SCPPA 2002-2003

Annual Report

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Mission

SCPPA will provide coordination, facilitation, implementation, and communication on issues and projects of mutual interest to the members as determined by the Board of Directors.

Vision

SCPPA will provide cost-effective joint action services that supplement member programs and activities to assure continued member success.

What is SCPPA?

The Southern California Public Power Authority (SCPPA) is a joint powers authority consisting of the original ten municipal utilities and one irrigation district, plus one new SCPPA member utility who joined last year. SCPPA members currently deliver electricity to approximately 2 million customers over an area of 7,000 square miles, with a total population of 4.8 million.

The members are the municipal utilities of the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, the Imperial Irrigation District, and the municipal utility of Cerritos.

deliver

SCPPA was formed in 1980 to finance the acquisition of generation and transmission resources for its members. Currently, SCPPA has three generation projects and three transmission projects in operation, generating and bringing power from Arizona, New Mexico, Utah, and Nevada. A fourth generation project is in the construction phase.

The projects were financed through the issuance of tax-exempt bonds, backed by the combined credit of the SCPPA members participating in each project. As of June 30, 2003, SCPPA had issued $9.7 billion in bonds, notes, and refunding bonds, of which $3.0 billion was outstanding.

SCPPA's role has evolved over the years to include legislative advocacy at the state and national levels, and various cooperative efforts to reduce member costs and improve efficiency.

efficiency

Alan R. Watts
(1935-2003)

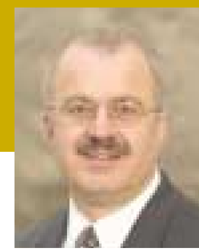
We dedicate this year's annual report to Alan R. Watts. Alan was one of the original organizers of SCPPA, and became Special Counsel in October 1982. He served as Special and Corporate Counsel on a continuous basis for the past 21 years. His dedicated service and tireless efforts over those many years contributed greatly to SCPPA's success. We will miss him.

SCPPA Officers

Ronald E. Davis, President; Ronald O. Vazquez, Secretary; Bill D. Carnahan, Executive Director; Thomas K. Clarke, Vice President.

"SCPPA has taken advantage of low interest rates and continues to restructure its generation and transmission debt, which reduces costs to our Members and ultimately our customers."

President's Letter



dynamic

As the President of the Southern California Public Power Authority (SCPPA), I am proud to be a part of the many accomplishments and the exciting opportunities for the Southern California public power utilities. I am pleased that the Authority and its individual Members are building new generation in California under the strictest environmental regulations in the nation. At the same time, we continue to work cooperatively to restore a healthy regulatory environment. We are prepared for the future with a recently developed Strategic Plan and one of the strongest financial ratings in the utility industry. Through collaboration, along with sound financial investments and a focus on the communities we serve, SCPPA is delivering reliability and competitive and stable rates every day to the 4.8 million people served by our Members.

In order to meet the growing needs of their customers, the cities of Anaheim, Burbank, Colton, Glendale, Pasadena, and Cerritos (the newest SCPPA member) joined together to begin the planning and construction of the Magnolia Power Project (Magnolia). This SCPPA-owned project held its official groundbreaking on June 10, 2003 and Magnolia is scheduled to begin producing power in 2005. When completed, Magnolia will be a combined cycled natural gas-fired generating plant with a peaking capacity of 310 megawatts and will be built on an existing site in Burbank, California. Magnolia will continue to meet the reliability needs of the project participants and will be one of the most efficient power plants thereby saving precious resources by replacing older and less-efficient power plants. By working together, these six communities will benefit by receiving locally produced and reliable energy, at competitive and stable rates.

SCPPA's executive team has spent a great deal of time developing and implementing a dynamic Strategic Plan that provides SCPPA with a focused strategic direction. In addition, SCPPA has taken advantage of low interest rates and continues to restructure its generation and transmission debt, which reduces costs to our Members and ultimately our customers. Last year, over $50 million in gross debt savings were realized to SCPPA Members. With a clear direction charted for the future and the financial strength to accomplish our goals, the opportunities abound for SCPPA's public power utilities.

accomplishments

Whether it is impacting energy legislation in Sacramento or on Capitol Hill or working together to meet our commitments to conservation and renewable energy resources or managing the construction of a major generating power plant, working together through SCPPA has provided our Members with proven value in financing, construction, and operation and maintenance of generation and transmissions projects. Through a combination of critical resourceful strategic planning and new load center generation, SCPPA is meeting today's and tomorrow's energy needs of our Members' customers and the communities they serve. As we look to the future, I am confident that SCPPA is poised and ready to respond to the new challenges in our industry.

Ronald E. Davis
President

"SCPPA is a leader in creating new ideas and developing new programs that continue to bring value to our Members and the communities they serve."

Executive Director's Letter

SCPPA's role continues to evolve as we find new ways, as a Joint Action Agency, to bring value to our Members so they are positioned to meet the challenges in our industry. The twelve Members of SCPPA are each independent and locally owned highly successful utilities. They provide reliable energy at competitive and stable rates with sensitivity to the communities and the environment in which they serve. Working together through SCPPA, these agencies have leveraged their talents, resources, and financial strength to collectively bring more value to their communities. I am very proud to be included in their legacy of success.

SCPPA was created in 1980 and continues in its traditional roles of providing financing for our Members' generation and transmission projects, managing various projects, and finding ways to reduce capital costs through debt refinancing. Over the last few years, SCPPA has been expanding its role in order to meet the challenges facing our industry.

- We have increased our involvement in legislative and regulatory activities, taking a proactive approach to advocacy of public power issues in Sacramento and Washington, D.C.
- As owner of the Magnolia Power Project (Magnolia) in Burbank, California, we continue to monitor the construction and development of the new generating facility, which is scheduled for completion and operation in May 2005. Magnolia was financed on schedule and within the financing goals established by SCPPA and the six project participants, the cities of Anaheim, Burbank, Colton, Glendale, Pasadena, and Cerritos (the newest SCPPA Member). Magnolia will use the latest technology, requires less fuel, and is more efficient with significantly less pollution than the older power plants it replaces. Magnolia will also meet the strictest environmental standards and regulations in the nation.
- We have developed new committees for Customer Service and Transmission & Distribution Engineering & Operations. These new committees are working with the Members to produce benchmarking studies of best practices.
- SCPPA has developed a comprehensive and dynamic Strategic Plan that forms a common vision for our Members.

To maintain and solidify our financial strength, we continue to take advantage of low interest rates and in 2003 we restructured debt, which resulted in over $30 million in gross debt service savings for our Members.

Today, providing financing for new projects and seeking ways to reduce financing costs for existing projects remain SCPPA's primary goals. However, with the experience and benefits of working together through SCPPA, the Members have realized the value of collective leadership and are applying it in new and exciting directions. By working collaboratively in the areas of legislative activity, Public Benefits program development, resource planning and renewable resources acquisition, customer service implementation, training programs, and Transmission & Distribution Engineering & Operations, our Members are responding to the challenges and opportunities in our industry.

SCPPA, in partnership with its Members, is a leader in creating new ideas and developing new programs that continue to bring value to our Members and the communities they serve. Together, we are accomplishing more.

Bill D. Carnahan
Executive Director

Leading the Way to the Future

The Southern California Public Power Authority (SCPPA) was created in 1980 by all eleven of the public power systems in Southern California to provide financing for their participation in electric generating facilities and high voltage transmission lines. The SCPPA member systems include: the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon and the Imperial Irrigation District. The newest SCPPA member is the City of Cerritos. Together, these members serve over **2 million** residential and business customers in Southern California representing a population of approximately **4.8 million people**.

Collectively, **SCPPA's twelve members have several unique characteristics.** They are **non-profit** based, **governed locally**, have **direct participation** in the decision making process, and are committed and maintain the **obligation to serve** and consistently plan for all of the electric needs of the communities they serve. Throughout the California energy crisis, the only success story has been the public power systems through the diversity of their resources and investment in renewable energy sources. Over the years, the Southern California public power systems have invested in or have secured under long-term purchase contracts power generation transmission facilities throughout the West. These facilities provide not only the diversity of fuel and technology, but the location that has served SCPPA members well by providing constant and predictable electrical prices.

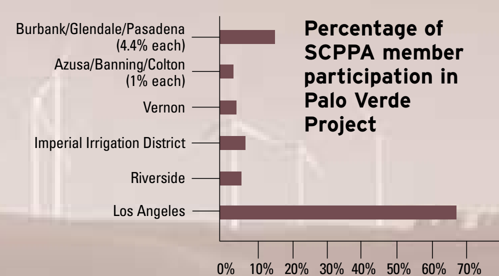
Traditional investments have been made in the areas of hydroelectric, nuclear, coal, and natural gas-fired generation. To meet the challenges and growing demand for energy needs, new investments in local base load and peaking natural gas-fired units will satisfy these needs and increase system reliability. In addition, new renewable projects will further diversify generation portfolios, and also benefit the environment through better pollution control technologies. When these projects are completed, SCPPA members will have installed in excess of 2,000 megawatts of new gas-fired generation, such as the Magnolia Power Project, to meet base load growth, peaking requirements, or retire older less efficient units. This investment, representing approximately $2 billion, illustrates how seriously SCPPA members take their obligation to serve and plan for the future of their customers.

SCPPA members are well positioned to serve and meet their customer's energy needs today and in the future. Through the use of new investments in local base load and peaking natural gas-fired units and prudent use of electricity, **SCPPA, in partnership with its members, is leading the way to the future.**

Palo Verde Project

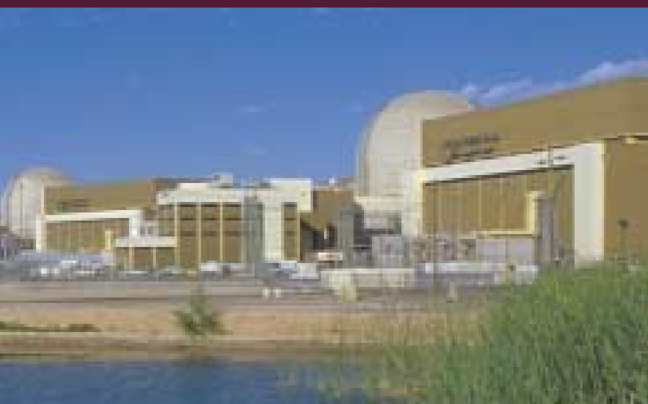
2002-2003 OPERATIONS

	Generation (Millions of MWHs)	Capacity Utilization (%)
Unit 1	9.5	86.9%
Unit 2	11.1	101.7%
Unit 3	9.8	90.0%
Aggregate	30.4	92.9%



Percentage of SCPPA member participation in Palo Verde Project

"Palo Verde set a national generation record of 30.8 million MWHs."



Palo Verde completed another high production year, surpassing a 90% capacity factor for the sixth consecutive year. SCPPA owns 5.91% of the station on behalf of 10 of its members.

Palo Verde Nuclear Generating Station continues to be the largest producer of electricity in the United States. During calendar 2002, Palo Verde set a national generation record of 30.8 million MWHs.

The Independent Spent Fuel Storage Installation (dry cask storage) was completed and began receiving spent fuel from the wet pool.

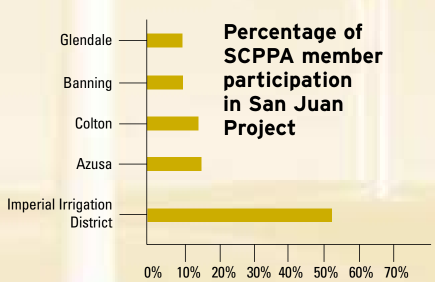
Palo Verde received its fifth consecutive INPO #1 rating (the highest possible) from the Institute of Nuclear Power Operations.

At the end of the fiscal year, preparations were being made for the replacement of Unit 2 steam generators in the fall of 2003. The replacement project and related modifications will result in a 92 MW capacity increase.

PRODUCTION COST
(Operation and Maintenance plus Nuclear Fuel)

Calendar Year	Cents per kWh
1993	2.02
1994	1.93
1995	1.61
1996	1.45
1997	1.33
1998	1.28
1999	1.25
2000	1.25
2001	1.27
2002	1.28

San Juan Unit 3 Project



"Fuel from the underground mine will be both lower cost and lower ash, yielding added benefits in efficiency and maintenance costs."

Five SCPPA participants own 41.8% of Unit 3 at the San Juan Generating Station, a coal-fired plant in New Mexico. A series of Interim Invoicing Agreements for fuel has led to high capacity factors and lower per unit fuel costs.

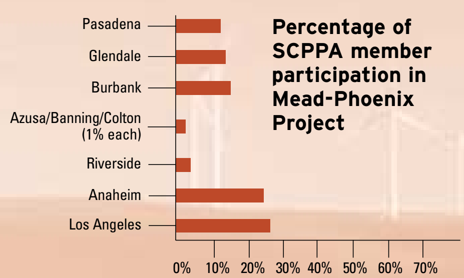
quality

After two decades of surface strip mining at the adjacent coal mine, operations have transitioned to long-wall underground mining. Fuel from the underground mine will be both lower cost and lower ash, yielding added benefits in efficiency and maintenance costs.

dependable

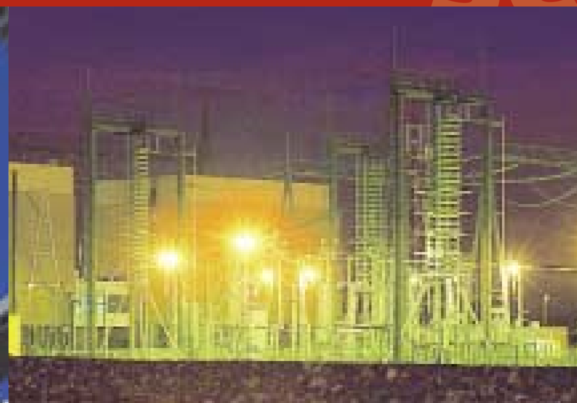
Mead-Phoenix/Mead-Adelanto Transmission Projects

benefits



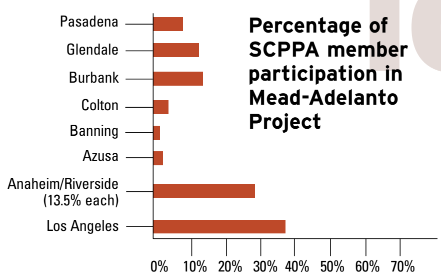
Percentage of SCPPA member participation in Mead-Phoenix Project

serve



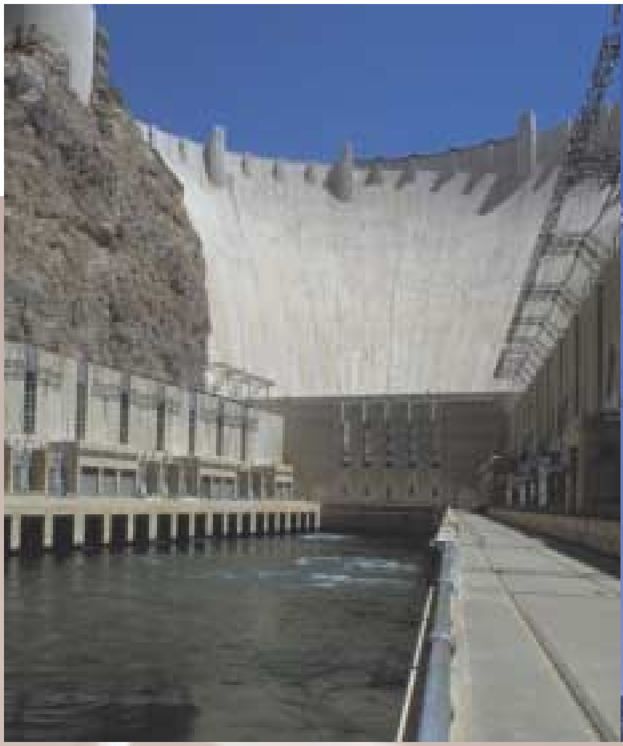
The two 500-kV transmission lines, which connect Phoenix to Las Vegas, and Las Vegas to Southern California, completed their sixth year of dependable operation for the nine SCPPA members who participate in the projects.

low-cost



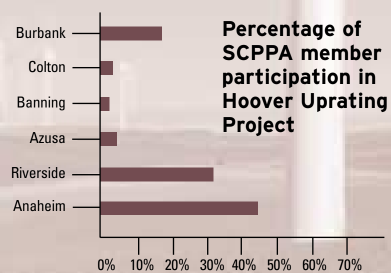
Percentage of SCPPA member participation in Mead-Adelanto Project

Hoover Uprating Project



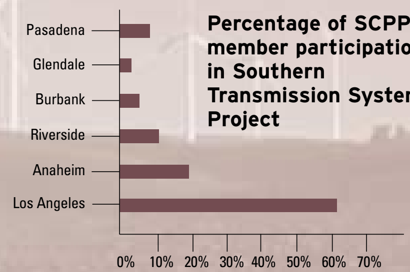
Southern Transmission System Project (STS)

The Hoover Uprating Project continues to provide six SCPPA members with low-cost, renewable energy (hydro). A SCPPA representative is active in the development of the Lower Colorado River Multi-Species Conservation Program.



Percentage of SCPPA member participation in Hoover Uprating Project

As usual, the STS operated with near-perfect availability (99.54%), delivering over 14 million MWHs to the six SCPPA members who are participants. The power comes 488 miles from the Intermountain Power Project, in Utah, over the ±500-kV DC line.



Percentage of SCPPA member participation in Southern Transmission System Project

"The result will be more power from less fuel, with less pollution."

Magnolia Power Project

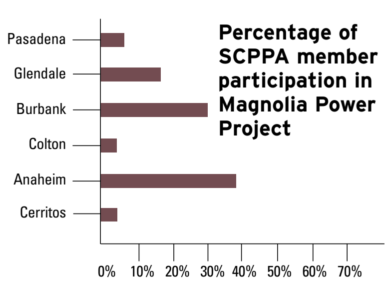
Construction has begun on the Magnolia Power Project, a 240 megawatt natural gas-fired, combined cycle plant, to be located on the site of an existing plant in the City of Burbank. It will replace an older, less-efficient, dirtier unit. The result will be more power from less fuel, with less pollution.

renewable

Licensing and financing were completed during the fiscal year, and the official groundbreaking was held on June 10, 2003. The plant could be operational by spring of 2005, and will be the first project to be wholly-owned by SCPPA members. The participants are Anaheim, Burbank, Cerritos, Colton, Glendale, and Pasadena.

availability

The ground breaking shovels are put to work by project participant representatives in planting a dwarf magnolia tree to symbolize the start of 24 months of MPP site work.



"SCPPA's Finance Committee continues to look for opportunities to lower financing costs through bond refunding and escrow restructuring."

Financing Activities

STS Project 2002 Series B Bond Refunding

On October 1, 2002, SCPPA sold $38,755,000 Southern Transmission System Project 2002 Refunding Series B subordinate lien bonds maturing 2007 through 2012 at a true interest cost of 3.48 percent. The bond proceeds, along with other sources of funds amounting to $7,308,028, were used to current refund, on December 26, 2002, $46,400,000 bonds (the Residual Interest Bonds and Select Auction Variable Rate Securities (together the "RIBS/SAVRS")) maturing in 2012, as part of the Project's 1992 issue. The RIBS were called at a redemption price of 104 percent and the SAVRS were called at par. Together the RIBS/SAVRS (which share a combined coupon of 6%) were called at a redemption price of 102 percent. Net present value savings from the transaction, after adjusting for forgone interest earnings on prior funds on hand, amounted to $5,675,172, or 12.23% of the bonds refunded. Bear Stearns senior managed the transaction with Loop Capital Markets and Salomon Smith Barney acting as co-managers. The triple-A rated bonds were issued by Financial Security Assurance, Inc. Underlying ratings of A1 and A+ were assigned to the bonds by Moody's and S&P, respectively.

San Juan Project Unit 3 Bond Refunding

On October 24, 2002, SCPPA sold $71,850,000 San Juan Power Project Revenue Bonds, 2002 Refunding Series B, to UBS PaineWebber, Inc. The bonds, referred to as Auction Rate Certificates (ARCs), have an initial fixed interest rate to January 1, 2012, after which the ARCs will bear variable rates to their maturity in 2020. The ARCs were sold with a coupon of 5.25%, priced to yield 3.65% with a true interest cost of 3.86%. They will replace the 5.00%, $70,800,000 bonds from the Project's 1993 issue. The refunding net present value savings were $8,131,998, representing 11.48% of the refunded bonds. An investment agreement for the refunding debt service reserve account was entered into with triple-A rated AIG Matched Funding Corp. with a winning bid of 4.442%. The bonds were insured by Financial Security Assurance, Inc. and were assigned triple-A ratings from Moody's Investors Service and Standard & Poor's. Underlying ratings of A2 and A+ were assigned to the bonds by Moody's and S&P.

Palo Verde Escrow Restructuring

In February 2003, SCPPA closed an escrow restructuring associated with the Project's 1997 Subordinate Refunding Series B bonds, and the refunded Project Revenue Bonds, 1993 Refunding Series A and the 1993 Subordinate Refunding Series. The restructuring involved liquidation of open-market Refcorps securities; the redemption of SLGS interest-bearing and zero coupon securities; the partial termination of a Float Forward Agreement with Lehman Brothers Special Financing, Inc. (at a cost of $3,509,000); the purchase a of U. S. Treasury Note; and the redemption of defeased Series 1993 Bonds on July 1, 2003. Utilizing a competitive bid process for the sale of securities and the purchase of a replacement security, net present value cash savings in the amount of $16,696,539 were achieved from the restructuring after payment of the Float Forward Agreement breakage fee to Lehman. SCPPA entered into agreements with UBS PaineWebber, Inc. and Public Financial Management, Inc. to execute the restructuring.

Magnolia Power Project Financing

On April 2, 2003, SCPPA successfully financed its new Magnolia Power Plant, a natural gas-fired, high-efficiency, combined-cycle generating facility with a nominally rated net base capacity of 240 MW that is being constructed in Burbank. The bonds were sold in two series consisting of $299,975,000 Project A bonds, secured by take or pay power sales agreements with Anaheim, Burbank, Colton, Glendale and Pasadena, and $14,105,000 Project B bonds, secured by base rental payments by Cerritos from its general fund and other legally available funds under a lease agreement with SCPPA. The combined Project bonds, maturing in 2036, were sold at an all-in true interest cost of 4.910%. The triple-A bonds were insured by Ambac Assurance Corporation, and underwritten by co-senior managers UBS PaineWebber, Inc., (as book runner) and Salomon Smith Barney, with co-managers Bank of America Securities, LLC, Banc One Capital Markets, Inc., Bear Stearns & Co., Inc., Samuel A. Ramirez & Co., Inc., and Siebert Brandford Shank & Co., LLC. Underlying ratings of A1 and A+ were assigned the Project A bonds by Moody's and S&P, respectively. S&P assigned an underlying rating of AA+ to the Project B bonds.

STS Project 2003 Series A Bond Refunding

In connection with the issuance of the 2003 Auction Rate Security (ARS) revenue bonds, two transactions took place. On April 24, 2003 SCPPA entered into a 65 percent of LIBOR floating-to-fixed forward interest rate swap with Citigroup Financial Products, Inc. The purpose of the forward swap was to lock in favorable interest rates. The forward start 19-year (16.9-year weighted average life of bonds) interest rate swap replaced an average coupon bond rate of 5.07 percent with a fixed rate of 3.266% that SCPPA will pay Citigroup and in return receive 65% of 1-month LIBOR. On May 20, 2003, SCPPA sold $51,750,000 Southern Transmission System Project Revenue Bonds, 2003 Subordinate Refunding Series A, as Auction Rate Securities (ARS) to Citigroup. The bond proceeds, along with other sources of funds amounting to $10,094,935, were used to current refund, on July 1, 2003, $58,495,000 1993 Subordinate bonds maturing 2003 to 2023. Most of the 1993 Subordinate bonds were called at par, with the balance called at 102 percent. Net present value savings from

Financing Activities (continued)

the transaction, after adjusting for forgone interest earnings on prior funds on hand, amounted to $6,937,640, or 11.86% of the bonds refunded. Citigroup Global Markets, Inc. was the underwriter for the transaction. The triple-A rated bonds were insured by MBIA Insurance Corporation. Underlying ratings of A1 and A+ were assigned to the bonds by Moody's and S&P, respectively.

Other Refundings

SCPPA's Finance Committee continues to look for opportunities to lower financing costs through bond refundings and escrow restructurings. At year-end, refundings of additional San Juan and Mead Adelanto/Mead Phoenix Project bonds were under consideration.

As of June 30, 2003

SCPPA BONDS

	Bond Ratings	
	Moody's Investors Service	Standard & Poor's
Hoover Uprating Project[1]	Aa3	AA-
Southern Transmission System		
Senior Lien Bonds	Aa3	AA-
Subordinate Lien Bonds[2]	Aaa/VMIG1	AAA/A-1+
Subordinate Lien (underlying)	A1	A+
Palo Verde Project[3]		
Senior Lien Bonds	A2	AA-
Subordinate Lien Bonds	Aaa/VMIG1	A+
Multiple Project Revenue Bonds		
Mead-Adelanto	Aa3	-
Mead-Phoenix	Aa3	-
Multiple Project[4]	A2	A
Mead-Adelanto Revenue Bonds[5]	Aaa	AAA
Mead-Phoenix Revenue Bonds[5]	Aaa	AAA
San Juan Unit 3[6]	Aaa	AAA
San Juan Unit 3 (underlying)	A2	A+
Magnolia Power Project A[7]	A1	A+
Magnolia Power Project B[7]	-	AA+

[1] Insured: 2001 Refunding Series A (FSA)
[2] Insured: 1991 Subordinate Variable Rate Bonds (AMBAC); 1993 Subordinate Series (MBIA); 1996 Subordinate Series A Bonds (MBIA); 1996 Subordinate Variable Rate Series B Bonds (FSA); 1998 Subordinate Series A (MBIA); 2000 Subordinate Variable Rate Series A Bonds (FSA); 2001 Subordinate Series A (FSA); 2002 Subordinate Series A (FSA); 2002 Subordinate Series B (FSA).
[3] Insured: 1992 Senior Lien Bonds (AMBAC); 1993 Subordinate Bonds (FGIC); 1996 Subordinate Series A (AMBAC); 1996 Subordinate Variable Rate Series B and C Bonds (AMBAC); 1997 Subordinate Series A and B Bonds (FSA); Installment Deposits to Defease the 1987 and 1989 Bonds (FSA); 1999 Subordinate Refunding Series A Bonds (FSA).
[4] Uncommitted bond proceeds secured by a guaranteed rate investment contract.
[5] Insured: 1994 Series A Bonds (AMBAC).
[6] Insured: 1993 Series A Bonds (MBIA); 2002 Refunding Series A (FSA).
[7] Insured (AMBAC)

SCPPA Legislative Report

California's governor, as well as the state Senate and Assembly, were forced to face a budget crisis during this first year of the new two-year legislative session. The combination of mismanagement of the state's 2003 budget crisis and the electricity crisis of 2000-01 resulted in the October 7th recall and ouster of Democrat Governor Gray Davis, replacing him with Republican Arnold Schwarzenegger. For the first time in nearly three years, however, the legislature did not face urgent electricity issues. Regardless, several legislative proposals contained weighty policy shifts requiring SCPPA action, either supporting or opposing individual proposals.

Rarely in the legislative arena does a proposal emerge to gather support based purely on public policy since it is the right position to take, irrespective of benefits or lack thereof. Support for Senate Bill 888 (Dunn) by SCPPA and its member utilities is one of those instances. Our combined support became critical to the bill's survival through its thorny, yet unfinished legislative journey. SB 888 represents a major policy step toward correcting the failures of electricity restructuring and AB 1890. In 1996, California's municipal utilities, guided by the wisdom of local officials who govern and set rates, were unconvinced of the promised benefits of deregulation and its business model, requiring investor-owned utilities to sell the assets that produced the product sold. SB 888 once again confirms the traditional regulatory compact for investor-owned utilities. SB 888's concepts are clear – to investor-owned utilities, it restores the obligation to serve, including the obligation to plan for the future electricity needs. Planning encompasses utility ownership and procurement of generation, transmission and distribution resources. It requires that generation assets are dedicated to the consumers who pay for them. The California Public Utilities Commission's (CPUC) mandated role is to assure that investor-owned utilities have the ability to meet their obligation to serve. The bill stalled in the Assembly and is pending action next year. Its legislative future and the stability it would offer to California's electricity market are uncertain.

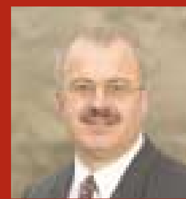
For a second year, legislation focused on the Magnolia Power Plant project was introduced. Last year's Assembly Bill 80 (Havice) authorized cities participating in the Magnolia Power Plant project to aggregate their electricity loads and provide direct access to their residents and was signed by the Governor on September 24, 2002. The 2003 proposal, AB 1169 (Bermudez), would allow municipal entities participating in the Magnolia Power Plant project to provide electricity to local public agencies located within or contiguous to a project city's jurisdiction. Because the bill is not definitive, it would apply to any project participant as provided by lease revenue bonds. AB 1169 is pending in the Senate Energy, Utilities and Communications Committee and could be reactivated in January. SB 520, sponsored by the California Municipal Utilities Association and supported by SCPPA and its members, would have required the Independent System Operator (ISO) to conduct an internal performance review and operational cost analysis. The ISO would then submit a report on its findings and conclusions to the legislature. The purpose of the review would be to compare the California ISO's costs with system operators in other states. The bill failed in the Senate policy committee. AB 1051 (Goldberg), sponsored by the City of Los Angeles, redefines capital facilities fee to mean any nondiscriminatory charge imposed to pay for public utility facilities, not to exceed reasonable costs; unfortunately Governor Davis vetoed the bill.

Marcie L. Edwards
General Manager
Anaheim Public Utilities Department

Joseph F. Hsu
Director of Utilities
City of Azusa Light & Water

Paul Toor
Director of Public Works/Assistant City Manager
City of Banning

Ronald E. Davis
General Manager
Burbank Water and Power



Art Gallucci
City Manager
City of Cerritos

Thomas K. Clarke
Utility Director
City of Colton

SCPPA Municipalities

City of Anaheim Innovative solutions designed to meet the energy needs of a dynamic community have been a hallmark of Anaheim Public Utilities since its inception in 1894. Today, the City of Anaheim is the only community in Orange County with a publicly owned water and electric utility. Anaheim residents enjoy rates that are significantly lower than the electric rates charged in neighboring communities, reliable electric service, and an array of more than 40 targeted energy efficiency programs. In the coming years, Anaheim Public Utilities will continue to work to the best advantage of Anaheim consumers. With a strong, creative management team, sound resource and financial planning, and a cadre of experienced and dedicated employees, we will maintain sharp focus on meeting the community's long-term power needs and offer measures that will help our customers make efficient use of electricity.

City of Azusa The City's electric utility was incorporated in 1898 when it purchased the assets of a private utility on the brink of bankruptcy. The foresight and planning of those early pioneers continues to be the cornerstone of today's Azusa Light and Water. Diligent planning of system improvements and power resource procurement has enabled Azusa Light and Water to maintain retail rate stability and competitiveness despite the turmoil in the industry in recent years. Azusa Light and Water has also been recognized as one of the proactive leaders in prompting energy conservation and efficiency programs and renewable energy in the State, earning the recognition of CMUA 2002 Community Services/ Resource Efficiency Award for its "2001 Load Reduction Program" and being one of the first utilities in procuring renewable energy from High Winds windpower project, which is expected to provide up to 8% of Azusa's annual retail load requirement, and thus substantially exceeding SB 1078's mandate.

City of Banning Established in 1913, the Banning electrical system now serves an area of approximately 22 square miles. The City continues to optimize its power resources through innovative planning. Banning's energy resource base includes portions of coal, nuclear and hydro generating plants, which provide the majority of electricity required to meet its summer peak load of 42 MW. The Utility has further improved its service and reliability through significant upgrades to its distribution system, and is committed to continue providing quality service to its customers in a reliable manner, and at reasonable rates.

City of Burbank Burbank Water and Power began serving both water and electric customers in 1913 and installed on-site generation in response to a surge in industrial and residential growth in the 1940s and 1950s. Today the City receives power from three SCPPA projects, as well as firm and interruptible supplies from other utilities and government agencies, and continues to operate its own local power plants.

City of Cerritos The first new member to join Southern California Public Power Authority in over 20 years, the City of Cerritos is preparing to serve the electricity demands of its residential and business communities. To further these efforts, Cerritos is participating in the development of the Magnolia Power Project. With the goal of providing a stable and affordable supply of electricity, Cerritos intends on developing a diverse portfolio of power to be delivered as competitively and economically as possible.

City of Colton The Colton Municipal Utility was established in 1895 and has provided our customers with reliable and affordable electric service for over one hundred years. We are proud of this accomplishment, and have positioned ourselves to continue this high level of service over the next century. By making firm commitments for resource planning, system maintenance, community involvement, and employee enrichment, we believe this pledge to our customers will provide the value that they deserve.

Ignacio R. Trancoso
Director of Utilities
Glendale Water and Power

Glenn O. Steiger
Manager, Energy Department
Imperial Irrigation District

Ronald O. Vazquez
Chief Financial Officer
Los Angeles Department
of Water and Power

Phyllis E. Currie
General Manager
Pasadena Water and Power

Thomas P. Evans
Public Utilities Director
City of Riverside

Kenneth J. De Dario
Director of Utilities
City of Vernon

innovative

City of Glendale Incorporated in 1906, Glendale purchased its electric utility in 1909, obtaining power from outside suppliers. It received its first power from Hoover Dam in 1937 and inaugurated the first unit of its own steam generating plant in 1941. Now called the Grayson Power Plant, this facility today has eight generating units. Glendale continues to purchase 85 percent of its power from outside sources.

Imperial Irrigation District IID entered the power industry in 1936 and today serves a peak load of 704 MW with 850 MW of generating resources. Among IID-owned resources are 24 MW of low head hydro units along the All American Canal, 307 MW of gas-fired steam and combined cycle units, and 162 MW of peaking gas turbines. In addition to IID's share of SCPPA resources comprising 104 MW at San Juan and 14 MW at Palo Verde, IID has 179 MW of other resources under long-term purchase contracts.

Los Angeles Department of Water and Power Providing service for more than a century, the Los Angeles Department of Water and Power began delivering water to the city in 1902, and with the water came power. In 1916, LADWP first delivered electicity to the city purchased from the Pasadena Municipal Plant. A year later, LADWP began generating its own hydro-electric power at the San Francisquito Power Plant No. 1. After purchasing the remaining distribution system of Southern California Edison within the city limits in 1922, LADWP became the sole water and electricity provider for the City of Los Angeles. It is now the largest municipally owned electric utility in the nation, serving a population of 3.8 million residents over a 464 square mile area. LADWP remains on firm financial footing and serves as a valuable asset to the City of Los Angeles.

commitment

City of Pasadena Established in 1906, the city built its first electric generating steam plant in 1907 and took over operation of its municipal street lighting from Edison Electric. In 1909, Pasadena began the extension of its operations to commercial and residential customers that resulted in the replacement of all Edison Electric service in the city by 1920.

City of Riverside The City of Riverside Public Utilities provides electric service to more than 98,000 metered accounts, representing a service area population of over 274,000. The utility is committed to the highest quality water and electric services at the lowest possible rates to benefit the community. To maintain their commitment, Riverside has positioned itself well in the electric market by utilizing short, mid, and long term contracts from power suppliers, and by building power generation sources with its own power grid, including a 40 MW power plant in 2002. Riverside's portfolio includes 28 MW of renewable resources which includes 350 kW of photo-voltaic systems within the City.

City of Vernon Vernon's Utilities Department began serving industrial customers in 1933, with completion of its diesel generating plant. In addition to its own power from diesel units and gas turbines, Vernon also receives power from Palo Verde, Hoover, and various suppliers. Vernon also is in the process of constructing a 134 MW gas-fired combined cycle power plant within its city limits. Vernon resides within the California Independent System Operator (CAISO) Control Area and is a Participating Transmission Owner.

affordable

SCPPA Legislative Report (continued)

Replacing the authority of local government decision-making with mandatory state standards for the purchase of renewable resources for generating electricity remains a threat for municipal utilities. SCPPA members continue to assert that such decisions are and should remain with local elected officials who, along with the community's consumers, determine the mix in their generation portfolio. Though no legislation emerged this year, threats of amendments to force community-owned utilities to meet state renewable portfolio standards were constantly looming and could have been added to several of the bills included in this writing. Committed to acquiring resources sensitive to the environment and air quality concerns, SCPPA members continue to build and purchase renewable assets as well as argue the need to include large hydroelectric investments in the definition of qualifying renewable resources.

SCPPA, its members and other California municipal utilities were also active in their opposition to legislation. AB 816 (Reyes) would impose exit fees on new and existing consumers purchasing electricity service from a municipal utility. SCPPA's position on the bill is unambiguous: customers who move into a new development in local publicly owned utility service territory and were never served by an IOU should not pay any exit fees. A second, equally contentious issue addressed by AB 816 would reinstate direct access, the right of retail end use customers to acquire electricity service from suppliers other than investor-owned utilities. The bill stalled in the Senate, but is subject to action in early 2004. SB 18 (Burton) failed in the Assembly during the final day of this year's legislative session. The bill would create a procedure to determine whether a proposed project may adversely change a traditional tribal cultural site and recommend project changes and mitigation measures to avoid or reduce those changes.

The direction of the new governor's electricity policy is at this writing still being developed. What is certain is SCPPA remains committed to building and acquiring generation assets for its members, with particular commitment to renewable generating assets. This commitment along with the combined influence of SCPPA and its members culminates in a common voice on issues on vital electricity policy issues in Sacramento and Washington, D.C., providing greater influence by public power.

In Washington, D.C., Congress tried but failed to pass a comprehensive energy bill that included significant changes in federal electricity policy. Despite strong support from the White House and the Republican leadership in the House and Senate, the final version of the bill proved to be too costly and too controversial to win the 60 votes needed to end a filibuster by Democratic and Republican opponents. Following the failed closure vote, the Senate leadership pulled the bill but pledged to return to it in January, 2004. Given the significant regional differences that emerged on several key issues, it remains to be seen whether Congress can craft a consensus and pass a broad-based energy bill, particularly in a presidential election year. From the point of view of SCPPA member utilities and the consumers they serve, the demise of the energy bill is a good result. Although the electricity title had some positive provisions for consumer-owned utilities, its overall impact on SCPPA members would have been more negative than positive.

On the positive side, the bill authorized voluntary – not mandatory – Regional Transmission Organizations (RTOs) and expressly stated that the Federal Energy Regulatory Commission (FERC) could not order unregulated public power systems and federal utilities into an RTO. SCPPA strongly supported both of those concepts. In other ways, however, the bill significantly encroached upon public power's local control. For example, the bill gave FERC new authority over transmission facilities owned and operated by consumer-owned and federal utilities (the so-called "FERC Lite" provision) and new authority to order refunds of short-term wholesale power sales by large public power systems if market rules are violated. These provisions would have substituted decisions of FERC for the judgments of local officials and utilities. While SCPPA endorsed the bill's delay of FERC's complex new rules on Standard Market Design (SMD), the delay did not apply to the California ISO's Market Design 2002 (MD 02) initiative. Thus, the delay provision provided no benefits for California municipal utilities that believe the ISO should proceed more cautiously with market protocols and rules that differ from those in the rest of the Western market.

Also of concern to SCPPA, the bill repealed the Public Utility Holding Company Act (PUHCA), a 1935 law designed to protect investors and consumers against the risks of holding company diversifications and other transactions. PUHCA also provides barriers to mergers that SCPPA believes promote competition. To mitigate the impact of PUHCA repeal, SCPPA and other consumer interests advocated giving FERC stronger merger review authority and power to deal effectively with market manipulation and deception. Unfortunately, the final version of the energy bill contained none of these additional consumer protection.

Finally, in the last stage of congressional negotiations on the energy bill, the tradable tax credits for consumer-owned electric utilities that develop renewable resources were deleted. Elimination of the tradable tax credits puts SCPPA members and other public power systems at a distinct economic disadvantage, vis-à-vis private power companies, which benefit from automatic tax credits that effectively "buy down" the cost of new renewable energy projects. Its elimination was another key reason that SCPPA found the final energy bill wanting. Because the issues at stake in the energy bill are so critical for SCPPA members, we spent considerable time and resources in Washington, D.C. in 2003, working with members of the California congressional delegation and others to inform them of the impact of the electricity title on consumers in Southern California. If Congress takes up the energy bill again in the second session of the 108th Congress, SCPPA will again mount a vigorous effort to protect and promote local control and the interests of the approximately two million consumers we serve.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED FINANCIAL STATEMENTS
INDEX

The following discussion and analysis of the financial performance of each of the projects in which the Southern California Public Power Authority (the "Authority" or "SCPPA") has interests, provides an overview of the projects' financial activities for the fiscal year ended June 30, 2003. Descriptions and other details pertaining to the projects are included in the Notes to Combined Financial Statements. Please read this discussion and analysis in conjunction with the Authority's Combined Financial Statements, which begin on page 40.

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. Two new member agencies, the Cities of Cerritos and San Marcos, joined the Authority in July 2001.

In August 2003, the Authority by a Board resolution rescinded the membership of the city of San Marcos, as the city no longer met the criteria for membership.

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, 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.

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").

Hoover Uprating 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 Uprating Project ("HU").

Mead-Phoenix and Mead-Adelanto Projects – As of December 17, 1991, 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 December 17, 1991, 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.

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.

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 488 megawatt unit, is one unit of a four-unit coal-fired power generating station in New Mexico.

Magnolia Power Project ("The Project") – In March 2003, the Authority received approval from the California Energy Commission for construction of the Magnolia Power Project. The Project will consist of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts and will be 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, will manage its construction and operation. Construction is under way and commercial operation is expected to begin in mid-2005.

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.

Participant Ownership Interests – The Authority's participants may elect to participate in the projects. As of June 30, 2003, the members have the following participation percentages in the Authority's interest in the projects:

Participants	Palo Verde	STS	Hoover Uprating	Mead-Phoenix	Mead-Adelanto	San Juan	Magnolia Power Project
City of Los Angeles	67.0%	59.5%		24.8%	35.7%		
City of Anaheim		17.6%	42.6%	24.2%	13.5%		38.0%
City of Riverside	5.4%	10.2%	31.9%	4.0%	13.5%		
Imperial Irrigation District	6.5%					51.0%	
City of Vernon	4.9%						
City of Azusa	1.0%		4.2%	1.0%	2.2%	14.7%	
City of Banning	1.0%		2.1%	1.0%	1.3%	9.8%	
City of Colton	1.0%		3.2%	1.0%	2.6%	14.7%	4.2%
City of Burbank	4.4%	4.5%	16.0%	15.4%	11.5%		31.0%
City of Glendale	4.4%	2.3%		14.8%	11.1%	9.8%	16.5%
City of Cerritos							4.2%
City of Pasadena	4.4%	5.9%		13.8%	8.6%		6.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The Authority has entered into power sales and transmission service agreements with the above project participants. Under the terms of the contracts, the participants are entitled to power output 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 which 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

Critical Accounting Policies

Method of Accounting – The accounting records of the Authority are maintained in accordance with accounting principles generally accepted in the United States of America. As a government-owned utility, in prior years the Authority applied all statements issued by the Governmental Accounting Standards Board (GASB) and all statements and interpretations issued by the Financial Accounting Standards Board (FASB) which were not in conflict with statements issued by the GASB. Effective July 1, 2002, the Authority changed its election under the guidance in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* to follow all GASB statements and only FASB statements and interpretations issued before November 30, 1989. See Note 2 to the financial statements discussing the results of this change in accounting principle.

Costs Recoverable – The Authority's billing amounts to the participants are determined by it's 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 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 difference between billings and the Authority's expenses calculated in accordance with generally accepted accounting principles are deferred as costs recoverable in future periods and are presented as net assets. It is intended that the deferred amounts will be recovered 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 on a separate accounting basis and principal and earnings are credited and allocated to designated funds or accounts as outlined in each Project's Indenture of Trust, 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, is as follows: safety of principal, 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.

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 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 Statements of Net Assets (Deficit), Combined Statements of Revenues, Expenses and Changes in Net Assets (Deficit), and Combined Statements of Cash Flows

The Combined Financial Statements 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, using an accrual basis of accounting, 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.

Palo Verde Project
Financial Highlights
(In thousands)

	June 30 2003	June 30 2002 (As restated)
Assets		
Utility plant, net	$ 183,818	$ 213,923
Investments	674,924	542,513
Cash and cash equivalents	105,142	60,149
Other	14,658	14,532
	$ 978,542	$ 831,117
Liabilities and Net Assets		
Long-term debt	$ 609,150	$ 629,554
Current liabilities	114,030	102,024
	723,180	731,578
Net assets (deficit):		
Invested in capital assets, net of related debt	(469,233)	(459,192)
Restricted net assets	706,613	536,840
Unrestricted net assets	17,982	21,891
Total net assets	255,362	99,539
	$ 978,542	$ 831,117
Revenues, Expenses and Changes in Net Assets		
Operating revenues	$ 180,529	$ 175,374
Operating expenses	(73,650)	(71,266)
Net operating income	106,879	104,108
Investment income	96,885	43,301
Debt expenses	(47,941)	(53,867)
Increase in net assets	155,823	93,542
Beginning balance of net assets	99,539	5,997
Ending balance of net assets	$ 255,362	$ 99,539

Net Assets – The Palo Verde Project's Net Assets increased by $155.8 million, mainly due to a $147.4 million increase in Assets and a decrease in Liabilities of $8.4 million. The increase in the Assets of the Project is primarily due to Participant contributions to the Deposit Installment Escrow Fund under a debt-restructuring plan adopted by the Board through a resolution in 1998 to increase the competitiveness of the Palo Verde Project by accelerating the repayment of the Project's debt. Under the debt-restructuring plan, an additional $65 million per year will be added to the Palo Verde Project Participants' billings through June 30, 2004. (Refer to Revenues in Note 2 of the Notes to Combined Financial Statements). During the year, the Authority restructured the 1997 B Escrow Restructuring Account, which resulted in a gain of $16.7 million after expenses, which was deferred and is being amortized over the life of the related bonds (see Note 5 of the Notes to Combined Financial Statements).

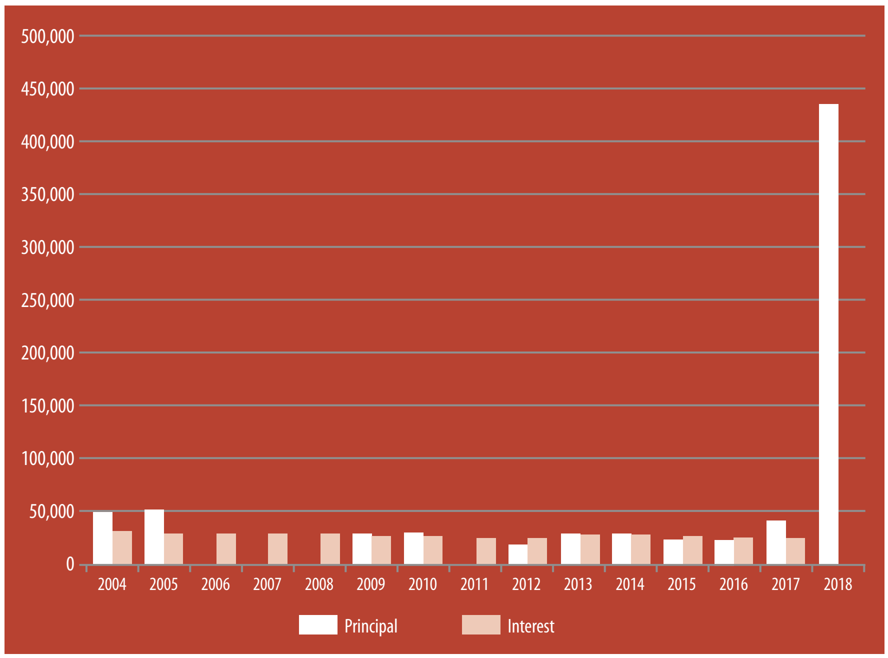
The decrease in Liabilities is primarily due to a decrease in long term debt of $20.4 million as a result of principal bond maturities and the amortization of the bond discounts, premiums and losses on refunding on the related debt, offset by the deferral of the $16.7 million gain on restructuring of the Escrow accounts.

Investment Income – The increase in the PV investment income of $53.6 million is primarily due to the unrealized gain recorded from the increases in the market value of Escrow accounts as a result of the downward movement of interest rates during the current fiscal year.

Long-term Debt – The Authority financed the acquisition of the assets of the Palo Verde Project through the issuance of revenue bonds. Currently, capital additions to the Project are financed from revenues received from participants.

The following graph provides an indication of the principal and interest payments on the Palo Verde Project that are due each year following June 30, 2003 until the bonds mature in 2018. Interest is reflected on an accrual basis.

Palo Verde Project
Debt Service Requirements
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year.

Southern Transmission System Project (STS)

Financial Highlights
(In thousands)

	June 30 2003	June 30 2002 (As restated)
Assets		
Utility plant, net	$ 361,785	$ 381,414
Investments	58,802	83,474
Cash and cash equivalents	37,936	33,532
Other	23,001	20,603
	$ 481,524	$ 519,023
Liabilities and Net Deficit		
Long-term debt	$ 807,669	$ 830,680
Current liabilities	40,229	44,568
	847,898	875,248
Net assets (deficit):		
Invested in capital assets, net of related debt	(466,659)	(467,080)
Restricted net assets	100,939	115,910
Unrestricted net deficit	(654)	(5,055)
Total net deficit	(366,374)	(356,225)
	$ 481,524	$ 519,023
Revenues, Expenses and Changes in Net Deficit		
Operating revenues	$ 82,229	$ 77,573
Operating expenses	(33,433)	(36,864)
Net operating income	48,796	40,709
Investment income	6,131	4,961
Debt expenses	(62,592)	(62,458)
Extraordinary loss on debt refunding	(2,484)	(1,538)
Increase in net deficit	(10,149)	(18,326)
Beginning balance of net deficit	(356,225)	(337,899)
Ending balance of net deficit	$ (366,374)	$ (356,225)

Net Deficit – The Net Deficit of STS increased in 2003 by $10.1 million due to a $37.5 million decrease in Total Assets and a decrease in Liabilities of $27.4 million. The decrease in Total Assets consists mainly of:

- an increase in accumulated depreciation of $19.6 million,
- a decrease in investments of $24.7 million, and
- a $6.8 million increase in Current Assets.

The increase in accumulated depreciation was due to scheduled depreciation. The decrease of $24.7 million in Investments is primarily due to the release of $15.0 million and $2.1 million from the Debt Service accounts and General Reserve Fund, respectively, to fund a portion of the related refunded bonds (See Note 5 of the Notes to Combined Financial Statements).

The decrease in Liabilities of $27.4 million is due to the following:

- a decrease of $23.0 million in long-term debt due to maturities and refundings, and
- a decrease of $4.4 million in Current liabilities.

The Net Deficit of $366.4 million at June 30, 2003 consists of non-cash expenses which are not billed to the participants but are required to be recorded as expenses under generally accepted accounting principles. These non-cash expenses are primarily comprised of depreciation on utility plant, amortization of debt related expenses, amortization of bond premiums and discounts, and losses on refundings. These costs will be recovered at the time the Authority collects revenues to pay the principal portion of debt service costs.

Operating Income – The increase in STS operating income of $8.1 million is largely due to billings to Participants in excess of period costs and lower operating expenses. The primary reason for the higher billings in the current year is increased debt service requirements.

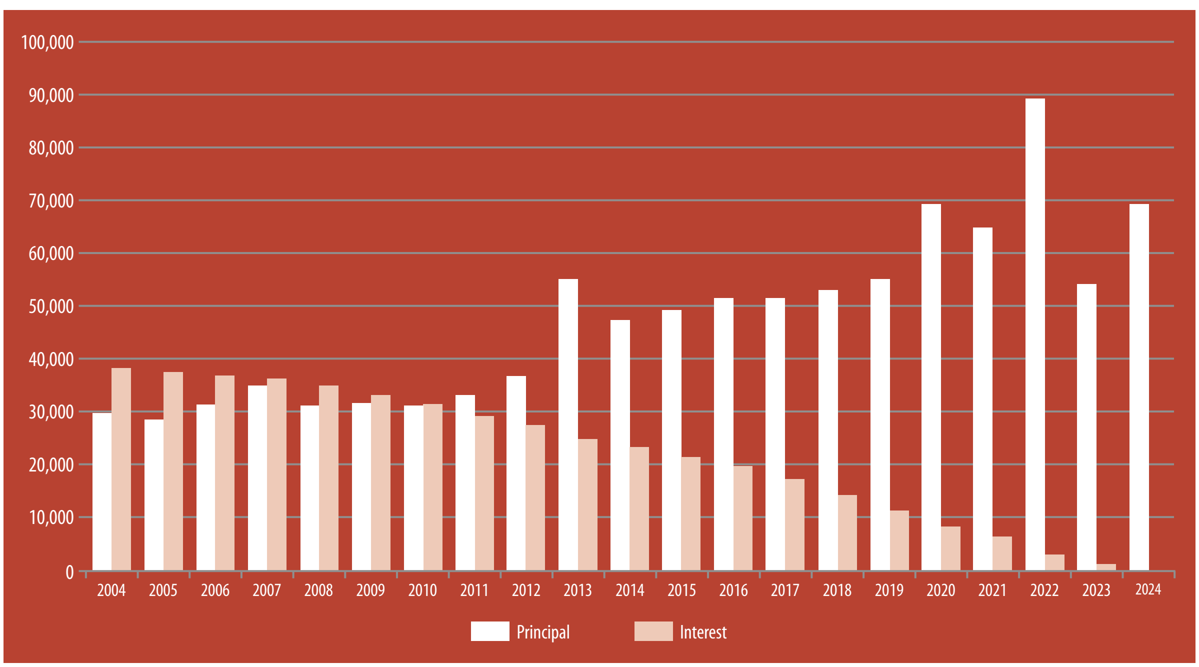
Long-term Debt – The Authority acquired the STS assets through the issuance of revenue bonds. Capital additions are currently financed with revenues received from participants. Principal bond maturities redeemed on July 1, 2002 totaled $26.7 million. During the year the Authority issued new refunding bonds as follows:

Description of Bonds	Par Amount of Refunded Bonds	Par Amount of Refunding Issue	Debt Service Savings	Present Value Savings	Bond Ratings by Moody's
Transmission Project Revenue Bonds 2002 Subordinate Refunding Series B	$ 46,400,000	$ 38,755,000	$ 8,697,986	$ 5,675,172	A1
Transmission Project Revenue Bonds 2003 Subordinate Refunding Series A	$ 58,495,000	$ 51,750,000	$ 13,257,524	$ 6,937,640	A1

As of June 30, 2003, Moody's increased the ratings on the STS 2002 and 2003 Subordinate Refunding Bonds to Aaa.

The following graph provides an indication of the principal and interest payments on the STS Project that are due each year following June 30, 2003 until the bonds mature in 2024. Interest is reflected on an accrual basis.

Southern Transmission System Project
Debt Service Requirements
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year.

Hoover Uprating Project

Financial Highlights

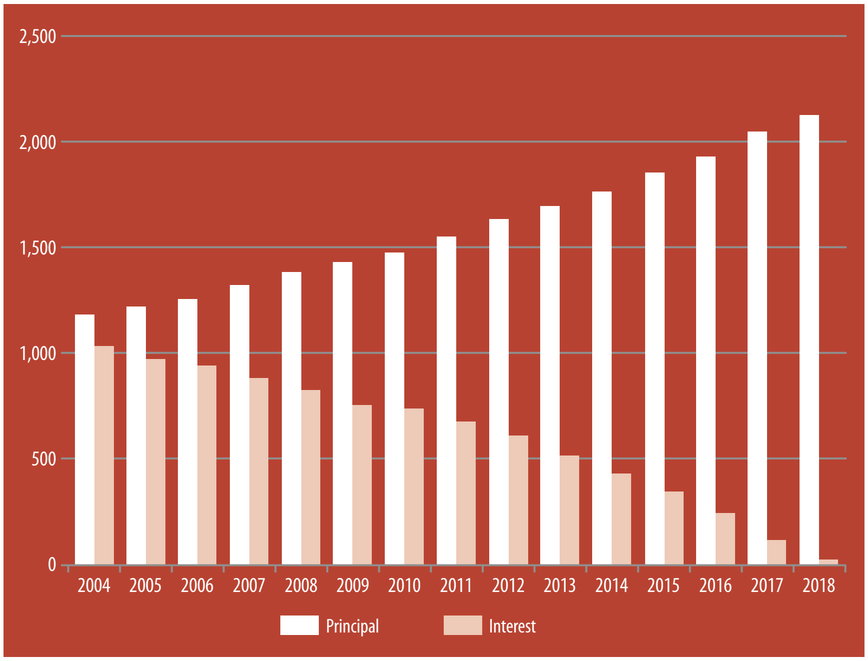
(In thousands)

	June 30	
	2003	2002 (As restated)
Assets		
Utility plant, net	$ –	$ 4
Investments	500	3,972
Cash and cash equivalents	3,726	127
Other	20,674	21,757
	$ 24,900	$ 25,860
Liabilities and Net Assets		
Long-term debt	$ 19,404	$ 20,275
Current liabilities	1,643	1,423
	21,047	21,698
Net assets:		
Invested in capital assets, net of related debt	–	4
Restricted net assets	2,699	3,187
Unrestricted net assets	1,154	971
Total net assets	3,853	4,162
	$ 24,900	$ 25,860
Revenues, Expenses and Changes in Net Assets		
Operating revenues	$ 2,330	$ 2,352
Operating expenses	(2,381)	(2,236)
Net operating income	(51)	116
Investment income	73	187
Debt expenses	(331)	(840)
Extraordinary loss on debt refunding	–	(735)
Decrease in net assets	(309)	(1,272)
Beginning balance of net assets	4,162	5,434
Ending balance of net assets	$ 3,853	$ 4,162

Net Assets – The Net Assets of the Hoover Uprating Project decreased by $309,000. The net decrease is primarily due to a decrease in the Advances for capacity and energy balance. This balance consists of $20.2 million in advances provided by the Participants to the Hoover Power Plant, net of credits provided by the plant manager. In accordance with the agreements, these advances are returned through an annual amount of energy and capacity credits billed by the plant. Annual billings decrease the Advances for capacity and energy balance, up to the amount of principal paid on debt by the Authority. Credits in excess of principal paid on debt decrease the Project's current year interest expense. During the current year, the project billed $2.124 million, of which $970,000 was used to decrease the Advances balance. The remaining credits were utilized to offset debt expense.

Long-term Debt – The Authority acquired its interest in the Hoover Uprating Project through the issuance of revenue bonds. The following graph provides an indication of the principal and interest payments on the Hoover Uprating Project that are due each year following June 30, 2003 until the bonds mature in 2018. Interest is reflected on an accrual basis.

Hoover Uprating Project
Debt Service Requirements
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on October 1 and April 1 of each year. Principal maturities of $905,000 were paid on October 1, 2002.

Mead-Phoenix Project

Financial Highlights

(In thousands)

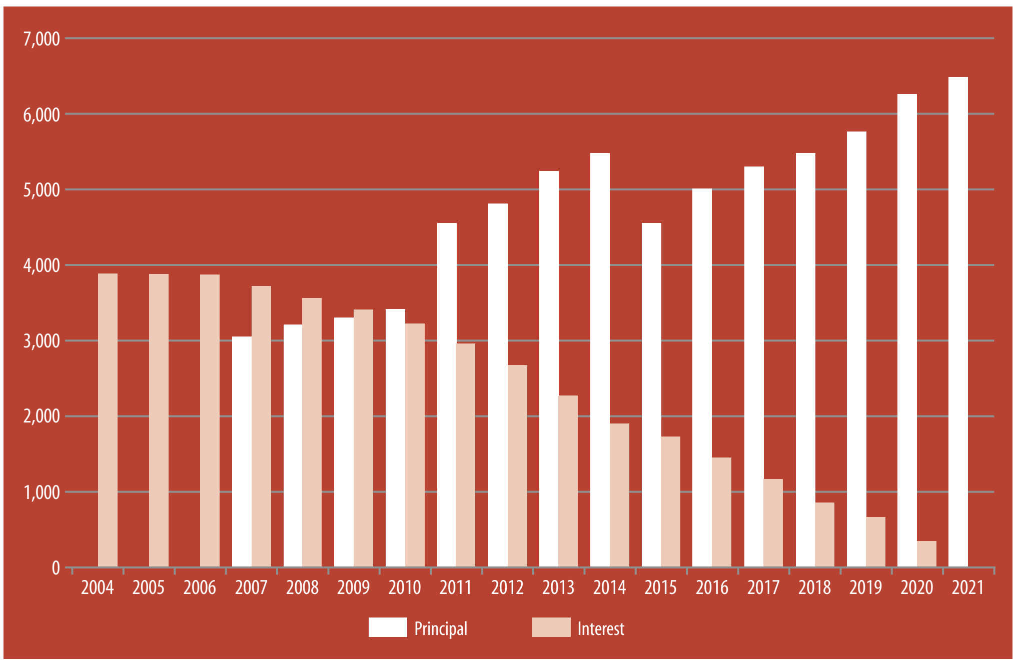
	June 30 2003	June 30 2002 (As restated)
Assets		
Utility plant, net	$ 42,786	$ 44,191
Investments	9,751	9,209
Cash and cash equivalents	1,617	2,081
Other	4,957	4,665
	$ 59,111	$ 60,146
Liabilities and Net Deficit		
Long-term debt	$ 64,224	$ 63,720
Current liabilities	2,841	3,274
	67,065	66,994
Net assets (deficit):		
Invested in capital assets, net of related debt	(20,672)	(18,686)
Restricted net assets	13,495	12,986
Unrestricted net deficit	(777)	(1,148)
Total net deficit	(7,954)	(6,848)
	$ 59,111	$ 60,146
Revenues, Expenses and Changes in Net Deficit		
Operating revenues	$ 3,987	$ 4,251
Operating expenses	(1,557)	(2,840)
Net operating income	2,430	1,411
Investment income	700	707
Debt expenses	(4,236)	(4,362)
Increase in net deficit	(1,106)	(2,244)
Beginning balance of net deficit	(6,848)	(4,604)
Ending balance of net deficit	$ (7,954)	$ (6,848)

Net Deficit – Net Deficit of the Mead-Phoenix Project increased by $1.1 million mainly due to an increase in accumulated depreciation on utility plant of $1.4 million.

Long-term Debt – The acquisition of the assets of the Mead-Phoenix Project was provided by a transfer of funds from the Multiple Project Fund (See Note 1 of the Notes to Combined Financial Statements). In March 1994, the Authority issued Mead-Phoenix Project Revenue Bonds to advance refund the Multiple Project Fund Bonds.

The following graph provides an indication of the principal and interest payments on the Mead-Phoenix Project that are due each year following June 30, 2003 until the bonds mature in 2021. Interest is reflected on an accrual basis.

Mead-Phoenix Project
Debt Service Requirements
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year.

Mead-Adelanto Project

Financial Highlights

(In thousands)

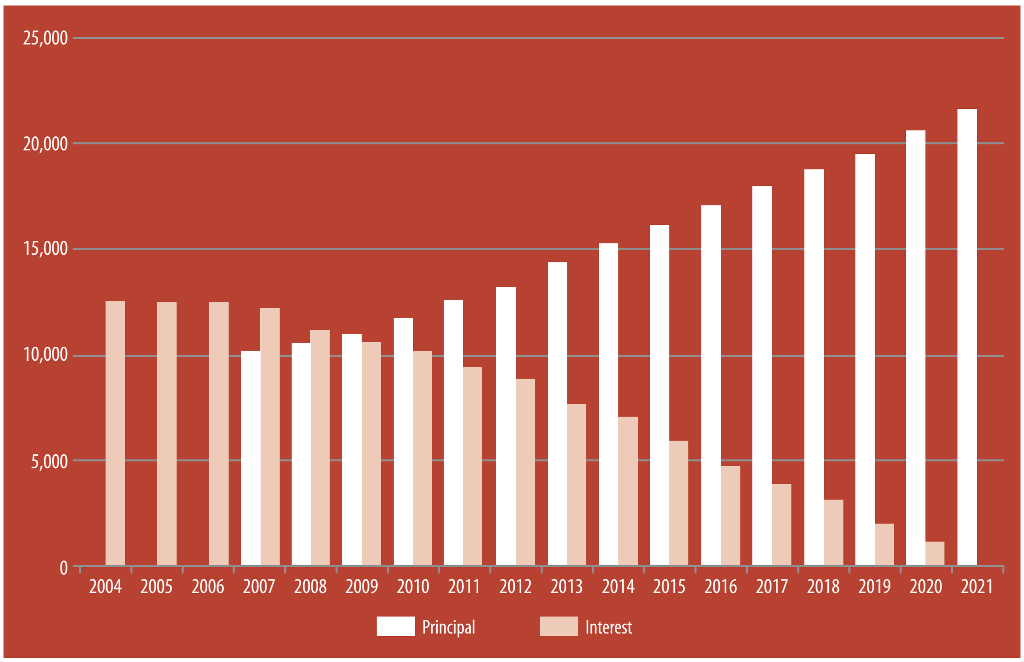
	June 30	
	2003	2002
		(As restated)
Assets		
Utility plant, net	$ 140,031	$ 144,532
Investments	27,471	26,461
Cash and cash equivalents	2,791	3,894
Other	14,236	13,453
	$ 184,529	$ 188,340
Liabilities and Net Deficit		
Long-term debt	$ 207,307	$ 205,678
Current liabilities	7,338	8,043
	214,645	213,721
Net assets (deficit):		
Invested in capital assets, net of related debt	(64,540)	(58,184)
Restricted net assets	35,469	34,329
Unrestricted net deficit	(1,045)	(1,526)
Total net deficit	(30,116)	(25,381)
	$ 184,529	$ 188,340
Revenues, Expenses and Changes in Net Deficit		
Operating revenues	$ 11,792	$ 11,593
Operating expenses	(4,955)	(5,778)
Net operating income	6,837	5,815
Investment income	1,860	1,915
Debt expenses	(13,432)	(13,476)
Increase in net deficit	(4,735)	(5,746)
Beginning balance of net deficit	(25,381)	(19,635)
Ending balance of net deficit	$ (30,116)	$ (25,381)

Net Deficit – The Net Deficit of the Mead-Adelanto Project increased by $4.7 million largely due to an increase in accumulated depreciation on utility plant of $4.5 million.

Long-term Debt – Similar to the Mead-Phoenix Project, the interest in the Mead-Adelanto Project was acquired by the Authority through a transfer of funds, and the bonds issued to obtain these funds, from the Multiple Project Fund (See Note 1 of the Notes to Combined Financial Statements). In March 1994, the Authority issued Mead-Adelanto Project Revenue Bonds to advance refund the Multiple Project Fund Bonds.

The following graph provides an indication of the principal and interest payments on the Mead-Adelanto Project that are due each year following June 30, 2003 until the bonds mature in 2021. Interest is reflected on an accrual basis.

Mead-Adelanto Project
Debt Service Requirements
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year.

Multiple Project Fund

Financial Highlights
(In thousands)

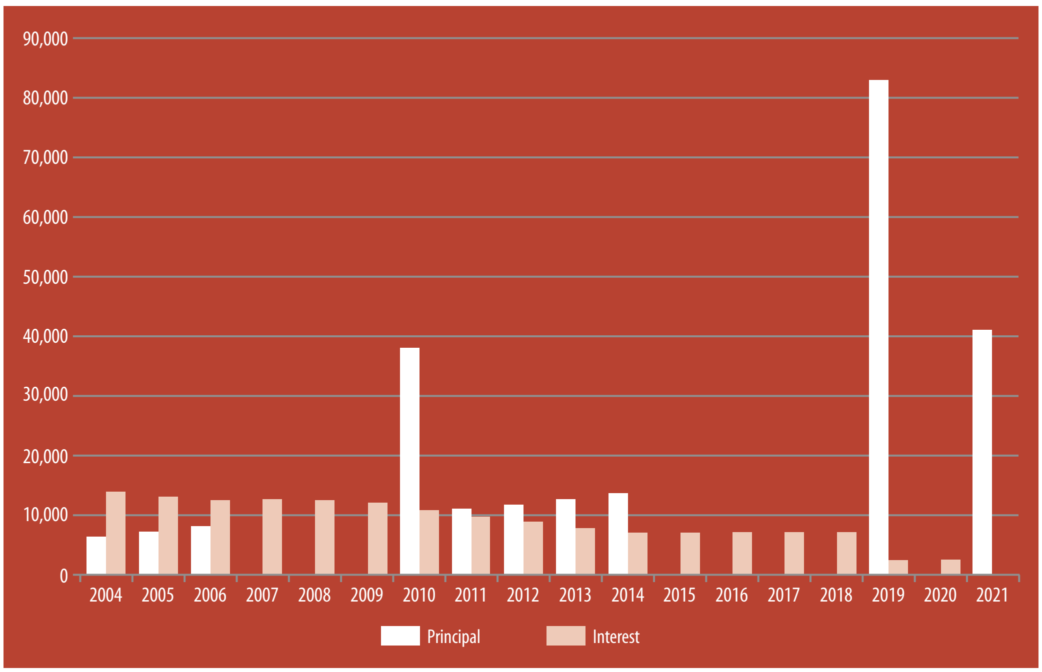
	June 30	
	2003	2002 (As restated)
Assets		
Investments	$ 243,437	$ 247,584
Cash and cash equivalents	–	1
Other	8,673	8,960
	$ 252,110	$ 256,545
Liabilities and Net Assets		
Long-term debt	$ 216,445	$ 222,865
Current liabilities	28,973	27,325
	245,418	250,190
Net assets:		
Invested in capital assets, net of related debt	–	–
Restricted net assets	6,692	6,355
Unrestricted net assets	–	–
Total net assets	6,692	6,355
	$ 252,110	$ 256,545
Revenues, Expenses and Changes in Net Assets		
Investment income	$ 17,275	$ 18,036
Debt expenses	(16,938)	(17,242)
Increase (decrease) in net assets	337	794
Beginning balance of net assets	6,355	5,561
Ending balance of net assets	$ 6,692	$ 6,355

Net Assets – There was no significant change in the Net Assets of the Multiple Project Fund for the year. The increase of $337,000 represents the difference between investment income earned on bond proceeds deposited in the Multiple Project Fund and the interest expense on such bonds.

Long-term Debt – The Multiple Project Fund was established by the issuance of revenue bonds. The bond proceeds are to be used to finance costs of construction and acquisition of ownership interests or capacity rights in one or more projects that the Authority expects to undertake. Certain of these funds were used to finance the Authority's interest in the Mead-Phoenix and Mead-Adelanto Projects (See Note 1 of the Notes to Combined Financial Statements).

The following graph provides an indication of the principal and interest payments on the Multiple Project Fund that are due each year following June 30, 2003 until the bonds mature in 2021. Interest is reflected on an accrual basis.

Multiple Project Fund
Debt Service Requirements
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. Par value of bonds that matured and were redeemed on July 1, 2002 was $6.6 million. A total of $125.5 million of the outstanding Multiple Project Revenue Bonds are not subject to redemption prior to maturity.

San Juan Project

Financial Highlights

(In thousands)

	June 30 2003	June 30 2002 (As restated)
Assets		
Utility plant, net	$ 80,989	$ 93,851
Investments	21,602	16,052
Cash and cash equivalents	15,930	15,063
Other	14,859	6,143
	$ 133,380	$ 131,109
Liabilities and Net Deficit		
Long-term debt	$ 200,699	$ 200,675
Current liabilities	16,980	19,030
	217,679	219,705
Net assets (deficit):		
Invested in capital assets, net of related debt	(125,669)	(105,828)
Restricted net assets	27,548	14,601
Unrestricted net assets	13,822	2,631
Total net deficit	(84,299)	(88,596)
	$ 133,380	$ 131,109
Revenues, Expenses and Changes in Net Deficit		
Operating revenues	$ 70,636	$ 50,258
Operating expenses	(56,783)	(56,195)
Net operating income (loss)	13,853	(5,937)
Investment income	1,289	724
Debt expenses	(10,771)	(11,013)
Extraordinary loss on debt refunding	(74)	(274)
Decrease (increase) in net deficit	4,297	(16,500)
Beginning balance of net deficit	(88,596)	(72,096)
Ending balance of net deficit	$ (84,299)	$ (88,596)

Net Deficit – The Net Deficit of the San Juan Project decreased by $4.3 million, primarily due to an increase of $2.3 million in Total Assets and a decrease in Total Liabilities of $2.0 million. The increase in Total Assets of $2.3 million is largely due to an increase in investments of $5.6 million, due mainly to the new Debt Service Reserve Account that was created when the 2002 Refunding Series B Bonds were issued in October 2002. In addition, Current Assets increased by $9.7 million largely due to the recognition of a receivable from Participants to fund actual costs for the current year. These increases were offset by a $12.9 million decrease in Utility Plant due to scheduled depreciation.

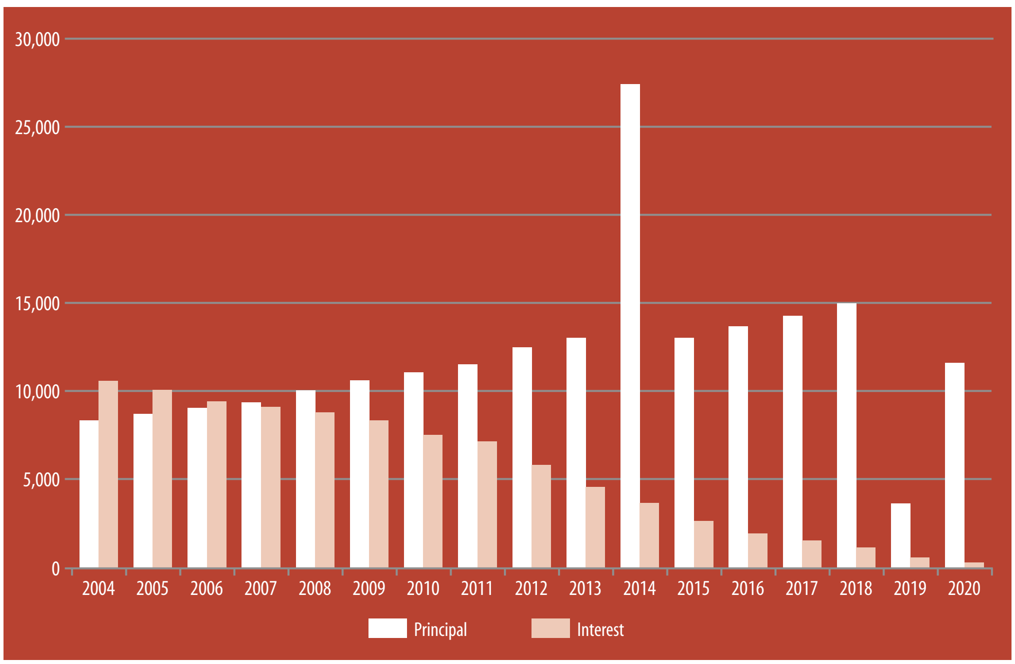
Net Operating Income (Loss) – Net Operating Income increased by $19.8 million when compared to last year. This increase is primarily due to the $8.9 million reduced billings to Participants during the 2002 fiscal year as a result of applying the $8.9 million transfer amount from the Debt Service Reserve Fund to the 2002 fiscal year billings. No such transfers from the Debt Service Reserve Fund were made to reduce current year billings. Also included in current year's revenues is the $9.9 million billing for the Coal Contract Buyout made in December 2002 (See Note 2 of the Notes to Combined Financial Statements).

Long-term Debt – The Authority financed its acquisition of the assets of the San Juan Project by the issuance of revenue bonds. Currently, capital additions are financed from revenues received from participants. Principal bond maturities that were redeemed on January 1, 2003 totaled $1.6 million. During the year, the Authority issued new refunding bonds as follows:

Description of Bonds	Par Amount of Refunded Bonds	Par Amount of Refunding Issue	Debt Service Savings	Present Value Savings	Bond Ratings by Moody's
San Juan Power Project Bonds, 2002 Refunding Series B	$ 70,800,000	$ 71,850,000	$ 12,932,905	$ 8,131,998	A2

The graph below provides an indication of the principal and interest payments on the San Juan Project that are due each year following June 30, 2003 until the bonds mature in 2020. Interest is reflected on an accrual basis.

San Juan Project
Debt Service Requirements
Fiscal Year Ending June 30
($ in thousands)



Interest payment on the bonds are payable semi-annually on July 1 and January 1 of each year.

Magnolia Power Project ("The Project")

Background – In 2000, the City of Burbank (the "City"), an Authority member, began exploring ways to replace an aging power plant within the city limits and decided that it would be more economical to build a plant with more capacity than required to meet its power demands. To build the plant, the City needed other participants to buy the excess power and it presented the idea to the Authority. Four members, the Cities of Anaheim, Colton, Glendale, and Pasadena (the "Project A Participants"), indicated their interest in joining the City of Burbank in the Project. The City of Cerritos (the "Project B Participant"), who became a member of the Authority in July 2001, also decided to participate in the Project.

In March 2003, the California Energy Commission gave its approval for construction of the Magnolia Power Project. The Project is a natural gas-fired generator and is designed to generate 242 megawatts to meet baseload capacity but will be able to generate more than 300 megawatts for short periods of time during peak demand periods. The plant is the first to be owned by the Authority, and the City of Burbank will manage its construction and operation. To finance the Project, the Authority issued $299.975 million of Magnolia Power Project A, Revenue Bonds, 2003-1 and $14.105 million of Magnolia Power Project B, Lease Revenue Bonds (City of Cerritos, California) 2003-1 in April 2003 (Refer to Note 5 of the Notes to Combined Financial Statements).

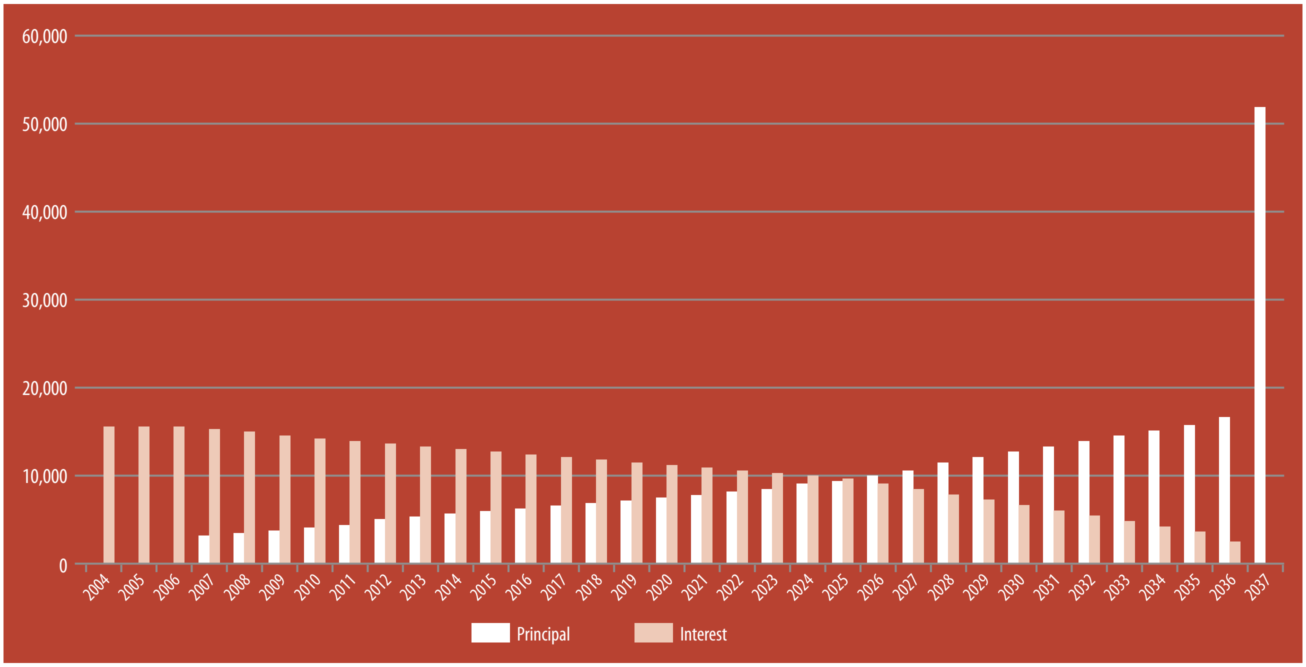
The following table summarizes the financial position of the Project as of June 30, 2003. Amounts are in thousands.

	June 30 2003
Assets	
Utility plant, net	$ 93,610
Investments	70,426
Cash and cash equivalents	162,381
Other	7,234
	$ 333,651
Liabilities and Net Assets	
Long-term debt	$ 321,730
Current liabilities	11,921
	333,651
Net assets:	
Invested in capital assets, net of related debt	–
Restricted net assets	–
Unrestricted net assets	–
Total net assets	$ –

During the current year, the Project had no revenues and is not anticipated to have any until the Project becomes operational. Costs related to the construction of the plant of $91.6 million and debt service costs of $3.7 million offset by investment income of $1.7 million, were capitalized as part of the utility plant balance. Once the plant becomes operational, these costs will be recovered through future billings to participants.

The following graph provides an indication of the principal and interest payments on the Project that are due each year on July 1 until the bonds mature in 2036. Interest is reflected on an accrual basis.

Magnolia Power Project
Debt Service Requirements
Fiscal Year Ending June 30
($ in thousands)



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year.

Projects' Stabilization Fund – In 1996 the Board adopted a resolution to establish the Projects' Stabilization Fund. Monies deposited by the participants to this Fund are used to pay for Authority costs as directed by the Participants (See Note 1 of the Notes to Combined Financial Statements). At June 30, 2003 the Fund had a balance of $96.4 million.

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 Project provides the participants; and,
- Strong legal provisions.

The Authority has take-or-pay power 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.

The Authority continues to play an important role as a legislative advocate and its focused strategic plan continues to provide benefits to member agencies as they prepare for increased competition. The Authority's management has been very focused on lowering the fixed costs of each project to ensure the flexibility needed to perform in a more competitive marketplace. An example is the refunding of $175.7 million of the Authority's long-term debt during the fiscal year, which generated $34.9 million of debt service savings. In addition, in February 2003 the Authority restructured the Palo Verde 1993 Escrow Funds resulting in a net gain of $16.7 million, which was deferred and is being amortized over the remaining period of the related bonds.

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

In our opinion, the accompanying combined statements of net assets (deficit) and the related combined statements of revenues, expenses and changes in net assets (deficit) and cash flows present fairly, in all material respects, the financial position of the Southern California Public Power Authority (the "Authority") at June 30, 2003 and 2002, and the changes in its net assets (deficit) and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying combined statements of net assets (deficit) and the related combined statements of revenues, expenses and changes in net assets (deficit) and cash flows present fairly, in all material respects, the financial position of each of the Authority's Palo Verde Project, Southern Transmission System Project, Hoover Uprating Project, Mead-Phoenix Project, Mead-Adelanto Project, Multiple Project Fund, San Juan Project, and Projects' Stabilization Fund at June 30, 2003 and 2002, and the changes in their net assets (deficit) and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the accompanying combined statement of net assets and the related combined statement of revenues, expenses and changes in net assets and cash flows present fairly, in all material respects, the financial position of the Authority's Magnolia Power Project at June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, effective July 1, 2002, the Authority changed its election under Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, and no longer applies Financial Accounting Standards Board statements and interpretations issued after November 30, 1989. The Authority has restated all prior years presented to give effect of this change in election.

The management's discussion and analysis included on pages 20-38 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information, as listed in the accompanying index, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 8, 2003

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF NET ASSETS (DEFICIT)
JUNE 30, 2003

(Amounts in thousands)

	June 30, 2003									
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Magnolia Power Project	Projects' Stabilization Fund	Total
ASSETS										
Noncurrent Assets										
Utility plant:										
Production	$ 623,352	$ –	$ –	$ –	$ –	$ –	$ 172,475	$ –	$ –	$ 795,827
Transmission	14,062	674,606	–	50,770	172,319	–	–	–	–	911,757
General	2,705	18,911	22	2,640	473	–	8,067	–	–	32,818
	640,119	693,517	22	53,410	172,792	–	180,542	–	–	1,740,402
Less - Accumulated depreciation	489,707	331,732	22	10,624	32,761	–	99,826	–	–	964,672
	150,412	361,785	–	42,786	140,031	–	80,716	–	–	775,730
Construction work in progress	18,862	–	–	–	–	–	273	93,610	–	112,745
Nuclear fuel, at amortized cost	14,544	–	–	–	–	–	–	–	–	14,544
Net utility plant	183,818	361,785	–	42,786	140,031	–	80,989	93,610	–	903,019
Special funds:										
Restricted investments										
Escrow accounts	420,766	16,883	–	–	–	–	–	–	–	437,649
Decommissioning fund	116,936	–	–	–	–	–	–	–	–	116,936
Other funds	124,227	41,919	–	9,751	27,471	243,437	21,602	70,426	53,044	591,877
	661,929	58,802	–	9,751	27,471	243,437	21,602	70,426	53,044	1,146,462
Unrestricted Investments										
Other funds	12,995	–	500	–	–	–	–	–	–	13,495
Total special funds	674,924	58,802	500	9,751	27,471	243,437	21,602	70,426	53,044	1,159,957
Other Noncurrent Assets										
Advance to IPA - restricted	–	11,550	–	–	–	–	–	–	–	11,550
Advances for capacity and energy, net - restricted	–	–	20,197	–	–	–	–	–	–	20,197
Unamortized debt expenses	5,382	8,945	476	766	2,736	–	2,590	6,100	–	26,995
Total other noncurrent assets	5,382	20,495	20,673	766	2,736	–	2,590	6,100	–	58,742
Total noncurrent assets	864,124	441,082	21,173	53,303	170,238	243,437	105,181	170,136	53,044	2,121,718
Current Assets										
Special funds:										
Cash and cash equivalents - restricted	96,075	37,372	2,884	1,498	2,616	–	11,236	162,381	42,941	357,003
Cash and cash equivalents - unrestricted	9,067	564	842	119	175	–	4,694	–	–	15,461
Interest receivable	1,405	137	1	343	915	8,673	13	1,061	436	12,984
Accounts receivable	1,043	2,369	–	–	3	–	9,021	73	–	12,509
Due from other project - restricted	–	–	–	3,848	10,582	–	–	–	–	14,430
Materials and supplies	6,828	–	–	–	–	–	3,235	–	–	10,063
Total current assets	114,418	40,442	3,727	5,808	14,291	8,673	28,199	163,515	43,377	422,450
Total assets	978,542	481,524	24,900	59,111	184,529	252,110	133,380	333,651	96,421	2,544,168
LIABILITIES										
Noncurrent liabilities										
Long-term debt	609,150	807,669	19,404	64,224	207,307	216,445	200,699	321,730	–	2,446,628
Commitments and contingencies (Note 7)	–	–	–	–	–	–	–	–	–	–
Total noncurrent liabilities	609,150	807,669	19,404	64,224	207,307	216,445	200,699	321,730	–	2,446,628
Current liabilities:										
Debt due within one year	49,190	29,720	1,190	–	–	7,100	8,390	–	–	95,590
Accrued interest	7,197	6,922	265	1,945	6,116	7,443	5,303	4,467	–	39,658
Accounts payable and accruals	56,095	3,587	188	896	1,222	–	2,887	7,454	–	72,329
Accrued property tax	1,548	–	–	–	–	–	400	–	–	1,948
Coal contracts buyout	–	–	–	–	–	–	–	–	–	–
Due to other projects	–	–	–	–	–	14,430	–	–	–	14,430
Total current liabilities	114,030	40,229	1,643	2,841	7,338	28,973	16,980	11,921	–	223,955
Total liabilities	723,180	847,898	21,047	67,065	214,645	245,418	217,679	333,651	–	2,670,583
NET ASSETS (DEFICIT)										
Invested in capital assets, net of related debt and deferred credits	(469,233)	(466,659)	–	(20,672)	(64,540)	–	(125,669)	–	–	(1,146,773)
Restricted net assets	706,613	100,939	2,699	13,495	35,469	6,692	27,548	–	96,421	989,876
Unrestricted net assets (deficit)	17,982	(654)	1,154	(777)	(1,045)	–	13,822	–	–	30,482
Total net assets (deficit)	$ 255,362	$ (366,374)	$ 3,853	$ (7,954)	$ (30,116)	$ 6,692	$ (84,299)	$ –	$ 96,421	$ (126,415)

The accompanying notes are an integral part of the combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF NET ASSETS (DEFICIT)
JUNE 30, 2002

(Amounts in thousands)

	June 30, 2002 (Restated)								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
ASSETS									
Noncurrent Assets									
Utility plant:									
Production	$ 620,719	$ –	$ –	$ –	$ –	$ –	$ 175,111	$ –	$ 795,830
Transmission	14,062	674,606	–	50,770	172,319	–	–	–	911,757
General	2,583	18,911	22	2,640	473	–	8,089	–	32,718
	637,364	693,517	22	53,410	172,792	–	183,200	–	1,740,305
Less - Accumulated depreciation	452,747	312,103	18	9,219	28,260	–	90,204	–	892,551
	184,617	381,414	4	44,191	144,532	–	92,996	–	847,754
Construction work in progress	14,325	–	–	–	–	–	855	–	15,180
Nuclear fuel, at amortized cost	14,981	–	–	–	–	–	–	–	14,981
Net utility plant	213,923	381,414	4	44,191	144,532	–	93,851	–	877,915
Special funds:									
Restricted Investments									
Escrow accounts	284,327	21,639	–	–	–	–	–	–	305,966
Decommissioning fund	104,671	–	–	–	–	–	–	–	104,671
Other funds	139,987	61,835	2,861	9,209	26,461	247,584	16,052	158,320	662,309
	528,985	83,474	2,861	9,209	26,461	247,584	16,052	158,320	1,072,946
Unrestricted Investments									
Other funds	13,528	–	1,111	–	–	–	–	–	14,639
Total special funds	542,513	83,474	3,972	9,209	26,461	247,584	16,052	158,320	1,087,585
Other Noncurrent Assets									
Advance to IPA - restricted	–	11,550	–	–	–	–	–	–	11,550
Advances for capacity and energy, net - restricted	–	–	21,169	–	–	–	–	–	21,169
Unamortized debt expenses	3,912	8,881	572	843	2,962	–	2,693	–	19,863
Total other noncurrent assets	3,912	20,431	21,741	843	2,962	–	2,693	–	52,582
Total noncurrent assets	760,348	485,319	25,717	54,243	173,955	247,584	112,596	158,320	2,018,082
Current Assets									
Special funds:									
Cash and cash equivalents - restricted	48,371	29,171	29	1,900	3,493	1	11,779	14,970	109,714
Cash and cash equivalents - unrestricted	11,778	4,361	98	181	401	–	3,284	–	20,103
Interest receivable	2,483	172	16	340	916	8,960	18	495	13,400
Accounts receivable	1,244	–	–	–	–	–	209	–	1,453
Due from other project - restricted	–	–	–	3,482	9,575	–	–	–	13,057
Materials and supplies	6,893	–	–	–	–	–	3,223	–	10,116
Total current assets	70,769	33,704	143	5,903	14,385	8,961	18,513	15,465	167,843
Total assets	831,117	519,023	25,860	60,146	188,340	256,545	131,109	173,785	2,185,925
LIABILITIES									
Noncurrent liabilities									
Long-term debt	629,554	830,680	20,275	63,720	205,678	222,865	200,675	–	2,173,447
Commitments and contingencies (Note 7)	–	–	–	–	–	–	–	–	–
Total other noncurrent liabilities	629,554	830,680	20,275	63,720	205,678	222,865	200,675	–	2,173,447
Current liabilities:									
Debt due within one year	47,395	26,695	905	–	–	6,600	1,600	–	83,195
Accrued interest	8,122	8,457	274	1,945	6,116	7,668	3,325	–	35,907
Accounts payable and accruals	44,557	9,416	244	550	963	–	3,732	–	59,462
Accrued property tax	1,950	–	–	779	964	–	450	–	4,143
Coal contracts buyout	–	–	–	–	–	–	9,923	–	9,923
Due to other projects	–	–	–	–	–	13,057	–	–	13,057
Total current liabilities	102,024	44,568	1,423	3,274	8,043	27,325	19,030	–	205,687
Total liabilities	731,578	875,248	21,698	66,994	213,721	250,190	219,705	–	2,379,134
NET ASSETS (DEFICIT)									
Invested in capital assets net of related debt and deferred credits	(459,192)	(467,080)	4	(18,686)	(58,184)	–	(105,828)	–	(1,108,966)
Restricted net assets	536,840	115,910	3,187	12,986	34,329	6,355	14,601	173,785	897,993
Unrestricted net assets (deficit)	21,891	(5,055)	971	(1,148)	(1,526)	–	2,631	–	17,764
Total net assets (deficit)	$ 99,539	$ (356,225)	$ 4,162	$ (6,848)	$ (25,381)	$ 6,355	$ (88,596)	$ 173,785	$ (193,209)

The accompanying notes are an integral part of the combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2003
(Amounts in thousands)

	Year Ended June 30, 2003									
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Magnolia Power Project	Projects' Stabilization Fund	Total
Operating revenues:										
Sales of electric energy	$ 180,529	$ –	$ 2,330	$ –	$ –	$ –	$ 70,636	$ –	$ –	$ 253,495
Sales of transmission services	–	82,229	–	3,987	11,792	–	–	–	–	98,008
Total operating revenues	180,529	82,229	2,330	3,987	11,792	–	70,636	–	–	351,503
Operating expenses:										
Operations and maintenance	27,462	13,804	2,377	152	454	–	43,586	–	–	87,835
Depreciation	26,702	19,629	4	1,405	4,501	–	10,084	–	–	62,325
Amortization of nuclear fuel	8,586	–	–	–	–	–	–	–	–	8,586
Decommissioning	10,900	–	–	–	–	–	3,113	–	–	14,013
Total operating expenses	73,650	33,433	2,381	1,557	4,955	–	56,783	–	–	172,759
Operating income (loss)	106,879	48,796	(51)	2,430	6,837	–	13,853	–	–	178,744
Non operating revenues (expenses)										
Investment income	96,885	6,131	73	700	1,860	17,275	1,289	–	2,372	126,585
Debt expense	(47,941)	(62,592)	(331)	(4,236)	(13,432)	(16,938)	(10,771)	–	–	(156,241)
Net non operating revenues (expenses)	48,944	(56,461)	(258)	(3,536)	(11,572)	337	(9,482)	–	2,372	(29,656)
Increase (decrease) in net assets (deficit) before extraordinary items	155,823	(7,665)	(309)	(1,106)	(4,735)	337	4,371	–	2,372	149,088
Extraordinary loss on refunding of debt	–	(2,484)	–	–	–	–	(74)	–	–	(2,558)
Net increase (decrease) in net assets (deficit)	155,823	(10,149)	(309)	(1,106)	(4,735)	337	4,297	–	2,372	146,530
Net assets (deficit) - beginning of year	99,539	(356,225)	4,162	(6,848)	(25,381)	6,355	(88,596)	–	173,785	(193,209)
Net withdrawals by participants	–	–	–	–	–	–	–	–	(79,736)	(79,736)
Net assets (deficit) - end of year	$ 255,362	$ (366,374)	$ 3,853	$ (7,954)	$ (30,116)	$ 6,692	$ (84,299)	$ –	$ 96,421	$ (126,415)

The accompanying notes are an integral part of the combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2002

(Amounts in thousands)

	Year Ended June 30, 2002 (Restated)								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Operating revenues:									
Sales of electric energy	$ 175,374	$ –	$ 2,352	$ –	$ –	$ –	$ 50,258	$ –	$ 227,984
Sales of transmission services	–	77,573	–	4,251	11,593	–	–	–	93,417
Total operating revenues	175,374	77,573	2,352	4,251	11,593	–	50,258	–	321,401
Operating expenses:									
Operations and maintenance	24,434	17,231	2,232	1,434	1,276	–	43,010	–	89,617
Depreciation	26,701	19,633	4	1,406	4,502	–	10,072	–	62,318
Amortization of nuclear fuel	8,259	–	–	–	–	–	–	–	8,259
Decommissioning	11,872	–	–	–	–	–	3,113	–	14,985
Total operating expenses	71,266	36,864	2,236	2,840	5,778	–	56,195	–	175,179
Operating income (loss)	104,108	40,709	116	1,411	5,815	–	(5,937)	–	146,222
Non operating revenues (expenses):									
Investment income	43,301	4,961	187	707	1,915	18,036	724	10,561	80,392
Debt expense	(53,867)	(62,458)	(840)	(4,362)	(13,476)	(17,242)	(11,013)	–	(163,258)
Net non operating revenues (expenses)	(10,566)	(57,497)	(653)	(3,655)	(11,561)	794	(10,289)	10,561	(82,866)
Increase (decrease) in net assets (deficit) before extraordinary items	93,542	(16,788)	(537)	(2,244)	(5,746)	794	(16,226)	10,561	63,356
Extraordinary loss on refunding of debt	–	(1,538)	(735)	–	–	–	(274)	–	(2,547)
Net increase (decrease) in net assets (deficit)	93,542	(18,326)	(1,272)	(2,244)	(5,746)	794	(16,500)	10,561	60,809
Net assets (deficit) - beginning of year	5,997	(337,899)	5,434	(4,604)	(19,635)	5,561	(72,096)	200,350	(216,892)
Net withdrawals from participants	–	–	–	–	–	–	–	(37,126)	(37,126)
Net assets (deficit) - end of year	$ 99,539	$ (356,225)	$ 4,162	$ (6,848)	$ (25,381)	$ 6,355	$ (88,596)	$ 173,785	$ (193,209)

The accompanying notes are an integral part of the combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003
(Amounts in thousands)

	Year Ended June 30, 2003									
	Palo Verde Project	**Southern Transmission System Project**	**Hoover Uprating Project**	**Mead-Phoenix Project**	**Mead-Adelanto Project**	**Multiple Project Fund**	**San Juan Project**	**Magnolia Power Project**	**Projects' Stabilization Fund**	**Total**
Cash flows from operating activities:										
Receipts from participants	$ 191,357	$ 72,665	$ 2,289	$ 4,179	$ 11,407	$ –	$ 61,123	$ –	$ –	$ 343,020
Payments to operating managers	(29,317)	(13,475)	(261)	(1,009)	(1,125)	–	(53,811)	–	–	(98,998)
Other receipts	166	3	3	100	4	–	–	–	–	276
Net cash flow from operating activities	162,206	59,193	2,031	3,270	10,286	–	7,312	–	–	244,298
Cash flows from noncapital financing activities:										
Withdrawals by participants, net	–	–	–	–	–	–	–	–	(79,736)	(79,736)
Cash flows from capital and related financing activities:										
Additions to plant, net	(15,996)	–	–	–	–	–	(290)	(84,119)	–	(100,405)
Debt interest payments	(35,192)	(42,149)	(1,077)	(3,889)	(12,232)	(15,111)	(7,485)	–	–	(117,135)
Proceeds from sale of bonds	–	93,658	–	–	–	–	80,750	322,582	–	496,990
Proceeds from bond escrow restructuring	17,292	–	–	–	–	–	–	–	–	17,292
Payment for defeasance of revenue bonds	–	(108,945)	–	–	–	–	(72,344)	–	–	(181,289)
Principal payments on debt	(47,395)	(26,695)	(905)	–	–	(6,600)	(1,600)	–	–	(83,195)
Transfer of funds from escrow	–	–	–	–	–	–	–	–	–	–
Payment for bond issue costs	(580)	(1,605)	(1,982)	–	–	–	(1,218)	(6,270)	–	(9,673)
Net cash provided by (used for) capital and related financing activities	(81,871)	(85,736)	(1,982)	(3,889)	(12,232)	(21,711)	(2,187)	232,193	–	22,585
Cash flows from investing activities:										
Interest received on investments	9,017	4,217	77	689	1,832	17,564	1,270	199	2,421	37,286
Purchases of investments	(550,977)	(47,544)	(4,122)	(609)	(4,894)	(1,188)	(15,553)	(75,783)	(92,323)	(792,993)
Proceeds from sale/maturity of investments	506,618	74,274	7,595	75	3,905	5,334	10,025	5,772	197,609	811,207
Net cash provided by (used for) investing activities	(35,342)	30,947	3,550	155	843	21,710	(4,258)	(69,812)	107,707	55,500
Net increase (decrease) in cash and cash equivalents	44,993	4,404	3,599	(464)	(1,103)	(1)	867	162,381	27,971	242,647
Cash and cash equivalents at beginning of year	60,149	33,532	127	2,081	3,894	1	15,063	–	14,970	129,817
Cash and cash equivalents at end of year	$ 105,142	$ 37,936	$ 3,726	$ 1,617	$ 2,791	$ –	$ 15,930	$ 162,381	$ 42,941	$ 372,464
Reconciliation of operating income to net cash provided by operating activities:										
Operating income (loss)	$ 106,879	$ 48,796	$ (51)	$ 2,430	$ 6,838	$ –	$ 13,853	$ –	$ –	$ 178,745
Adjustments to reconcile operating income to net cash provided (used) by operating activities:										
Depreciation	26,702	19,629	4	1,405	4,501	–	10,084	–	–	62,325
Decommissioning	10,900	–	–	–	–	–	3,113	–	–	14,013
Advances for capacity and energy	–	–	2,124	–	–	–	–	–	–	2,124
Amortization of nuclear fuel	8,586	–	–	–	–	–	–	–	–	8,586
Changes in assets and liabilities:										
Accounts receivable	201	(2,369)	–	–	(3)	–	(8,812)	–	–	(10,983)
Accounts payable and accruals	8,888	(5,829)	(56)	(565)	(1,058)	–	(10,855)	–	–	(9,475)
Other	50	(1,034)	10	–	8	–	(71)	–	–	(1,037)
Net cash provided by operating activities	$ 162,206	$ 59,193	$ 2,031	$ 3,270	$ 10,286	$ –	$ 7,312	$ –	$ –	$ 244,298

The accompanying notes are an integral part of the combined financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

(Amounts in thousands)

	Year Ended June 30, 2002 (Restated)								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Cash flows from operating activities:									
Receipts from participants	$ 184,347	$ 82,431	$ 2,568	$ 4,064	$ 10,737	$ –	$ 52,134	$ –	$ 336,281
Payments to operating managers	(24,762)	(16,959)	(270)	(1,168)	(1,037)	–	(43,887)	–	(88,083)
Other receipts (payments)	27	(622)	(6)	153	148	–	1,069	–	769
Net cash flow from operating activities	159,612	64,850	2,292	3,049	9,848	–	9,316	–	248,967
Cash flows from noncapital financing activities:									
Withdrawals by participants, net	–	–	–	–	–	–	–	(37,126)	(37,126)
Cash flows from capital and related financing activities:									
Additions to plant, net	(15,751)	–	–	78	3	–	(103)	–	(15,773)
Debt interest payments	(37,413)	(45,191)	(1,101)	(3,947)	(12,363)	(15,547)	(10,542)	–	(126,104)
Proceeds from sale of bonds	–	65,236	25,336	–	–	–	135,548	–	226,120
Payment for defeasance of revenue bonds	–	(76,183)	(28,816)	–	–	–	(124,828)	–	(229,827)
Principal payments on debt	(45,105)	(19,210)	(650)	(1,710)	(3,895)	(6,200)	(7,480)	–	(84,250)
Payment for bond issue costs	–	(1,301)	(627)	–	–	–	(1,530)	–	(3,458)
Net cash used for capital and related financing activities	(98,269)	(76,649)	(5,858)	(5,579)	(16,255)	(21,747)	(8,935)	–	(233,292)
Cash flows from investing activities:									
Interest received on investments	11,713	4,390	249	706	2,001	18,299	727	10,576	48,661
Purchases of investments	(516,905)	(36,833)	(7,024)	(1,682)	(6,415)	(8,857)	(23,561)	(68,403)	(669,680)
Proceeds from sale/maturity of investments	423,713	53,262	8,354	2,258	8,140	12,288	19,762	92,432	620,209
Net cash provided by (used for) investing activities	(81,479)	20,819	1,579	1,282	3,726	21,730	(3,072)	34,605	(810)
Net increase (decrease) in cash and cash equivalents	(20,136)	9,020	(1,987)	(1,248)	(2,681)	(17)	(2,691)	(2,521)	(22,261)
Cash and cash equivalents at beginning of year	80,285	24,512	2,114	3,329	6,575	18	17,754	17,491	152,078
Cash and cash equivalents at end of year	$ 60,149	$ 33,532	$ 127	$ 2,081	$ 3,894	$ 1	$ 15,063	$ 14,970	$ 129,817
Reconciliation of operating income to net cash provided by operating activities:									
Operating income (loss)	$ 104,108	$ 40,709	$ 116	$ 1,411	$ 5,815	$ –	$ (5,937)	$ –	$ 146,222
Adjustments to reconcile operating income to net cash provided (used) by operating activities:									
Depreciation	26,701	19,633	4	1,406	4,502	–	10,073	–	62,319
Decommissioning	11,872	–	–	–	–	–	3,113	–	14,985
Advances for capacity and energy	–	–	1,954	–	–	–	–	–	1,954
Amortization of nuclear fuel	8,259	–	–	–	–	–	–	–	8,259
Changes in assets and liabilities:									
Accounts receivable	47	–	33	–	371	–	1,168	–	1,619
Accounts payable and accruals	8,811	4,508	185	232	(840)	–	861	–	13,757
Other	(186)	–	–	–	–	–	38	–	(148)
Net cash provided by operating activities	$ 159,612	$ 64,850	$ 2,292	$ 3,049	$ 9,848	$ –	$ 9,316	$ –	$ 248,967

The accompanying notes are an integral part of the combined financial statements.

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 for sale to its participants. The Joint Powers Agreement has a term of fifty years.

The Joint Powers Agreement authorizes the Authority to admit new members to the agreement. The Cities of Cerritos of Los Angeles County and San Marcos of San Diego County have applied for membership under the agreement. In July 2001, the Authority adopted a policy to establish the criteria for admitting new members. The two cities met all of the established criteria and became members to the agreement in July 2001. In August 2003, the Authority, by resolution of the Board of Directors (the "Board"), rescinded the membership of the City of San Marcos, as the city no longer met the criteria for membership.

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, 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.

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").

Hoover Uprating 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 Uprating Project ("HU").

Mead-Phoenix and Mead-Adelanto Projects – As of December 17, 1991, 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 December 17, 1991, 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.

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.

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 488 megawatt unit, is one unit of a four-unit coal-fired power generating station in New Mexico.

Magnolia Power Project ("The Project") – In March 2003, the Authority received approval from the California Energy Commission for construction of the Magnolia Power Project. The Project will consist of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts and will be 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, will manage its construction and operation. Construction is under way and commercial operation is expected to begin in mid-2005. During the current year, the Project had no revenues and is not anticipated to have any until the Project becomes operational. Costs related to the construction of the plant of $91.6 million and debt service costs of $3.7 million offset by investment income of $1.7 million, were capitalized as part of the utility plant balance. Once the plant becomes operational, these costs will be recovered through future billings to participants.

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.

Participant Ownership Interests – The Authority's participants may elect to participate in the projects. As of June 30, 2003, the members have the following participation percentages in the Authority's interest in the projects:

Participants	Palo Verde	STS	Hoover Uprating	Mead-Phoenix	Mead-Adelanto	San Juan	Magnolia Power Project
City of Los Angeles	67.0%	59.5%		24.8%	35.7%		
City of Anaheim		17.6%	42.6%	24.2%	13.5%		38.0%
City of Riverside	5.4%	10.2%	31.9%	4.0%	13.5%		
Imperial Irrigation District	6.5%					51.0%	
City of Vernon	4.9%						
City of Azusa	1.0%		4.2%	1.0%	2.2%	14.7%	
City of Banning	1.0%		2.1%	1.0%	1.3%	9.8%	
City of Colton	1.0%		3.2%	1.0%	2.6%	14.7%	4.2%
City of Burbank	4.4%	4.5%	16.0%	15.4%	11.5%		31.0%
City of Glendale	4.4%	2.3%		14.8%	11.1%	9.8%	16.5%
City of Cerritos							4.2%
City of Pasadena	4.4%	5.9%		13.8%	8.6%		6.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%

The Authority has entered into power sales and transmission service agreements with the above project participants. Under the terms of the contracts, the participants are entitled to power output 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 which 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

The Authority's interests in generation and transmission projects are jointly owned with other utilities. 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.

2. Summary of Significant Accounting Policies

The accounting records of the Authority are maintained in accordance with accounting principles generally accepted in the United States of America. As a government-owned utility, in prior years the Authority applied all statements issued by the Governmental Accounting Standards Board (GASB) and all statements and interpretations issued by the Financial Accounting Standards Board (FASB) which were not in conflict with statements issued by the GASB. Effective July 1, 2002, the Authority changed its election under the guidance in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to follow all GASB statements and only FASB statements and interpretations issued before November 30, 1989.

Accounting Changes

Change in Election of Application of GASB 20 – Effective July 1, 2002, the Authority changed its election under the guidance in GASB 20 and no longer follows FASB statements issued after November 30, 1989. The impact on the Authority's financial statements as a result of this change was the discontinuation of the application of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FASB 133). The Authority adopted FASB 133 in fiscal year 2001 and consequently began reporting its derivative instruments at fair value. With this accounting change, the Authority is no longer required to report its derivative instruments at fair value under the guidance applicable to state and local governments. The Authority restated its prior year financial statements to retroactively apply this change in election under GASB 20. The Authority believes that this was a change to a preferable method of accounting. The restatement of the fiscal year 2002 financial statements was limited to STS, as it was the only project with derivative instruments.

Included in the derivative commitments caption in the prior years was the $7.9 million premium received by the Authority in consideration for entering into an agreement whereby the Authority sold an option ("the Swaption") on a floating-to-fixed interest rate swap. Previously the value of this option was recorded at fair value; however, with this change in accounting principle, it is now reported as part of the debt value and amortized to interest expense as a downward yield adjustment over the life of the related debt. See Note 4 for derivative instrument disclosures.

The following summarizes the impact on the combined financial statements from this change in accounting principle:

	As Previously Reported	Adjustments	As Restated
	June 30, 2002		
Combined Statements of Net Assets (Deficit)			
Long-term debt	$ 2,166,175	$ 7,272	$ 2,173,447
Derivative commitments	$ 99,695	$ (99,695)	$ –
Net assets (deficit)	$ (285,632)	$ 92,423	$ (193,209)
	Year Ended June 30, 2002		
Combined Statements of Revenues, Expenses and Changes in Net Assets (Deficit)			
Debt expenses	$ (163,701)	$ 443	$ (163,258)
Unrealized loss on derivative commitment	$ (36,675)	$ 36,675	$ –
Net assets (deficit) -beginning of year (June 30, 2001)	$ (272,197)	$ 55,305	$ (216,892)

Adoption of GASB Statements Nos. 34, 37, and 38 – On July 1, 2001, the Authority adopted GASB Statement No. 34 (GASB 34), *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments"*; GASB Statement No. 37 (GASB 37), *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus – an Amendment of GASB Statements No. 21 and No. 34" and GASB Statement No. 38 "Certain Financial Statement Note Disclosures"* (GASB 38). GASB 34, as amended, and GASB 38 establish specific standards for external financial reporting for all state and local governments. As a result of adopting these Standards, the basic financial statement presentation was significantly changed, including adding management's discussion and analysis of operating, investing and financing activities. GASB 34 also requires the classification of net assets (deficit) into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt –** 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 or other borrowings 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 net assets –** 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."

Under GASB 34, the statements of equity and of other comprehensive income were eliminated; the statement of income was renamed the statement of revenues, expenses and changes in net assets (deficit); and the statement of cash flows presentation was changed to the direct method (including a reconciliation of operating cash flows to operating income). The adoption of GASB 34 had no significant effect on the basic combined financial statements, except for the change from the indirect method to the direct method of reporting cash flows and the reclassification of cost recoverable, deferred credits and funds due to participants to net assets (deficit) in accordance with the Statement.

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.

Utility Plant – The Authority's share of construction and betterment costs associated with PVNGS, STS, Mead-Phoenix, Mead-Adelanto, SJGS and Magnolia Power Project are included as utility plant. 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 and twenty-one years for SJGS.

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

	Balance June 30, 2002	Additions	Disposals	Transfers	Balance June 30, 2003
Nondepreciable Utility Plant					
Land	$ 36,187	$ –	$ –	$ –	$ 36,187
Construction work in progress	15,180	101,904	–	(4,339)	112,745
Nuclear fuel*	14,981	5,892	(6,329)	–	14,544
Total nondepreciable utility plant	66,348	107,796	(6,329)	(4,339)	163,476
Depreciable Utility Plant					
Production					
Nuclear generation (Palo Verde Project)	620,003	3,247	(614)	–	622,636
Coal-fired plant (San Juan Unit 3 Project)	175,111	868	(3,504)	–	172,475
Transmission	876,286	–	–	–	876,286
General	32,718	224	(124)	–	32,818
Total depreciable utility plant	1,704,118	4,339	(4,242)	–	1,704,215
Less accumulated depreciation	(892,551)	(76,337)	4,216	–	(964,672)
Total utility plant, net	$ 877,915	$ 35,798	$ (6,355)	$ (4,339)	$ 903,019

*Nuclear fuel disposals represent amortization.

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 7 for information about spent nuclear fuel disposal.

Nuclear Decommissioning – Decommissioning of PVNGS is expected to commence subsequent to the year 2024. The total cost to decommission the Authority's interest in PVNGS is estimated to be $116.6 million in 2002 dollars ($375.0 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 2001. 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 $10.9 and $11.9 million in fiscal years 2003 and 2002, respectively. The decommissioning liability is included as a component of accumulated depreciation and was $170.8 and $159.9 million at June 30, 2003 and 2002, 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, 2003, decommissioning funds totaled approximately $117.8 million, including approximately $902,000 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 $18.7 million in 1992 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 $31.1 million and $28.0 million at June 30, 2003 and 2002, respectively.

As of June 30, 2003, 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 and repurchase agreements which are collateralized by such securities. 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). Gains and losses realized on the sale of investments are generally determined using the specific identification method.

The Bond Indentures for the six 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.

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.

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

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. Losses on early extinguishment of debt are recognized immediately.

Arbitrage Rebate – The unused proceeds from the issuance of Multiple Project Revenue Bonds have been invested in taxable financial instruments. The excess of interest income over expense associated with the bonds, if any, is payable to the IRS within five years of the date of the bond offering and each consecutive five years thereafter.

At June 30, 2003, cumulative savings due to the rebate calculation amounted to $14.4 million. As a result, the Multiple Project Fund has recorded liabilities of $3.8 million and $10.6 million to the Mead-Phoenix Project and Mead-Adelanto Projects, respectively.

The next rebate payment to the IRS for these issues, if any, is due in fiscal year 2006.

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

In September 1998, the Palo Verde participants approved a resolution authorizing the Authority to bill the participants $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 overbillings, renewal and replacement excess funds or surplus amounts through June 30, 2004 into the Palo Verde reserve account. Amounts on deposit in the reserve account are intended to be used to enhance the competitiveness of the Palo Verde Project, at the discretion of the Board of Directors. Funds held in the reserve account as a result of this resolution totaled $45.5 million and $34.8 million as of June 30, 2003 and 2002, respectively.

San Juan Coal Agreements – On October 17, 2000, an agreement was reached on the principles of a new long-term fuel sourcing and pricing plan between the participants of SJGS and its coal supplier. The agreement authorizes the supplier to develop an underground longwall mine to replace production from two existing surface mines. To terminate the existing agreement, the Authority made a $9.9 million payment on December 31, 2002, which was its share of the requirement of the new contract. Included in the current year revenues are billings to project participants for the required proceeds to settle the $9.9 million buyout. The new underground mine will result in significantly reduced costs of coal supplied to SJGS through 2017, the term of the new contract.

Reclassifications – Certain prior period amounts have been reclassified to conform to the current presentation.

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 SCPPA to finance and operate Projects and the SCPPA Investment Policy.

Eligible securities and general limitations are derived from each Project's Indenture of Trust for the issuance of senior and subordinate lien bonds. Additional limitations are derived from the Government Code and SCPPA's evolving investment practices.

The operative Indentures of Trust in which securities are authorized for investment purposes relate to the Hoover Uprating Project Bonds, the San Juan Project Bonds, the Palo Verde Project Bonds, the Southern Transmission System Project Bonds, the Mead-Phoenix Project Bonds, the Mead-Adelanto Project Bonds, the Multiple Project Fund Bonds and the Magnolia Power 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 "A-1" by S&P and "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.

Investments at June 30, 2003 and 2002 are as follows:

	June 30, 2003									
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Magnolia Power Project	Projects' Stabilization Fund	Total
Federal agencies	$ 351,717	$ 40,265	$ 2,955	$ 437	$ 3,283	$ 7,435	$ 15,514	$ 46,945	$ 89,239	$ 557,790
U.S. government securities	420,763	10,337	–	–	–	–	–	–	5,711	436,811
Guaranteed investment contracts	–	36,423	–	9,314	24,898	236,002	21,599	35,397	–	363,633
Repurchase agreements	–	–	–	–	–	–	–	–	–	–
Money market investment account	3,123	9,673	1,253	1,605	2,069	–	397	150,465	1,035	169,620
Medium term notes	4,367	–	–	–	–	–	–	–	–	4,367
Cash	96	40	18	12	12	–	22	–	–	200
Total	$ 780,066	$ 96,738	$ 4,226	$ 11,368	$ 30,262	$ 243,437	$ 37,532	$ 232,807	$ 95,985	$ 1,532,421
Restricted investments	$ 661,929	$ 58,802	$ –	$ 9,751	$ 27,471	$ 243,437	$ 21,602	$ 70,426	$ 53,044	$ 1,146,462
Unrestricted investments	12,995	–	500	–	–	–	–	–	–	13,495
Cash and cash equivalents	105,142	37,936	3,726	1,617	2,791	–	15,930	162,381	42,941	372,464
Total	$ 780,066	$ 96,738	$ 4,226	$ 11,368	$ 30,262	$ 243,437	$ 37,532	$ 232,807	$ 95,985	$ 1,532,421

	June 30, 2002								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Federal agencies	$ 304,433	$ 44,247	$ 3,972	$ 1,815	$ 5,015	$ 7,435	$ 16,668	$ 156,067	$ 539,652
U.S. government securities	290,244	15,094	–	–	–	–	–	13,104	318,442
Guaranteed investment contracts	–	40,412	–	9,209	24,906	240,149	13,524	–	328,200
Repurchase agreements	–	6,559	–	–	–	–	–	–	6,559
Money market investment account	3,389	10,656	105	254	422	1	903	3,088	18,818
Medium term notes	4,500	–	–	–	–	–	–	–	4,500
Cash	96	38	22	12	12	–	20	1,031	1,231
Total	$ 602,662	$ 117,006	$ 4,099	$ 11,290	$ 30,355	$ 247,585	$ 31,115	$ 173,290	$ 1,217,402
Restricted investments	$ 528,985	$ 83,474	$ 2,861	$ 9,209	$ 26,461	$ 247,584	$ 16,052	$ 158,320	$ 1,072,946
Unrestricted investments	13,528	–	1,111	–	–	–	–	–	14,639
Cash and cash equivalents	60,149	33,532	127	2,081	3,894	1	15,063	14,970	129,817
Total	$ 602,662	$ 117,006	$ 4,099	$ 11,290	$ 30,355	$ 247,585	$ 31,115	$ 173,290	$ 1,217,402

4. Derivative Instruments

Objective of the swaps. In order to protect against the potential of rising interest rates, the Authority entered into four separate pay-fixed, receive-variable interest rate swaps at a cost less than what the Authority would have paid to issue fixed-rate debt.

Terms, fair values, and credit risk. The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2003, are included below. The notional amounts of the swaps match the principal amounts 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.

- *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 System 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 third party on a fixed rate basis of 3.266%, and for the third party to make reciprocal payments based on a floating rate priced at 65% of one-month LIBOR. The floating rate on the related bonds at June 30, 2003 was 0.857%. The termination of the agreement is July 1, 2022.

- *Swaption/2000 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, if exercised, will effectively convert the $125 million Subordinate Refunding Series A bonds issued by the Southern Transmission System Project in May 2000, into a synthetic fixed-rate debt obligation with a coupon of 4.25%. The floating rate on the Swaption is priced at 60% of one-month LIBOR. 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.

  On April 1, 2002, the counterparty exercised its option and the Authority is now obligated to pay floating for fixed payments on the 2000 Subordinate Refunding Series A bonds based on the terms described above. The floating rate on the related bonds at June 30, 2003 and 2002 was 0.95% and 1.11%, respectively.

- *2001 Swap* – In June 2001, 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 2001 Subordinate Refunding Series A Southern Transmission System 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 third party on a fixed rate basis of 4.24%, and for the third party 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 terminate the agreement on or after July 1, 2006 should the BMA index average more than 7% over a consecutive 180-day period. The floating rates on the bonds were 0.95% and 1.10% at June 30, 2003 and 2002, respectively. The bonds mature in 2021.

- *1991 Swap* – In fiscal year 1991, the Authority entered into an Interest Rate Swap Agreement with a third party for the purpose of hedging against interest rate fluctuations arising from the issuance of 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. The Swap Agreement provides for the Authority to make payments to the third party on a fixed rate basis at 6.38%, and for the third party to make reciprocal payments mirroring the bond variable coupon rate (0.85% and 1.10% at June 30, 2003 and 2002, respectively). The bonds mature in 2019.

Fair value. Because interest rates have declined since inception date of each swap, all swaps had negative fair value as of June 30, 2003. All fair values were estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon rate bonds due on the date of each future net settlement on the swaps.

Credit risk. As of June 30, 2003, the Authority was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Authority would 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 credit rating fall below A – as issued by Standard & Poor's or A3 as issued by Moody's Investors Service for the 1991 Swap, AA-/Aa3 for the 2000 swap, and A3/A1 for the 2001 swap. Collateral on all swaps is to be in the form of US government securities held by a third-party custodian.

(Amounts in thousands)

Associated Bond Issues	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating
STS 1991 Revenue Bonds Series A	$ 285,400	4/17/1991	6.38%	Bond variable coupon rate	$ (100,134)	6/30/2019	AAA/Aaa
STS 2000 Subordinate Refunding Series A Bonds	125,000	2/1/2001	4.25%	60% of LIBOR	(31,398)	7/1/2022	AA-/Aa1
STS 2001 Subordinate Refunding Series A Bonds	79,795	6/14/2001	4.24%	BMA less 40 basis points	(14,470)	7/1/2021	AA+/Aa2
STS 2003 Subordinate Refunding Series A Bonds	51,750	4/24/2003	3.266%	65% of LIBOR	(2,068)	7/1/2022	AA-/Aa1
	$ 541,945				$ (148,070)		

The Authority also enters into master netting agreements when the Authority has more than one derivative transaction with one counterparty. Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

Basis risk. The Authority's variable-rate bond coupon payment for the 2001 swap is based on the BMA rate. For the 2000 and 2003 swaps for which the Authority receives a variable-rate payment other than BMA, the Authority is exposed to basis risk should the relationship between LIBOR and BMA converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2003, the BMA rate was 0.635%, whereas 60% of LIBOR was 0.792%, and 65% of LIBOR was 0.857 %. The following is a summary of interest rates paid and received from the counterparties as of June 30, 2003:

	Type of Derivative			
	1991 Swap	2000 Swap	2001 Swap	2003 Swap
Fixed payments to counterparty	6.380%	4.250%	4.240%	3.266%
Less, variable payments from counterparty	0.850%	0.792%	0.635%	0.857%
Net interest rate swap payments	5.530%	3.458%	3.605%	2.409%
Add, variable-rate bond coupon payments	0.850%	0.950%	0.950%	0.850%
Synthetic interest rate on bonds	6.380%	4.408%	4.555%	3.259%

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 2001 Swap provides the counterparty with the option to terminate the swap agreement commencing July 1, 2006. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. 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. The Authority is exposed to rollover risk on the 2001 swap as the counterparty has the option to terminate the agreement prior to the maturity of the associated debt should the BMA index average more than 7% over a consecutive 180-day period. When this swap terminates, the Authority will not realize the synthetic rate offered by the swap on the underlying debt issue. The following debt is exposed to rollover risk:

Associated Debt Issuance	Debt Maturity Date	Optional Swap Termination Date
STS 2001 Subordinate Refunding Series A	7/01/2021	July 5, 2006

Swap payments and associated debt. Using rates as of June 30, 2003, 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 Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2004	$ 1,575	$ 4,798	$ 24,310	$ 29,108
2005	1,725	4,783	24,217	29,000
2006	1,850	4,768	24,119	28,887
2007	1,950	4,751	24,014	28,765
2008	14,875	4,625	23,197	27,822
2009-2013	134,900	20,267	99,388	119,655
2014-2018	247,220	9,829	48,218	58,047
2019-2022	137,850	1,633	6,088	7,721
	$ 541,945	$ 55,454	$ 273,551	$ 329,005

5. Long-Term Debt

Long-term debt outstanding at June 30, 2003 consists of revenue bonds and subordinate refunding bonds due serially in varying annual amounts through 2036. The revenue bonds were issued to finance the purchase and construction of the Authority's share of each of the Projects. The subordinate refunding bonds were issued to advance refund specified revenue bonds. The Multiple Project Revenue Bonds were issued on August 1, 1989 to finance acquisition of ownership interests in one or more Projects expected to be undertaken within five years after issuance. In October 1992, $103.6 million and $285.0 million of these bonds were transferred to the Mead-Phoenix Project and the Mead-Adelanto Project, respectively.

In accordance with the bond indentures, the revenue bonds and subordinate 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 the issuing project as follows:

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

The Authority has agreed to certain covenants with respect to bonded indebtedness, including the requirement to enforce the power and transmission sales agreements with the participants. At the option of the Authority, all outstanding Power Project Revenue Bonds and Subordinate Refunding Term Bonds are subject to redemption prior to maturity, except for the 1996 Subordinate Refunding Series A and portions of the 1989A, 1992A, 1992B and 1993A Series bonds issued by the Palo Verde Project; the 1996 Subordinate Refunding Series A bonds issued by the Southern Transmission System; and, a total of $125.5 million of the outstanding Multiple Project Revenue Bonds.

Revenue Bonds

Magnolia Power Project Revenue Bonds – To finance the acquisition and construction of the Magnolia Power Project, the Authority, on April 2003, issued $299.975 million Magnolia Power Project A, Revenue Bonds, 2003-1 ("Project A Bonds"). Simultaneously with the issuance of the Project A Bonds, the Authority issued $14.105 million Project B Bonds. The Project Manager expects that proceeds of both the Project A and Project B Bonds, together with applicable interest earnings, will be sufficient to pay all costs necessary to construct and acquire the Project.

The Project B Bonds will be 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.

The bonds mature on July 1, 2036.

Hoover Uprating Project Refunding – In December 2001, the Authority issued $24.7 million par value Hoover 2001 Refunding Series A Bonds ("refunding bonds") to refund $28.1 million of Hoover 1991 Refunding Series A Bonds ("refunded bonds"). The remaining amount of $3.4 million was funded through the release of funds from the debt service accounts related to the refunded bonds. The refunded bonds were redeemed on January 1, 2002. The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $9.3 million and is expected to result in present value savings of approximately $2.9 million based on an average cost of 4.74% on the new bonds.

This transaction resulted in a net loss for accounting purposes of $5.0 million, consisting primarily of the write-off of unamortized debt expense, deferred loss on prior refunding and the discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of refunding bonds. The loss allocated to the new bonds of $4.3 million was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of a $0.7 million extraordinary loss in fiscal year 2002.

San Juan Unit 3 Project Refunding – In October 2002, the Authority issued $71.85 million par value SJ 2002 Refunding Series B Bonds ("refunding bonds") to refund $70.8 million of SJGS 1993 Series A Bonds ("refunded bonds"). The refunding bonds are being issued as Auction Rate Certificates ("ARCs"). The initial interest period of the refunding bonds commenced from the date of delivery of the bonds and ends on January 1, 2012. During this period the interest payable on the bonds will accrue at 5.25% per annum. After the initial interest period, the refunding bonds will bear interest at the applicable Auction Rate. The Auction Dates for the 2002 Series B Bonds will generally occur every thirty-five (35) days.

The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $12.9 million and is expected to result in present value savings of approximately $8.1 million based on an average cost of 4.80% on the new bonds. The refunded bonds were redeemed on January 1, 2003.

This transaction resulted in a net loss for accounting purposes of $6.04 million, consisting primarily of the write-off of unamortized debt expense and the discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of refunding bonds. The loss allocated to the new bonds of $5.97 million was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of a $74 thousand extraordinary loss in fiscal year 2003.

In May 2002, the Authority issued $125.3 million par value SJ 2002 Refunding Series A Bonds ("refunding bonds") to refund $118.1 million of SJ 1993 Revenue Series A Bonds ("refunded bonds"). The refunded bonds were redeemed beginning on January 1, 2003 and will continue to be redeemed as they become due every January 1 through January 1, 2014. The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $8.9 million and is expected to result in present value savings of approximately $4.0 million based on an average cost of 5.33% on the new bonds.

This transaction resulted in a net loss for accounting purposes of $7.3 million, consisting primarily of the write-off of unamortized debt expense and the discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of refunding bonds. The loss allocated to the new bonds of $7.0 million was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of a $0.3 million extraordinary loss in fiscal year 2002.

Subordinate Refunding Bonds

Southern Transmission Project Refunding – In May 2003, the Authority issued $51.75 par value STS 2003 Subordinate Refunding Series A Bonds ("refunding bonds") to refund $58.5 million of STS 1993 Subordinate Refunding Series A Bonds ("refunded bonds"). Funds released from the debt service accounts related to the refunded bonds were $9.8 million. The refunded bonds are expected to be redeemed on July 1, 2003. The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $13.3 million and is expected to result in present value savings of approximately $9.9 million based on an average cost of 3.27% on the new bonds.

The refunding bonds are issued as Auction Rate Securities bearing interest at a weekly Auction Rate (0.85% at June 24, 2003) as determined by the Auction Agent. The Authority entered into an interest rate swap agreement to fix the interest rate at 3.266% (see Note 4).

This transaction resulted in a net loss for accounting purposes of $9.8 million, consisting primarily of the write-off of unamortized debt expense, deferred loss on prior refundings and the discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of subordinate refunding bonds. The loss allocated to the new bonds of $8.2 million was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of a $1.6 million extraordinary loss in fiscal year 2003.

In October 2002, the Authority issued $38.76 million par value STS 2002 Subordinate Refunding Series B Bonds ("refunding bonds") to refund $46.40 million of STS 1992 Subordinate Refunding Series A Bonds ("refunded bonds"). The remaining $5.2 million was funded from debt service accounts related to the refunded bonds and $2.1 million from the General Reserve Fund. The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $8.7 million and is expected to result in present value savings of approximately $7.3 million based on an average cost of 4.57% on the new bonds. The refunded bonds were redeemed in December 2002.

This transaction resulted in a net loss for accounting purposes of $5.93 million, consisting primarily of the write-off of unamortized debt expense, deferred loss on prior refundings and the discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of subordinate refunding bonds. The loss allocated to the new bonds of $5.03 million was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of an $892 thousand extraordinary loss in fiscal year 2003.

In May 2002, the Authority issued $63.9 million par value STS 2002 Subordinate Refunding Series A Bonds ("refunding bonds") to refund $73.3 million of STS 1992 Subordinate Refunding Series A Bonds ("refunded bonds"). The remaining amount of $9.4 million was funded through the release of funds from the debt service accounts related to the refunded bonds. The refunded bonds were redeemed on July 1, 2002. The refunding is expected to reduce total debt service payments over the life of the refunding issue by approximately $4.7 million and is expected to result in present value savings of approximately $3.4 million based on an average cost of 4.97% on the new bonds.

This transaction resulted in a net loss for accounting purposes of $9.7 million, consisting primarily of the write-off of unamortized debt expense, deferred loss on prior refundings and the discount associated with the refunded bonds. The Authority has proportionately allocated this loss between bonds refunded through funds released from the debt service accounts and through the issuance of subordinate refunding bonds. The loss allocated to the new bonds of $8.2 million was deferred and will be amortized over the life of the new bonds. The portion refunded with cash resulted in immediate recognition of a $1.5 million extraordinary loss in fiscal year 2002.

Advance Refundings – In prior years, the Authority established irrevocable escrow trusts with the proceeds from issuance of subordinate refunding bonds. These investments will be used to call specified revenue bonds at scheduled redemption dates.

In February 2003, the Palo Verde 1993 Escrow Funds which were created to defease to maturity $238.3 million of Palo Verde 1993 Refunding Series A and $98.2 million of 1993 Palo Verde Subordinate Refunding Series Bonds, together the "1993 Defeased Bonds", were restructured. The Escrow Securities held to call the 1993 Defeased Bonds were sold and the proceeds were used to purchase securities of the new 1993 Escrow Funds for the purpose of redeeming the 1993 Defeased Bonds on July 1, 2003.

The transaction resulted in a gain of $16.7 million, net of expenses of $580,000. For accounting purposes, this gain is being deferred and amortized as a downward yield adjustment over the life of the debt used to advance refund the 1993 Defeased Bonds. The funds will be used to pay a portion of the 2004 fiscal year capital improvements and the debt service in the amounts of $8.9 million and $7.8 million, respectively.

Prior Year Defeasance of Debt – In prior years, the Authority defeased specified revenue bonds by placing the proceeds from 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 defeased bonds are not included in the Authority's financial statements. At June 30, 2003 and 2002, $555.9 million and $790.6 million, respectively, of revenue bonds outstanding are considered defeased.

A summary of changes in long-term debt follows:

(Amounts in thousands)

	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Magnolia Power Project	Total
Total Long-term debt at June 30, 2002	$ 629,554	$ 830,680	$ 20,275	$ 63,720	$ 205,678	$ 222,865	$ 200,675	$ –	$ 2,173,447
Total Debt due within one year at June 30,2002	47,395	26,695	905	–	–	6,600	1,600	–	83,195
Total Debt at June 30, 2002	676,949	857,375	21,180	63,720	205,678	229,465	202,275	–	2,256,642
Principal payments	(47,395)	(26,695)	(905)	–	–	(6,600)	(1,600)	–	(83,195)
Revenue bonds issued	–	–	–	–	–	–	–	314,080	314,080
Bonds refunded	–	(104,895)	–	–	–	–	(70,800)	–	(175,695)
Refunding bonds issued	–	90,505	–	–	–	–	71,850	–	162,355
Decrease in Unamortized debt-related costs, net	28,786	21,099	319	504	1,629	680	7,364	7,650	68,031
Total Debt at June 30, 2003	$ 658,340	$ 837,389	$ 20,594	$ 64,224	$ 207,307	$ 223,545	$ 209,089	$ 321,730	$ 2,542,218
Total Debt due within one year at June 30, 2003	(49,190)	(29,720)	(1,190)	–	–	(7,100)	(8,390)	–	(95,590)
Total Long-term debt at June 30, 2003	$ 609,150	$ 807,669	$ 19,404	$ 64,224	$ 207,307	$ 216,445	$ 200,699	$ 321,730	$ 2,446,628

Unamortized debt-related costs, net are as follows as of June 30,2003 (amounts in thousands):

Unamortized debt-related costs, net:	Loss on Refunding	(Premium) Discount	Total
Palo Verde Project	$ 42,011	$ 61,104	$ 103,115
Southern Transmission System Project	127,141	33,545	160,686
Hoover Uprating Project	3,634	(448)	3,186
Mead-Phoenix Project	5,249	2,441	7,690
Mead-Adelanto Project	14,435	7,434	21,869
Multiple Project Fund	–	11,555	11,555
San Juan Project	11,556	(16,835)	(5,279)
Magnolia Power Project	–	(7,650)	(7,650)
	$ 204,026	$ 91,146	$ 295,172

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, 2003 of 0.85% and 0.90%, respectively. The variable rates are set by the bond remarketing agent on a weekly basis based on economic conditions and bond ratings. The variable rate used for the SJ 2002 Revenue Refunding Series B was assumed at 4% per annum starting in January 1, 2012.

Fair Value – The fair value of the Authority's long-term debt (including the current portion) is approximately \$3.0 billion and \$2.6 billion at June 30, 2003 and 2002, 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, net of the effect of a related interest rate swap agreement.

(Amounts in thousands)

		Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Magnolia Power Project	Total
2004	Principal	$ 49,190	$ 29,720	$ 1,190	$ –	$ –	$ 7,100	$ 8,390	$ –	$ 95,590
	Interest	30,799	37,992	1,030	3,889	12,232	14,396	10,398	15,170	125,906
2005	Principal	51,800	28,535	1,230	–	–	7,600	8,805	–	97,970
	Interest	28,426	37,381	987	3,889	12,232	13,864	10,013	15,170	121,962
2006	Principal	–	31,470	1,275	–	–	8,100	9,160	–	50,005
	Interest	28,426	36,844	943	3,889	12,232	13,297	9,631	15,170	120,432
2007	Principal	–	34,230	1,315	3,040	10,135	–	9,570	3,735	62,025
	Interest	28,426	36,279	893	3,748	11,763	13,297	9,186	15,096	118,688
2008	Principal	–	30,950	1,370	3,175	10,600	–	10,050	4,520	60,665
	Interest	28,426	34,668	838	3,598	11,260	13,297	8,695	15,005	115,787
2009-2013	Principal	108,120	185,600	7,715	21,340	62,655	74,900	58,735	24,610	543,675
	Interest	139,885	145,015	3,279	14,617	46,184	50,892	33,304	72,542	505,718
2014-2018	Principal	552,345	254,155	9,685	26,005	84,400	13,800	83,600	30,485	1,054,475
	Interest	108,925	95,674	1,190	7,097	23,778	36,069	10,730	66,056	349,519
2019-2023	Principal	–	333,900	–	18,355	61,385	123,600	15,500	39,100	591,840
	Interest	–	28,788	–	924	3,088	4,454	785	56,997	95,036
2024-2028	Principal	–	69,515	–	–	–	–	–	49,910	119,425
	Interest	–	–	–	–	–	–	–	45,664	45,664
2029-2033	Principal	–	–	–	–	–	–	–	63,695	63,695
	Interest	–	–	–	–	–	–	–	31,186	31,186
2034-2037	Principal	–	–	–	–	–	–	–	98,025	98,025
	Interest	–	–	–	–	–	–	–	10,142	10,142
	Principal	$ 761,455	$ 998,075	$ 23,780	$ 71,915	$ 229,175	$ 235,100	$ 203,810	$ 314,080	$ 2,837,390
	Interest	$ 393,313	$ 452,641	$ 9,160	$ 41,651	$ 132,769	$ 159,566	$ 92,742	$ 358,198	$ 1,640,040
Effective costs of capital		5.52%	4.71%	4.15%	5.57%	5.71%	6.99%	3.98%	4.76%	

6. Net Assets (Deficit)

As a result of the adoption of GASB 34, costs recoverable, deferred credits and funds due to participants were reclassified to net assets (deficit) in accordance with this statement.

Costs Recoverable – Billings to participants are designed to recover "costs" as defined by the power 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 difference between billings and the Authority's expenses calculated in accordance with generally accepted accounting principles are deferred as costs recoverable in future periods and are presented as net assets (deficit). It is intended that the deferred amounts will be recovered through billings for repayment of principal on the related bonds.

Deferred Credits – 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. The remaining funds are held in the Multiple Project Fund. Deferred credits represent the accumulated net earnings of the fund.

Funds Due to Participants – 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. Monies deposited by the participants to this Fund are used to pay for Authority costs as directed by the participants. This fund is not a project-related fund, therefore, it is not governed by any project Indenture of Trust. Funds due to Participants represents the net amount of contributions and net earnings on the invested contributed funds.

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

	(Amounts in thousands)				
	June 30, 2001	Fiscal Year 2002 Activity	June 30, 2002	Fiscal Year 2003 Activity	June 30, 2003
GAAP items not included in billings to participants:					
Depreciation of plant	$ (689,743)	$ (62,318)	$ (752,061)	$ (62,325)	$ (814,386)
Nuclear fuel amortization	(19,548)	–	(19,548)	–	(19,548)
Decommissioning expense	(118,264)	(6,982)	(125,246)	(6,009)	(131,255)
Amortization of bond discount, debt issue costs, and loss on refundings	(508,404)	(40,956)	(549,360)	(35,096)	(548,456)
Interest expense	(64,766)	835	(63,931)	1,654	(62,277)
Bond requirements included in billings to participants:					
Operations and maintenance, net of investment income	144,484	31,091	175,575	99,330	274,905
Costs of acquisition of capacity	17,810	959	18,769	1,153	19,922
Billings to amortize costs recoverable	230,820	50,410	281,230	50,410	331,640
Reduction in debt service billings due to transfer of excess funds	(81,110)	(8,910)	(90,020)	–	(90,020)
Principal repayments	615,579	77,868	693,447	86,871	780,318
Other	50,339	7,457	57,796	7,833	65,629
	(422,803)	49,454	(373,349)	143,821	(229,528)
Multiple Project Fund Net Assets	5,561	794	6,355	337	6,692
Projects' Stabilization Fund Net Assets	200,350	(26,565)	173,785	(77,364)	96,421
	$ (216,892)	$ 23,683	$ (193,209)	$ 66,794	$ (126,415)

7. Commitments and Contingencies

Deregulation – In September 1996, Assembly Bill 1890 (the "Bill") was given final approval. The Bill, which provides for broad deregulation of the power generation industry in California, requires the participation of the state's investor-owned utilities. Consumer-owned utilities can participate on a voluntary basis but must hold public hearings as part of their decision making process. The Bill, which was supported by the Authority, authorizes the collection of a transition charge for generation when a consumer-owned utility opens its service area to competition and participates in the independent transmission system established by the legislation. The Bill also mandates the collection of a public benefit charge from all electric utility customers in the state. Although these funds (approximately 2.85% of gross revenues) must be spent on renewable resources, conservation, research and development, or low income rate subsidies, the governing authority of each consumer-owned utility controls actual expenditures. Due to instability in power open markets in California, in 2001 direct access ceased. The Authority cannot predict the impact of any future direct access or deregulation programs on 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 now cannot be completed before 2010. There is ongoing litigation with respect to the DOE's ability to accept spent nuclear fuel; however, no permanent resolution has been reached.

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 means the DOE can now file a construction and operation plan for Yucca Mountain with the Nuclear Regulatory Commission ("NRC"). The DOE expects that the Yucca Mountain site will be open by 2010, a date which is believed to be highly optimistic. The State of Nevada and its congressional delegation are determined to halt the project through the NRC process or through legal challenges.

Feud over funding of the repository, however, ensues. The Administration and Congressional leaders continue to push for full and adequate funding, in order for the DOE to meet the application deadline of 2004. The Nevada delegation has been working diligently to try 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.

The spent fuel storage in the wet pool at PVNGS exhausted its capacity in 2003. A Dry Cask Storage 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 plant until 2026, the end of its lifetime. To date, five casks, each containing 24 fuel assemblies, from Unit 2 were placed in the Storage Facility. Moving of the spent fuel from Unit 1 to the Storage Facility is in progress. The current plan calls for the removal of between 240 and 288 fuel assemblies from the units to the Storage 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 would cost approximately $12 million a year (about $700,000 for the Authority). If the permanent repository in Yucca Mountain is opened as scheduled in 2010, the spent fuel from PVNGS will be shipped to the repository starting in 2031.

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 $9.5 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 $88 million for each licensee for each nuclear incident occurring at any nuclear reactor in the United States; payments under the program are limited to $10 million, per incident, per year. Based on the Authority's 5.91% interest in Palo Verde, the Authority would be responsible for a maximum assessment of $5.2 million, limited to payments of $591,000 per incident, per year.

Other Legal Matters – Claims and a lawsuit for damages have been filed with the Authority, Intermountain Power Authority (the "IPA") and the Department of Water and Power of the City of Los Angeles (the "Department") 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, IPA and the Department intend to vigorously defend the claims.

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.

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, 2003

(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, 2002	$ 40,636	$ 34,629	$ 103,104	$ 6,161	$ 1,000	$ 571,690	$ –	$ 46,144	$ 25,399	$ 57,973	$ –	$ 886,736
Additions:												
Investment earnings	267	1,418	4,320	14	42	12,345	1	160	557	2,232	6	21,362
Discount on investment purchases	174	59	213	34	1	135,783	53	464	126	1,033	24	137,964
Distribution of investment earnings	(331)	(1,455)	–	(48)	(43)	–	(57)	(614)	(673)	(2,437)	5,658	–
Revenue from power sales	–	–	–	–	–	–	–	–	–	–	191,357	191,357
Distribution of revenue	21,614	–	8,671	–	–	–	122,297	–	35,790	9,096	(196,801)	667
Transfer from escrow fund for principal and interest payments	30,447	–	–	–	–	(39,997)	–	9,550	–	–	–	–
Transfer from escrow restructuring	–	–	–	–	–	(17,291)	7,783	–	580	8,928	–	–
Other	(2,334)	–	–	–	–	50,450	(128,198)	60,574	(2,283)	22,495	–	704
Total	49,837	22	13,204	–	–	141,290	1,879	70,134	34,097	41,347	244	352,054
Deductions:												
Construction expenditures	–	–	–	–	–	–	–	–	–	7,865	–	7,865
Operating expenditures	–	–	3	–	–	–	–	–	29,314	–	–	29,317
Debt issue cost	–	–	–	–	–	3,509	–	–	–	–	–	3,509
Remarketing/Commitment Fees	–	–	–	–	–	–	–	432	–	–	–	432
Fuel costs	–	–	–	–	–	–	–	–	8,131	–	–	8,131
Payment of principal	24,150	–	–	–	–	–	–	23,245	–	–	–	47,395
Interest paid - non-escrow	5,172	–	–	–	–	–	–	29,588	–	–	–	34,760
Premium and interest paid on investment purchases	3	–	–	–	–	–	–	4	–	43	–	50
Payment of principal and interest paid - escrow	30,447	–	–	–	–	–	–	9,550	–	–	–	39,997
Total	59,772	–	3	–	–	3,509	–	62,819	37,445	7,908	–	171,456
Balance at June 30, 2003	$ 30,701	$ 34,651	$ 116,305	$ 6,161	$ 1,000	$ 709,471	$ 1,879	$ 53,459	$ 22,051	$ 91,412	$ 244	$1,067,334

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost for both on balance sheet funds and off balance sheet escrows for legally defeased debt. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $96 held in the revolving fund at June 30, 2003 and 2002, 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, 2003

(Amounts in thousands)

	Debt Service Fund	Escrow Fund	General Reserve Fund	Issue Fund	Operating Fund	Revenue Fund	Total
Balance at June 30, 2002	$ 12,165	$ 189,875	$ 460	$ 76,809	$ 4,425	$ –	$ 283,734
Additions:							
Investment earnings	59	3,040	4	4,104	43	7	7,257
Discount on investment purchases	36	2,386	1	1,172	25	22	3,642
Distribution of investment earnings	(94)	(1)	(5)	(4,401)	(69)	4,570	–
Revenue from transmission sales	–	–	–	–	–	72,665	72,665
Distribution of revenue	3,501	–	1,565	62,591	9,575	(77,232)	–
Transfer to escrow fund required by refunding bonds issuance	6,545	(163,111)	–	156,566	–	–	–
Bond proceeds	–	100,249	(2,023)	(4,568)	–	–	93,658
Other transfers	–	–	–	–	–	–	–
Total	10,047	(57,437)	(458)	215,464	9,574	32	177,222
Deductions:							
Operating expenses	–	–	–	–	13,475	–	13,475
Debt issue cost	–	–	–	1,605	–	–	1,605
Payment of principal	17,675	–	–	9,020	–	–	26,695
Interest paid	–	–	–	42,149	–	–	42,149
Premium and interest paid on investment purchases	–	2,073	–	–	–	32	2,105
Payment of principal and interest - escrow bonds	–	48,685	–	165,263	–	–	213,948
Total	17,675	50,758		218,037	13,475	32	299,977
Balance at June 30, 2003	$ 4,537	$ 81,680	$ 2	$ 74,236	$ 524	$ –	$ 160,979

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost for both on balance sheet funds and off balance sheet escrows for legally defeased debt. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $40 and $38 held in the revolving fund at June 30, 2003 and 2002, 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, 2003

(Amounts in thousands)

	Debt Service Account	Debt Service Reserve Account	Escrow Fund	General Reserve Fund	Advance Payment Fund	Operating Fund	Revenue Fund	Total
Balance at June 30, 2002	$ 1,240	$ –	$ –	$ 1,623	$ 3	$ 1,184	$ –	$ 4,050
Additions:								
Investment earnings	7	–	–	51	–	18	1	77
Discount on investment purchases	8	–	–	19	–	7	–	34
Distribution of investment earnings	(15)	–	–	(70)	–	(25)	110	–
Revenue from power sales	–	–	–	–	–	–	2,289	2,289
Distribution of revenues	1,923	–	–	78	–	399	(2,400)	–
Total	1,923	–	–	78	–	399	–	2,400
Deductions:								
Operating expenses	–	–	–	–	–	261	–	261
Payment of principal	905	–	–	–	–	–	–	905
Interest paid	1,077	–	–	–	–	–	–	1,077
Total	1,982	–	–	–	–	261	–	2,243
Balance at June 30, 2003	$ 1,181	$ –	$ –	$ 1,701	$ 3	$ 1,322	$ –	$ 4,207

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of on balance sheet cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $18 and $22 held in the revolving fund at June 30, 2003 and 2002, 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, 2003

(Amounts in thousands)

	Acquisition Account	Debt Service Account	Debt Service Reserve Account	Operating Fund	Reserve & Contingency Fund	Revenue Fund	Total
Balance at June 30, 2002	$ –	$ 3,387	$ 5,915	$ 169	$ 1,806	$ –	$ 11,277
Additions:							
Investment earnings	–	129	431	1	127	1	689
Distribution of investment earnings	–	431	(435)	–	(127)	131	–
Transmission revenue	–	–	–	–	–	4,179	4,179
Refunds from operating manager	–	–	–	27	–	–	27
Refunds from Arizona Department of Taxation	–	–	–	168	–	–	168
Transfer of revenues	–	3,287	–	840	12	(4,139)	–
Payments from Western Area Power Administration	–	–	–	–	–	100	100
Other transfers	–	168	–	104	–	(272)	–
Total	–	4,015	(4)	1,140	12	–	5,163
Deductions:							
Operating expenses		–	–	1,202	–	–	1,202
Interest paid		3,889	–	–	–	–	3,889
Total	–	3,889	–	1,202	–	–	5,091
Balance at June 30, 2003	$ –	$ 3,513	$ 5,911	$ 107	$ 1,818	$ –	$ 11,349

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of on balance sheet cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $12 held in the revolving fund at both June 30, 2003 and 2002.

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, 2003

(Amounts in thousands)

	Acquisition Account	Debt Service Account	Debt Service Reserve Account	Operating Fund	Reserve & Contingency Fund	Revenue Fund	Surplus Fund	Total
Balance at June 30, 2002	$ –	$ 6,850	$ 16,267	$ 389	$ 6,826	$ –	$ –	$ 30,332
Additions:								
Investment earnings	–	132	1,196	2	500	2	–	1,832
Discount on investment earnings	–	25	–	–	–	–	–	25
Distribution of investment earnings	–	1,422	(1,196)	–	(500)	274	–	–
Transmission revenue	–	–	–	–	–	11,407	–	11,407
Distribution of revenues	–	10,787	–	896	–	(11,683)	–	–
Total	–	12,366	–	896	–	–	–	13,264
Deductions:								
Interest paid	–	12,232	–	–	–	–	–	12,232
Operating expenses	–	–	–	1,125	–	–	–	1,125
Total	–	12,232	–	1,125	–	–	–	13,357
Balance at June 30, 2003	$ –	$ 6,984	$ 16,267	$ 162	$ 6,826	$ –	$ –	$ 30,239

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of on balance sheet cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $12 held in the revolving fund at June 30, 2003 and 2002, 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, 2003

(Amounts in thousands)

	Proceeds Account	Debt Service Account	Earnings Account	Total
Balance at June 30, 2002	$ 246,188	$ 1	$ 1,395	$ 247,584
Additions:				
Investment earnings	17,514	–	50	17,564
Transfer of investment earnings to earnings account	(21,452)	–	21,452	–
Transfer to debt service account	–	21,710	(21,710)	–
Total	(3,938)	21,710	(208)	17,564
Deductions:				
Interest paid	–	15,111	–	15,111
Payment of principal	–	6,600	–	6,600
Total	–	21,711	–	21,711
Balance at June 30, 2003	$ 242,250	$ –	$ 1,187	$ 243,437

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

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, 2003

(Amounts in thousands)

	Debt Service Account	Debt Service Reserve Account	Escrow Account	Cost of Issuance Fund	Operating Fund	Reserve & Contingency Fund	General Reserve Fund	Revenue Fund	Total
Balance at June 30, 2002	$ 4,148	$ 13,524	$ 124,828	$ 51	$ 3,256	$ 9,342	$ 622	$ –	$ 155,771
Additions:									
Investment earnings	4	1,116	1,845	1	5	98	5	8	3,082
Discount on investments	65	–	33	–	36	85	2	16	237
Distribution of investment earnings	(69)	(1,116)	–	(1)	(41)	(230)	(7)	1,464	–
Revenue from power sales	–	–	–	–	–	–	–	61,123	61,123
Distribution of revenues	11,205	–	–	10	51,762	(366)	–	(62,611)	–
Bond proceeds	–	8,075	71,459	1,216	–	–	–	–	80,750
Transfer from escrow for principal and interest payments	199,050	–	(199,050)	–	–	–	–	–	–
Transfer to escrow funds required by refunding bond issuance	(885)	–	885	–	–	–	–	–	–
Other	–	–	–	(59)	–	–	59	–	–
Total	209,370	8,075	(124,828)	1,167	51,762	(413)	59	–	145,192
Deductions:									
Operating expenses	–	–	–	–	53,811	–	–	–	53,811
Construction expenditures	–	–	–	–	–	290	–	–	290
Debt issue cost	–	–	–	1,218	–	–	–	–	1,218
Payment of principal	1,600	–	–	–	–	–	–	–	1,600
Interest paid – non-escrow	7,485	–	–	–	–	–	–	–	7,485
Payment of principal and interest – escrow	199,050	–	–	–	–	–	–	–	199,050
Total	208,135	–	–	1,218	53,811	290	–	–	263,454
Balance at June 30, 2003	$ 5,383	$ 21,599	$ –	$ –	$ 1,207	$ 8,639	$ 681	$ –	$ 37,509

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost for both on balance sheet funds and off balance sheet escrows for legally defeased debt. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $22 and $20 held in the revolving fund at June 30, 2003 and 2002, 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, 2003

(Amounts in thousands)

	Debt Service Account	Debt Service Reserve Account	Project Fund	Operating Reserve Fund	Reserve & Contingency Fund	Total
Balance at June 30, 2002	$ –	$ –	$ –	$ –	$ –	$ –
Additions:						
Investment earnings	137	–	62	–	–	199
Bond proceeds	32,918	19,620	255,044	5,000	10,000	322,582
Other	–	–	727	–	–	727
Total	33,055	19,620	255,833	5,000	10,000	323,508
Deductions:						
Construction expenditures	–	–	84,584	–	–	84,584
Debt issue cost	–	–	6,270	–	–	6,270
Premium and interest paid on investment purchases	–	72	–	6	36	114
Total	–	72	90,854	6	36	90,968
Balance at June 30, 2003	$ 33,055	$ 19,548	$ 164,979	$ 4,994	$ 9,964	$ 232,540

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of on balance sheet cash and investments at original cost. These balances do not include accrued interest receivable and unrealized gain (loss) on investment at June 30, 2003.

City of Anaheim

Customers - Retail	109,981
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	1,079,753
Purchased	2,441,837
Total	3,521,590
Total Revenues (000s)	$280,550*
Operating Costs (000s)	$264,258*

*Unaudited

City of Azusa

Customers Served	15,170
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	0
Purchased	258,320
Sales	
Retail	255,021
Total Revenues (000s)	$20,630*
Operating Costs (000s)	$24,173*

*Unaudited

City of Banning

Customers Served	10,969
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	0
Purchased	147,641
Total	147,641
Total Revenues (000s)	$17,159*
Operating Costs (000s)	$16,105*

*Unaudited

City of Burbank

Customers Served	51,438
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	77,000
Purchased	1,090,987
Total	1,167,987
Total Revenues (000s)	$215,435*
Operating Costs (000s)	$192,076*

*Unaudited

City of Cerritos

Customers Served	To be determined
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	0
Purchased	To be determined
Total Revenues (000s)	$0
Operating Costs (000s)	$0

City of Colton

Customers Served	17,769
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	0
Purchased	338,466
Total	338,466
Total Revenues (000s)	$36,142*
Operating Costs (000s)	$34,186*

*Unaudited

City of Glendale

Customers Served	83,147
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	166,950
Purchased	1,322,548
Total	1,489,498
Total Revenues (000s)	$195,648*
Operating Costs (000s)	$135,945*

*Unaudited

Imperial Irrigation District

Customers Served	104,678
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	1,044,015
Purchased	1,985,331
Total	3,029,346
Total Revenues (000s)	$281,906
Operating Costs (000s)	$232,265

Los Angeles Department of Water and Power

Customers Served	1,420,814
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	12,935,821
Purchased	14,751,367
Total	27,687,188
Total Revenues (000s)	$2,140,752*
Operating Costs (000s)	$1,974,501*

*Unaudited

City of Pasadena

Customers Served	59,075
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	161,979
Purchased	1,157,817
Total	1,319,796
Total Revenues (000s)	$142,721
Operating Costs (000s)	$127,131

City of Riverside

Customers Served	98,459
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	331,600
Purchased	2,014,600
Total	2,346,200
Total Revenues (000s)	$203,101*
Operating Costs (000s)	$189,100*

*Unaudited

City of Vernon

Customers Served	2,059
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	350
Purchased	1,315,686
Total	1,316,036
Total Revenues (000s)	$101,393
Operating Costs (000s)	$87,530

SCPPA

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