securities are authorized for investment purposes relate to the Palo Verde Project Bonds, the Southern Transmission System Project Bonds, the Hoover Upgrading Project Bonds, the Mead-Phoenix Project Bonds, the Mead-Adelanto Project Bonds, the Multiple Project Fund Bonds, the San Juan Project Bonds, the Magnolia Power Project Bonds, and the Natural Gas Project Bonds. Authorized investments for the Projects' Stabilization Fund are set forth in a resolution approved by the Board in 1996.

Eligible securities include:

- United States Treasury Securities, which are bonds or other obligations secured by the full faith and credit of the United States of America;
- Federal Agency Obligations, which have the full financial backing of the U.S. Government;
- Government Sponsored Enterprise Obligations, which are created by acts of Congress to provide liquidity for selected lending programs targeted by Congress;
- Repurchase Agreements, which are collateralized loan contracts where the seller includes a written agreement to repurchase the securities at a later date for a specified amount;
- Negotiable Certificates of Deposit, which are deposit liabilities issued by a nationally or state-chartered bank, a savings or a federal association or by a state-licensed branch of a foreign bank which has a short-term ratings of at least "A-1" by S&P and at least "P-1" by Moody's;
- Banker's Acceptances, a short term draft or bill of exchange guaranteed for payment at face value to the holder of the instrument on its maturity date, which has a short-term rating of at least "A-1" by S&P and at least "P-1" by Moody's;
- Commercial Paper, a short-term unsecured promissory note issued by non-financial or financial firms with a rating of at least "A-1" by S&P and at least "P-1" by Moody's;
- Medium Term Notes rated "A" or better and only those issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States;
- Equity-Linked Notes, which are categorized as medium-term corporate notes and are subject to the constraints set forth in the Government code and the Authority's Investment Policy.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 3 - Investments (Continued)

Investments at June 30, 2007 and 2006 are as follows:

	JUNE 30, 2007											Total
	GENERATION				TRANSMISSION			NATURAL GAS		MISCELLANEOUS		
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geo thermal Project	Southern Trans-mission System Project	Mead-Phoenix Project	Mead-Adelanto Project	Pinedale & Barnett Project	Multiple Project Fund	Projects' Stabiliza-tion Fund	
U.S. Agencies	\$ 183,404	\$ 2,203	\$ 9,954	\$ 18,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,968	\$ 284,341
Agency Discount Notes	13,400	1,930	19,301	32,539	1,415	47,889	5,746	15,588	27,005	7,449	7,032	179,294
Treasury Coupon	489	-	-	-	-	-	-	-	-	-	-	489
GIC's	60,058	-	21,323	20,449	-	37,179	7,398	22,626	-	58,847	-	227,880
Negotiable CD's	-	-	-	-	-	-	-	-	60	-	-	60
Commercial Paper	-	-	-	-	-	-	-	-	-	-	-	-
Equity Link Notes	-	-	-	-	-	-	-	-	-	-	-	-
Money Market Funds	1,626	126	615	1,512	182	2,290	571	747	3,665	8	2,852	14,194
Total	\$ 258,977	\$ 4,259	\$ 51,193	\$ 73,312	\$ 1,597	\$ 87,358	\$ 13,715	\$ 38,961	\$ 30,730	\$ 66,304	\$ 79,852	\$ 706,258
Restricted investments	\$ 166,233	\$ 2,255	\$ 38,089	\$ 45,363	\$ -	\$ 58,681	\$ 7,399	\$ 22,628	\$ 64	\$ 66,296	\$ 69,969	\$ 476,977
Unrestricted investments	78,263	1,278	-	-	-	-	-	-	-	-	-	79,541
Cash and cash equivalents	14,481	726	13,104	27,949	1,597	28,677	6,316	16,333	30,666	8	9,883	149,740
Total	\$ 258,977	\$ 4,259	\$ 51,193	\$ 73,312	\$ 1,597	\$ 87,358	\$ 13,715	\$ 38,961	\$ 30,730	\$ 66,304	\$ 79,852	\$ 706,258

	JUNE 30, 2006											Total
	GENERATION				TRANSMISSION			NATURAL GAS		MISCELLANEOUS		
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Ormat Geo thermal Project	Southern Trans-mission System Project	Mead-Phoenix Project	Mead-Adelanto Project	Natural Gas Project	Multiple Project Fund	Projects' Stabiliza-tion Fund	
U.S. Agencies	\$ 167,590	\$ 2,152	\$ 14,641	\$ 19,423	\$ 1,780	\$ 995	\$ -	\$ -	\$ -	\$ -	\$ 63,018	\$ 269,599
Agency Discount Notes	6,580	1,964	12,047	29,877	-	40,326	5,162	14,647	10,721	-	1,088	122,412
Treasury Coupon	477	-	-	-	-	-	-	-	-	7,435	-	7,912
GIC's	64,584	-	21,323	-	-	37,180	8,095	22,990	-	57,960	-	212,132
Negotiable CD's	-	-	-	-	-	-	-	-	60	-	-	60
Commercial Paper	-	-	-	-	-	-	-	-	-	-	-	-
Equity Link Notes	4,452	-	-	-	-	-	-	-	-	-	-	4,452
Money Market Funds	1,823	51	1,772	3,095	564	9,309	311	845	2,951	-	1,987	22,708
Total	\$ 245,506	\$ 4,167	\$ 49,783	\$ 52,395	\$ 2,344	\$ 87,810	\$ 13,568	\$ 38,482	\$ 13,732	\$ 65,395	\$ 66,093	\$ 639,275
Restricted investments	\$ 157,118	\$ 2,813	\$ 38,589	\$ 26,241	\$ 1,733	\$ 71,204	\$ 11,394	\$ 33,939	\$ 3,705	\$ 65,395	\$ 63,018	\$ 475,149
Unrestricted investments	82,788	560	-	-	-	-	-	-	-	-	-	83,348
Cash and cash equivalents	5,600	794	11,194	26,154	611	16,606	2,174	4,543	10,027	-	3,075	80,778
Total	\$ 245,506	\$ 4,167	\$ 49,783	\$ 52,395	\$ 2,344	\$ 87,810	\$ 13,568	\$ 38,482	\$ 13,732	\$ 65,395	\$ 66,093	\$ 639,275

Interest rate risk - The Authority's investment policy limits the maturity of its investments to a maximum of 5 years for investments in the United States Treasury, Federal Agency, and Government Sponsored Enterprise securities, excluding: investments held in Project Debt Service Reserve; long-term commitments or agreements approved by the Authority's Board; 5 years for medium term corporate notes; 270 days for commercial paper; 180 days for banker's acceptances; and one year for negotiable certificates of deposits.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 3 - Investments (Continued)

Credit risk - Under its investment policy and the State of California Government Code, the Authority is subject to the prudent investor standard of care in managing all aspects of its portfolios. As an investment standard, each investments shall be made with “judgment and care under circumstances then prevailing, which a person of prudence, discretion and intelligence would exercise in the management of his/her affairs, not in regard for speculation, but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of the capital to be invested.” The Authority’s investment policy does not preclude active management of the portfolio to address market opportunities. All transactions shall be undertaken in the best interest of the Authority and its participants.

The Authority’s investment policy specifies that all project funds may be invested in shares of beneficial interest for temporary periods, pending disbursement or reinvestment as allowed under the state of California Government Code (“Code”). The Code requires that the fund must have either 1) attained the highest ranking or highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations (“NRSRO”) or 2) retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of five hundred million dollars. As of June 30, 2007 and June 30, 2006, each of the money market funds in the portfolio have attained the highest possible ratings by three NRSRO’s, specifically AAA by Standard and Poor’s, Aaa by Moody’s Investors Service, and AAA by Fitch Ratings.

The U.S. government agency securities in the portfolio consist of securities issued by government-sponsored enterprises, which are not explicitly guaranteed by the U.S. government. As of June 30, 2007 and June 30, 2006, the U.S. government agency securities in the portfolio carried the highest possible credit ratings by the NRSRO’s that rated them.

The Equity Link Notes (Medium Term Notes) in the portfolio consists of securities issued by corporations and carry a rating of AA by Standard and Poor’s, Aa by Moody’s Investors Service and AA by Fitch Ratings.

The Guaranteed Investment Contracts in the portfolio with AIG consist of securities issued by corporations and carry a rating of AA by Standard and Poor’s, Aa by Moody’s Investors Service and AA by Fitch Rating. The Guaranteed Investment Contracts in the portfolio with PNC carry a rating of A by Standard and Poor’s, Aaa by Moody’s Investors Service, and A by Fitch Ratings.

The Investment Agreement Contract in the portfolio with FSA consists of securities issued by corporations and carries a rating of AAA by Standard and Poor’s, Aaa by Moody’s Investors Service, and AAA by Fitch Ratings.

Concentration of credit risk - The Authority’s investment policy specifies a 50% to 100% limitation on the amount that can be invested in U.S. government agency securities, except in certain issues of other Authority projects, such as the Southern Transmission System 1991 Series and the Mead-Adelanto and Mead-Phoenix projects.

Of the Authority’s total investments as of June 30, 2007, \$269,001,768 (38%) was invested in securities issued by the Federal Home Loan Bank; \$114,250,959 (16%) was invested in securities issued by the Federal National Mortgage Association; \$80,506,618 (12%) was invested in an investment agreement with Financial Security Assurance (FSA); \$88,871,134 (13%) was invested in a GIC with PNC Financial Securities Group; and \$58,501,781 (8%) was invested in a GIC with American International Group (AIG).

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 3 - Investments (Continued)

Of the Authority's total investments as of June 30, 2006, \$203,651,400 (33%), was invested in securities issued by the Federal Home Loan Bank; \$87,416,445 (14%) was invested in securities issued by the Federal National Mortgage Association; \$67,905,700 (11%) was invested in securities issued by the Federal Home Loan Mortgage Corporation; \$64,583,699 (10%) was invested in an investment agreement with Financial Security Assurance (FSA); \$89,045,847 (14%) was invested in a GIC with PNC Financial Securities Group; and \$62,953,499 (10%) was invested in a GIC with AIG.

Note 4 - Derivative Instruments

Objective of the swaps - An interest rate swap, is the exchange of payments between SCPPA and a counterparty in order to potentially obtain a lower cost of funding than traditional fixed rate bonds, or to hedge interest rate exposure on SCPPA's assets or liabilities. The Authority has entered into eight separate pay-fixed, receive-variable interest rate swaps and three basis swaps to produce savings or to result in lower costs over the life of each transaction than what the Authority would have paid to issue fixed-rate debt. While these instruments carry additional risks, SCPPA's swap policy and favorable negotiations have considered and helped to reduce such risks.

Terms, fair values, and credit risk - The terms, including the fair values and credit ratings of the counterparties under the outstanding swaps as of June 30, 2007, are included below. In most cases, the notional amount of any swap matches the principal amount of the associated debt. Except as discussed under the rollover risk, the Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating
MPP 2007 Swap	\$ 111,630	6/13/2007	3.912%	98.9% of BMA less .06%	\$ 3,056	7/1/2036	AAA/Aaa
MPP 2007 Swap	111,630	6/13/2007	3.912%	98.9% of BMA less .06%	3,056	7/1/2036	AAA/Aaa/AA+
MA 2007 Swap	100,000	2/1/2008	1-month LIBOR	100% of 10-yr LIBOR CMS rate less .414%	579	9/15/2030	AAA/Aaa
STS 2006 Amended Swap	100,000	8/1/2007	BMA	58.99% of 10-yr LIBOR CMS rate plus .664%	2,205	7/1/2023	AA/Aaa/AA-
STS 2004 Swap	100,000	12/1/2004	BMA	65% of LIBOR plus 0.664%	71	7/1/2023	AA/Aaa/AA-
MP 2004 Swap	28,700	5/27/2004	3.894%	65% of LIBOR	(569)	7/1/2020	AA+/Aa2/AA+
MA 2004 Swap	96,025	5/27/2004	3.890%	65% of LIBOR	(1,871)	7/1/2020	AA+/Aa2/AA+
STS 2003 Swap	50,500	4/24/2003	3.266%	65% of LIBOR	1,960	7/1/2022	AA/Aaa/AA+
STS Swaption/Swap	125,000	2/6/2001	4.250%	60% of LIBOR	(12,924)	7/1/2022	AA/Aaa/AA+
STS 2001 Swap	79,795	6/14/2001	4.240%	BMA less .40%	(5,427)	7/1/2021	AA+/Aa2/AA+
STS 1991 Swap	280,000	4/17/1991	6.380%	Bond variable coupon rate	(47,214)	6/30/2019	AA/Aa2/-
	<u>\$ 1,183,280</u>				<u>\$ (57,078)</u>		

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 4 - Derivative Instruments (Continued)

- **MPP 2007 Swap** - In April 2007, the Authority entered into an interest rate swap in connection with the issuance of variable-rate Magnolia Power Project A, Refunding Revenue Bonds, Series 2007-1 (“2007-1 Bonds”). The Swap created synthetic fixed-rate debt. The transaction consisted of a \$223,260,000 29-year floating-to-fixed interest rate swap allocated equally between two counterparties. The Authority pays each of the counterparties a fixed rate of 3.912% in exchange for receiving 98.9% of the BMA Index minus 6 basis points. The swap’s effective date is June 13, 2007, with variable interest and swap payments commencing January 1, 2008. The swap expires on July 1, 2036.
- **MA 2007 Swap** - In January 2007, the Authority entered into a Constant Maturity Swap (“CMS”) in connection with its outstanding Mead-Adelanto Project. The transaction consisted of a \$100 million basis swap and does not relate to any single series of the Mead-Adelanto bonds. The swap terms will become effective on February 1, 2008 and under the swap, the Authority will pay the swap counterparty 100% of 1-month LIBOR in exchange for receiving 100% of the 10-year LIBOR minus 41.4 basis points. The swap expires on September 15, 2030.
- **STS 2006 Amended Swap** - In July 2006, the Authority executed an amendment to the STS \$100 million, floating-to-floating Fixed-Spread basis swap entered into in 2004. Under the amended swap, SCPPA will continue to pay the swap counterparty the BMA index but will receive 58.99% of the 10-Year LIBOR plus 66.4 basis points, instead of 65% of 1-month LIBOR plus 66.4% basis points. The amended swap terms will become effective on August 1, 2007. The notional amount of the Swap Agreement remains at \$100 million. The swap expires on July 1, 2023.
- **STS 2004 Swap** - In November 2004, the Authority entered into a floating-to-floating Fixed-Spread basis swap. Under the swap agreement, the Authority will pay a variable rate equal to the BMA index, and in exchange will receive 65% of LIBOR plus a fixed margin or spread of 66.4 basis points. The basis swap is expected to produce net positive cash flow for the Authority given the historical positive difference between the floating rate received and the floating rate paid. The fixed margin of 66.4 basis points represents the fair market or breakeven spread differential prevailing at the time the trade was executed. The swap expires on July 1, 2023. The term of this Swap was amended in July, 2006 and the amended terms will be effective on August 1, 2007. (See STS 2006 Interest Rate Amendment).
- **MP 2004 Swap** - In connection with the issuance of the 2004 Mead-Phoenix Project Revenue Bonds Series A auction-rate security in May 2004, the Authority entered into an interest rate swap on March 3, 2004. The floating-to-fixed rate swap created synthetic fixed-rate debt for the Authority. Under the Swap Agreement, the Authority pays the counterparty a fixed rate of 3.894% and in exchange the Authority receives a floating rate index equal to 65% of one-month LIBOR. The swap agreement expires July 1, 2020. The Authority received approximately \$1.8 million in an upfront payment in connection with the execution of the swap, which has been deferred and is being amortized as an interest yield adjustment over the life of the option. Approximately \$13.5 million in Mead-Phoenix 2004 Project Revenue Bonds Series A are not swapped and remain floating-rate bonds. The floating rate on the related bonds as of June 30, 2007 and 2006 was 3.50% and 3.80%, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 4 - Derivative Instruments (Continued)

- **MA 2004 Swap** - In connection with the issuance of the 2004 Mead-Adelanto Revenue Bonds Series A auction-rate security in May 2004, the Authority entered into an interest rate swap on March 3, 2004. The floating-to-fixed rate swap created synthetic fixed-rate debt for the Authority. Under the Swap Agreement, the Authority pays the counterparty a fixed rate of 3.89% for the swap and in exchange the Authority receives a floating rate index equal to 65% of one-month LIBOR. The swap agreement expires July 1, 2020. The Authority received approximately \$5.9 million in an upfront payment in connection with the execution of the swap, which has been deferred and is being amortized as an interest yield adjustment over the life of the swap. Approximately \$45.1 million in Mead-Adelanto 2004 Project Revenue Bonds Series A are not swapped and remain floating-rate bonds. The average floating rate on the related bonds as of June 30, 2007 and 2006 was 3.522% and 3.80%, respectively.
- **STS 2003 Swap** - In April 2003, the Authority entered into an Interest Rate Swap agreement with a third party for the purpose of hedging against interest rate variations arising from the issuance of the 2003 Subordinate Refunding Series A Southern Transmission Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. The Swap Agreement provides for the Authority to make payments to the counterparty on a fixed rate basis of 3.266%, and for the counterparty to make reciprocal payments based on a floating rate of 65% of one-month LIBOR. The floating rate on the related bonds at June 30, 2007 and 2006 was 3.70%. The agreement expires on July 1, 2022.
- **STS Swaption/Swap** - In February 2001, the Authority entered into a transaction whereby it sold an option (the "Swaption") on a floating-to-fixed interest rate swap. The Swaption was exercised on April 1, 2002. The floating rate on the swap paid by the counterparty is 60% of one-month LIBOR; the annual fixed rate on the swap paid by the Authority is 4.25%. In exchange for the right to exercise the Swaption, the counterparty paid the Authority a one-time up front option premium amount of \$7.9 million which has been deferred and is being amortized as an interest yield adjustment over the life of the option. The counterparty has the option to cancel the agreement at the counterparty's discretion. The swap expires on July 1, 2022.
- **STS 2001 Swap** - In June 2001, the Authority entered into an interest rate swap agreement with a counterparty for the purpose of hedging against interest rate variations arising from the issuance of the 2001 Subordinate Refunding Series A Southern Transmission Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. The Swap Agreement provides for the Authority to make payments to the counterparty at a fixed rate of 4.24%, and for the counterparty to make reciprocal payments based on a variable rate. The reset dates of the variable rate occur weekly and the rate for a reset date will be the rate determined by the Bond Market Association Municipal Swap Index ("BMA") minus 40 basis points. The counterparty has the option to cancel the agreement on July 5, 2006 and on every Fixed Rate Payer Payment Date, thereafter, should the BMA index average more than 7% over a consecutive 180-day period. The floating rates on the bonds were 3.65% and 3.92% at June 30, 2007 and 2006, respectively. The swap expires on July 1, 2021.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 4 - Derivative Instruments (Continued)

- **STS 1991 Swap** - In fiscal year 1991, the Authority entered into an interest rate swap Agreement with a counterparty for the purpose of hedging against interest rate fluctuations arising from the issuance of the 1991 Subordinate Refunding Series Southern Transmission Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. Under the Swap Agreement, the Authority pays the counterparty a fixed rate of 6.38%; in exchange, the Authority receives payments mirroring the bond variable coupon rate (3.68% and 3.87% at June 30, 2007 and 2006, respectively). The swap expires on June 30, 2019.

Fair value - Fair values take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that were received. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. While some of SCPPA's current mark to market values are negative, this valuation would be realized only if the swaps were terminated at the valuation date and only SCPPA retains the right to optionally terminate most of the transactions.

Credit risk - As of June 30, 2007, the net fair values of the Authority's applicable swaps for which payments were made were negative for each counterparty except for the STS 2004 and the STS 2003 swaps. However, should interest rates change and the fair values of the swaps become positive, the Authority may be exposed to credit risk in the amount of the derivatives' fair value.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require full collateralization of the fair value of the swap should the counterparty's (or guarantors of the counterparty, as applicable) credit rating fall below AA- as issued by Standard & Poor's or Aa3 as issued by Moody's Investors Service for the 1991 Swap; A+/A1 for the 2004 Fixed Spread Basis Swap; A-/A3 for the 2001, the 2003 and the 2004 Swaps; Baa1/BBB+ for the Swaption/Swap; and Baa3/BBB- for the Magnolia 2007 Swap. Collateral on all swaps is to be in the form of U.S. government securities held by a third-party custodian.

The swap agreements provide that when the Authority has more than one derivative transaction with a given counterparty involving the same Authority project (and having the same swap/bond insurer), should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all such related transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Basis risk - Basis risk is the risk that the interest rate paid by the Authority on underlying variable rate bonds to bondholders exceeds the variable swap rate received from a counterparty. With the exception of the 1991 Swap, the Authority bears basis risk on each of its swaps. The 1991 Swap is perfectly hedged since the counterparty pays the Authority its actual variable bond rate on the 1991 bonds. All the other Swaps have a basis risk since under each of those swaps the Authority received a percentage of LIBOR (or BMA less 40 basis points) to offset the actual variable bond rate or variable swap rate the Authority pays on any related bonds or on any basis swap. The Authority is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Authority pays on any related bonds or in the case of the floating-to-floating fixed-spread basis swap, less than the variable rate paid to the swap counterparty.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 4 - Derivative Instruments (Continued)

Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from a swap may not be fully realized. For example, the 2001 swap is based on BMA rate minus 40 basis points; similar to the LIBOR-based swaps, BMA minus 40 bps may not exactly hedge the underlying variable rate. As of June 30, 2007, the BMA rate, minus 40 bps, was 3.297%, whereas 60% of LIBOR was 3.192%, 65% of LIBOR was 3.458%, and 98.9% of BMA minus 6 bps, was 3.597%.

The following is a summary of interest rates paid to and received from the counterparties as of June 30, 2007:

	Type of Derivative						
	1991 Swap	Swaption/ Swap	2001 Swap	2003 Swap	2004 Swap	MP 2004 Swap	MA 2004 Swap
Payments to counterparty	6.380%	4.250%	4.240%	3.266%	3.704%	3.894%	3.890%
Less, variable payments from counterparty	3.680%	3.192%	3.297%	3.458%	3.458%	3.458%	3.458%
Net interest rate swap payments	2.700%	1.058%	0.943%	-0.192%	0.246%	0.436%	0.432%
Add, variable-rate bond coupon payments	3.680%	N/A	3.650%	3.700%	N/A	3.530%	3.530%
Synthetic interest rate on bonds	6.380%	1.058%	4.593%	3.508%	0.246%	3.966%	3.962%

Termination risk - The Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In addition, the Swap/Swaption provides the counterparty with an option to cancel the swap agreement if the consecutive 180-day averaged rate of the BMA index exceeds 7.0%. The counterparty for the 2001 Swap also has a cancellation option which can be executed by the counterparty at their discretion. If any of the swaps were terminated, any associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Rollover risk - Rollover risk is the risk that the swap contract is not co-terminus with the related bonds. The Authority is exposed to rollover risk on the Swap/Swaption and the 2001 Swap because the counterparty has the option to terminate the agreement prior to the maturity of the associated debt. In the event that this swap terminates, the Authority would be exposed to variable interest rates on the underlying bonds. The following debt is exposed to rollover risk:

<u>Associated Debt Issuance</u>	<u>Debt Maturity Date</u>	<u>Swap Termination Date</u>
STS 2001 Subordinate Refunding Series A	July 1, 2021	July 1, 2021

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 4 - Derivative Instruments (Continued)

Swap payments and associated debt - Using rates as of June 30, 2007, debt service requirements of the Authority's outstanding variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2008	18,330	31,841	10,409	42,250
2009	19,770	31,119	9,980	41,099
2010	17,790	30,464	9,534	39,998
2011	18,910	29,768	9,058	38,826
2012 - 2016	272,660	120,874	32,560	153,434
2017 - 2021	300,000	64,605	9,743	74,348
2022 - 2026	68,975	36,777	3,013	39,790
2027 - 2031	60,420	25,481	2,184	27,665
2032 - 2036	113,350	11,474	983	12,457

Note 5 - Long-Term Debt

Long-term debt outstanding at June 30, 2007 consisted of "new money" bonds, refunding bonds and subordinate refunding bonds due in varying annual amounts through 2036. The new money bonds were issued to finance the purchase and construction or acquisition of the Authority's interest in each of the Projects. The subordinate refunding bonds were issued to refund specified new money bonds.

In accordance with the bond indentures, the new money bonds and refunding bonds are special, limited obligations of the Authority. With the exception of the Magnolia Power Project B, Lease Revenue Bonds (City of Cerritos, California) 2003-1 ("Project B Bonds"), the bonds issued by each project are payable solely from and secured solely by interests in that project as follows:

- Proceeds from the sale of bonds;
- All revenues, incomes, rents and receipts attributable to that project and interest earned on securities held under the bond indenture or indentures; and
- All funds established by the indenture or indentures.

The Authority has agreed to certain covenants with respect to bonded indebtedness, including the requirement to enforce the natural gas, power and transmission sales agreements with the participants. At the option of the Authority, all outstanding new money bonds and refunding bonds are subject to redemption prior to maturity, except for the 2006-1 Magnolia Revenue Bonds; the 2002 Subordinate Refunding Series B Bonds, and portions of the 1988A Refunding and 1992 Subordinate Refunding Bonds issued for the Southern Transmission System; the 2002A San Juan Revenue Bonds; and a total of \$125.5 million of the Multiple Project Revenue Bonds.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 5 - Long-Term Debt (Continued)

Variable rate debt includes Auction Rate Certificates (“ARCs”), which bear interest at the applicable auction rate as determined by an Auction Agent, as well as debt with rates based on daily, weekly and long term rates as determined by a Remarketing Agent.

A summary of changes in long-term debt follows:

	(Amounts In Thousands)										
	GENERATION				TRANSMISSION			NATURAL GAS	MISCELLANEOUS		Total
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Southern			Natural Gas Project	Multiple Project Fund		
Transmission System Project					Mead- Phoenix Project	Mead- Adelanto Project					
Total long-term debt at June 30, 2006	\$ 98,215	\$ 16,821	\$ 171,715	\$ 316,740	\$ 755,702	\$ 63,154	\$ 202,596	\$ 28,200	\$ 41,279	\$ 1,694,422	
Total debt due within one year at June 30, 2006	11,545	1,315	9,570	3,735	34,230	3,250	10,850	-	-	74,495	
Total debt at June 30, 2006	109,760	18,136	181,285	320,475	789,932	66,404	213,446	28,200	41,279	1,768,917	
Principal payments	(11,545)	(1,315)	(9,570)	(3,735)	(34,230)	(3,250)	(10,850)	-	-	(74,495)	
Revenue bonds issued	-	-	-	37,730	-	-	-	44,900	-	82,630	
Bonds refunded/defeased	-	-	-	(202,375)	-	-	-	-	-	(202,375)	
Refunding bonds issued	-	-	-	223,260	-	-	-	-	-	223,260	
Decrease in unamortized debt-related costs, net	2,053	428	(125)	(14,755)	10,889	536	1,513	-	1,274	1,813	
Total debt at June 30, 2007	100,268	17,249	171,590	360,600	766,591	63,690	204,109	73,100	42,553	1,799,750	
Total debt due within one year at June 30, 2007	(11,895)	(1,370)	(10,050)	(7,450)	(30,950)	(3,350)	(11,150)	(1,800)	-	(78,015)	
Total long-term debt at June 30, 2007	\$ 88,373	\$ 15,879	\$ 161,540	\$ 353,150	\$ 735,641	\$ 60,340	\$ 192,959	\$ 71,300	\$ 42,553	\$ 1,721,735	

Palo Verde Project - Debt consists of subordinate refunding series bonds with variable interest rates and final maturities between 2009 and 2017.

Hoover Uprating Project - Debt consists of refunding series bonds with fixed interest rates between 4.0% and 5.25% and a final maturity during 2017.

San Juan Project - Debt consists of refunding series bonds with fixed interest rates between 5.0% and 5.5% and final maturities during 2014 and 2020.

San Juan Unit 3 Project Refunding - In April 2005, the Authority issued \$71.88 million par value SJ 2005 Refunding Series A Bonds to refund all of the outstanding \$71.85 million SJ 2002 Refunding Series B Bonds (the “refunded bonds”). This transaction resulted in a net loss for accounting purposes of \$4.4 million, consisting primarily of the write-off of unamortized debt expenses and the premium associated with the refunded bonds. The loss on refunding of bonds was deferred and is being amortized in accordance with GASB 23, over the life of the new debt which is shorter than the remaining life of the old debt.

San Juan completed the advanced refunding to reduce its total debt service payments over the refunding term by \$9.9 million and to obtain an economic gain, measured as the difference between the present values of the old and new debt service payment requirements of \$6.6 million.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 5 - Long-Term Debt (Continued)

Magnolia Power Project - Debt consists of revenue bonds with fixed interest rates between 2.00% and 5.25% with final maturities occurring in 2036.

Magnolia Power Project Refunding - In June 2007, the Authority issued \$223.26 million of Magnolia Power Project Project A Refunding Revenue Bonds, 2007-1 Series as variable rate demand obligations that will initially bear interest at a weekly interest rate. The bonds were issued to refund \$202.38 million of the Magnolia Power Project A Bonds, Revenue Series 2003 -1. The Authority also entered into two separate floating-to-fixed interest rate swap agreements allocated equally between two swap counterparties in connection with the Series 2007-1 Bonds which effectively fixed the rate of the 2007-1 Bonds. (See Note 4).

Magnolia Power Project Revenue Bonds - In July 2006, the Authority issued \$37.73 million par value Magnolia Power Project A, Revenue Bonds, Series 2006-1. The bonds, issued at a premium, generated \$38.63 million of new money proceeds and received a True Interest Cost of 4.13% and a weighted average life of 5.797 years. The bonds were issued primarily for the purpose of completing the construction of the Magnolia Power Project.

Of the outstanding Magnolia Power Project Revenue Bonds, \$14.0 million of "Project B Bonds" are secured by lease rental payments to be made by the City of Cerritos (the "City") in connection with the lease of certain facilities and premises owned by the City to the Authority and the leaseback of such facilities and premises to the City. The Base Rental Payments will be equal to the principal and interest on the Project B Bonds. In accordance with the Assignment Agreement between the Authority and the Trustee, the Authority will assign certain of its rights under the Lease, including its right to receive the Base Rental Payments, to the Trustee for the benefit of the owners of the Project B Bonds.

The City has covenanted to budget and appropriate sufficient funds to make all payments required to be made under the Lease. The Lease has a term of 55 years.

Southern Transmission System Project - Debt consists of refunding and subordinate refunding series bonds with fixed and variable interest rates. Fixed interest rates range from 3.00% to 6.38% and final maturities occur between 2011 and 2023.

Mead Phoenix Project - Debt consists of revenue and refunding series bonds with variable interest rates and a 5.15% fixed interest rate. Final maturity occurs during 2020.

Mead Adelanto Project - Debt consists of revenue and refunding series bonds with variable interest rates and a 5.15% fixed interest rate. Final maturity occurs during 2020.

Natural Gas Projects

On July 1, 2005, the Authority issued taxable Natural Gas Project Revenue Bonds, Draw Down Series 2005A ("the Draw Down Bonds") at an interest rate of the one month LIBOR rate plus fifty basis points. The maximum amount that may be drawn and outstanding on the Draw Down Bonds is \$100,000,000. The bonds were issued on behalf of the Project A Participants to finance their share of the Natural Gas Projects. Additional draws may be used to increase the amount of natural gas to which the Natural Gas Project A Participants are entitled. As of June 30, 2007, the total draws were \$28 million for the Pinedale Project, \$45 million for the Barnett Project and the outstanding aggregate principal of the Draw Down Bonds was \$73,100,100.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 5 - Long-Term Debt (Continued)

Multiple Project Fund - Debt consists of revenue bonds with fixed interest rate of 6.75% and final maturity during 2013.

Bonds Redeemed - On January 4, 1990, the Authority issued its Multiple Project Revenue Bonds, 1989 Series. Most of the proceeds of the Bonds were used to fund Authority projects, specifically the Mead-Phoenix and the Mead-Adelanto Transmission Projects. In April 2005, the Board determined that a portion of the remaining available proceeds should be used to redeem the callable bonds. In May 2005, the Authority's Board of Directors approved the redemption of \$162.1 million of Multiple Projects Revenue Bonds, 1989 Series, representing all of the callable bonds. The bonds were redeemed on July 1, 2005.

Debt Related Costs - Unamortized debt-related costs, net are as follows as of June 30, 2007 (amounts in thousands):

Unamortized debt-related costs, net	Loss on Refunding	(Premium) Discount	Total
Palo Verde Project	\$ 13,447	\$ -	\$ 13,447
Southern Transmission System Project	88,455	19,075	107,530
Hoover Upgrading Project	1,751	(230)	1,521
Mead-Phoenix Project	5,193	(229)	4,964
Mead-Adelanto Project	15,445	(1,235)	14,210
Multiple Project Fund	-	7,647	7,647
San Juan Project	5,524	(9,199)	(3,675)
Magnolia Power Project	13,262	(4,902)	8,360
Natural Gas Project	-	-	-
	\$ 143,077	\$ 10,927	\$ 154,004

Debt Service - The scheduled debt service payments for future years ending June 30 are included in the table below. The variable rates used for the PV 1996 Subordinate Refunding Series B and C, and the STS 1996 Subordinate Refunding Series B were the rates at June 30, 2007 of 3.68% and 3.72%, respectively. The variable rates used for the MA and MP 2004 Subordinate Refunding Series A, and the STS 2000 and 2001 Subordinate Refunding Series A were the rates at June 30, 2007 of 3.50% and 3.65%, respectively. The variable rates used for the NGP 2005 Subordinate Refunding Series A, and the STS 2003 Subordinate Refunding Series A were the rates at June 30, 2007 of 5.32% and 3.70%, respectively. The variable rates are set by the bond-remarketing agent on a weekly basis based on economic conditions and bond ratings.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 5 - Long-Term Debt (Continued)

	GENERATION				TRANSMISSION			NATURAL GAS	MISCELLANEOUS	Total
	Palo Verde Project	Hoover Upgrading Project	San Juan Project	Magnolia Power Project	Southern Trans-mission System Project	Mead-Phoenix Project	Mead-Adelanto Project	Natural Gas Projects	Multiple Project Fund	
2008 Principal	\$ 11,895	\$ 1,370	\$ 10,050	\$ 7,450	\$ 30,950	\$ 3,350	\$ 11,150	\$ 73,100	\$ -	\$ 149,315
2008 Interest	3,820	838	8,517	15,137	38,082	3,141	9,730	4,032	3,389	86,686
2009 Principal	12,250	1,425	10,550	7,930	31,550	3,425	11,400	-	-	78,530
2009 Interest	3,409	782	7,982	14,895	36,323	3,055	9,445	-	3,389	79,280
2010 Principal	10,075	1,480	11,115	8,615	30,880	3,500	11,725	-	-	77,390
2010 Interest	3,049	723	7,400	14,579	34,582	2,967	9,152	-	3,389	75,841
2011 Principal	10,375	1,540	11,715	8,930	33,115	4,560	12,540	-	11,400	94,175
2011 Interest	2,703	662	6,787	14,201	32,683	2,660	8,305	-	2,619	70,620
2012 Principal	10,685	1,600	12,345	9,310	35,780	4,840	13,310	-	12,100	99,970
2012 Interest	2,347	597	6,140	13,813	30,645	2,333	7,407	-	1,802	65,084
2013 - 2017 Principal	58,435	9,220	81,865	53,005	254,920	25,580	79,895	-	26,700	589,620
2013 - 2017 Interest	6,052	1,678	17,524	62,060	123,074	7,001	23,256	-	932	241,577
2018 - 2022 Principal	-	2,135	30,275	40,890	333,525	23,400	78,300	-	-	508,525
2018 - 2022 Interest	-	28	2,079	50,731	55,854	1,410	4,719	-	-	114,821
2023 - 2027 Principal	-	-	-	51,515	123,400	-	-	-	-	174,915
2023 - 2027 Interest	-	-	-	40,127	2,609	-	-	-	-	42,736
2028 - 2032 Principal	-	-	-	63,080	-	-	-	-	-	63,080
2028 - 2032 Interest	-	-	-	28,593	-	-	-	-	-	28,593
2033 - 2037 Principal	-	-	-	118,234	-	-	-	-	-	118,234
2033 - 2037 Interest	-	-	-	12,854	-	-	-	-	-	12,854
Principal	\$ 113,715	\$ 18,770	\$ 167,915	\$ 368,959	\$ 874,120	\$ 68,655	\$ 218,320	\$ 73,100	\$ 50,200	\$ 1,953,754
Interest	\$ 21,380	\$ 5,308	\$ 56,429	\$ 266,990	\$ 353,852	\$ 22,567	\$ 72,014	\$ 4,032	\$ 15,520	\$ 818,092

Fair Value - The fair value of the Authority's long-term debt (including the current portion) is approximately \$1.9 billion and \$2.0 billion at June 30, 2007 and 2006, respectively. Management has estimated fair value based on the quoted market prices for the same or similar issues or on the current average rates offered to the Authority for debt of approximately the same remaining maturities, excluding the effect of a related interest rate swap agreement.

Advance Refundings - The Authority has established irrevocable escrow trusts with the proceeds from issuance of subordinate refunding bonds. These investments will be used to pay specified revenue bonds called at scheduled redemption dates.

Defeasance of Debt - The Authority has defeased specified revenue bonds by placing the proceeds from the issuance of subordinate refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. The trust investments and related liability for bonds that are considered legally defeased are not included in the Authority's financial statements. At June 30, 2007 and 2006, \$880.1 million and \$702.5 million, respectively, of revenue bonds outstanding are considered legally defeased.

The refunded bonds constitute a contingent liability of the Authority only to the extent that cash and investments presently in the control of the refunding trustees are not sufficient to meet debt service requirements and are therefore excluded from the combined financial statements because the likelihood of additional funding requirements is considered remote.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 6 - Notes Payable

Notes payable consist mainly of Palo Verde Participants' over billings from prior periods and a note secured from GE Capital Public Finance, Inc., to lease purchased spare parts inventory for the Magnolia Power Project. The notes payable in the Palo Verde Project are to be paid through June 2017. These notes are unsecured, bear an interest rate of 4.97%, and are due in monthly payments of \$636,000. At June 30, 2007, the remaining balance is \$56 million. The note payable in the Magnolia Power Project has a coupon rate of 4.1%, with principal payments due monthly through July 2010. At June 30, 2007, the remaining principal balance is \$3.9 million.

Note 7 - Net Assets (Deficit)

The Authority's billing amounts to the participants are determined by its Board of Directors and are subject to review and approval by the participants. Billings to participants are designed to recover "costs" as defined by the power sales, natural gas sales, and transmission service agreements. The billings are structured to systematically provide for debt service requirements, operating funds and reserves in accordance with these agreements. The accumulated difference between billings and the Authority's expenses calculated in accordance with accounting principles generally accepted in the United States of America are presented as net assets (deficit). It is intended that this difference will be recovered in the future through billings for repayment of principal on the related bonds.

Net assets (deficit) are comprised of the following (in thousands):

	June 30, 2005	Fiscal Year 2006 Activity	June 30, 2006	Fiscal Year 2007 Activity	June 30, 2007
GAAP items not included in billings to participants					
Depreciation of plant	\$ (921,907)	\$ (65,433)	\$ (987,340)	\$ (67,586)	\$ (1,054,926)
Nuclear fuel amortization	(19,548)	-	(19,548)	-	(19,548)
Decommissioning expense	(151,277)	(13,269)	(164,546)	(11,779)	(176,325)
Amortization of bond discount, debt issue costs, and loss on refundings	(635,328)	(17,877)	(653,205)	(16,800)	(670,005)
Interest expense	(71,076)	5,479	(65,597)	(2,065)	(67,662)
Loss on defeasance of bonds	(85,827)	-	(85,827)	-	(85,827)
Bond requirements included in billings to participants					
Operations and maintenance, net of investment income	293,139	2,202	295,341	9,698	305,039
Costs of acquisition of capacity	17,434	(1,305)	16,129	(1,356)	14,773
Billings to amortize costs recoverable	382,050	-	382,050	-	382,050
Reduction in debt service billings due to transfer of excess funds	(90,020)	-	(90,020)	-	(90,020)
Principal repayments	911,918	70,212	982,130	78,593	1,060,723
Other	55,698	15,858	71,556	28,463	100,019
	(314,744)	(4,133)	(318,877)	17,168	(301,709)
Multiple Project Fund net assets	7,600	(1,848)	5,752	(1,768)	3,984
Projects' Stabilization Fund net assets	74,113	(7,520)	66,593	14,049	80,642
	<u>\$ (233,031)</u>	<u>\$ (13,501)</u>	<u>\$ (246,532)</u>	<u>\$ 29,449</u>	<u>\$ (217,083)</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 8 - Commitments and Contingencies

Industry Restructuring - Since the passage of Assembly Bill 1890 (the "Bill") in September 1996, the electric industry in California continues to remain uncertain. The deregulation experiment has, for the most part, been abandoned. The public power systems in the Authority were not required to comply with the Bill's provisions. Most of the Authority's members have made investments in new gas-fired peaking or base-load generation located in Southern California. The price volatility of natural gas, which is the fuel source for many of California's electric generating units, may contribute to greater volatility in the Project Participants' revenues from the sale (and purchase) of electric energy and could materially affect the financial condition of the affected Project Participants. However, the gas supply and services to be provided by the Authority are intended to maintain and improve the competitive position of the Project Participants by providing them with additional services and very competitive prices for a portion of their gas supply.

Public Benefits - The members continue to collect the public benefit charge, and to date, have instituted in excess of \$910 million of programs to benefit their customers. The decisions on how these funds are allocated are made by the local governing authority, in most cases this is the city council. Funds (approximately 2.85% of gross revenues) have been spent on renewable resources, conservation, research and development, and low income rate subsidies.

Environmental Matters - Recent California legislation has addressed various issues affecting the utility industry including the need to generate electricity from renewable resources, the need to reduce greenhouse gases, improve air quality, and ensure clean water. In general, these bills provide for reduced greenhouse gas emission standards and greater investment in energy-efficient and environmentally friendly generation alternatives through more stringent renewable resource portfolio standards. The following is a brief summary of certain of these bills.

Greenhouse Gas Emissions - In its 2003 Integrated Energy Policy Report, the California State Energy Resources and Conservation and Development Commission (the "CEC") recommended that utilities account for the cost of greenhouse gas emission reductions in utility procurement decisions. Some of these mandates include, but are not limited to: Executive Order S-3-05, which placed an emphasis on such efforts to reduce greenhouse gas emissions by establishing statewide greenhouse gas reduction targets; Executive Order S-06-06 which directs the State to meet a 20% biomass utilization target within the renewable generation targets of 2010 and 2020 for the contribution to greenhouse gas emission reduction; Assembly Bill 32, the Global Warming Solutions Act of 2006 (the "GWSA") prescribed a statewide cap on global warming pollution with a goal of reaching 1990 greenhouse gas emission levels by 2020 and 80% below 1990 levels by 2050; Senate Bill 1368 provides for a restriction on the negotiation of contracts with potential baseload fossil fuel electric generating resources that exceed the rate of emissions for greenhouse gases for existing combined-cycle natural gas baseload generation and seeks to allow the CEC to establish a regulatory framework necessary to enforce the greenhouse gas emission performance standard for publicly-owned utilities, such as Anaheim; Assembly Bill 1925 provides for the CEC to develop a cost effective strategy for the geologic sequestration and management of industrial carbon dioxide; and Senate Bill 1686, which authorizes the Wildlife Conservation Board to take into account the potential of forestlands to beneficially reduce or sequester greenhouse gas emissions when it prioritizes funds available for proposed acquisitions. Some of these mandates also include additional requirements that may have additional significant financial implications.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 8 - Commitments and Contingencies (Continued)

Renewable Portfolio Standards (RPS) - Senate Bill 1078 (“SB 1078”) directed the state’s municipal utilities to implement and enforce an RPS that recognizes the intent of the Legislature to encourage development of renewable resources taking into consideration the impact on a utility’s standard on rates, reliability, financial resources, and the goal of environmental improvement. Since the implementation of SB 1078, the California Public Utilities Commission and the State Energy Resources Conservation and Development Commission have taken a number of actions that have had an impact on the renewable energy goals set by legislation primarily seeking to accelerate the time line for meeting the renewable resource development goals and to provide additional standards for future extension of the goals. SCPPA is unable to determine what impact all of these factors will have on the energy markets or its participants.

Nuclear Spent Fuel and Waste Disposal - Under the Nuclear Waste Policy Act, the Department of Energy (“DOE”) was to develop the facilities necessary for the storage and disposal of spent fuel and to have the first such facility in operation by 1998. That facility was to be a permanent repository, but the DOE has announced that such a repository could not be completed before 2015. There is ongoing litigation with respect to the DOE’s ability to accept spent nuclear fuel and no permanent resolution has been reached to date.

In July 2002, a measure was signed into law designating the Yucca Mountain in the state of Nevada as the nation's high-level nuclear waste repository. This meant that the DOE could then file a construction and operation plan for Yucca Mountain with the Nuclear Regulatory Commission (“NRC”). Due to a series of setbacks including scientific challenges by the Academy of Science, falsified research data by consultants, delays in submitting the construction application to the Nuclear Regulatory Commission, the DOE expected that the Yucca Mountain site would be open no earlier than 2015. However, the State of Nevada and its congressional delegation are still determined to halt the project through the NRC process or through legal challenges which could put the in-service date further in the future

A feud over a full and adequate funding and budget for the development of the repository between the administration and the Congressional leaders which comprise Nuclear opponents had further delayed the feasibility study and the submission of the construction application. Meanwhile, the Nevada delegation worked diligently to delay the DOE's work on the license application for the Yucca site, in hopes of halting the transfer of nuclear waste to the Nevada facility. As of today, the submission of the construction application to the NRC is still delayed because of an investigation related to the allegation of scientific misconduct during the feasibility study of Yucca Mountain as a permanent disposal facility for nuclear waste. In addition, the original regulatory standard of safe keeping nuclear waste at the disposal facility for 10,000 years was challenged by the National Academy of Sciences, and it is now agreed that the nuclear waste’s storage period should increase to 100,000 years. Further engineering studies are being conducted to increase the subsistence of the facility for a longer period of time.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 8 - Commitments and Contingencies (Continued)

The spent fuel storage in the wet pool at PVNGS exhausted its capacity in 2003. A Dry Cask Storage Facility (the "Facility"), also called the Independent Spent Fuel Storage Facility, was built and completed in 2003 at a total cost of \$33.9 million (about \$2 million for the Authority). In addition to the Facility, the costs also account for heavy lift equipment inside the units and at the yard, railroad track, tractors, transporter, transport canister, and surveillance equipment. The Facility has the capacity to store all the spent fuel generated by the PVNGS plant until 2026. To date, over 54 casks, each containing 24 spent fuel assemblies were placed in the Facility. The current plan calls for the removal of between 240 and 288 fuel assemblies from the units to the Facility every year. The costs incurred by the procurement, packing, preparation and transportation of the casks are included as part of the fuel expenses, and will cost approximately \$13 million a year (about \$760,000 for the Authority). If the permanent repository in Yucca Mountain is opened as scheduled in 2015, the spent fuel from PVNGS will be shipped to the repository starting in 2036. No provision has been included in the accompanying financial statements.

Nuclear Insurance - The Price-Anderson Act (the "Act") requires that all utilities with nuclear generating facilities share in payment for claims resulting from a nuclear incident. The Act limits liability from third-party claims to approximately \$10.8 billion per incident. Participants in the Palo Verde Nuclear Generating Station currently insure potential claims and liability through commercial insurance with a \$300 million limit; the remainder of the potential liability is covered by the industry-wide retrospective assessment program provided under the Act. This program limits assessments to \$101 million per reactor for each licensee for each nuclear incident occurring at any nuclear reactor in the United States; payments under the program are limited to \$15 million per reactor, per incident, per year to be indexed for inflation every 5 years. Based on the Authority's 5.91% interest in Palo Verde, the Authority would be responsible for a maximum assessment of \$17.8 million per incident for all 3 units, limited to payments of \$2.7 million per incident, per year.

In addition to the above, the Authority may be subject to retroactive insurance assessments for its participation in the Neil 1 Property Insurance Program in the amount of \$2,421,142.

Other Legal Matters - With respect to the San Juan Generating Station (including the Authority's ownership interest in Unit 3 thereof), the Sierra Club and the Grand Canyon Trust have filed suit against Public Service Company of New Mexico ("PNM") in federal court alleging violations of the Clean Air Act and of the conditions of the San Juan Generating Station's operating permit. PNM is a co-owner of the San Juan Generating Station and is the operating agent of the station. The lawsuit sought penalties as well as injunctive and declaratory relief.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 8 - Commitments and Contingencies (Continued)

During 2005, the parties achieved a settlement of the substantive elements of the case which has been approved by the United States District Court. A number of environmental upgrades are being made to the San Juan Generating Station that is expected to mitigate a number of environmental consequences which might otherwise occur in the operation of the plant. The additional costs associated with these environmental upgrades will be shared by the San Juan Generation Station participants. The environmental upgrades affecting Unit 3 and the SCPPA San Juan participants are anticipated to begin to be added in January 2008. A current estimate which would be borne by the SCPPA San Juan Generating Station participants totals \$32 million. Since 2005, SCPPA has budgeted for the portion of the added costs of these upgrades which the SCPPA participants will bear. The upgrade expenditures of Unit 3 are not anticipated to occur until Spring 2008, and SCPPA is currently incorporating these costs into current and future budget projects. A liability has been established for \$32 million and is presented as a deferred credit. The corresponding asset has been recorded as a deferred debit less cash already received from the participants.

Claims and a lawsuit for damages have been filed with the Authority, Intermountain Power Authority (the "IPA") and the LADWP seeking \$100 million in special damages and a like amount in general damages. The claimants allege, among other things, that due to improper grounding of the transmission line of STS, their dairy herds were damaged and the value of their land was diminished. The claimants also seek injunctive relief. The Authority believed these claims were substantially without merit as to itself because the Authority has no ownership or operational control over the subject transmission lines, and merely acted as a financing agency with respect to STS. In July 2003, the Authority, IPA, and LADWP filed a motion to dismiss, or in the alternative, a motion to stay based upon forum non conveniens, in which the defendants argued that the case had little connection with California and should be heard in Utah. The Los Angeles Superior Court granted the motion and in a 2004 unpublished opinion the California Court of Appeal affirmed this matter on appeal. A Petition for Review was subsequently denied by the California Supreme Court.

In February 2005, the remaining Utah plaintiffs filed a complaint in the Third Judicial District Court in and for Salt Lake County, Utah, which alleged facts similar to those alleged in California. SCPPA has moved the Utah court to dismiss the action as to SCPPA; however, the motion has not yet come on for hearing before the Court. The case is currently in the discovery stage of litigation before the District Court for Millard County, Utah. No provision has been included in the accompanying financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS (IN THOUSANDS)

Note 8 - Commitments and Contingencies (Continued)

Prior to the commencement of the construction of the Magnolia Power Project (“Project”), the Authority entered into an engineering, procurement and construction agreement (the “EPC Agreement”) with Kvaerner E&C (“Kvaerner”), a division of Aker Kvaerner, which is headquartered in Oslo, Norway. Under the EPC Agreement, Kvaerner was responsible for the design, engineering procurement, construction, installation, training for operation, commissioning, start-up, testing and completion of the Project. The Operating Agent, the Authority and the Authority’s outside legal counsel on this matter believed that the claim for additional compensation was substantially without merit and violated many provisions of the EPC Agreement. The matter went to mediation and in the mediation, in order to avoid further costly time consuming litigation, SCPPA offered to settle the matter for approximately \$1.9 million which was an amount approximately equaling the amount of liquidated damages which, due the alleged delay in completion, had been withheld from Kvaerner at the conclusion of construction. The mediation of this matter, however, failed to settle the matter. In May 2007, Kvaerner filed a lawsuit against the Authority in California state court for damages for breach of contract and violation of the California prompt payment act. The appropriate California county for venue for this action is currently an issue which is being disputed between the parties. The action is currently in the pleading stage.

The Authority is also involved in various other legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material effect on the financial position or the results of operations of the Authority or the respective separate Projects.

SUPPLEMENTAL INFORMATION

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
PALO VERDE PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)

	Debt Service Fund	Debt Service Reserve Fund	Decom-missioning Trust Fund	Deposit Installment	Deposit Reserve Installment	Escrow Account	General Reserve Account	Issue Account	Operating Account	Reserve & Contingency	Revenue Fund	Total
Balance at June 30, 2006	\$ -	\$ -	\$ 138,040	\$ -	\$ -	\$ 392,045	\$ -	\$ 2,428	\$ 86,934	\$ 24,239	\$ -	\$ 643,686
Additions												
Investment earnings	-	-	5,554	-	-	855	-	131	3,686	708	9	10,943
Discount on investment purchases	-	-	(201)	-	-	18,312	-	223	297	116	25	18,772
Distribution of investment earnings	-	-	-	-	-	-	-	(354)	(875)	(824)	2,053	-
Revenue from power sales	-	-	-	-	-	-	-	-	-	-	71,033	71,033
Distribution of revenue	-	-	-	-	-	-	-	16,972	42,473	13,674	(73,119)	-
Transfer from escrow fund for principal and interest payments	3,209	-	-	-	-	(54,215)	-	51,007	-	-	(1)	-
Total	3,209	-	5,353	-	-	(35,048)	-	67,979	45,581	13,674	-	100,748
Deductions												
Construction expenditures	-	-	-	-	-	-	-	-	-	9,827	-	9,827
Operating expenditures	-	-	3	-	-	-	-	-	33,658	-	-	33,661
Remarketing/commitment fees	-	-	-	-	-	-	-	272	-	-	-	272
Fuel costs	-	-	-	-	-	-	-	-	12,231	-	-	12,231
Payment of principal	-	-	-	-	-	-	-	11,545	-	-	-	11,545
Interest paid - non escrow	-	-	-	-	-	-	-	4,377	-	-	-	4,377
Premium and interest paid on investment purchases	-	-	(19)	-	-	-	-	-	-	-	-	(19)
Payment of principal and interest paid escrow	3,209	-	-	-	-	-	-	51,007	-	-	-	54,216
Total	3,209	-	(16)	-	-	-	-	67,201	45,889	9,827	-	126,110
Balance at June 30, 2007	\$ -	\$ -	\$ 143,409	\$ -	\$ -	\$ 356,997	\$ -	\$ 3,206	\$ 86,626	\$ 28,086	\$ -	\$ 618,324

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$101 and \$78 held in the revolving fund at June 30, 2007 and 2006, respectively.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
HOOVER UPRATING PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)**

	Debt Service Fund	General Reserve Fund	Advance Payment Fund	Operating Fund	Revenue Fund	Total
Balance at June 30, 2006	\$ 1,213	\$ 1,703	\$ -	\$ 1,316	\$ -	\$ 4,232
Additions						
Investment earnings	8	51	-	24	3	86
Discount on investment purchases	34	-	-	39	-	73
Distribution of investment earnings	(42)	(51)	-	(64)	157	-
Revenue from power sales	-	-	-	-	2,354	2,354
Distribution of revenue	2,213	-	-	301	(2,514)	-
Other	-	-	-	-	-	-
Total	2,213	-	-	300	-	2,513
Deductions						
Operating expenses	-	-	-	256	-	256
Payment of principal	1,315	-	-	-	-	1,315
Interest paid	906	-	-	-	-	906
Total	2,221	-	-	256	-	2,477
Balance at June 30, 2007	\$ 1,205	\$ 1,703	\$ -	\$ 1,360	\$ -	\$ 4,268

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$21 and \$16 held in the revolving fund at June 30, 2007 and 2006, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SAN JUAN PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)

	Acquisition Account	Debt Service Reserve Account	Revenue Fund	Operating Fund	Reserve & Contingency Fund	General Reserve Fund	Cost of Issuance Fund	Escrow Account	Total
Balance at June 30, 2006	\$ 4,625	\$ 21,323	\$ -	\$ 6,062	\$ 17,782	\$ 31	\$ (1)	\$ 76,699	\$ 126,521
Additions									
Investment earnings	6	1,101	21	6	539	1	-	3,123	4,797
Discount on investments	269	-	21	170	561	-	-	-	1,021
Distribution of investment earnings	(276)	(1,101)	2,654	(176)	(1,100)	(1)	-	-	-
Revenue from power sales	-	-	84,144	-	-	-	-	-	84,144
Distribution of revenues	18,579	-	(86,840)	46,162	22,099	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	18,578	-	-	46,162	22,099	-	-	3,123	89,962
Deductions									
Operating expenses	-	-	-	48,343	-	-	-	-	48,343
Construction expenses	-	-	-	-	18,432	-	-	-	18,432
Payment of principal and interest - escrow	-	-	-	-	-	-	-	3,772	3,772
Premium and interest on investment purchases	-	-	-	-	(11)	-	-	-	(11)
Payment of principal	9,570	-	-	-	-	-	-	-	9,570
Interest paid - non-escrow	9,247	-	-	-	-	-	-	-	9,247
Total	18,817	-	-	48,343	18,421	-	-	3,772	89,353
Balance at June 30, 2007	\$ 4,386	\$ 21,323	\$ -	\$ 3,881	\$ 21,460	\$ 31	\$ (1)	\$ 76,050	\$ 127,130

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$34 and \$22 held in the revolving fund at June 30, 2007 and 2006, respectively.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MAGNOLIA POWER PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)**

	Debt Service		Project Fund	Operating Reserve Fund	Reserve and Contingency	Operating Fund	Revenue Fund	General Reserve Fund	Total
	Debt Service Account	Reserve Account							
Balance at June 30, 2006	\$ 11,322	\$ 19,619	\$ 1,646	\$ 4,915	\$ -	\$ 14,865	\$ -	\$ -	\$ 52,367
Additions									
Investment earnings	12	1,306	16	15	186	20	28	8	1,591
Discount on investment purchases	317	39	269	260	265	385	5	275	1,815
Distribution of investment earnings	(329)	(1,371)	-	(271)	(449)	(405)	2,868	(43)	-
Bond Proceeds 2006A	-	3,863	24,287	-	9,580	-	-	-	37,730
Bond Proceeds 2007A	-	16,586	1,951	-	-	-	-	-	18,537
Transfer of funds for debt service payment	(4,216)	(10,120)	-	-	-	-	-	-	(14,336)
Receipt from participants	-	-	-	-	-	-	63,939	-	63,939
Distribution of revenues	23,231	-	-	-	30	29,047	(55,048)	2,740	-
Transfer to Project Fund/General Reserve Fund	-	-	(2,824)	-	(20)	8,508	(11,792)	6,128	-
Other receipts	-	-	902	-	-	4	-	-	906
Total	19,015	10,303	24,601	4	9,592	37,559	-	9,108	110,182
Deductions									
Construction expenditures	-	-	2,594	-	-	-	-	-	2,594
Operating expenses	-	-	16,144	-	-	48,973	-	-	65,117
Interest paid	15,133	-	-	-	-	-	-	-	15,133
Premium and interest on investment purchases	704	-	-	-	38	-	-	-	742
Payment of principal	3,735	-	-	-	-	-	-	-	3,735
Debt issuance costs	-	-	2,128	-	-	-	-	-	2,128
Total	19,572	-	20,866	-	38	48,973	-	-	89,449
Balance at June 30, 2007	\$ 10,765	\$ 29,922	\$ 5,381	\$ 4,919	\$ 9,554	\$ 3,451	\$ -	\$ 9,108	\$ 73,100

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$31 and \$14 held in the revolving fund at June 30, 2007 and 2006, respectively.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SOUTHERN TRANSMISSION SYSTEM PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)**

	Debt Service Fund	Escrow Fund	General Reserve Fund	Issue Fund	Operating Fund	Revenue Fund	Total
Balance at June 30, 2006	\$ 2,320	\$ 6,535	\$ -	\$ 76,027	\$ 1,074	\$ -	\$ 85,956
Additions							
Investment earnings	-	-	-	2,925	10	30	2,965
Discount on investment purchases	37	-	-	1,307	121	62	1,527
Distribution of investment earnings	(37)	-	-	(4,232)	(131)	4,400	-
Revenue from transmission sales	-	-	-	-	-	87,781	87,781
Distribution of revenue	-	-	-	71,620	20,653	(92,273)	-
Transfer from/to escrow fund required by refunding bonds issuance	6,535	(6,535)	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-
Total	6,535	(6,535)	-	71,620	20,653	-	92,273
Deductions							
Operating expenses	-	-	-	-	17,731	-	17,731
Payment of principal	8,855	-	-	25,375	-	-	34,230
Interest paid	-	-	-	39,328	-	-	39,328
Payment of principal and interest - escrow bonds	-	-	-	1,338	-	-	1,338
Other Disbursement	-	-	-	-	-	-	-
Total	8,855	-	-	66,041	17,731	-	92,627
Balance at June 30, 2007	\$ -	\$ -	\$ -	\$ 81,606	\$ 3,996	\$ -	\$ 85,602

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. These balances do not include accrued interest receivable, unrealized gain (loss) on investments and \$52 and \$34 held in the revolving fund at June 30, 2007 and 2006, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MEAD-PHOENIX PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)

	Revenue Fund	Debt Service Account	Debt Service Reserve Account	Operating Fund	Reserve & Contingency Fund	Surplus Fund	Total
Balance at June 30, 2006	\$ -	\$ 4,934	\$ 5,915	\$ 279	\$ 1,244	\$ 1,112	\$ 13,484
Additions							
Investment earnings	4	80	435	9	92	4	624
Discount on investment earnings	-	136	-	-	-	68	204
Distribution of investment earnings	203	405	(435)	(9)	(92)	(72)	-
Transmission revenue	7,209	-	-	-	-	-	7,209
Distribution of revenues	(7,583)	5,886	-	1,344	160	193	-
Payments from Western Area Power Administration	167	-	-	-	-	-	167
Other transfers	-	-	-	-	-	-	-
Total	-	6,507	-	1,344	160	193	8,204
Deductions							
Construction expenditures	-	-	-	-	156	-	156
Operating expenses	-	-	-	1,261	-	-	1,261
Principal payment	-	3,250	-	-	-	-	3,250
Interest paid	-	3,350	-	-	-	-	3,350
Total	-	6,600	-	1,261	156	-	8,017
Balance at June 30, 2007	\$ -	\$ 4,841	\$ 5,915	\$ 362	\$ 1,248	\$ 1,305	\$ 13,671

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$18 and \$12 held in the revolving fund at June 30, 2007 and 2006, respectively.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MEAD-ADELANTO PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)**

	Debt Service Account	Debt Service Reserve Fund	Operating Fund	Reserve & Contingency	Revenue Fund	Surplus Fund	Total
Balance at June 30, 2006	\$ 12,640	\$ 16,267	\$ 966	\$ 6,383	\$ -	\$ 2,003	\$ 38,259
Additions							
Investment earnings	49	1,196	8	469	9	5	1,736
Discount on investment earnings	387	-	33	-	-	112	532
Distribution of investment earnings	1,317	(1,196)	(41)	(469)	506	(117)	-
Transmission revenue	-	-	-	-	21,094	-	21,094
Distribution of revenues	20,593	-	1,164	-	(21,634)	(123)	-
Payment from Western Area Power Administration	-	-	-	-	25	-	25
Other transfers	-	-	-	-	-	-	-
Total	<u>22,346</u>	<u>-</u>	<u>1,164</u>	<u>-</u>	<u>-</u>	<u>(123)</u>	<u>23,387</u>
Deductions							
Principal payment	10,850	-	-	-	-	-	10,850
Interest paid	10,457	-	-	-	-	-	10,457
Operating expenses	-	-	1,485	-	-	-	1,485
Total	<u>21,307</u>	<u>-</u>	<u>1,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,792</u>
Balance at June 30, 2007	<u>\$ 13,679</u>	<u>\$ 16,267</u>	<u>\$ 645</u>	<u>\$ 6,383</u>	<u>\$ -</u>	<u>\$ 1,880</u>	<u>\$ 38,854</u>

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$18 and \$10 held in the revolving fund at June 30, 2007 and 2006, respectively.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MULTIPLE PROJECT FUND
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)**

	Proceeds Account	Debt Service Account	Earnings Account	Cost of Redemption Account	Total
Balance at June 30, 2006	\$ 64,977	\$ 418	\$ -	\$ -	\$ 65,395
Additions					
Investment earnings	4,251	47	-	-	4,298
Distribution of investment earnings	(4,229)	-	4,229	-	-
Transfer for debt service payment	-	4,229	(4,229)	-	-
Transfer from debt service account	-	-	-	-	-
Total	22	4,276	-	-	4,298
Deductions					
Interest paid	-	3,389	-	-	3,389
Payment of principal	-	-	-	-	-
Redemption of bonds	-	-	-	-	-
Cost of redemption	-	-	-	-	-
Total	-	3,389	-	-	3,389
Balance at June 30, 2007	\$ 64,999	\$ 1,305	\$ -	\$ -	\$ 66,304

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NATURAL GAS (PINEDALE AND BARNETT) PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2007
(AMOUNTS IN THOUSANDS)**

	Revenue Fund	Operating Fund	Debt Service Fund	General Reserve Fund	Project Fund	Capital Fund	Depository Fund	Total
Balance at June 30, 2006	\$ -	\$ 10,000	\$ 508	\$ -	\$ 1,579	\$ 1,609	\$ -	\$ 13,696
Additions								
Investment earnings	5	57	7	-	6	20	-	95
Discount on investment purchases	-	430	51	-	48	242	-	771
Distribution of investment earnings	-	3	-	-	-	(3)	-	-
Bond Proceeds 2005A	-	-	-	-	44,900	-	-	44,900
Other transfer	-	162	-	-	(149)	(13)	-	-
Receipt from participants	8,873	19,079	-	-	-	9,388	-	37,340
Other receipts	-	30,701	-	-	-	3,031	-	33,732
Distribution of revenues	(8,878)	(18,342)	5,814	-	(45,947)	67,353	-	-
Total	-	32,090	5,872	-	(1,142)	80,018	-	116,838
Deductions								
Construction expenditures	-	-	-	-	28	65,844	-	65,872
Operating expenses	-	31,078	-	-	-	-	-	31,078
Interest paid	-	-	2,978	-	-	-	-	2,978
Total	-	31,078	2,978	-	28	65,844	-	99,928
Balance at June 30, 2007	\$ -	\$ 11,012	\$ 3,402	\$ -	\$ 409	\$ 15,783	\$ -	\$ 30,606

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$24 and \$14 held in the revolving fund at June 30, 2007 and 2006, respectively.