annual report

SCPPA

2003-2004

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WHAT IS SCPPA?

The Southern California Public Power Authority (SCPPA), with headquarters in Pasadena, California, is a joint powers authority consisting of eleven municipal utilities and one irrigation district. SCPPA members currently deliver electricity to over 2 million customers over an area of 7,000 square miles, and with a total population exceeding 5 million.

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

Formed in 1980 to finance the acquisition of generation and transmission resources for its members, SCPPA currently 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, wholly owned by the Authority, is a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts currently in the construction phase and commercial operation is expected to begin in mid-2005.

The projects have been financed through the issuance of tax-exempt bonds, backed by the combined credit of SCPPA members participating in each project. As of June 30, 2004, SCPPA has issued $9.8 billion in bonds, notes, and refunding bonds, of which $2.5 billion was outstanding.

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

MISSION

SCPPA provides financing and oversight for large joint projects in the electric utility industry and through coordinated efforts, it will facilitate, implement, and communicate information relative to issues and projects of mutual interest to its members as determined by the Board of Directors

VISION

SCPPA will provide cost-effective joint action services that supplement member programs and activities, and that secure long-term physical supplies at predictable pricing levels for usage in power generation to assure continued member success.

SCPPA OFFICERS

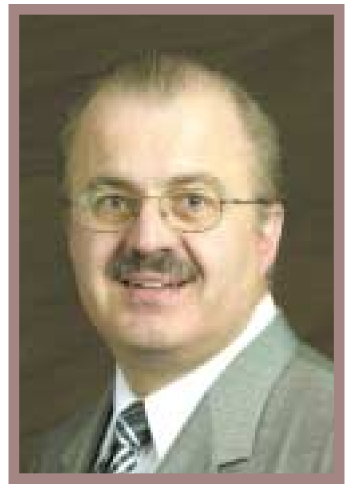
Bill D. Carnahan, Executive Director

Phyllis E. Currie, Vice President

Ronald E. Davis, President

Ronald O. Vazquez, Secretary

PRESIDENT'S LETTER



At the turn of the century, California was in the midst of the great "deregulation experiment". The viability of public power systems and joint action agencies became uncertain. Southern California Public Power Authority (SCPPA) responded to the numerous challenges by working together, and by taking action to implement a clear strategic plan. As a result, SCPPA and its members have become known as part of the "solution" to California's electricity industry problem, rather than part of the problem.

The story of SCPPA's success continues. The Authority's Members have worked together since 1980. On a combined basis, they currently deliver electricity and provide services to 2 million customers over an area of approximately 7,000 square miles. SCPPA is a participant in three major transmission projects and has three generation projects in operation, generating and bringing power to Southern California from Arizona, Nevada, New Mexico, and Utah.

SCPPA Members believe, and are continuing to demonstrate, that together more can be accomplished, and through joint action every participant can benefit. The latest example is the SCPPA-owned Magnolia Power Project (MPP). The MPP is a nominal, 250 megawatt (peak 310 megawatt), natural gas-fired combined cycle generation facility scheduled to go into commercial operation in May 2005. The project will serve the communities of Anaheim, Burbank, Cerritos, Colton, Glendale, and Pasadena. The project is located in an urban setting, near downtown Burbank, and the Project Manager, Burbank Water and Power, has been extremely successful in gaining local support for the project from the City Council and its citizens. The project utilizes existing infrastructure, and is designed to operate solely on reclaimed waste water. When completed, MPP will be one of the most efficient and environmentally sensitive projects of its kind.

Through collaborative efforts of its members, SCPPA has developed a comprehensive and dynamic strategic plan that is a common vision for its members and a platform for action. SCPPA has dramatically increased its involvement in legislative and regulatory affairs at both state and federal levels to protect represented customers, and its executive team has assisted SCPPA in becoming highly successful by assuring resource adequacy, excellent reliability, and environmental stewardship. Much of this success can be attributed to SCPPA's Executive Director, Bill Carnahan. Under Bill's direction, the Authority's involvement and services to its members have grown dramatically during his tenure. SCPPA has provided effective forums of collaboration by the establishment of new committees that include Customer Service, Transmission and Distribution, Engineering and Operations, Public Benefits (conservation, research and energy demonstration programs), and Resource Planning and Renewables. These committees are assisting members to produce benchmarking and best practices; training; joint contracting for services and fuel acquisition for power generation; as well as, acquisition of renewable supplies such as wind, land-fill gas, and geothermal.

As President of SCPPA, I am proud to be part of the many accomplishments and the exciting opportunities for the Southern California public power utilities. With one of the strongest financial ratings in the utility industry, SCPPA continues in its traditional role of providing financing for our Members' generation and transmission projects by finding ways to reduce capital costs through debt refinancing. Working together, SCPPA members are providing and delivering reliable service with competitive and stable rates.

SCPPA is meeting the energy needs of our Members' customers and the communities they serve. Through the continued collaborative efforts of its members, SCPPA is well positioned to respond in meeting the new challenges in our industry.

Ron Davis

Ronald E. Davis
President

THROUGH COLLABORATIVE EFFORTS OF ITS MEMBERS, SCPPA HAS DEVELOPED A COMPREHENSIVE AND DYNAMIC STRATEGIC PLAN THAT IS A COMMON VISION FOR ITS MEMBERS AND A PLATFORM FOR ACTION.

EXECUTIVE DIRECTOR'S LETTER

"Investing in the future", describes this year. Traditionally, SCPPA's investments have been in the areas of hydroelectric, nuclear, coal, and natural gas-fired generation as well as high voltage transmission to deliver the energy to California . To meet the challenges and increasing demand for energy, new investments in local base load and peaking natural gas-fired units will help satisfy these needs and increase overall system reliability. Planned expansion and re-powering projects through the year 2010 will add approximately 2,000 Megawatts of new gas-fired generation, and will be built to either replace current third-party power contracts or to retire older less efficient local generating units. Investments are also being made to provide customers with more renewable generation and energy efficiency. In the role as SCPPA's Executive Director, I am very proud to be a part of this expansion and continued success.

As a Joint Action Agency, SCPPA continues in its traditional role of providing financing for our Members' generation and transmission projects, managing various projects, and finding ways to reduce capital costs through debt refinancing. To take advantage of market conditions and low interest rates and maintain and reinforce our financial stability, we restructured debt, which resulted in over $18 million in gross debt service savings for our Members during the fiscal year.

The twelve Members of SCPPA are each independent, locally owned, and highly successful utilities. They provide reliable energy at competitive and stable rates and are sensitive to the communities and the environment in which they serve. Over the last few years, SCPPA has been expanding its role in order to meet the challenges facing the electric industry. The most dramatic example of success is the Magnolia Power Project (MPP), the first wholly-owned and operated SCPPA project. MPP, a combined cycled natural gas-fired plant, is located in Burbank, California. The Project is currently under construction and scheduled for operation in May 2005. When completed, MPP will generate 242 megawatts to meet base-load capacity and have a peaking capacity of more that 300 megawatts. Magnolia will utilize the latest technology requiring less fuel, is more efficient, and produces significantly less pollution than the older power plants it replaces. Most importantly, Magnolia will meet the strictest environmental standards and regulations in the nation.

Natural gas fired power generation has historically fulfilled peaking or intermediate demands, however, for economic, environmental and reliability reasons, SCPPA members have recently invested in a significant amount of base-load natural gas generation. While the new units will use less fuel on a per-unit basis, they will require natural gas at stable prices to produce reliable low-cost electricity. The SCPPA Board approved the Natural Gas Acquisition Project as a Study Project and entered into project development agreements with certain of its members and three non-SCPPA public utilities (the City of Redding, the Turlock Irrigation District, and the Southern Nevada Water Authority) to study the feasibility of purchasing non-operating working interests in natural gas producing properties. SCPPA's largest Member, the Los Angeles Department of Water and Power, was appointed and serves as the Project Manager, responsible for leading the project pursuant to the Natural Gas Project Development Agreement. The acquisition program will include several different properties acquired over a period of time. The overall form of financing for the project will include additional options for the SCPPA members to "bring their own money" or finance through SCPPA. An investment-banking firm was selected to lead the project's financing activities for SCPPA and a natural gas property advisor and engineering firms were hired to advise SCPPA regarding the desirability of potential gas property acquisitions.

In addition to the traditional type of investments, renewable energy will also continue to play an important role for the future. Investments by SCPPA members in renewable programs, have totaled nearly $70 million over the past five years. New renewable projects will further diversify generation portfolios, and also benefit the environment by reducing air emissions when compared to conventional generation.

Today, providing financing for new projects, seeking ways to reduce financing costs for existing projects, and coordinating all activities that provide collective benefits to the Members remain SCPPA's primary goals. SCPPA is also securing the future for its Members through both traditional and non-traditional investments. Through SCPPA, the Members have realized the value of collective leadership and the key to their success has been the collaborative efforts which they are applying in new and exciting directions in responding to the challenges and opportunities in our industry.

Working together in partnership with its Members, SCPPA is investing in the future.

Bill D. Carnahan
Executive Director

THROUGH SCPPA, THE MEMBERS HAVE REALIZED THE VALUE OF COLLECTIVE LEADERSHIP AND THE KEY TO THEIR SUCCESS HAS BEEN THE COLLABORATIVE EFFORTS WHICH THEY ARE APPLYING IN NEW AND EXCITING DIRECTIONS IN RESPONDING TO THE CHALLENGES AND OPPORTUNITIES IN OUR INDUSTRY.

INVESTING IN THE FUTURE

The **Southern California Public Power Authority** (SCPPA) was created in 1980 by 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 original eleven members, the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, the Imperial Irrigation District, and the newest member, the city of Cerritos. Together, these twelve members serve over 2 million residential and business customers in Southern California representing a population of approximately 5.0 million people. **Most of the SCPPA member systems have been providing electricity and water to the public for over 100 years.**

Throughout the California energy crisis, the continued success story has been the public power systems working 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 and transmission facilities throughout the West. These facilities provide the diversity of fuel and technology, and location that has served SCPPA members well by **providing constant and predictable electrical prices.**

SCPPA members have made traditional investments 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 overall system reliability. **Planned expansion and re-powering projects through the year 2010 will add approximately 2,000 Megawatts of new gas-fired generation,** and will be built to either replace current third-party power contracts or to retire older less efficient units.

In addition to the traditional type of investments, renewable sources continue to be a key component for the future. New renewable projects will further diversify generation portfolios, and also benefit the environment through enhanced pollution control technologies. Investment by SCPPA members in renewable energy programs, have totaled nearly $70 million over the past five years. Through renewable investments, SCPPA members have adopted voluntary renewable portfolio standards similar to those required of IOUs. **By 2010, on a combined basis, SCPPA members expect to have 26% of their generation portfolios consist of renewables, including 8% new renewables and 18% in existing hydroelectric generation.** This 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 customers' energy needs today and in the future. **SCPPA, in partnership with its members, is investing in the future** through the use of new investments in local base load, peaking natural gas-fired units, renewable energy, and prudent use of electricity.

PALO VERDE

OPERATIONS

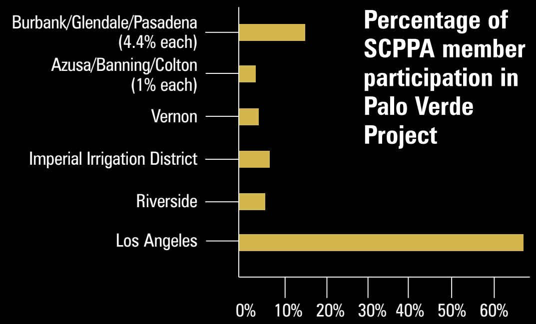
The steam generators in Unit 2 were successfully replaced during the fall of 2003. Plans are underway to replace the steam generators in Units 1 and 3 in 2005 and 2007 respectively.

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
2003	1.32

2003-2004 OPERATIONS

	Generation (Millions of MWHs)	Capacity Utilization (%)
Unit 1	9.3	84.8%
Unit 2	8.0	70.1%
Unit 3	10.1	92.6%
Aggregate	27.4	82.5%



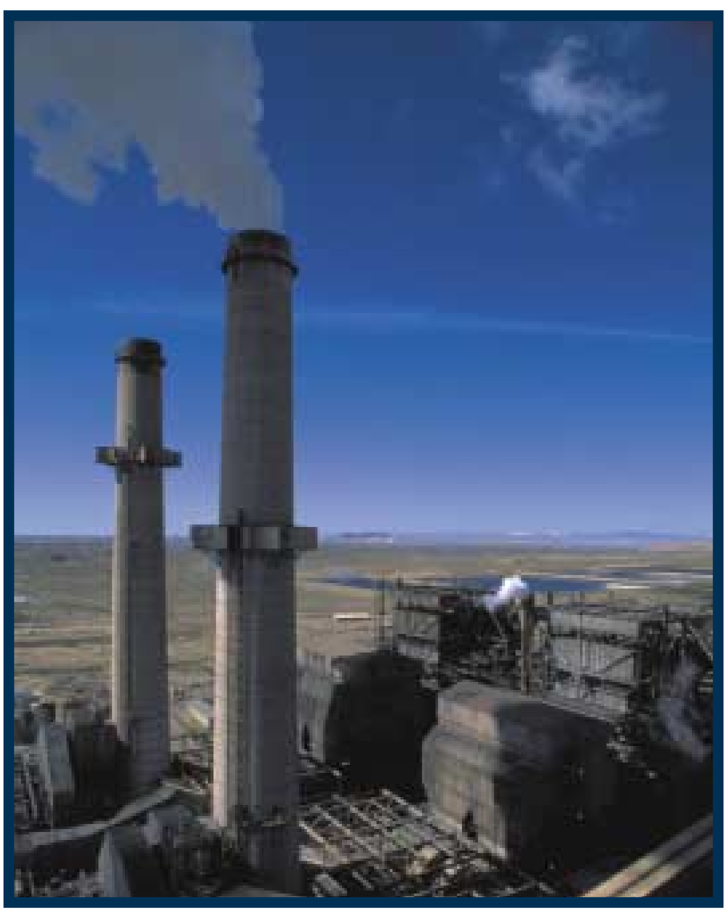
Percentage of SCPPA member participation in Palo Verde Project

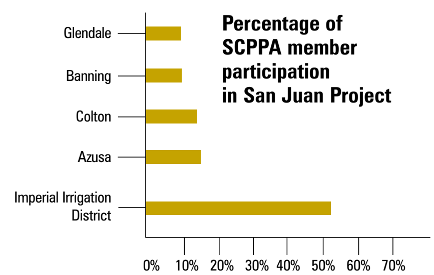
Five SCPPA participants own 41.8% of Unit 3 at the San Juan Generating Station, a coal-fired plant in New Mexico. A series of Interim Invoicing Agreements for fuel has led to high capacity factors and lower per unit fuel costs.

After two decades of surface strip mining at the adjacent coal mine, operations have transitioned to long-wall underground mining. The underground mine has reached steady state, completed the first long-wall move, and is building reserve inventory.

SAN JUAN

UNIT 3 OPERATIONS

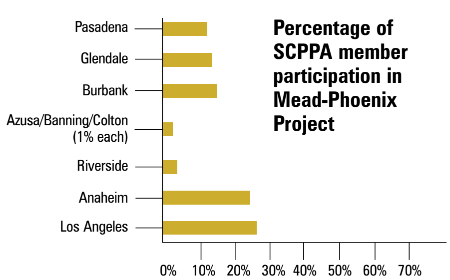




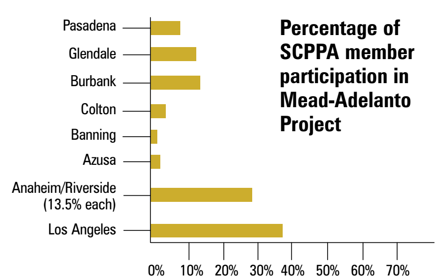
Percentage of SCPPA member participation in San Juan Project

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

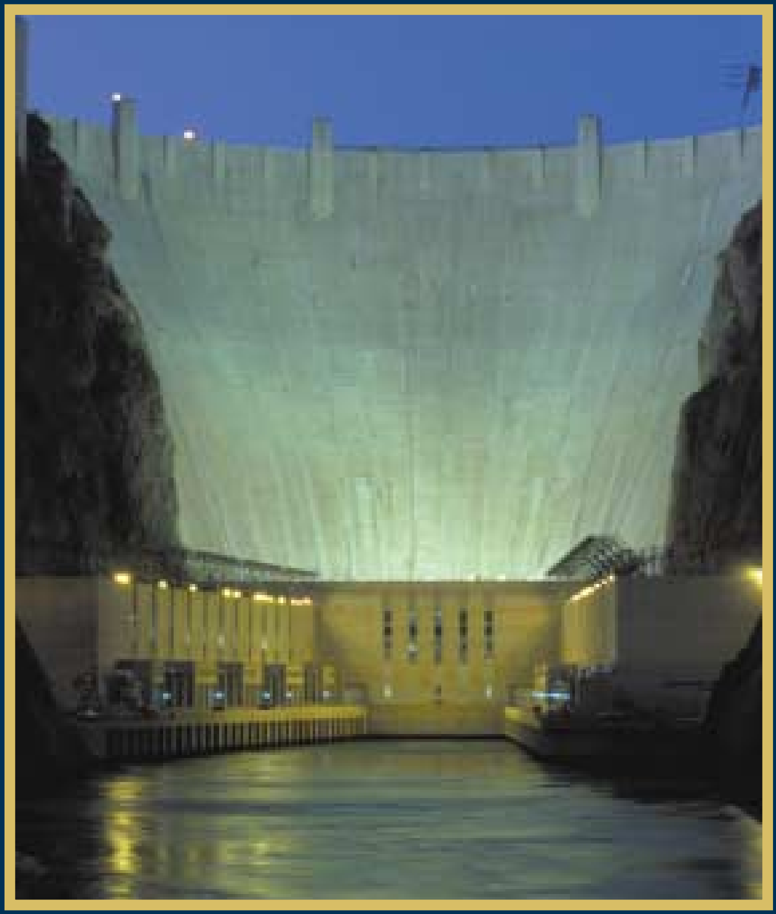
MEAD-PHOENIX/MEAD-ADELANTO TRANSMISSION PROJECTS



Percentage of SCPPA member participation in Mead-Phoenix Project

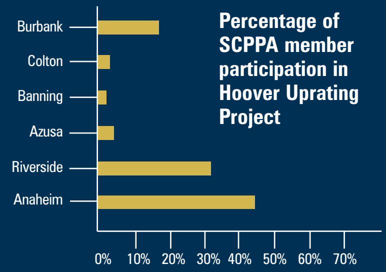


Percentage of SCPPA member participation in Mead-Adelanto Project



HOOVER

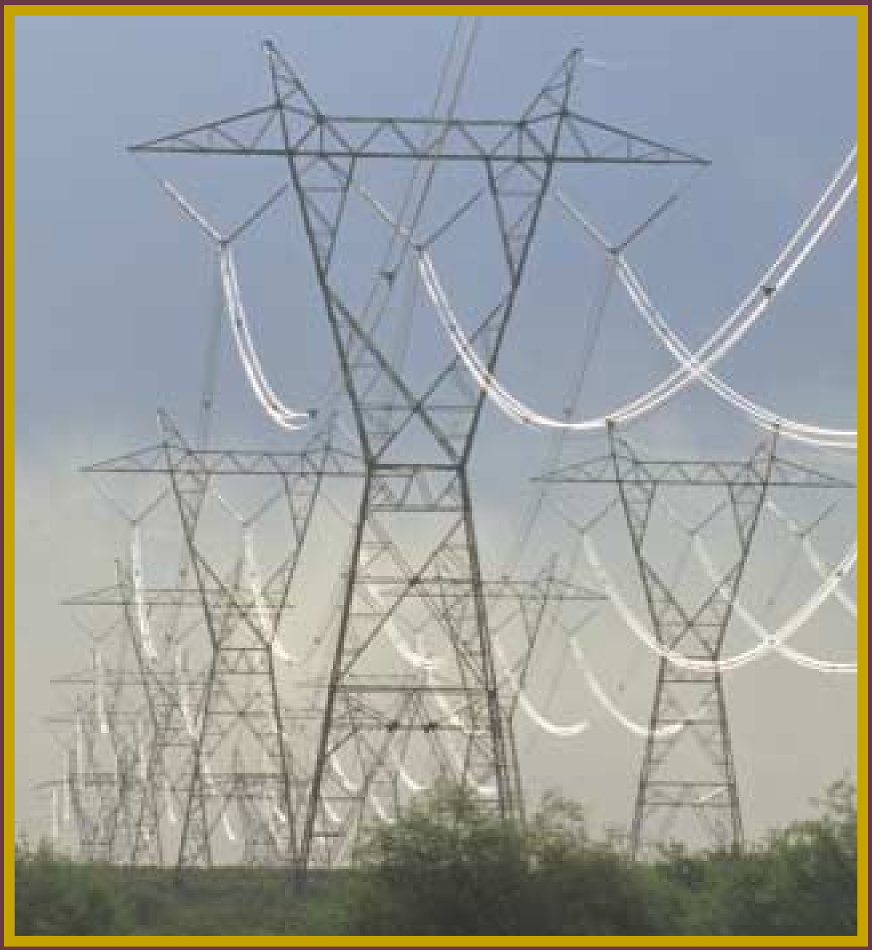
UPRATING PROJECT



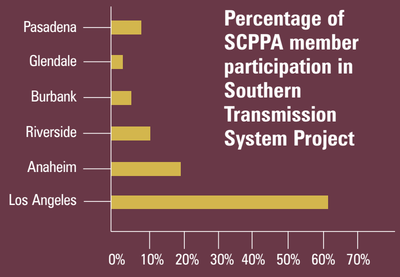
Percentage of SCPPA member participation in Hoover Uprating Project

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.

STS Southern Transmission System

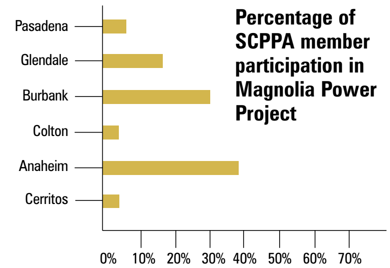


As usual, the STS operated with near-perfect availability (99.37%), delivering over 14 million MWHs to the six SCPPA members who are participants. The power comes 488 miles from the Intermountain Power Project, in Utah, over the ±500-kv DC line.



Percentage of SCPPA member participation in Southern Transmission System Project

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



The plant is scheduled to be operational by late 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.

MAGNOLIA
POWER PROJECT

FINANCING

Palo Verde Escrow Restructuring – Phase II

In August 2003, a second phase of the Palo Verde escrow restructuring was completed with respect to the Escrow Fund created for the Authority's Project Revenue Bonds, 1992 Refunding Series B and Power Project Revenue Bonds, 1992 Refunding Series C, and generated a gross benefit to SCPPA of $667,522. The transaction was designed to capitalize on a current low interest rate environment and the fact that the Authority had retained the rights to sell the securities in the Escrow Fund and to redeem certain of its Series 1992B Bonds, which previously had been escrowed to maturity. The overall transaction mechanics consisted of the liquidation of ten existing Refcorps securities and 17 State and Local Government Securities (SLGS) interest-bearing and zero coupon securities, amendment of the Float Agreement with respect to the Series 1992B Bonds cash flows, purchase of one U.S. Treasury Bill scheduled to mature on the September 2003 call date of the Series 1992B Bonds, and subscription of five SLGS for the non-callable Series 1992C Bonds. The restructuring was completed using a comprehensive competitive bid process that relied on the procurement of securities on a "security-by-security" basis. SCPPA entered into agreements with UBS Financial Services, Inc. and Public Financial Management, Inc. to execute the restructuring.

Mead-Adelanto/Mead-Phoenix Project Revenue Bonds, Series 2004A

In March 2004, SCPPA entered into two floating-to-fixed interest rate swaps. The swap provider for the transactions was UBS AG. The transactions consisted of $28.7 million and $96.0 million above-market forward-starting interest rate swaps for the Mead-Phoenix and Mead-Adelanto Projects, respectively. Under these transactions, SCPPA will pay UBS a fixed rate of 3.894% on the Mead-Phoenix swap and 3.890% on the Mead-Adelanto swap, and in exchange receive 65% of 1-month LIBOR. In addition, in exchange for paying an above-market fixed rate, SCPPA received upfront payments from UBS of a combined amount of $7.7 million to comply with a par-to-par restriction on the refunded bonds. The forward swaps hedged the refunding savings then available on existing fixed-rate bonds.

ACTIVITIES

In May 2004, SCPPA issued a $183,375,000 Project Revenue Bond Issue ($141,150,000 Mead-Adelanto 2004 Series A, $42,225,000 Mead-Phoenix 2004 Series A) for the principle purpose of providing for the payment and redemption of certain of the Authority's outstanding Mead-Adelanto Project Revenue Bonds, 1994 Series A and Mead-Phoenix Project Revenue Bonds, 1994 Series A. This synthetic refunding generated an expected total present value savings of $12.7 million, or 6.94% of the refunded par. The triple A-rated bonds were insured by Ambac Assurance Corporation and underwritten by UBS Financial Services, Inc.

The 1994 Mead-Adelanto Bonds and 1994 Mead-Phoenix Bonds were issued to refund certain of the Authority's outstanding Multiple Project Revenue Bonds, 1989 Series, which were issued to finance the costs of construction and acquisition of ownership interests or capacity rights in certain projects, including the Mead-Adelanto Project and the Mead-Phoenix Project, for the generation or transmission of electric energy. The 2004 Bonds are payable on a parity with the outstanding 1994 Bonds. The 2004 Mead-Adelanto Bonds are payable on a basis subordinate to the portion of debt service on the outstanding 1989 Bonds allocated to the Mead-Adelanto Project, and the 2004 Mead-Phoenix Bonds are payable on a basis subordinate to the portion of debt service on the outstanding 1989 Bonds allocated to the Mead-Phoenix Project.

Other Refundings and Transactions

SCPPA's Finance Committee continues to look for opportunities to lower financing costs through, for example, bond refundings and interest rate swaps. At fiscal year-end, refundings and / or interest rate swaps for the Southern Transmission Project, Series 1989 Multiple Project, and Magnolia Power Project Series A bonds were under consideration.

SCPPA's FINANCE COMMITTEE CONTINUES TO LOOK FOR OPPORTUNITIES TO LOWER FINANCING COSTS THROUGH BOND REFUNDINGS AND INTEREST RATE SWAPS.

SCPPA

SCPPA's key objective is to provide low-cost, reliable power to its customers through strong local control over its operations. SCPPA remains committed to building and acquiring new generation assets for its members, with a particular commitment to renewable generation. In order to realize these goals, SCPPA and its members speak in a common voice on vital energy issues in Sacramento and Washington, D.C., providing greater impact on issues that affect the public power community.

The second year of the 2003-04 legislative session found the Democratic-dominated California State Legislature facing newly-elected Republican Governor Arnold Schwarzenegger, following the recall by voter referendum of Gray Davis. Recognizing that a new Administration brings its own agenda to the legislative debate, SCPPA immediately called upon its existing relationships with staff for the new Governor. In doing so, the transition from one Administration to the new became as seamless as possible and ensured SCPPA's voice was heard from the start of the new Administration. Energy policy came into focus near the end of session, after the Governor faced other more urgent priorities. Legislation to encourage the use of solar power generation took center stage during the session's final week, with both the Governor and the Senate Democrats introducing separate bills with similar subject matter. Both pieces of legislation targeted the reduction of electricity purchases by providing alternative solar energy during peak demand, while providing rebates to encourage installation of grid-connected solar energy systems in new homes. Both bills died: the Administration's bill failed in the Assembly Utilities and Commerce Committee and the Senate version stalled on the Senate floor when a key issue failed to be resolved. The Governor's Office has signaled that it may revive legislation to encourage installation of solar energy to mitigate peak demand in the next legislative session.

SCPPA, along with the California Municipal Utilities Association (CMUA) and other municipal utilities, sponsored Assembly Bill 426 (AB 426), which would have prohibited the California Public Utilities Commission (CPUC) from imposing an exit fee on customers of a municipal utility if the customer's service location had not previously been served by an investor-owned utility (IOU). The bill was authored by then-Republican Assembly member now Senator Dave Cox and garnered strong bi-partisan support from both Chambers. However, the bill faced a roadblock in the Assembly Utilities and Commerce Committee and became inactive. This issue of exit fees is also pending before the CPUC; if an unfavorable decision is reached in that forum, AB 426 as written or a modified version sponsored by CMUA will likely emerge in the 2005 legislature. Senate Bill 1478 (SB 1478) was introduced by Democrat Senator Byron Sher. SB 1478 reflected the new Governor's commitment to accelerate, from 20% in 2017 to 20% in 2010, the amount of renewable generation required by the state's investor-owned utilities. SCPPA worked with CMUA and representatives of the environmental community to craft language amended into SB1478, preserving local control while encouraging increased public power investment in renewable. As the final version of the bill did not meet Governor Schwarzenegger's goal, a vibrant competitive renewable energy market, the bill was vetoed on September 24, 2004.

California's municipal utilities (and cities seeking to start a municipal utility) continue to face legislative challenges to local control. Assembly Bill 2499 (AB 2499) would have required new consumer-owned utilities to meet the same resource adequacy requirements as IOUs, including reserve capacity. The bill provided that the California Energy Commission (CEC), not the local government, approve long-term resource plans before a new municipal utility commences operation. AB 2499 would have also permitted any person or entity – irrespective of whether that person or entity lives in the community – to challenge the adequacy of the long-term resource plans submitted to the CEC by a municipal utility. The bill also would have imposed exit fees on the new municipal customers. The bill failed passage on the Senate Floor after an onerous, related amendment was added to the bill.

Each year legislative changes and challenges provide SCPPA the opportunity to bring its message to the elected of the California State Assembly and Senate. For the new 2005-06 legislative session, SCPPA's legislative direction remains purposeful and focused as in the past: protection of local control and the interests of approximately two million customers we serve.

During the second session of the 108th Congress, H.R. 6, *the Energy Policy Act of 2003,* continued to be the focus of SCPPA's legislative activity in Washington, D.C. Much of SCPPA's legislative effort was spent convincing its Congressional delegation that the electricity title in the bill provided no net benefits to consumers in Southern California, and that additional provisions were needed. SCPPA advocated inclusion of provisions in H.R. 6 that would strengthen the electricity system in California and provide protection for its consumers. For example, SCPPA worked for inclusion of federal reliability standards and language that would authorize voluntary – not mandatory– regional transmission organizations (RTO). SCPPA also spent much of its political capital trying to convince Congress not to include provisions in the bill which would erode public power's local control – such as new Federal Energy Regulatory Commission (FERC) authority to regulate public power's transmission facilities or order refunds of short-term wholesale power sales by large consumer-owned utilities. Concurrently, SCPPA worked to address concerns that the California Independent System Operator (CAISO) was moving more quickly with market protocols and rules than those in the rest of the Western market. SCPPA worked with Senators Dianne Feinstein (D-CA) and Barbara Boxer (D-CA) on efforts to tie provisions in the bill that would delay FERC's Standard Market Design (SMD) proposal for 18 months to California's Market Design 2002 (MD 02) initiative. SCPPA also worked to garner House support, for this linkage, with Rep. Duncan Hunter (R-CA) taking a lead on a letter to FERC Commissioner Pat Wood encouraging the two market design efforts to be "synchronized" so California did not create an electricity market separate and different from its neighboring states. Ultimately, however SCPPA's proposed statutory language – linking the SMD delay to MD02 efforts – was not included in the final energy bill.

SCPPA members also vigorously worked to balance the impact of repeal of 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, with the addition of consumer protections. Senators Boxer and Feinstein waged an aggressive floor fight with fellow Democrats on our behalf, but, unfortunately, those who supported PUHCA repeal (backed by the powerful holding company lobby) prevailed. In November of 2003, when the House-Senate conference committee released the final energy bill, most observers expected it to pass and go to the President for his signature before the end of the year. The House passed the $31 billion energy bill relatively easily by a vote of 246 to 180. However, the legislation ran into a procedural and substantive roadblock in the Senate based, in large part on the MTBE waiver and the overall cost of the bill. Sen. Feinstein helped lead the opposition to provisions to limit the liability of the makers of the gasoline additive Methyl Tertiary-Butyl Ether (MTBE), a key contaminate of California's groundwater in the Senate. Feinstein, and others, worked to gain Republican support from her Northeast colleagues to filibuster H.R. 6 when it came to the Senate floor. Senate Majority Leader Bill Frist (R-TN) and Energy and Natural Resources Committee Chairman, Pete Domenici (R-NM), won the support of only 58 Senators, two short of the 60 needed to advance the bill. Both Senators Feinstein and Boxer voted against the bill, in part because of the MTBE provisions, but also because of their objections to the electricity provisions in the bill, many of which mirrored SCPPA's concerns.

With the comprehensive energy bill stalled for almost a year in the Senate, Members of Congress sought other vehicles to move certain "pet" energy provisions, in the waning days of the 108th Congress. Portions of the energy tax title from H.R. 6 were included in two separate tax bills – the corporate tax bill (H.R. 4520 referred to as the

(continued on page 18)

Marcie L. Edwards

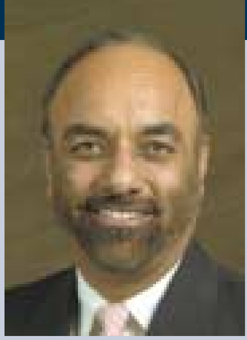
General Manager

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

City of Anaheim

Anaheim Public Utilities celebrated a benchmark in 2004 with the 125th anniversary of its water utility. The City's electric utility was incorporated 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. The City continues its tradition of diligent and prudent planning of system improvements and resource procurement to serve its citizens/owners. In order to serve the growing city's retail load, the Azusa Light and Water planned, engineered, and constructed a new electric distribution substation, Kirkwall Substation, which was energized on April 21st, 2004 to provide enhanced service reliability and operation flexibility. Azusa Light and Water continues to be recognized as one of the proactive leaders in promoting energy and water conservation and efficiency programs and renewable energy in the State, earning the recognition of CMUA 2004 Community Service/ Resource Efficiency Award for Best Management Practices for the "Drought Resistant Plant (DRiP) Program."

City of Banning

Established in 1913, the Banning electrical system now serves an area of approximately 22 square miles. 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 46 MW. The City supports clean energy and it committed to implementing renewable resource programs. The Utility is dedicated to continue providing quality service to its customers in a reliable manner, and at reasonable rates.

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 85-90% of its power from outside resources.

Imperial Irrigation District

IID entered the power industry in 1936 and today serves a peak load of 870 MW with 1,050 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 200 MW of geothermal, renewable 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 hydroelectric 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 465 square mile area. LADWP remains on firm financial footing and serves as a valuable asset to the City of Los Angeles.

Ignacio R. Trancoso

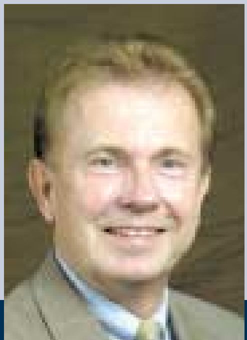
Director of Utilities

Glendale Water and Power

Glenn O. Steiger

Manager, Energy Department

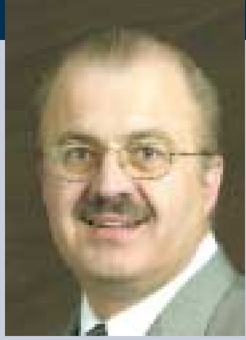
Imperial Irrigation District



Ronald O. Vazquez

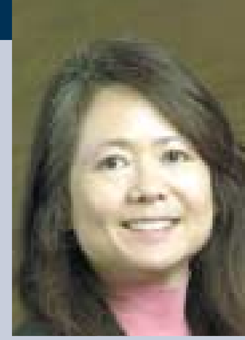
Chief Financial Officer

Los Angeles Department of Water and Power



Ronald E. Davis
General Manager
Burbank Water and Power

Art Gallucci
City Manager
City of Cerritos



Jeannette Olko
Utility Director
City of Colton

City of Burbank

Burbank Water and Power (BWP) began serving both water and electric customers in 1913 and installing on-site power generation in the 1940s. Today it operates about 182 MW of gas-fired capacity and holds 100 MW of jointly owned coal, nuclear and hydro capacity. BWP is the project manager and operating agent for the Magnolia Power Project (MPP). MPP has a nominal capacity of 242 MW and a peaking capacity of 310 MW. BWP will receive 31 percent of the power from MPP. Other SCPPA participants include: Anaheim, Cerritos, Colton, Glendale, and Pasadena.

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.

SCPPA MUNICIPALITIES

City of Pasadena

PWP began providing electricity in 1906 and began delivering water in 1912. 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. While a lot has changed over the years, PWP's strong connection to its customer/owner base remains constant. Today, PWP provides electric service to more than 59,000 metered accounts over a 23 square-mile service area at rates that are among the lowest in Southern California. PWP's success is a result of its commitment to remain a valued community asset, an exceptional employer, and a partner in Pasadena's prosperous future.

City of Riverside

The City of Riverside Public Utilities provides electric service to more than 100,700 metered accounts, representing a service area population of over 277,000. 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 within its own power grid, including a 40 MW power plant in 2002 and the construction of a 99.6 MW power plant scheduled for operation in late 2005. Riverside's portfolio includes 27 MW of renewable resources which includes 400 kW of photovoltaic systems within the city.

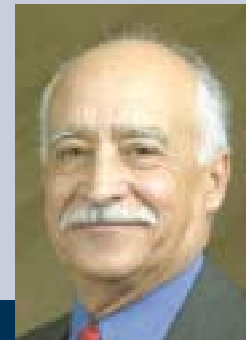
City of Vernon

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 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.

Phyllis E. Currie
General Manager
Pasadena Water and Power

David H. Wright
Interim Public Utilities Director
City of Riverside

Charles W. Montoya
City of Vernon



"JOBS" bill or the *"FSC/ETI"* bill) and the middle-class tax relief bill (H.R. 1308, the *"Relief for Working Families Tax Act of 2004"*). Relevant to SCPPA members were provisions that expanded and extended, for two years, the 1.8 cents per kWh Production Tax Credit (PTC) for private developers to include open-loop biomass, geothermal energy, solar energy, small irrigation power and municipal solid waste (in addition to wind and closed-loop biomass, which are both included in the definition under current law.) Neither of the bills, however, included the "tradable tax credit" or the "tax credit bond" proposal sought by public power to incentivize development of renewables by consumer-owned systems. The tradable tax credit was not included in the final bill because of strong opposition from Ways and Means Committee Chairman Bill Thomas (R-CA) and the Treasury Department. The tax credit bond proposal was not considered because it was a "new" proposal (i.e. not in either the House or Senate bills) and, therefore, was ruled non-germane. Noteworthy is that the expiration date of the PTC in the JOBS bill is January 1, 2006. Given the short extension, SCPPA and others in public power will have an opportunity to push for comparable tax incentives, such as the tax credit bond, when the PTC comes up for renewal again next year.

Another legislative priority was SCPPA's effort to reauthorize and reform the Department of Energy's (DOE) Renewable Energy Productive Incentive (REPI) program, which provides incentives to public power utilities to build clean renewable energy facilities. SCPPA members worked successfully with Rep. Mary Bono (R-CA), an original sponsor of the legislation, and others, to get the bill included in H.R.6. SCPPA continues to urge passage of stand-alone REPI reauthorization legislation during the lame-duck session, possibly in the Omnibus FY05 Appropriations bill. In addition, SCPPA members actively participated in an American Public Power Association (APPA) Washington, D.C. REPI "fly-in" to lobby the Hill and the Administration to increase funding for this program. As a result, Reps. Bono and Adam Schiff (D-CA) circulated a bipartisan "California-only" letter, which garnered support from 25 members of the delegation, to Energy and Water Development Subcommittee Chairman David Hobson (R-OH) and Ranking Member Peter Visclosky (D-IN) in support of at least $13 million in increased REPI funding in FY 2005. These efforts succeeded in increasing the program's funding by 25% in the House, from $4 million to $5 million. Reps. John Doolittle (R-CA), a member of the Energy and Water Development Appropriations Subcommittee, along with Senior Republican Rep. Duncan Hunter (R-CA) were also instrumental in this effort, on SCPPA's behalf. Sen. Feinstein, a member of the Senate Energy and Water Development Appropriations Subcommittee, also assisted public power in making its case for increased REPI funding by sending a letter to Appropriations Chairman Pete Domenici (R-NM) and Ranking Member Harry Reid (D-NV), requesting at least $13 million in FY05 REPI funding. No final resolution on the REPI funding has been reached in the Senate, as Congress has not completed work on the final FY 2005 Energy and Water Appropriations bill and may very well push this work over to the 109th Congress.

SCPPA continues to work with Senators Feinstein and Boxer, and other Western Senators, on the question of whether increased security costs at Bureau of Reclamation facilities, such as Hoover Dam, will remain a federal obligation or whether a portion of those costs must be reimbursed by power customers, as proposed in the Bureau of Reclamation's FY 2005 budget request. SCPPA hopes to get legislative language included in the Omnibus Appropriations bill that would halt the Bureau's new proposal for at least one year.

With the November 4 elections completed, the President and leaders of the Republican-dominated Congress are beginning to flesh out their legislative priorities for the 109th Congress, which begins January 20th. With a larger majority in both the House and the Senate, Members have indicated they plan to refocus their attention on passage of an energy bill, overhaul of the Telecommunication Act of 1996, as well as tackle key environmental issues such as reforming both the Clean Air Act (CAA) and the Endangered Species Act (ESA). All of these will be of interest to SCPPA members and their customer-owners.

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, 2004. 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 42.

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

The Authority has interests in the following projects:

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

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

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

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 497-megawatt unit, is one unit of the 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 is currently being 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 is managing 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, 2004, 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 that will impair or adversely affect the rights of the bondholders as long as any bonds issued by the specific project remain outstanding.

The contracts expire as follows:

Palo Verde Project	2030
Southern Transmission System Project	2027
Hoover Uprating Project	2018
Mead-Phoenix Project	2030
Mead-Adelanto Project	2030
San Juan Project	2030
Magnolia Power Project	2036

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. In prior years, the Authority, as a government-owned utility, 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 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 combined financial statements discussing the results of this change in accounting principle.

Costs Recoverable – The Authority's billing amounts to the participants are determined by its Board of Directors and are subject to review and approval by the participants. Billings to participants are designed to recover "costs" as defined by the power sales 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 or payable 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.

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, 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. On a combined basis, SCPPA reduced its cost of capital by 30 basis points to 4.76%, since June 30, 2003. In addition, the Authority will continue to utilize debt management strategies that reduce the overall cost of borrowing for its members. In general, the Authority issues new money debt and refunding debt on either a negotiated or competitive basis as determined by the Board. A minimum net present value savings of 5%, as a percent of the refunded par amount, is the general target when determining the potential to refund existing Authority debt. The Authority may also use interest rate swaps or other derivative products to help meet important financial objectives.

Jointly Owned Utility Plant

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

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, 2004	June 30, 2003
Assets		
Utility plant, net	$ 164,943	$ 183,818
Investments	682,699	674,924
Cash and cash equivalents	160,455	105,142
Other	13,955	14,658
	$ 1,022,052	$ 978,542
Liabilities and Net Assets		
Long-term debt	$ 569,050	$ 609,150
Current liabilities	125,057	114,030
	694,107	723,180
Net assets (deficit):		
Invested in capital assets, net of related debt	(451,167)	(469,233)
Restricted net assets	757,558	706,613
Unrestricted net assets	21,554	17,982
Total net assets	327,945	255,362
	$ 1,022,052	$ 978,542
Revenues, Expenses and Changes in Net Assets		
Operating revenues	$ 164,884	$ 180,529
Operating expenses	(63,496)	(73,650)
Net operating income	101,388	106,879
Investment income	14,144	96,885
Debt expenses	(42,949)	(47,941)
Increase in net assets	72,583	155,823
Beginning balance of net assets	255,362	99,539
Ending balance of net assets	$ 327,945	$ 255,362

Net Assets – The Palo Verde Project's Net Assets increased by $72.6 million, mainly due to a $43.5 million increase in Assets and a decrease in Liabilities of $29.1 million. The increase in the Assets of the Project is primarily due to additional 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, the billings to the Palo Verde Project Participants were increased by approximately $65 million each year through June 30, 2004.

During the fiscal year, the Authority restructured the 1992 B & C Escrow Restructuring Account, which resulted in a net gain of $572,000 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).

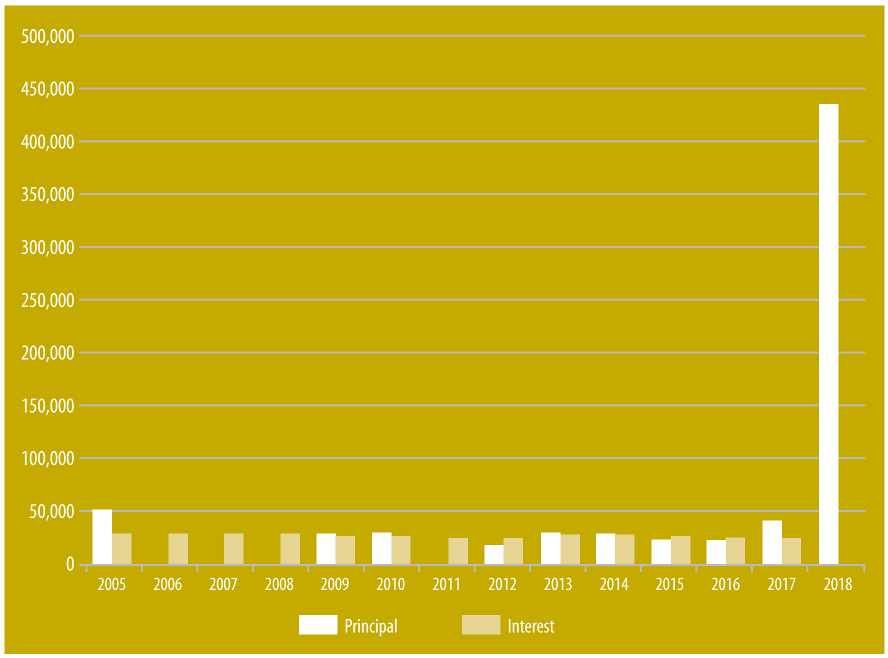
The decrease in Liabilities is primarily due to a decrease in long-term debt of $40.1 million as a result of principal bond maturities and the amortization of the bond discounts, premiums and losses on refunding on the related debt, offset by an $11 million increase in current liabilities mainly due to a $9.7 million increase in payable to Participants resulting from overbilling during the fiscal year.

In September 1998, the Project participants resolved to transfer any overcollection, renewal and replacement excess funds or surplus amounts through June 30, 2004 into the Project's reserve account. On November 20, 2003, the Authority adopted a resolution to utilize amounts on deposit in the reserve account to pay a portion of the operating and maintenance expenses of the Project starting July 1, 2004.

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, 2004 until the bonds mature in Fiscal Year 2017-2018. Interest is reflected on an accrual basis.

Palo Verde Project
Debt Service Requirements
Fiscal Year Ending June 30, 2004
($ in thousands)



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

Investment Income – The decrease in the PV investment income of $82.7 million is primarily due to the decline in the market value of Escrow accounts as a result of the upward trend in interest rates during the last quarter of the fiscal year.

Southern Transmission System Project (STS)

Financial Highlights

(In thousands)

	June 30, 2004	June 30, 2003
Assets		
Utility plant, net	$ 342,156	$ 361,785
Investments	56,361	58,802
Cash and cash equivalents	41,034	37,936
Other	23,519	23,001
	$ 463,070	$ 481,524
Liabilities and Net Deficit		
Long-term debt	$ 795,222	$ 807,669
Current liabilities	49,524	40,229
	844,746	847,898
Net assets (deficit):		
Invested in capital assets, net of related debt	(473,464)	(466,659)
Restricted net assets	99,459	100,939
Unrestricted net deficit	(7,671)	(654)
Total net deficit	(381,676)	(366,374)
	$ 463,070	$ 481,524
Revenues, Expenses and Changes in Net Deficit		
Operating revenues	$ 72,618	$ 82,229
Operating expenses	(33,371)	(33,433)
Net operating income	39,247	48,796
Investment income	3,044	6,131
Debt expenses	(57,593)	(62,592)
Extraordinary loss on debt refunding	–	(2,484)
Increase in net deficit	(15,302)	(10,149)
Beginning balance of net deficit	(366,374)	(356,225)
Ending balance of net deficit	$ (381,676)	$ (366,374)

Net Deficit **–** The Net Deficit in STS increased in 2004 by $15.3 million due to an $18.4 million decrease in Total Assets and a decrease in Liabilities of $3.1 million. The decrease in Total Assets consists mainly of the scheduled allowance in accumulated depreciation of $19.6 million.

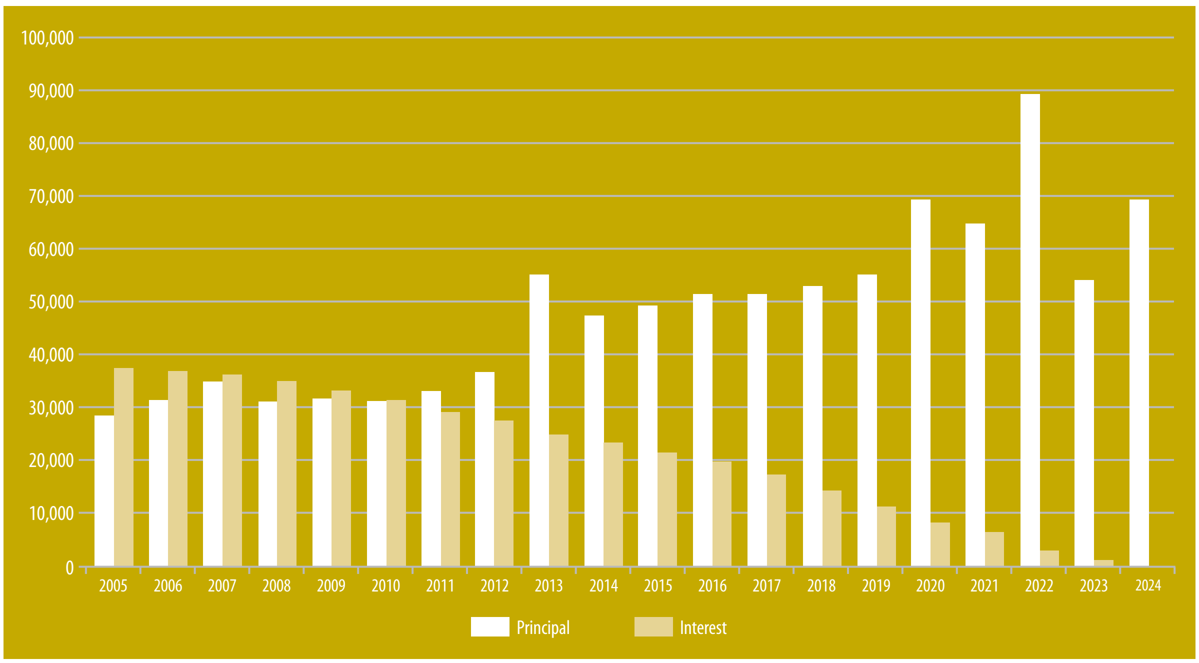
The decrease in Liabilities of $3.1 million is due to the following:

- a decrease of $12.4 million in long-term debt due to maturities net of amortization of bond discounts, premiums and losses on refunding , and
- an increase of $9.3 million in current liabilities mainly due to this fiscal year's overbilling.

The Net Deficit of $382 million at June 30, 2004 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.

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, 2003 totaled $29.7 million.

Southern Transmission System Project
Debt Service Requirements
Fiscal Year Ending June 30, 2004
($ in thousands)



The graph above provides an indication of the principal and interest payments on the STS Project that are due each year following June 30, 2004 until the bonds mature in Fiscal Year 2023-2024. Interest is reflected on an accrual basis.

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

Operating Income – The decrease in STS operating income of $9.6 million is due mainly to the decrease in revenues as a result of lower debt service requirements in the current fiscal year.

Debt Expense – The decrease in STS debt expense of $4.9 million is largely due to the decrease in interest expense, amortization of bond discounts, and loss on refunding relating to the refunding of the 1993 A Subordinate Refunding Bonds by the 2003 A Subordinate Refunding Bonds.

Hoover Uprating Project

Financial Highlights

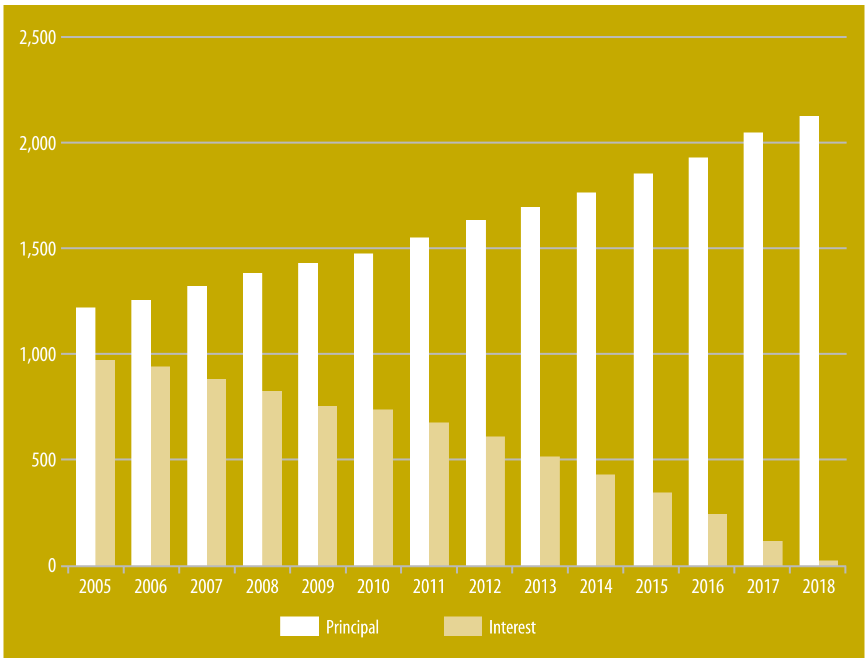
(In thousands)

	June 30, 2004	June 30, 2003
Assets		
Utility plant, net	$ –	$ –
Investments	2,918	500
Cash and cash equivalents	1,241	3,726
Other	19,400	20,674
	$ 23,559	$ 24,900
Liabilities and Net Assets		
Long-term debt	$ 18,575	$ 19,404
Current liabilities	1,537	1,643
	20,112	21,047
Net assets:		
Invested in capital assets, net of related debt	–	–
Restricted net assets	2,104	2,699
Unrestricted net assets	1,343	1,154
Total net assets	3,447	3,853
	$ 23,559	$ 24,900
Revenues, Expenses and Changes in Net Assets		
Operating revenues	$ 2,554	$ 2,330
Operating expenses	(2,331)	(2,381)
Net operating income	223	(51)
Investment income	18	73
Debt expenses	(647)	(331)
Extraordinary loss on debt refunding	–	–
Decrease in net assets	(406)	(309)
Beginning balance of net assets	3,853	4,162
Ending balance of net assets	$ 3,447	$ 3,853

Net Assets – The Net Assets of the Hoover Uprating Project decreased by $406,000. The net decrease is primarily due to a decrease in the Advances for capacity and energy balance. This balance consists of $19 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 to the Authority 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 SCPPA $2.1 million, of which approximately $1.2 million was used to decrease the Advances balance. The remaining credits of $0.9 million 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, 2004 until the bonds mature in Fiscal Year 2017-2018. Interest is reflected on an accrual basis.

Hoover Uprating Project
Debt Service Requirements
Fiscal Year Ending June 30, 2004
($ in thousands)



Interest payments on the bonds are payable semi-annually on October 1 and April 1 of each year. Principal maturities of $1.2 million were paid on October 1, 2003.

Mead-Phoenix Project
Financial Highlights
(In thousands)

	June 30, 2004	June 30, 2003
Assets		
Utility plant, net	$ 41,394	$ 42,786
Investments	8,709	9,751
Cash and cash equivalents	1,768	1,617
Other	5,638	4,957
	$ 57,509	$ 59,111
Liabilities and Net Deficit		
Long-term debt	$ 65,463	$ 64,224
Current liabilities	1,458	2,841
	66,921	67,065
Net assets (deficit):		
Invested in capital assets, net of related debt	(23,013)	(20,672)
Restricted net assets	13,508	13,495
Unrestricted net assets (deficit)	93	(777)
Total net deficit	(9,412)	(7,954)
	$ 57,509	$ 59,111
Revenues, Expenses and Changes in Net Deficit		
Operating revenues	$ 4,679	$ 3,987
Operating expenses	(2,470)	(1,557)
Net operating income	2,209	2,430
Investment income	573	700
Debt expenses	(4,240)	(4,236)
Increase in net deficit	(1,458)	(1,106)
Beginning balance of net deficit	(7,954)	(6,848)
Ending balance of net deficit	$ (9,412)	$ (7,954)

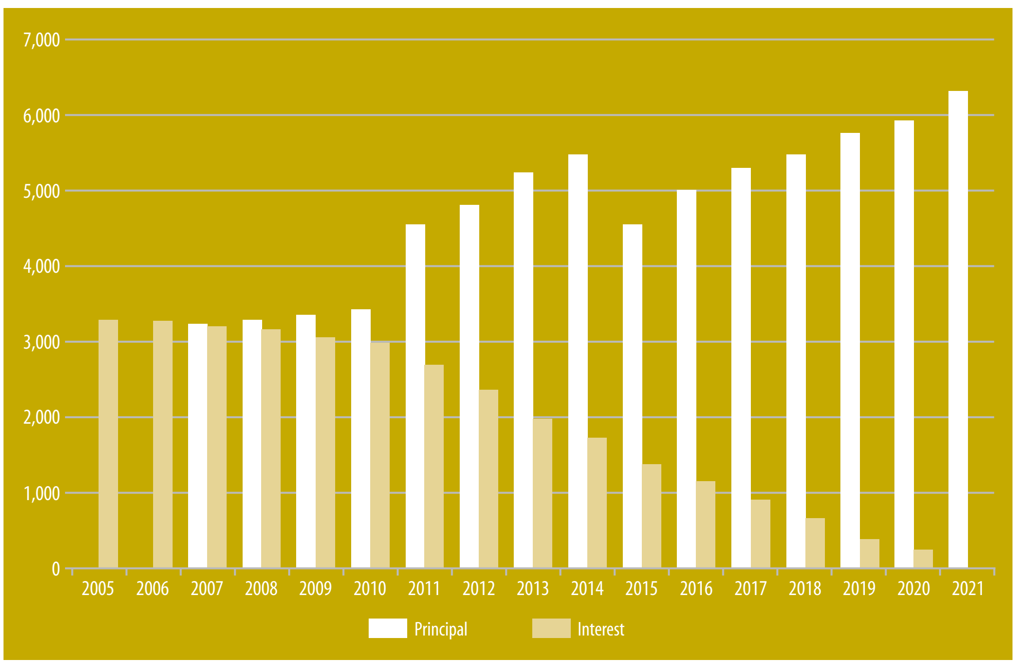
Net Deficit – Net Deficit of the Mead-Phoenix Project increased by $1.5 million mainly due to the scheduled depreciation of utility plant of $1.4 million.

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 a portion of the Multiple Project Fund Bonds. 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 S&P/Moody's
Mead-Phoenix Project Revenue Bonds 2004 Series A	$ 42,235,000	$ 42,225,000	$ 4,081,649	$ 2,928,381	AAA/Aaa

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, 2004 until the bonds mature in Fiscal Year 2020-2021. Interest is reflected on an accrual basis.

Mead-Phoenix Project
Debt Service Requirements
Fiscal Year Ending June 30, 2004
($ 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, 2004	June 30, 2003
Assets		
Utility plant, net	$ 135,531	$ 140,031
Investments	23,893	27,471
Cash and cash equivalents	3,976	2,791
Other	16,070	14,236
	$ 179,470	$ 184,529
Liabilities and Net Deficit		
Long-term debt	$ 210,861	$ 207,307
Current liabilities	3,522	7,338
	214,383	214,645
Net assets (deficit):		
Invested in capital assets, net of related debt	(71,830)	(64,540)
Restricted net assets	36,073	35,469
Unrestricted net assets (deficit)	844	(1,045)
Total net deficit	(34,913)	(30,116)
	$ 179,470	$ 184,529
Revenues, Expenses and Changes in Net Deficit		
Operating revenues	$ 13,552	$ 11,792
Operating expenses	(6,597)	(4,955)
Net operating income	6,955	6,837
Investment income	1,463	1,860
Debt expenses	(13,215)	(13,432)
Increase in net deficit	(4,797)	(4,735)
Beginning balance of net deficit	(30,116)	(25,381)
Ending balance of net deficit	$ (34,913)	$ (30,116)

Net Deficit – The Net Deficit of the Mead-Adelanto Project increased by $4.8 million mainly due to the scheduled depreciation on utility plant of $4.5 million.

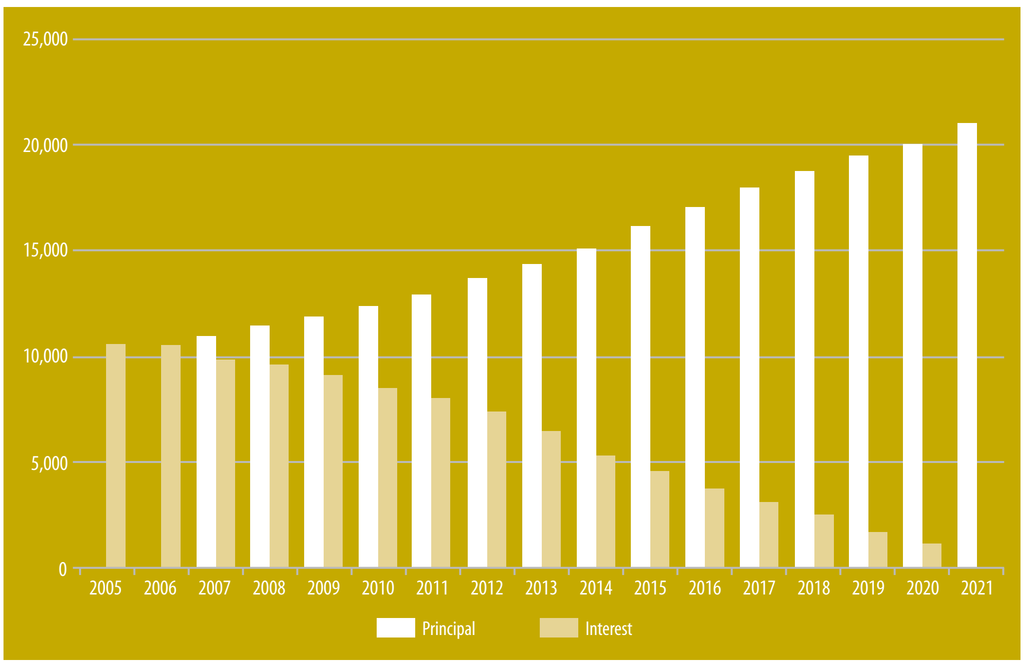
Long-term Debt

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. 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 S&P/Moody's
Mead-Adelanto Project Revenue Bonds 2004 Series A	$ 141,155,000	$ 141,150,000	$ 13,645,006	$ 9,798,503	AAA/Aaa

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, 2004 until the bonds mature in Fiscal Year 2020-2021. Interest is reflected on an accrual basis.

Mead-Adelanto Project
Debt Service Requirements
Fiscal Year Ending June 30, 2004
($ 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)

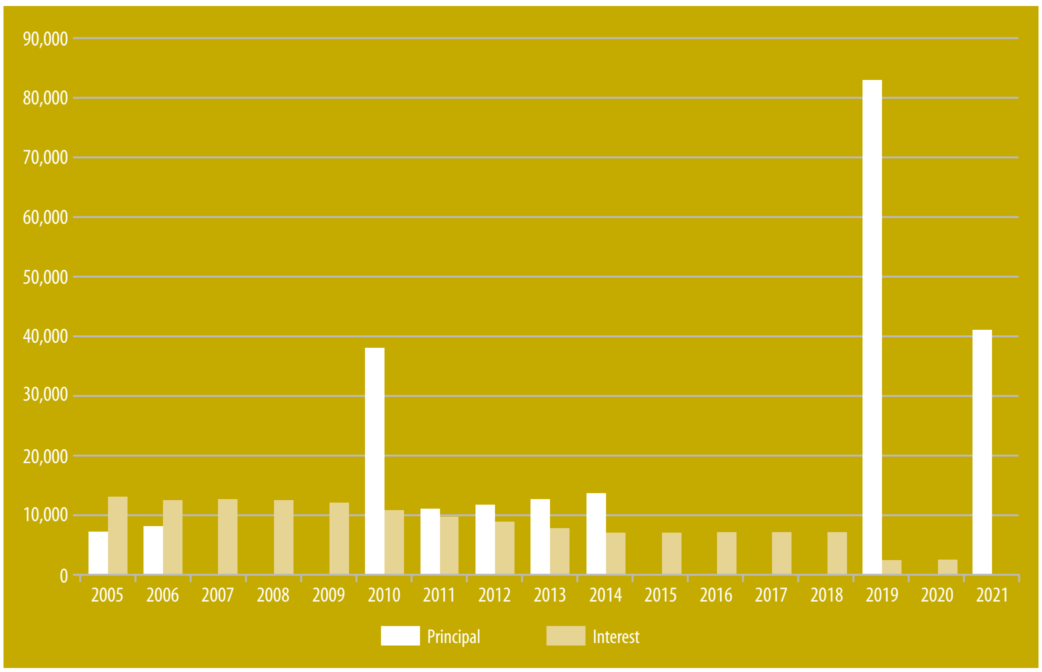
	June 30, 2004	June 30, 2003
Assets		
Investments	$ 238,839	$ 243,437
Cash and cash equivalents	–	–
Other	8,504	8,673
	$ 247,343	$ 252,110
Liabilities and Net Assets		
Long-term debt	$ 209,524	$ 216,445
Current liabilities	30,712	28,973
	240,236	245,418
Net assets:		
Invested in capital assets, net of related debt	–	–
Restricted net assets	7,107	6,692
Unrestricted net assets	–	–
Total net assets	7,107	6,692
	$ 247,343	$ 252,110
Revenues, Expenses and Changes in Net Assets		
Investment income	$ 16,973	$ 17,275
Debt expenses	(16,558)	(16,938)
Increase (decrease) in net assets	415	337
Beginning balance of net assets	6,692	6,355
Ending balance of net assets	$ 7,107	$ 6,692

Net Assets – The increase in Net Assets of $415,000 is due to a $5.2 million decrease in Total Liabilities representing primarily payment of principal maturities during the fiscal year, which is partially offset by a $4.8 million net decrease in investments drawn down to pay for such principal maturities. The increase in net assets represents the difference between investment income earned on bond proceeds deposited in the Multiple Project Fund and the debt 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, 2004 until the bonds mature in Fiscal Year 2020-2021. Interest is reflected on an accrual basis.

Multiple Project Fund
Debt Service Requirements
Fiscal Year Ending June 30, 2004
($ 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, 2003 was $7.1 million. A total of $50.2 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, 2004	June 30, 2003
Assets		
Utility plant, net	$ 70,452	$ 80,989
Investments	26,944	21,602
Cash and cash equivalents	12,671	15,930
Other	10,442	14,859
	$ 120,509	$ 133,380
Liabilities and Net Deficit		
Long-term debt	$ 191,277	$ 200,699
Current liabilities	18,317	16,980
	209,594	217,679
Net assets (deficit):		
Invested in capital assets, net of related debt	(127,557)	(125,669)
Restricted net assets	29,722	27,548
Unrestricted net assets	8,750	13,822
Total net deficit	(89,085)	(84,299)
	$ 120,509	$ 133,380
Revenues, Expenses and Changes in Net Deficit		
Operating revenues	$ 61,735	$ 70,636
Operating expenses	(57,704)	(56,783)
Net operating income (loss)	4,031	13,853
Investment income	1,321	1,289
Debt expenses	(10,138)	(10,771)
Extraordinary loss on debt refunding	–	(74)
Decrease (increase) in net deficit	(4,786)	4,297
Beginning balance of net deficit	(84,299)	(88,596)
Ending balance of net deficit	$ (89,085)	$ (84,299)

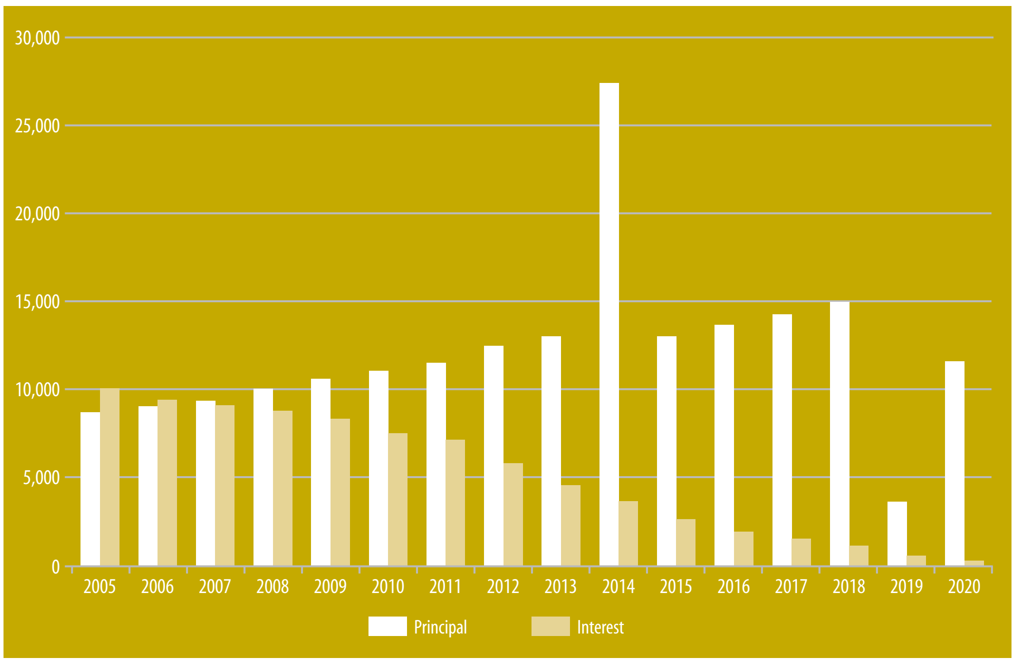
Net Deficit – The Net Deficit of the San Juan Project increased by $4.8 million, primarily due to a decrease of $12.8 million in Total Assets and a decrease in Total Liabilities of $8.1 million. The decrease in Total Assets is largely due to the decrease in utility plant due to $1.9 million plant retirements and the scheduled depreciation allowance of $10.2 million. The decrease in assets was offset mainly by the $8.4 million reduction in long-term debt representing maturity payments during the fiscal year.

Net Operating Income (Loss) – Net Operating Income decreased by $9.8 million when compared to last year. This decrease is primarily due to a decrease in revenues relating to the $9.8 million coal contract buyout from the prior fiscal year. Additionally, there were some offsetting changes in debt service and operational revenue requirements; a $3.2 million decrease in debt service revenue requirement was offset by a similar increase for capital improvements.

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, 2004 totaled $8.4 million.

The following graph provides an indication of the principal and interest payments on the San Juan Project that are due each year following June 30, 2004 until the bonds mature in Fiscal Year 2019-2020. Interest is reflected on an accrual basis.

San Juan Project
Debt Service Requirements
Fiscal Year Ending June 30, 2004
($ in thousands)



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

Magnolia Power Project

Background – In 2000, the City of Burbank (the "City"), an Authority member, initiated a study to determine the requirements for replacing an aging power plant within the city limits. A decision was reached that it would be more economical to build a plant with more capacity than would be required to meet the City's power demands. The City introduced the idea to the Authority and four members, the Cities of Anaheim, Colton, Glendale, and Pasadena (the "Project A Participants"), expressed their interest in joining the City of Burbank in pursuing the Project. The City of Cerritos (the "Project B Participant") also joined in the development of the project when it became a member of the Authority in July 2001.

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 $300 million of Magnolia Power Project A, Revenue Bonds, 2003-1 and $14.1 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).

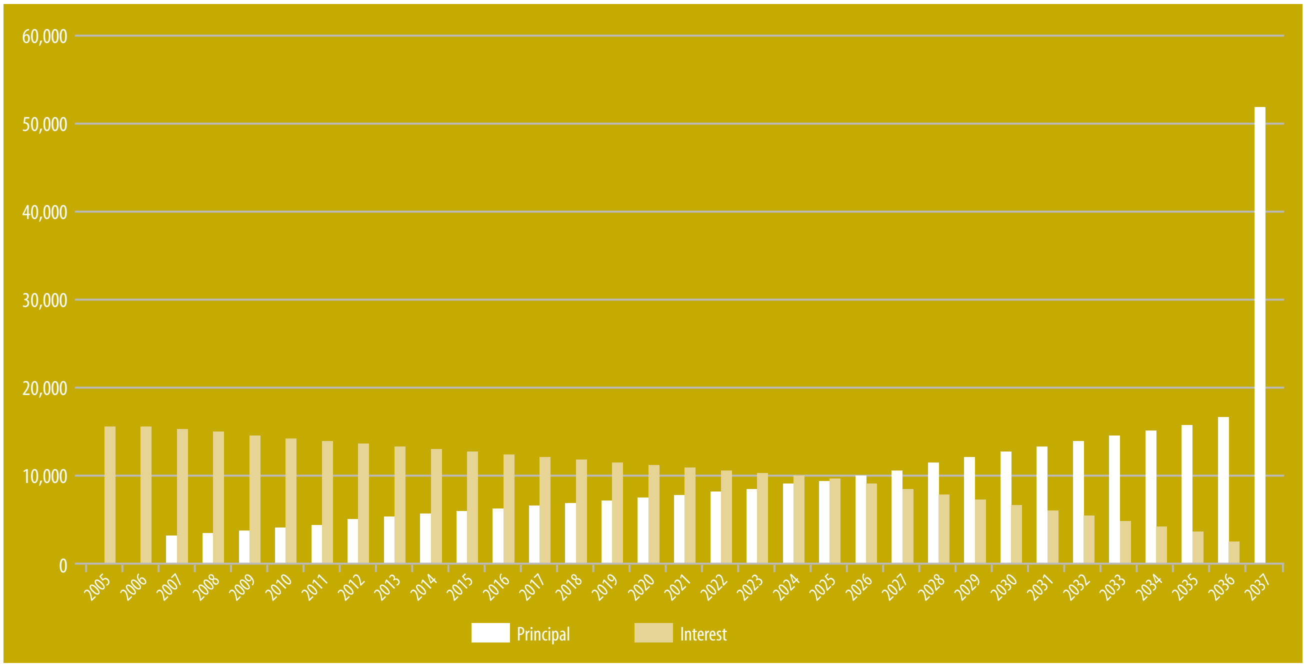
The following table summarizes the financial position of the Project as of June 30, 2004.

	June 30, 2004	June 30, 2003
Assets		
Utility plant, net	$ 203,703	$ 93,610
Investments	128,425	70,426
Cash and cash equivalents	7,883	162,381
Other	6,106	7,234
	$ 346,117	$ 333,651
Liabilities and Net Assets		
Long-term debt	$ 321,327	$ 321,730
Current liabilities	24,790	11,921
	346,117	333,651
Net assets:		
Invested in capital assets, net of related debt	(103,986)	(59,638)
Restricted net assets	103,986	59,638
Unrestricted net assets	–	–
	–	–
Total net assets	$ 346,117	$ 333,651

To date, the Project had no revenues and is not anticipated to have any until the Project becomes operational. During the 2004 fiscal year, additional costs related to the construction of the plant of $97.4 million and debt service costs of $15.1 million offset by investment income of $2.5 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 Fiscal Year 2036-2037. Interest is reflected on an accrual basis.

Magnolia Power Project
Debt Service Requirements
Fiscal Year Ending June 30, 2004
($ 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, 2004 the Fund had a balance of $51.5 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 continues to focus on lowering the fixed costs of its projects to ensure the flexibility needed to perform in a more competitive marketplace. During the fiscal year, the Authority refunded $183.4 million of the Authority's long-term debt, which generated $17.7 million of debt service savings. In addition, the Authority restructured the Palo Verde 1992 B and C Escrow Funds resulting in a net gain of $572,000, which was deferred and is being amortized over the remaining period of the related bonds. Over the last three years, market opportunities allowed the Authority to save $93.5 million in gross debt service having a present value of $61.0 million by restructuring its debt obligations.

Natural Gas Reserve Acquisition Project

Several SCPPA members, including LADWP, the cities of Anaheim, Burbank, Colton, Glendale, and Pasadena, reached a decision to participate in a project for the potential acquisition of natural gas reserves for their own generating facilities.

SCPPA has also allowed other municipal utilities: Turlock Irrigation District, City of Redding, and the Southern Nevada Water Authority, to participate in the Natural Gas Project. Their participation is limited to project development work only. These three participants will contract directly with each seller as gas properties are identified for acquisition and will not participate in any SCPPA financing.

The SCPPA Board has approved the Natural Gas Project Development Agreement, as well as declared the Natural Gas Acquisition Project as a Study Project. The project participants have signed the Development Agreement, and the LADWP has been appointed the Project Manager responsible for leading the project pursuant to the Agreement. The acquisition program will include several different properties acquired over a period of time. Full participant approval to participate in the entire acquisition program is expected by the end of 2004.

The overall form of financing for the project has been agreed to by the SCPPA participants and will include additional options for the SCPPA members to "bring their own money" or finance through SCPPA. An investment-banking firm was selected to lead the project's financing activities for SCPPA and a natural gas property advisor was hired to advise SCPPA regarding the desirability of potential gas property acquisitions.

Renewable Projects

SCPPA members are committed to the use of renewables in the future.

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

SCPPA has entered into a Power Purchase Agreement with Ameresco Chiquita Energy LLC for 100% of the electric generation from a landfill gas to energy facility to be located at the landfill site in Valencia, California (Ameresco Landfill Gas to Energy Project). The SCPPA participants in this project include the cities of Anaheim, Burbank, Glendale, and Pasadena, with their respective shares listed below. This project, which is expected to go on-line in early 2006, will initially be for 13.4 Megawatts with two options to increase the output by an additional 10 Megawatts in the future when additional gas becomes available.

PARTICIPANTS	CONTRACT SHARE
City of Anaheim	33.3333%
City of Burbank	16.6667%
City of Glendale	33.3333%
City of Pasadena	16.6667%

SCPPA continues to look for additional renewable project opportunities on behalf of its members. As projects are identified, expressions of interest from the members will be sought to determine those projects worthy of further consideration and development.

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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, 2004 and 2003, 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 statements of net assets (deficit) and the related 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, Magnolia Power Project, and Projects' Stabilization Fund at June 30, 2004 and 2003, 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. 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 management's discussion and analysis included on pages 20-39 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 16, 2004

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENTS OF NET ASSETS (DEFICIT)
JUNE 30, 2004

(Amounts in thousands)

	June 30, 2004											
	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	Eliminations	Total Combined
ASSETS												
Noncurrent Assets												
Utility plant:												
Production	$ 634,940	$ –	$ –	$ –	$ –	$ –	$ 171,781	$ –	$ –	$ 806,721	$ –	$ 806,721
Transmission	14,062	674,606	–	50,770	172,319	–	–	–	–	911,757	–	911,757
General	2,699	18,911	21	2,640	473	–	7,425	–	–	32,169	–	32,169
	651,701	693,517	21	53,410	172,792	–	179,206	–	–	1,750,647	–	1,750,647
Less - Accumulated depreciation	511,017	351,361	21	12,028	37,261	–	111,282	–	–	1,022,970	–	1,022,970
	140,684	342,156	–	41,382	135,531	–	67,924	–	–	727,677	–	727,677
Construction work in progress	9,950	–	–	12	–	–	2,528	203,703	–	216,193	–	216,193
Nuclear fuel, at amortized cost	14,309	–	–	–	–	–	–	–	–	14,309	–	14,309
Net utility plant	164,943	342,156	–	41,394	135,531	–	70,452	203,703	–	958,179	–	958,179
Special funds:												
Restricted investments												
Escrow accounts	481,730	10,354	–	–	–	–	–	–	–	492,084	–	492,084
Decommissioning fund	126,943	–	–	–	–	–	–	–	–	126,943	–	126,943
Other funds	53,524	46,007	2,358	8,709	23,893	238,839	26,944	128,425	49,935	578,634	–	578,634
	662,197	56,361	2,358	8,709	23,893	238,839	26,944	128,425	49,935	1,197,661	–	1,197,661
Unrestricted Investments												
Other funds	20,502	–	560	–	–	–	–	–	–	21,062	–	21,062
Total special funds	682,699	56,361	2,918	8,709	23,893	238,839	26,944	128,425	49,935	1,218,723	–	1,218,723
Other Noncurrent Assets												
Advance to IPA - restricted	–	11,550	–	–	–	–	–	–	–	11,550	–	11,550
Advances for capacity and energy, net - restricted	–	–	18,974	–	–	–	–	–	–	18,974	–	18,974
Unamortized debt expenses	4,854	8,136	399	1,055	3,500	–	2,330	5,755	–	26,029	–	26,029
Total other noncurrent assets	4,854	19,686	19,373	1,055	3,500	–	2,330	5,755	–	56,553	–	56,553
Total noncurrent assets	852,496	418,203	22,291	51,158	162,924	238,839	99,726	337,883	49,935	2,233,455	–	2,233,455
Current Assets												
Special funds:												
Cash and cash equivalents - restricted	155,285	38,048	410	1,247	2,680	–	7,826	7,883	955	214,334	–	214,334
Cash and cash equivalents - unrestricted	5,170	2,986	831	521	1,296	–	4,845	–	–	15,649	–	15,649
Interest receivable	1,387	26	27	339	900	8,504	48	351	565	12,147	–	12,147
Accounts receivable	929	3,807	–	–	–	–	4,798	–	–	9,534	–	9,534
Due from other project - restricted	–	–	–	4,244	11,670	–	–	–	–	15,914	–	–
Materials and supplies	6,785	–	–	–	–	–	3,266	–	–	10,051	–	10,051
Total current assets	169,556	44,867	1,268	6,351	16,546	8,504	20,783	8,234	1,520	277,629	–	261,715
Total assets	1,022,052	463,070	23,559	57,509	179,470	247,343	120,509	346,117	51,455	2,511,084	(15,914)	2,495,170
LIABILITIES												
Noncurrent liabilities												
Long-term debt	569,050	795,222	18,575	65,463	210,861	209,524	191,277	321,327	–	2,381,299	–	2,381,299
Commitments and contingencies (Note 7)	–	–	–	–	–	–	–	–	–	–	–	–
Total noncurrent liabilities	569,050	795,222	18,575	65,463	210,861	209,524	191,277	321,327	–	2,381,299	–	2,381,299
Current liabilities:												
Debt due within one year	51,800	28,535	1,230	–	–	7,600	8,805	–	–	97,970	–	97,970
Accrued interest	5,933	6,525	255	1,030	3,070	7,198	5,095	7,585	–	36,691	–	36,691
Accounts payable and accruals	65,776	14,464	52	428	452	–	4,052	17,205	–	102,429	–	102,429
Accrued property tax	1,548	–	–	–	–	–	365	–	–	1,913	–	1,913
Coal contracts buyout	–	–	–	–	–	–	–	–	–	–	–	–
Due to other projects	–	–	–	–	–	15,914	–	–	–	15,914	–	–
Total current liabilities	125,057	49,524	1,537	1,458	3,522	30,712	18,317	24,790	–	254,917	–	239,033
Total liabilities	694,107	844,746	20,112	66,921	214,383	240,236	209,594	346,117	–	2,636,216	(15,914)	2,620,302
NET ASSETS (DEFICIT)												
Invested in capital assets, net of related debt and deferred credits	(451,167)	(473,464)	–	(23,013)	(71,830)	–	(127,557)	(103,986)	–	(1,251,017)	–	(1,251,017)
Restricted net assets	757,558	99,459	2,104	13,508	36,073	7,107	29,722	103,986	51,455	1,100,972	–	1,100,972
Unrestricted net assets (deficit)	21,554	(7,671)	1,343	93	844	–	8,750	–	–	24,913	–	24,913
Total net assets (deficit)	$ 327,945	$ (381,676)	$ 3,447	$ (9,412)	$ (34,913)	$ 7,107	$ (89,085)	$ –	$ 51,455	$ (125,132)	–	$ (125,132)

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, 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	Eliminations	Total Combined
ASSETS												
Noncurrent Assets												
Utility plant:												
Production	$ 623,352	$ –	$ –	$ –	$ –	$ –	$ 172,475	$ –	$ –	$ 795,827	$ –	$ 795,827
Transmission	14,062	674,606	–	50,770	172,319	–	–	–	–	911,757	–	911,757
General	2,705	18,911	22	2,640	473	–	8,067	–	–	32,818	–	32,818
	640,119	693,517	22	53,410	172,792	–	180,542	–	–	1,740,402	–	1,740,402
Less - Accumulated depreciation	489,707	331,732	22	10,624	32,761	–	99,826	–	–	964,672	–	964,672
	150,412	361,785	–	42,786	140,031	–	80,716	–	–	775,730	–	775,730
Construction work in progress	18,862	–	–	–	–	–	273	93,610	–	112,745	–	112,745
Nuclear fuel, at amortized cost	14,544	–	–	–	–	–	–	–	–	14,544	–	14,544
Net utility plant	183,818	361,785	–	42,786	140,031	–	80,989	93,610	–	903,019	–	903,019
Special funds:												
Restricted investments												
Escrow accounts	420,766	16,883	–	–	–	–	–	–	–	437,649	–	437,649
Decommissioning fund	116,936	–	–	–	–	–	–	–	–	116,936	–	116,936
Other funds	124,227	41,919	–	9,751	27,471	243,437	21,602	70,426	53,044	591,877	–	591,877
	661,929	58,802	–	9,751	27,471	243,437	21,602	70,426	53,044	1,146,462	–	1,146,462
Unrestricted Investments												
Other funds	12,995	–	500	–	–	–	–	–	–	13,495	–	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	–	1,159,957
Other Noncurrent Assets												
Advance to IPA - restricted	–	11,550	–	–	–	–	–	–	–	11,550	–	11,550
Advances for capacity and energy, net - restricted	–	–	20,197	–	–	–	–	–	–	20,197	–	20,197
Unamortized debt expenses	5,382	8,945	476	766	2,736	–	2,590	6,100	–	26,995	–	26,995
Total other noncurrent assets	5,382	20,495	20,673	766	2,736	–	2,590	6,100	–	58,742	–	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	–	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	–	357,003
Cash and cash equivalents - unrestricted	9,067	564	842	119	175	–	4,694	–	–	15,461	–	15,461
Interest receivable	1,405	137	1	343	915	8,673	13	1,061	436	12,984	–	12,984
Accounts receivable	1,043	2,369	–	–	3	–	9,021	73	–	12,509	–	12,509
Due from other project - restricted	–	–	–	3,848	10,582	–	–	–	–	14,430	–	–
Materials and supplies	6,828	–	–	–	–	–	3,235	–	–	10,063	–	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	–	408,020
Total assets	978,542	481,524	24,900	59,111	184,529	252,110	133,380	333,651	96,421	2,544,168	(14,430)	2,529,738
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	–	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	–	2,446,628
Current liabilities:												
Debt due within one year	49,190	29,720	1,190	–	–	7,100	8,390	–	–	95,590	–	95,590
Accrued interest	7,197	6,922	265	1,945	6,116	7,443	5,303	4,467	–	39,658	–	39,658
Accounts payable and accruals	56,095	3,587	188	896	1,222	–	2,887	7,454	–	72,329	–	72,329
Accrued property tax	1,548	–	–	–	–	–	400	–	–	1,948	–	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	–	209,525
Total liabilities	723,180	847,898	21,047	67,065	214,645	245,418	217,679	333,651	–	2,670,583	(14,430)	2,656,153
NET ASSETS (DEFICIT)												
Invested in capital assets, net of related debt and deferred credits	(469,233)	(466,659)	–	(20,672)	(64,540)	–	(125,669)	(59,638)	–	(1,206,411)	–	(1,206,411)
Restricted net assets	706,613	100,939	2,699	13,495	35,469	6,692	27,548	59,638	96,421	1,049,514	–	1,049,514
Unrestricted net assets (deficit)	17,982	(654)	1,154	(777)	(1,045)	–	13,822	–	–	30,482	–	30,482
Total net assets (deficit)	$ 255,362	$ (366,374)	$ 3,853	$ (7,954)	$ (30,116)	$ 6,692	$ (84,299)	$ –	$ 96,421	$ (126,415)	–	$ (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, 2004

(Amounts in thousands)

	Year Ended June 30, 2004									
	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	$ 164,884	$ –	$ 2,554	$ –	$ –	$ –	$ 61,735	$ –	$ –	$ 229,173
Sales of transmission services	–	72,618	–	4,679	13,552	–	–	–	–	90,849
Total operating revenues	164,884	72,618	2,554	4,679	13,552	–	61,735	–	–	320,022
Operating expenses:										
Operations and maintenance	26,767	13,743	2,331	1,066	2,097	–	44,382	–	–	90,386
Depreciation	17,946	19,628	–	1,404	4,500	–	10,209	–	–	53,687
Amortization of nuclear fuel	7,883	–	–	–	–	–	–	–	–	7,883
Decommissioning	10,900	–	–	–	–	–	3,113	–	–	14,013
Total operating expenses	63,496	33,371	2,331	2,470	6,597	–	57,704	–	–	165,969
Operating income (loss)	101,388	39,247	223	2,209	6,955	–	4,031	–	–	154,053
Non operating revenues (expenses)										
Investment income	14,144	3,044	18	700	1,844	16,973	1,321	–	379	38,423
Debt expense	(42,949)	(57,593)	(647)	(4,240)	(13,215)	(16,558)	(10,138)	–	–	(145,340)
Net non operating revenues (expenses)	(28,805)	(54,549)	(629)	(3,540)	(11,371)	415	(8,817)	–	379	(106,917)
Increase (decrease) in net assets (deficit) before extraordinary items	72,583	(15,302)	(406)	(1,331)	(4,416)	415	(4,786)	–	379	47,136
Extraordinary loss on refunding of debt	–	–	–	(127)	(381)	–	–	–	–	(508)
Net increase (decrease) in net assets (deficit)	72,583	(15,302)	(406)	(1,458)	(4,797)	415	(4,786)	–	379	46,628
Net assets (deficit) - beginning of year	255,362	(366,374)	3,853	(7,954)	(30,116)	6,692	(84,299)	–	96,421	(126,415)
Net withdrawals by participants	–	–	–	–	–	–	–	–	(45,345)	(45,345)
Net assets (deficit) - end of year	$ 327,945	$ (381,676)	$ 3,447	$ (9,412)	$ (34,913)	$ 7,107	$ (89,085)	$ –	$ 51,455	$ (125,132)

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 as restated (note 2)	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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

(Amounts in thousands)

	Year Ended June 30, 2004									
	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	$ 174,793	$ 87,653	$ 2,428	$ 4,515	$ 13,747	$ –	$ 65,055	$ –	$ –	$ 348,191
Payments to operating managers	(28,055)	(18,976)	(254)	(1,275)	(2,320)	–	(43,104)	–	–	(93,984)
Other receipts	153	–	–	159	–	–	–	–	–	312
Net cash flow from operating activities	146,891	68,677	2,174	3,399	11,427	–	21,951	–	–	254,519
Cash flows from noncapital financing activities:										
Withdrawals by participants, net	–	–	–	–	–	–	–	16	(45,345)	(45,329)
Cash flows from capital and related financing activities:										
Additions to plant, net	(16,681)	–	–	(12)	–	–	(2,154)	(87,669)	–	(106,516)
Debt interest payments	(32,649)	(41,230)	(1,041)	(4,351)	(13,570)	(14,641)	(10,606)	(12,052)	–	(130,140)
Proceeds from sale of bonds	–	–	–	44,004	147,064	–	–	–	–	191,068
Proceeds from escrow restructuring	628	–	–	–	–	–	–	–	–	628
Payment for escrow restructuring costs	(56)	–	–	–	–	–	–	–	–	(56)
Payment for defeasance of revenue bonds	–	–	–	(44,061)	(147,259)	–	–	–	–	(191,320)
Principal payments on debt	(49,190)	(29,720)	(1,190)	–	–	(7,100)	(8,390)	–	–	(95,590)
Transfer of funds from escrow	–	6,545	–	–	–	–	–	–	–	6,545
Payment for bond issue costs	–	(220)	–	(572)	(1,913)	–	–	(12)	–	(2,717)
Net cash provided by (used for) capital and related financing activities	(97,948)	(64,625)	(2,231)	(4,992)	(15,678)	(21,741)	(21,150)	(99,733)	–	(328,098)
Cash flows from investing activities:										
Interest received on investments	7,469	2,949	49	701	1,853	17,142	1,284	4,076	1,594	37,117
Purchases of investments	(360,555)	(42,473)	(2,977)	(784)	(1,877)	(1,271)	(13,264)	(105,005)	(62,942)	(591,148)
Proceeds from sale/maturity of investments	359,456	38,570	500	1,827	5,460	5,870	7,920	46,148	64,707	530,458
Net cash provided by (used for) investing activities	6,370	(954)	(2,428)	1,744	5,436	21,741	(4,060)	(54,781)	3,359	(23,573)
Net increase (decrease) in cash and cash equivalents	55,313	3,098	(2,485)	151	1,185	–	(3,259)	(154,498)	(41,986)	(142,481)
Cash and cash equivalents at beginning of year	105,142	37,936	3,726	1,617	2,791	–	15,930	162,381	42,941	372,464
Cash and cash equivalents at end of year	$ 160,455	$ 41,034	$ 1,241	$ 1,768	$ 3,976	$ –	$ 12,671	$ 7,883	$ 955	$ 229,983
Reconciliation of operating income to net cash provided by operating activities:										
Operating income	$ 101,388	$ 39,247	$ 223	$ 2,209	$ 6,955	$ –	$ 4,031	$ –	$ –	$ 154,053
Adjustments to reconcile operating income to net cash provided (used) by operating activities:										
Depreciation	17,946	19,628	–	1,404	4,500	–	10,209	–	–	53,687
Decommissioning	10,900	–	–	–	–	–	3,113	–	–	14,013
Advances for capacity and energy	–	–	2,085	–	–	–	–	–	–	2,085
Amortization of nuclear fuel	7,883	–	–	–	–	–	–	–	–	7,883
Changes in assets and liabilities:										
Accounts receivable	174	(1,438)	–	–	3	–	4,223	–	–	2,962
Accounts payable and accruals	8,577	11,240	(134)	(214)	(31)	–	503	–	–	19,941
Other	23	–	–	–	–	–	(128)	–	–	(105)
Net cash provided by operating activities	$ 146,891	$ 68,677	$ 2,174	$ 3,399	$ 11,427	$ –	$ 21,951	$ –	$ –	$ 254,519

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)	–	–	–	–	(1,218)	(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.

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 Authority has interests in the following projects:

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

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

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

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 497-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 is currently being 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, is managing 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 $97.5 million and debt service costs of $15.1 million offset by investment income of $2.5 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, 2004, 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
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 that will impair or adversely affect the rights of the bondholders as long as any bonds issued by the specific project remain outstanding.

The contracts expire as follows:

Palo Verde Project	2030
Southern Transmission System Project	2027
Hoover Uprating Project	2018
Mead-Phoenix Project	2030
Mead-Adelanto Project	2030
San Juan Project	2030
Magnolia Power Project	2036

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

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. In prior years, the Authority, as a government-owned utility, 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 believes that this was a change to a preferable method of accounting.

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 Projects 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.

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 million in fiscal years 2004 and 2003. The decommissioning liability is included as a component of accumulated depreciation and was $181.6 and $170.8 million at June 30, 2004 and 2003, respectively.

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

	Balance June 30, 2003	Additions	Disposals	Transfers	Balance June 30, 2004
Nondepreciable Utility Plant					
Land	$ 36,187	$ –	$ –	$ 6,264	$ 42,451
Construction work in progress	112,745	123,101	–	(19,653)	216,193
Nuclear fuel*	14,544	5,561	(5,796)	–	14,309
Total nondepreciable utility plant	163,476	128,662	(5,796)	(13,389)	272,953
Depreciable Utility Plant					
Production					
Nuclear generation (Palo Verde Project)	622,636	19,100	(7,512)	–	634,224
Coal-fired plant (San Juan Unit 3 Project)	172,475	529	(1,223)	–	171,781
Transmission	876,286	–	–	(6,264)	870,022
General	32,818	24	(673)	–	32,169
Total depreciable utility plant	1,704,215	19,653	(9,408)	(6,264)	1,708,196
Less accumulated depreciation	(964,672)	(67,700)	9,402	–	(1,022,970)
Total utility plant, net	$ 903,019	$ 80,615	$ (5,802)	$ (19,653)	$ 958,179

*Nuclear fuel disposals represent amortization.

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, 2004, decommissioning funds totaled approximately $128.1 million, including approximately $1.16 million of interest receivable.

Demolition and Site Reclamation – Demolition and site reclamation of SJGS, which involves restoring the site to a "green" condition, is projected to commence subsequent to the year 2014. Based upon the study performed by an independent engineering firm, the Authority's share of the estimated demolition and site reclamation costs is $30.8 million in 2003 dollars. The Authority is providing for its share of the estimated future demolition costs over the remaining life of the power plant through annual charges to expense of $3.1 million. The demolition liability is included as a component of accumulated depreciation and totaled $34.2 million and $31.1 million at June 30, 2004 and 2003, respectively.

As of June 30, 2004, the Authority has not billed participants for the cost of demolition nor has it established a demolition fund.

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

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

The recorded liability of the Multiple Project Fund of $15.9 million ($4.2 million payable to the Mead-Phoenix Project and $11.7 million payable to the Mead-Adelanto Project) is a result of the cumulative savings from the 1994 refunding of the 1989 Multiple Project Bonds. The partial refunding within five years of the original issuance triggered a recalculation of the arbitrage yield, reducing the Multiple Project Fund's rebate liability.

During the fiscal year ended June 30, 2004, the Authority made rebate payments to the IRS of $0.6 million for the STS bonds, $0.4 million for Mead-Phoenix bonds, and $1.2 million for the Mead-Adelanto bonds.

Recorded arbitrage rebate and yield restriction liabilities as of June 30, 2004, were $1.1 million for Palo Verde, $1.3 million for STS, $0.1 million for Mead-Phoenix, and $0.2 million for Mead-Adelanto.

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 an additional $65 million annually through June 30, 2004 to pay for increased debt service costs as a result of a refunding completed in October 1997. In addition, the participants resolved to transfer any overbillings, renewal and replacement excess funds or surplus amounts through June 30, 2004 into the Palo Verde reserve account. On November 20, 2003, the Authority adopted a resolution to utilize the amounts on deposit in the reserve accounts to pay a portion of the operating and maintenance expenses of the Palo Verde Project starting July 1, 2004. Funds held in the reserve account as a result of this resolution totaled $55.3 million and $45.5 million as of June 30, 2004 and 2003, respectively.

3. Investments

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

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 the Authority'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, 2004 and 2003 are as follows:

	June 30, 2004									
	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	$ 338,770	$ 49,116	$ 3,922	$ 1,075	$ 2,970	$ –	$ 17,999	$ 42,154	$ 49,935	$ 505,941
U.S. government securities	481,729	10,354	–	–	–	7,435	–	–	–	499,518
Guaranteed investment contracts	–	36,465	–	8,709	23,893	231,404	21,599	93,536	–	415,606
Money market investment account	18,107	1,422	221	681	996	–	(3)	602	548	22,574
Medium term notes	4,460	–	–	–	–	–	–	–	–	4,460
Cash	88	38	16	12	10	–	20	16	407	607
Total	$ 843,154	$ 97,395	$ 4,159	$ 10,477	$ 27,869	$ 238,839	$ 39,615	$ 136,308	$ 50,890	$ 1,448,706
Restricted investments	$ 662,197	$ 56,361	$ 2,358	$ 8,709	$ 23,893	$ 238,839	$ 26,944	$ 128,425	$ 49,935	$ 1,197,661
Non-restricted investments	20,502	–	560	–	–	–	–	–	–	21,062
Cash and cash equivalents	160,455	41,034	1,241	1,768	3,976	–	12,671	7,883	955	229,983
Total	$ 843,154	$ 97,395	$ 4,159	$ 10,477	$ 27,869	$ 238,839	$ 39,615	$ 136,308	$ 50,890	$ 1,448,706

	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
Money market investment accounts	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
Non-restricted 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

4. Derivative Instruments

Objective of the swaps. In order to protect against the potential of rising interest rates, the Authority has entered into six 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 counterparties under the outstanding swaps as of June 30, 2004, are included below. In most cases, the notional amounts of any 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.

- *MP 2004 Swap* - In connection with the issuance of the 2004 Mead-Phoenix Project Revenue Bonds Series A auction-rate security in May 2004, the Authority entered into an interest rate swap on March 3, 2004. The floating-to-fixed rate swap created synthetic fixed-rate debt for the Authority. Under the Swap Agreement, the Authority pays the counterparty a fixed rate of 3.894% and in exchange the Authority receives a floating rate index equal to 65% of one-month LIBOR. The swap agreement expires July 1, 2020. The Authority received approximately $1.8 million in an upfront payment in connection with the execution of the swap, which has been deferred and is being amortized as an interest yield adjustment over the life of the option. Approximately $13.5 million in Mead-Phoenix 2004 Project Revenue Bonds Series A are not swapped and remain floating-rate bonds. The floating rate on the related bonds as of June 30, 2004 was 1.00%.

- *MA 2004 Swap* - In connection with the issuance of the 2004 Mead-Adelanto Revenue Bonds Series A auction-rate security in May 2004, the Authority entered into an interest rate swap on March 3, 2004. The floating-to-fixed rate swap created synthetic fixed-rate debt for the Authority. Under the Swap Agreement, the Authority pays the counterparty a fixed rate of 3.89% for the swap and in exchange the Authority receives a floating rate index equal to 65% of one-month LIBOR. The swap agreement expires July 1, 2020. The Authority received approximately $5.9 million in an upfront payment in connection with the execution of the swap, which has been deferred and is being amortized as an interest yield adjustment over the life of the option. Approximately $45.1 million in Mead-Adelanto 2004 Project Revenue Bonds Series A are not swapped and remain floating–rate bonds. The average floating rate on the related bonds as of June 30, 2004 was 1.01%.

- *STS 2003 Swap* - In April 2003, the Authority entered into an Interest Rate Swap agreement with a third party for the purpose of hedging against interest rate variations arising from the issuance of the 2003 Subordinate Refunding Series A Southern Transmission Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. The Swap Agreement provides for the Authority to make payments to the counterparty on a fixed rate basis of 3.266%, and for the counterparty to make reciprocal payments based on a floating rate of 65% of one-month LIBOR. The floating rate on the related bonds at June 30, 2004 and 2003 was 1.08% and 0.857%, respectively. The agreement expires on July 1, 2022.

- *STS Swaption/Swap* - In February 2001, the Authority entered into a transaction whereby it sold an option (the "Swaption") on a floating-to-fixed interest rate swap. The Swaption was exercised on April 1, 2002. The floating rate on the swap paid by the counterparty is 60% of one-month LIBOR; the annual fixed rate on the swap paid by the Authority is 4.25%. In exchange for the right to exercise the Swaption, the counterparty paid the Authority a one-time up front option premium amount of $7.9 million which has been deferred and is being amortized as an interest yield adjustment over the life of the option. The swap expires on July 1, 2022.

- *STS 2001 Swap* - In June 2001, the Authority entered into an interest rate swap agreement with a counterparty for the purpose of hedging against interest rate variations arising from the issuance of the 2001 Subordinate Refunding Series A Southern Transmission Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. The Swap Agreement provides for the Authority to make payments to the counterparty at a fixed rate of 4.24%, and for the counterparty to make reciprocal payments based on a variable rate. The reset dates of the variable rate occur weekly and the rate for a reset date will be the rate determined by the Bond Market Association Municipal Swap Index ("BMA") minus 40 basis points. The counterparty has the option to terminate the agreement on July 5, 2006 and on every Fixed Rate Payer Payment Date, thereafter, should the BMA index average more than 7% over a consecutive 180-day period. The floating rates on the bonds were 1.00% and .95% at June 30, 2004 and 2003, respectively. The swap expires on July 1, 2021.

(Amounts in thousands)

	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating
MP 2004 Revenue Series A Bonds	28,700	5/27/2004	3.894%	65% of LIBOR	(4,313)	7/1/2020	AA+/Aa2
MA 2004 Revenue Series A Bonds	96,025	5/27/2004	3.890%	65% of LIBOR	(1,301)	7/1/2020	AA+/Aa2
STS 2003 Subordinate Refunding Series A Bonds	51,750	4/24/2003	3.266%	65% of LIBOR	1,351	7/1/2022	AA-/Aa1
STS 2001 Subordinate Refunding Series A Bonds	79,795	6/14/2001	4.240%	BMA less 40 basis points	(7,673)	7/1/2021	AA+/Aa2
STS Swaption/Swap	125,000	2/1/2001	4.250%	60% of LIBOR	(17,734)	7/1/2022	AA-/Aa1
STS 1991 Revenue Bonds Series A	$ 284,200	4/17/1991	6.380%	Bond variable coupon rate	$ (74,940)	6/30/2019	AAA/Aaa
	$ 665,470				$ (104,610)		

- *STS 1991 Swap* - In fiscal year 1991, the Authority entered into an interest rate swap Agreement with a counterparty for the purpose of hedging against interest rate fluctuations arising from the issuance of the 1991 Subordinate Refunding Series Southern Transmission Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. Under the Swap Agreement, the Authority pays the counterparty a fixed rate of 6.38%; in exchange, the Authority receives payments mirroring the bond variable coupon rate (1.04% and 0.85% at June 30, 2004 and 2003, respectively). The swap expires on June 30, 2019.

Fair value. All but the 2003 Swap had a negative fair value as of June 30, 2004. These fair values take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that were received. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

Credit risk. As of June 30, 2004, the Authority was not exposed to counterparty credit risk on its outstanding swaps. For each counterparty, the net fair values of the Authority's applicable swaps were negative. 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 (or guarantors of the counterparty, as applicable) credit rating fall below AA- as issued by Standard & Poor's or Aa3 as issued by Moody's Investors Service for the 1991 Swap; A-/A3 for the 2001, the 2003 and the 2004 Swaps; and Baa1/BBB+ for the Swaption/Swap. Collateral on all swaps is to be in the form of US government securities held by a third-party custodian.

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

Basis risk. Basis risk is the risk that the interest rate paid by the Authority on underlying variable rate bonds to bondholders exceeds the variable swap rate received from a counterparty. With the exception of the 1991 Swap, the Authority bears basis risk on each of its swaps. The 1991 Swap is perfectly hedged since the counterparty pays the Authority its actual variable bond rate on the 1991 bonds. All the other Swaps have a basis risk since under each of those swaps the Authority received a percentage of LIBOR (or BMA less 40 basis points) to offset the actual variable bond rate the Authority pays on any related bonds. The Authority is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Authority pays on any related bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from a swap may not be realized. The 2001 swap is based on BMA rate minus 40 basis points; similar to the LIBOR-based swaps, BMA minus 40 bps may not exactly hedge the underlying variable rate. As of June 30, 2004, the BMA rate was 0.670%, whereas 60% of LIBOR was 0.666%, and 65% of LIBOR was 0.724%. The following is a summary of interest rates paid to and received from the counterparties as of June 30, 2004:

	Type of Derivative					
	1991 Swap	Swaption/ Swap	2001 Swap	2003 Swap	MA 2004 Swap	MP 2004 Swap
Fixed payments to counterparty	6.380%	4.250%	4.240%	3.266%	3.890%	3.894%
Less, variable payments from counterparty	1.040%	0.666%	0.670%	0.724%	0.715%	0.715%
Net interest rate swap payments	5.340%	3.584%	3.570%	2.542%	3.175%	3.179%
Add, variable-rate bond coupon payments	1.040%	1.000%	1.000%	1.080%	1.010%	1.000%
Synthetic interest rate on bonds	6.380%	4.584%	4.570%	3.622%	4.185%	4.179%

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 an option to terminate the swap agreement if the consecutive 180-day averaged rate of the BMA index exceeds 7.0%. However, the termination option has a 5-year lockout preventing the swap's termination prior to July 5, 2006. If any of the swaps were terminated, any associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

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

Associated Debt Issuance	Debt Maturity Date	Optional Swap Termination Date
STS 2001 Subordinate Refunding Series A	July 1, 2021	July 5, 2006

Swap payments and associated debt. Using rates as of June 30, 2004, debt service requirements of the Authority's outstanding variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2005	$ 1,725	$ 6,918	$ 28,122	$ 35,040
2006	5,100	6,866	27,933	34,799
2007	5,300	6,812	27,735	34,547
2008	18,300	6,623	26,845	33,468
2009-2013	138,400	29,557	117,599	147,156
2014-2018	319,095	16,326	62,517	78,843
2019-2022	190,700	2,206	6,983	9,189
	$ 678,620	$ 75,308	$ 297,734	$ 373,042

5. Long-Term Debt

Long-term debt outstanding at June 30, 2004 consisted of "new money" bonds and refunding bonds due in varying annual amounts through 2036. The new money bonds were issued to finance the purchase and construction or acquisition of the Authority's interest in each of the Projects. The subordinate refunding bonds were issued to refund specified new money bonds. The Multiple Project Revenue Bonds were issued on January 4, 1990 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 accounts and the Mead-Adelanto Project accounts, respectively.

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

- Proceeds from the sale of bonds;

- All revenues, incomes, rents and receipts attributable to that project and interest earned on securities held under the bond indenture or indentures; and

- All funds established by the indenture or indentures.

The Authority has agreed to certain covenants with respect to bonded indebtedness, including the requirement to enforce the power and transmission sales agreements with the participants. At the option of the Authority, all outstanding new money bonds and refunding bonds are subject to redemption prior to maturity, except for the 1996 Subordinate Refunding Series A and portions of the 1989A, 1992B and 1993A Refunding Series bonds issued for the Palo Verde Project; the 1996 Subordinate Refunding Series A bonds, the 2002 Subordinate Refunding Series B bonds, and portions of the 1988A Refunding and 1992 Subordinate Refunding bonds issued for the Southern Transmission System; and a total of $125.5 million of the Multiple Project Revenue Bonds.

Revenue Bonds

Magnolia Power Project Revenue Bonds – To finance the acquisition and construction of the Magnolia Power Project, the Authority, in April 2003, issued $300.0 million Magnolia Power Project A, Revenue Bonds, 2003-1 ("Project A Bonds"). Simultaneously with the issuance of the Project A Bonds, the Authority issued $14.1 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.

Refunding Bonds

Mead-Adelanto/Mead-Phoenix Project Refunding Bonds – On May 27, 2004, the Authority issued $141.2 million of the 2004 Mead-Adelanto refunding bonds and $42.2 million of the Mead-Phoenix refunding bonds (the "2004 Refunding Bonds") to refund $141.2 million of Mead-Adelanto 1994 Series A Bonds and $42.2 million of Mead-Phoenix 1994 Series A Bonds (collectively, the "Refunded Bonds"). Funds released from the debt service accounts related to the Refunded Bonds were approximately $2.8 million and $850,000 for the Mead-Adelanto and Mead-Phoenix bonds, respectively. The Refunded Bonds were redeemed on July 1, 2004.

The 2004 Bonds were issued as Auction Rate Certificates ("ARCs"). They will bear interest from the date of delivery of the bonds to July 1, 2020. These bonds bear interest at the applicable auction rate and will generally reset every seven (7) days. In addition, approximately $96.0 million of Mead-Adelanto bonds and $28.7 million of Mead-Phoenix bonds are swapped to create synthetic fixed rate obligations. The swap agreements obligate the Authority to pay to the counterparty an annual interest rate of 3.89% and 3.894% under the Mead-Adelanto and the Mead-Phoenix swap agreements, respectively. In exchange, the Authority receives 65% of one-month LIBOR under each of the swap agreements (See Note 4). Approximately $45.1 million of Mead-Adelanto and $13.5 million of Mead-Phoenix 2004 Bonds are not swapped and remain floating-rate bonds.

This transaction resulted in a net loss for accounting purposes of $26.4 million, consisting primarily of the write-off of unamortized debt expense and the discount associated with the Refunded Bonds. The Authority has proportionally allocated this loss between bonds refunded through funds released from debt service accounts and through the issuance of refunding bonds. The loss allocated to the new bonds of $25.9 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 $508,000 extraordinary loss in fiscal year 2004.

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.

This transaction resulted in a net loss for accounting purposes of $6.0 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 $6.0 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 $74,000 extraordinary loss in fiscal year 2003.

Subordinate Refunding Bonds

Southern Transmission Project Refunding – In May 2003, the Authority issued $51.75 par value STS 2003 Subordinate Refunding Series A ("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 were redeemed on July 1, 2003. The refunding was expected to reduce total debt service payments over the life of the refunding issue by approximately $13.3 million and was 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 $38.8 million par value STS 2002 Subordinate Refunding Series B Bonds ("refunding bonds") to refund $46.4 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 $892,000 extraordinary loss in fiscal year 2003.

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 pay specified revenue bonds called at scheduled redemption dates.

Prior Year Defeasance of Debt – In prior years, the Authority defeased specified revenue bonds by placing the proceeds from the issuance of subordinate refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. The trust investments and related liability for bonds that are considered legally defeased are not included in the Authority's financial statements. At June 30, 2004 and 2003, $334.4 million and $555.9 million, respectively, of revenue bonds outstanding are considered legally defeased.

Palo Verde Nuclear Generating Station (PVNGS) – In 1997, the Authority began taking steps designed to accelerate the payment schedule of all fixed rate subordinate bonds relating to PVNGS so that they would be paid off by July 1, 2004 (the "Restructuring Plan"). Certain outstanding bonds were refunded for savings and the project participants accelerated payments on the bonds issued by the Authority for PVNGS. The Restructuring Plan is expected to result in substantial savings to the PVNGS project participants once the principal and interest on these fixed rate subordinate bonds have been paid. The Restructuring Plan is substantially completed and has resulted in increased payments (approximately $65 million per year) since 1997. Nearly all of these payments have already been made. Final payment in fulfillment of the Restructuring Plan was made on July 1, 2004.

In March 2003, the Palo Verde 1993 Escrow Funds, which were created to defease to maturity certain of the Palo Verde 1993 Refunding Series A and 1993 Subordinate Refunding Series Bonds (together the "1993 Defeased Bonds") were restructured for the purpose of redeeming the 1993 Defeased Bonds on July 1, 2003. This was Phase 1 of the Authority's Palo Verde Escrow Restructuring Plan (the "Escrow Restructuring").

On August 25, 2003, Phase II of the Escrow Restructuring was completed. Previously, proceeds from the Palo Verde 1997 Series B Bonds were used to create the Palo Verde 1992 Series B Bonds and 1992 Series C Bonds – Escrow Securities Fund (the "1992 B and C Escrow Fund"), to defease to maturity portions of the 1992 Refunding Series B (the "1992 Series B Defeased Bonds") and the 1992 Refunding Series C Bonds (the "1992 Series C Defeased Bonds"). Phase II of the Escrow Restructuring allowed for the restructuring of these securities and in August 2003, the Escrow Securities comprising the 1992 B and C Escrow Fund were sold. Proceeds from the sale were used to purchase new securities that were deposited into the 1992 Series B and C Escrow Fund. The new 1992 Escrow Securities were used to redeem the 1992 Series B Defeased Bonds on September 25, 2003, and subsequently to pay to maturity the 1992 Series C Defeased Bonds.

In total, Phase I and Phase II of the transaction resulted in a gain of nearly $17.3 million, net of related expenses of $636,000.

For accounting purposes, this gain is being deferred and amortized as downward yield adjustment over the life of the debt used to defease the 1992 Series B Defeased Bonds and the 1992 Series C Defeased Bonds. The funds were used to pay a portion of the 2004 fiscal year debt service and capital improvements in the amounts of $7.6 and $8.9 million, respectively.

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, 2003	$ 609,150	$ 807,669	$ 19,404	$ 64,224	$ 207,307	$ 216,445	$ 200,699	$ 321,730	$ 2,446,628
Total Debt due within one year at June 30,2003	49,190	29,720	1,190	–	–	7,100	8,390	–	95,590
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
Principal payments	(49,190)	(29,720)	(1,190)	–	–	(7,100)	(8,390)	–	(95,590)
Revenue bonds issued	–	–	–	42,225	141,150	–	–	–	183,375
Bonds refunded	–	–	–	(42,235)	(141,155)	–	–	–	(183,390)
Refunding bonds issued	–	–	–	–	–	–	–	–	–
Decrease in Unamortized debt-related costs, net	11,700	16,088	401	1,249	3,559	679	(617)	(403)	32,656
Total Debt at June 30, 2004	$ 620,850	$ 823,757	$ 19,805	$ 65,463	$ 210,861	$ 217,124	$ 200,082	$ 321,327	$ 2,479,269
Total Debt due within one year at June 30, 2004	(51,800)	(28,535)	(1,230)	–	–	(7,600)	(8,805)	–	(97,970)
Total Long-term debt at June 30, 2004	$ 569,050	$ 795,222	$ 18,575	$ 65,463	$ 210,861	$ 209,524	$ 191,277	$ 321,327	$ 2,381,299

Unamortized debt-related costs, net are as follows as of June 30,2004 (amounts in thousands):

Unamortized debt-related costs, net:	Loss on Refunding	(Premium) Discount	Total
Palo Verde Project	$ 34,871	$ 56,544	$ 91,415
Southern Transmission System Project	116,452	28,146	144,598
Hoover Uprating Project	3,163	(378)	2,785
Mead-Phoenix Project	7,204	(763)	6,441
Mead-Adelanto Project	21,428	(3,119)	18,309
Multiple Project Fund	–	10,876	10,876
San Juan Project	10,148	(14,810)	(4,662)
Magnolia Power Project	–	(7,247)	(7,247)
	$ 193,266	$ 69,249	$ 262,515

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, 2004 of 1.04% and 0.85%, 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 $2.8 billion and $3.0 billion at June 30, 2004 and 2003, respectively. Management has estimated fair value based on the quoted market prices for the same or similar issues or on the current average rates offered to the Authority for debt of approximately the same remaining maturities, excluding the effect of a related interest rate swap agreement.

(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
2005	Principal	51,800	28,535	1,230	–	–	7,600	8,805	–	97,970
	Interest	28,537	37,381	987	3,306	10,280	13,864	10,013	15,170	119,538
2006	Principal	–	31,470	1,275	–	–	8,100	9,160	–	50,005
	Interest	28,537	36,844	943	3,306	10,280	13,297	9,631	15,170	118,008
2007	Principal	–	34,230	1,315	3,250	10,850	–	9,570	3,735	62,950
	Interest	28,537	36,279	893	3,224	10,009	13,297	9,186	15,096	116,521
2008	Principal	–	30,950	1,370	3,350	11,150	–	10,050	4,520	61,390
	Interest	28,537	34,668	838	3,141	9,730	13,297	8,695	15,005	113,911
2009	Principal	28,815	31,550	1,425	3,425	11,400	–	10,550	4,610	91,775
	Interest	28,238	32,909	782	3,055	9,445	13,297	8,161	14,896	110,783
2010-2014	Principal	108,195	202,015	8,045	23,580	66,945	88,700	75,435	25,535	598,450
	Interest	139,630	135,144	2,932	11,557	36,738	44,809	28,767	71,478	471,055
2015-2019	Principal	523,455	261,990	7,930	26,150	88,125	83,100	59,975	32,010	1,082,735
	Interest	81,001	83,655	755	4,573	15,293	31,082	7,655	64,413	288,427
2020-2024	Principal	–	347,615	–	12,150	40,700	40,500	11,875	41,075	493,915
	Interest	–	17,769	–	241	808	2,227	237	54,937	76,219
2025-2029	Principal	–	–	–	–	–	–	–	52,400	52,400
	Interest	–	–	–	–	–	–	–	43,044	43,044
2030-2034	Principal	–	–	–	–	–	–	–	66,880	66,880
	Interest	–	–	–	–	–	–	–	27,842	27,842
2035-2037	Principal	–	–	–	–	–	–	–	83,315	83,315
	Interest	–	–	–	–	–	–	–	5,977	5,977
	Principal	$ 712,265	$ 968,355	$ 22,590	$ 71,905	$ 229,170	$ 228,000	$ 195,420	$ 314,080	$ 2,741,785
	Interest	$ 363,017	$ 414,649	$ 8,130	$ 32,403	$ 102,583	$ 145,170	$ 82,345	$ 343,028	$ 1,491,325
Effective costs of capital		5.90%	4.34%	4.28%	4.26%	4.13%	6.56%	3.76%	4.71%	

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 represent 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, 2002	Fiscal Year 2003 Activity	June 30, 2003	Fiscal Year 2004 Activity	June 30, 2004
GAAP items not included in billings to participants:					
Depreciation of plant	$ (752,061)	$ (62,325)	$ (814,386)	$ (53,687)	$ (868,073)
Nuclear fuel amortization	(19,548)	–	(19,548)	–	(19,548)
Decommissioning expense	(125,246)	(6,009)	(131,255)	(6,009)	(137,264)
Amortization of bond discount, debt issue costs, and loss on refundings	(549,360)	(35,096)	(548,456)	(31,294)	(615,750)
Interest expense	(63,931)	1,654	(62,277)	(7,371)	(69,648)
Bond requirements included in billings to participants:					
Operations and maintenance, net of investment income	175,575	99,330	274,905	9,227	284,132
Costs of acquisition of capacity	18,769	1,153	19,922	(1,224)	18,698
Billings to amortize costs recoverable	281,230	50,410	331,640	50,410	382,050
Reduction in debt service billings due to transfer of excess funds	(90,020)	–	(90,020)	–	(90,020)
Principal repayments	693,447	86,871	780,318	82,203	862,521
Other	57,796	7,833	65,629	3,579	69,208
	(373,349)	143,821	(229,528)	45,834	(183,694)
Multiple Project Fund Net Assets	6,355	337	6,692	415	7,107
Projects' Stabilization Fund Net Assets	173,785	(77,364)	96,421	(44,966)	51,455
	$ (193,209)	$ 66,794	$ (126,415)	$ 1,283	$ (125,132)

7. Commitments and Contingencies

Deregulation – When Assembly Bill 1890 (the "Bill") passed in September 1996, the electric industry became chaotic. The investor owned utilities' (IOUs) creditworthiness deteriorated to a point where one went bankrupt as a result of compliance with the Bill. The deregulation experiment has, for the most part, been abandoned and the IOU situation is improving. The public power systems in the Authority were not required to comply with the Bill's provisions and continued to plan for the needs of their customers and were not faced with customers choosing direct access and leaving the system. Most of the Authority's members have made investment in new gas-fired peaking or base-load generation located in Southern California. The members continue to collect the public benefit charge, and to date have instituted in excess of $500 million of programs to benefit their customers. The local governing authority makes the decisions on how these funds are allocated. Funds (approximately 2.95% of gross revenues) have been spent on renewable resources, conservation, research and development, and low-income rate subsidies. 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. 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, 18 casks, each containing 24 spent fuel assemblies, were placed in the Storage Facility. 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 $10.8 billion per incident. Participants in the Palo Verde Nuclear Generating Station currently insure potential claims and liability through commercial insurance with a $300 million limit; the remainder of the potential liability is covered by the industry-wide retrospective assessment program provided under the Act. This program limits assessments to $101 million per reactor for each licensee for each nuclear incident occurring at any nuclear reactor in the United States; payments under the program are limited to $10 million per reactor, 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 $17.8 million, limited to payments of $1.8 million per incident, per year.

Other Legal Matters – With respect to the San Juan Generating Station (including the Authority's ownership interest in Unit 3 thereof), the Sierra Club and the Grand Canyon Trust have filed suit against Public Service Company of New Mexico ("PNM") in federal court alleging violations of the Clean Air Act and of the conditions of the San Juan Generating Station's operating permit. PNM is a co-owner of the San Juan Generating Station and is the operating agent of the station. The lawsuit seeks penalties as well as injunctive and declaratory relief. The Authority is not a defendant in the litigation. However, if the plaintiffs prevail in the litigation, the Authority may be required to pay a portion of any damages resulting from the litigation.

PNM has informed the Authority that it is vigorously defending against the plaintiffs' claims. If the matter goes to trial, PNM will present its case that the violations were not of such a nature as to require large penalties or injunctive relief. The Authority is unable to predict the outcome of this litigation.

Claims and a lawsuit for damages have been filed with the Authority, Intermountain Power Authority (the "IPA") and the LADWP seeking $100 million in special damages and a like amount in general damages. The claimants allege, among other things, that due to improper grounding of the transmission line of STS, their dairy herds were damaged and the value of their land was diminished. The claimants also seek injunctive relief. The Authority, IPA and the LADWP 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, 2004

(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, 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
Additions:												
Investment earnings	–	780	3,992	–	19	500	–	61	233	593	1	6,179
Discount on investment purchases	235	29	75	34	2	5,827	–	360	43	874	7	7,486
Distribution of investment earnings	(285)	(947)	–	(27)	(22)	–	3	(466)	(526)	(2,197)	4,474	7
Revenue from power sales	–	–	–	–	–	–	–	–	–	–	174,793	174,793
Distribution of revenue	22,295	–	8,004	–	–	–	108,860	–	40,041	–	(179,200)	–
Transfer from escrow fund for principal and interest payments	259,743	–	–	–	–	(366,796)	–	107,053	–	–	–	–
Transfer from escrow restructuring	571	–	–	–	–	(627)	–	–	56	–	–	–
Other	(6,212)	–	–	–	(2)	50,373	(110,742)	55,874	388	10,213	223	115
Total	276,347	(138)	12,071	7	(3)	(310,723)	(1,879)	162,882	40,235	9,483	298	188,580
Deductions:												
Construction expenditures	–	–	–	–	–	–	–	–	–	8,670	–	8,670
Operating expenditures	–	–	3	–	–	–	–	–	28,108	–	–	28,111
Debt issue cost	–	–	–	–	–	125	–	–	–	–	–	125
Remarketing/Commitment Fees	–	–	–	–	–	–	–	458	–	–	–	458
Fuel costs	–	–	–	–	–	–	–	–	8,011	–	–	8,011
Payment of principal	12,595	–	–	–	–	–	–	36,595	–	–	–	49,190
Interest paid - non-escrow	4,456	–	–	–	–	–	–	27,735	–	–	–	32,191
Payment of principal and interest paid - escrow	259,743	–	–	–	–	–	–	107,053	–	–	–	366,796
Total	276,794	–	3	–	–	125	–	171,841	36,119	8,670	–	493,552
Balance at June 30, 2004	$ 30,254	$ 34,513	$ 128,373	$ 6,168	$ 997	$ 398,623	$ –	$ 44,500	$ 26,167	$ 92,225	$ 542	$ 762,362

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, $88 and $96 held in the revolving fund at June 30, 2004 and 2003, 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, 2004

(Amounts in thousands)

	Debt Service Fund	Escrow Fund	General Reserve Fund	Issue Fund	Operating Fund	Revenue Fund	Total
Balance at June 30, 2003	$ 4,537	$ 81,680	$ 2	$ 74,236	$ 524	$ –	$ 160,979
Additions:							
Investment earnings	1	–	–	2,818	1	5	2,825
Discount on investment purchases	57	–	–	217	3	9	286
Distribution of investment earnings	(58)	–	–	(3,035)	(4)	3,097	–
Revenue from transmission sales	–	–	–	–	–	87,653	87,653
Distribution of revenue	11,161	–	(2)	57,706	21,899	(90,764)	–
Transfer from/to escrow fund required by refunding bonds issuance	6,545	(66,993)	–	60,448	–	–	–
Total	17,706	(66,993)	(2)	118,154	21,899	–	90,764
Deductions:							
Operating expenses	–	–	–	73	18,903	–	18,976
Debt issue cost	–	–	–	220	–	–	220
Payment of principal	11,095	–	–	18,625	–	–	29,720
Interest and arbitrage paid	–	–	–	40,657	573	–	41,230
Principal and interest paid on escrow bonds	–	–	–	60,448	–	–	60,448
Total	11,095	–	–	120,023	19,476	–	150,594
Balance at June 30, 2004	$ 11,148	$ 14,687	$ –	$ 72,367	$ 2,947	$ –	$ 101,149

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. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $38 and $40 held in the revolving fund at June 30, 2004 and 2003, 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, 2004

(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, 2003	$ 1,181	$ –	$ –	$ 1,701	$ 3	$ 1,322	$ –	$ 4,207
Additions:								
Investment earnings	–	–	–	–	–	10	1	11
Discount on investment purchases	5	–	–	26	–	9	–	40
Distribution of investment earnings	(5)	–	–	(27)	–	(19)	50	(1)
Revenue from power sales	–	–	–	–	–	–	2,428	2,428
Distribution of revenues	1,973	–	–	–	–	300	(2,273)	–
Total	1,973	–	–	(1)	–	300	206	2,478
Deductions:								
Operating expenses	–	–	–	–	–	254	–	254
Payment of principal	1,190	–	–	–	–	–	–	1,190
Interest paid	1,040	–	–	–	–	–	–	1,040
Total	2,230	–	–	–	–	254	–	2,484
Balance at June 30, 2004	$ 924	$ –	$ –	$ 1,700	$ 3	$ 1,368	$ 206	$ 4,201

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. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $16 and $18 held in the revolving fund at June 30, 2004 and 2003, 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, 2004

(Amounts in thousands)

	Acquisition Account	Debt Service Account	Debt Service Reserve Account	Operating Fund	Reserve & Contingency Fund	Revenue Fund	Cost of Issuance	Escrow Account	Total
Balance at June 30, 2003	$ –	$ 3,513	$ 5,911	$ 107	$ 1,818	$ –	$ –	$ –	$ 11,349
Additions:									
Investment earnings	–	141	435	–	128	–	–	–	704
Distribution of investment earnings	–	431	(435)	–	(627)	631	–	–	–
Transmission revenue	–	–	–	–	–	4,515	–	–	4,515
Refunds from operating manager	–	–	–	8	–	–	–	–	8
Transfer of revenues	–	3,701	–	1,569	35	(5,305)	–	–	–
Payments from Western Area Power Administration	–	–	–	–	–	159	–	–	159
Balance transfer to/from escrow account	–	(688)	–	–	–	–	630	58	–
Bond proceeds	–	–	–	–	–	–	–	44,003	44,003
Other transfers	–	(405)	4	476	(71)	–	–	–	4
Total	–	3,180	4	2,053	(535)	–	630	44,061	49,393
Deductions:									
Operating expenses		–	–	1,281	12	–	–	–	1,293
Arbitrage paid	–	–	–	428	–	–	–	–	428
Debt issuance costs	–	–	–	–	–	–	572	–	572
Interest paid		3,924	–	–	–	–	–	–	3,924
Total	–	3,924	–	1,709	12	–	572	–	6,217
Balance at June 30, 2004	$ –	$ 2,769	$ 5,915	$ 451	$ 1,271	$ –	$ 58	$ 44,061	$ 54,525

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. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $12 held in the revolving fund at both June 30, 2004 and 2003.

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, 2004

(Amounts in thousands)

	Acquisition Account	Debt Service Account	Debt Service Reserve Account	Operating Fund	Reserve & Contingency Fund	Revenue Fund	Surplus Fund	Escrow Account	Cost of Issuance	Total
Balance at June 30, 2003	$ –	$ 6,984	$ 16,267	$ 162	$ 6,826	$ –	$ –	$ –	$ –	$ 30,239
Additions:										
Investment earnings	–	144	1,196	1	501	–	–	–	–	1,842
Discount on investment earnings	–	27	–	–	–	–	–	–	–	27
Distribution of investment earnings	–	1,180	(1,196)	–	(919)	935	–	–	–	–
Transmission revenue	–	–	–	–	–	13,712	–	–	–	13,712
Refunds from operating manager	–	–	–	8	–	–	–	–	–	8
Distribution of revenues	–	11,305	–	3,249	128	(14,682)	–	–	–	–
Payments from Western Area Power Administration	–	–	–	–	–	35	–	–	–	35
Balance transfer to/from escrow account	–	(2,302)	–	–	–	–	–	195	2,107	–
Bond proceeds	–	–	–	–	–	–	–	147,064	–	147,064
Other transfers	–	(1,211)	–	1,211	–	–	–	–	–	–
Total	–	9,143	–	4,469	(290)	–	–	147,259	2,107	162,688
Deductions:										
Interest paid	–	12,358	–	–	–	–	–	–	–	12,358
Arbitrage paid	–	–	–	1,211	–	–	–	–	–	1,211
Debt issuance costs	–	–	–	–	–	–	–	–	1,913	1,913
Operating expenses	–	–	–	2,328	–	–	–	–	–	2,328
Total	–	12,358	–	3,539	–	–	–	–	1,913	17,810
Balance at June 30, 2004	$ –	$ 3,769	$ 16,267	$ 1,092	$ 6,536	$ –	$ –	$ 147,259	$ 194	$ 175,117

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. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, $10 and $12 held in the revolving fund at June 30, 2004 and 2003, 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, 2004

(Amounts in thousands)

	Proceeds Account	Debt Service Account	Earnings Account	Total
Balance at June 30, 2003	$ 242,250	$ –	$ 1,187	$ 243,437
Additions:				
Investment earnings	17,087	12	43	17,142
Transfer of investment earnings to earnings account	(21,769)	–	21,769	–
Transfer to debt service account	–	22,999	(22,999)	–
Total	(4,682)	23,011	(1,187)	17,142
Deductions:				
Interest paid	–	14,640	–	14,640
Payment of principal	–	7,100	–	7,100
Total	–	21,740	–	21,740
Balance at June 30, 2004	$ 237,568	$ 1,271	$ –	$ 238,839

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. 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, 2004

(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, 2003	$ 5,383	$ 21,599	$ –	$ –	$ 1,207	$ 8,639	$ 681	$ –	$ 37,509
Additions:									
Investment earnings	1	1,123	–	–	1	44	5	3	1,177
Discount on investments	39	–	–	–	22	52	2	5	120
Distribution of investment earnings	(40)	(1,123)	–	–	(23)	(96)	(7)	1,289	–
Revenue from power sales	–	–	–	–	–	–	–	65,055	65,055
Distribution of revenues	18,812	–	–	–	46,716	824	–	(66,352)	–
Bond proceeds	–	–	–	–	–	–	–	–	–
Transfer from escrow for principal and interest payments	–	–	–	–	–	–	–	–	–
Transfer to escrow funds required by refunding bond issuance	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total	18,812	–	–	–	46,716	824	–	–	66,352
Deductions:									
Operating expenses	–	–	–	–	43,104	–	–	–	43,104
Construction expenditures	–	–	–	–	–	2,154	–	–	2,154
Debt issue cost	–	–	–	–	–	–	–	–	–
Payment of principal	8,390	–	–	–	–	–	–	–	8,390
Interest paid – non-escrow	10,605	–	–	–	–	–	–	–	10,605
Payment of principal and interest – escrow	–	–	–	–	–	–	–	–	–
Total	18,995	–	–	–	43,104	2,154	–	–	64,253
Balance at June 30, 2004	$ 5,200	$ 21,599	$ –	$ –	$ 4,819	$ 7,309	$ 681	$ –	$ 39,608

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. These balances do not include accrued interest receivable, unrealized gain (loss) on investment, and $20 and $22 held in the revolving fund at June 30, 2004 and 2003, 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, 2004

(Amounts in thousands)

	Debt Service Account	Debt Service Reserve Account	Project Fund	Operating Reserve Fund	Reserve & Contingency Fund	Total
Balance at June 30, 2003	$ 33,055	$ 19,548	$ 164,979	$ 4,994	$ 9,964	$ 232,540
Additions:						
Investment earnings	459	476	2,735	141	300	4,111
Bond proceeds	–	–	–	–	–	–
Other	–	–	122	–	–	122
Total	459	476	2,857	141	300	4,233
Deductions:						
Construction expenditures	–	–	88,054	–	–	88,054
Interest paid - non-escrow	12,052	–	–	–	–	12,052
Debt issue cost	–	–	12	–	–	12
Premium and interest paid on investment purchases	–	–	–	–	–	–
Total	12,052	–	88,066	–	–	100,118
Balance at June 30, 2004	$ 21,462	$ 20,024	$ 79,770	$ 5,135	$ 10,264	$ 136,655

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. These balances do not include accrued interest receivable and unrealized gain (loss) on investment and $16 held in the revolving fund at June 30, 2004.

City of Anaheim

Customers - Retail 110,567
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 974,395
Purchased 2,603,955
Total 3,578,350
Total Revenues (000s) $295,988*
Operating Costs (000s) $278,307*
*Unaudited

City of Azusa

Customers Served 15,446
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 0
Purchased 282,630
Sales
Retail 265,672
Total Revenues (000s) $26,870*
Operating Costs (000s). $22,378*
*Unaudited

City of Banning

Customers Served 11,636
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 0
Purchased 161,100
Total. 161,100
Total Revenues (000s) $19,550*
Operating Costs (000s). $18,709*
*Unaudited

City of Burbank

Customers Served 51,360
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated. 115,138
Purchased. 1,036,996
Total 1,152,134
Total Revenues (000s). $271,175*
Operating Costs (000s). $237,763*
*Unaudited

City of Cerritos

Customers Served 15,091
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 10
Purchased . . . . .To be determined
Total Revenues (000s) $0
Operating Costs (000s) $0

City of Colton

Customers Served 17,918
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 43,266
Purchased 322,734
Total .366,000
Total Revenues (000s) $40,867*
Operating Costs (000s). $42,686*
*Unaudited

City of Glendale

Customers Served 83,232
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated. 161,385
Purchased. 1,190,385
Total 1,351,770
Total Revenues (000s). $171,278*
Operating Costs (000s). $134,790*
*Unaudited

Imperial Irrigation District

Customers Served 120,500
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 1,044,015
Purchased. 1,985,331
Total 3,029,346
Total Revenues (000s). $435,000
Operating Costs (000s). $427,000

Los Angeles Department of Water and Power

Customers Served. 1,428,435
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 13,321,613
Purchased. 13,588,932
Total 26,910,545
Total Revenues (000s) $2,323,535*
Operating Costs (000s) $2,057,322*
*Unaudited

City of Pasadena

Customers Served 61,057
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated. 142,225
Purchased. 1,369,944
Total 1,512,169
Total Revenues (000s). $177,250
Operating Costs (000s). $138,399

City of Riverside

Customers Served 100,766
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated. 318,800
Purchased. 2,215,900
Total 2,534,700
Total Revenues (000s). $232,809*
Operating Costs (000s). $201,728*
*Unaudited

City of Vernon

Customers Served 2,060
Power Generated and Purchased
(in Megawatt-Hours)
Self-Generated 0
Purchased 1,339,133
Total 1,339,133
Total Revenues (000s) $107,052
Operating Costs (000s) $92,071

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