



**SOUTHERN CALIFORNIA  
PUBLIC POWER AUTHORITY**

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

**JUNE 30, 2008 AND 2007**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying combined and individual project's statements of net assets (deficit) of Southern California Public Power Authority (the Authority) as of June 30, 2008 and 2007 and the related combined and individual project's statements of revenues, expenses and changes in net assets (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the combined and individual project's financial statements referred to above present fairly, in all material respects, the financial position of Southern California Public Power Authority and each of the Authority's projects: Palo Verde Project, Hoover Upgrading Project, San Juan Project, Magnolia Power Project, Ormat Geothermal Energy Project, Southern Transmission System Project, Mead-Phoenix Project, Mead-Adelanto Project, Natural Gas Pinedale Project, Natural Gas Barnett Project, Prepaid Natural Gas Project No. 1, Multiple Project Fund, and Projects' Stabilization Fund as of June 30, 2008 and 2007 and the results of the Project's operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Moss Adams LLP

Portland, Oregon  
October 21, 2008

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

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The following discussion and analysis of the financial performance of Southern California Public Power Authority (the "Authority" or "SCPPA"), provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2008 and 2007. Please read this discussion and analysis in conjunction with the Authority's Combined Financial Statements, which begin on page 25. Description and other details pertaining to the Authority are included in the Notes to Combined Financial Statements.

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

The Authority has interests in the following projects:

### **PALO VERDE PROJECT**

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

### **HOOVER 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 Upgrading Project ("HU").

### **SAN JUAN PROJECT**

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

### **MAGNOLIA POWER PROJECT**

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

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

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**ORMAT GEOTHERMAL ENERGY PROJECT**

The Authority entered into long-term Power Purchase Agreements in December 2005 with divisions of Ormat Technologies, Inc. for up to 20 megawatts ("MW") of electric generation. The Project started delivery of approximately 5 MW in January 2006 from geothermal energy facilities located in Heber, California. In May 2008, the agreements were amended to substitute new wells as the source of the generation, and to increase the capacity to 14MW. The City of Anaheim acts as the Scheduling Coordinator on behalf of the Project Participants.

**SOUTHERN TRANSMISSION SYSTEM PROJECT**

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

**MEAD-PHOENIX AND MEAD-ADELANTO PROJECTS**

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

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

**NATURAL GAS PINEDALE PROJECT**

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

**NATURAL GAS BARNETT PROJECT**

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
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**PREPAID NATURAL GAS PROJECT NO. 1**

On October 11, 2007, the Authority made a one-time prepayment of \$481 million to acquire the right to receive approximately 135 billion cubic feet of natural gas from J. Aron & Company to be delivered over a 30-year term, beginning July 1, 2008, which is the commercial operation date of this project. On October 3, 2007, prior to the acquisition of the prepaid gas supply, the Authority entered into five separate Prepaid Natural Gas Sales Agreements (the Gas Sales Agreements) with J. Aron and simultaneously, five Prepaid Natural Gas Supply Agreements (the Gas Supply Contracts) in which the Authority sold its interest in the natural gas, on a "take-and-pay" basis, to the cities of Anaheim, Burbank, Colton, Glendale, and Pasadena (the Project No. 1 Participants). Through the Gas Supply Contracts, SCPPA has provided for the sale to the Project Participants, on a pay-as-you-go basis, of all of the natural gas to be delivered to SCPPA pursuant to the Gas Sales Agreements. The Natural Gas contracts expire in 2038.

Under the Gas Supply Contracts, the approximate average Daily Quantity of gas to be purchased by each Project Participant is as follows:

<u>PROJECT PARTICIPANT</u>	<u>AVERAGE DAILY QUANTITY (1)</u>	<u>PERCENTAGE BY PARTICIPANT</u>
City of Anaheim	2,000	16.5%
City of Burbank	4,000	33.0%
City of Colton	1,375	11.0%
City of Glendale	2,750	23.0%
City of Pasadena	<u>2,000</u>	<u>16.5%</u>
TOTAL	12,125	100%

(1) The average Daily Quantity is in MmBtu's and is calculated over the term of the applicable Gas Supply Contract.

**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.

**PROJECTS' STABILIZATION FUND**

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

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

**PARTICIPANT OWNERSHIP INTERESTS**

The Authority's participants may elect to participate in the projects. As of June 30, 2008, the members have the following participation percentages in the Authority's operating projects:

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

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

The contracts expire as follows:

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

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

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### **CRITICAL ACCOUNTING POLICIES**

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

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

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

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

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

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



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

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**USING THIS FINANCIAL REPORT**

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

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

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

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

	<b>JUNE 30,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>			
Net utility plant	\$ 1,009,331	\$ 1,006,994	\$ 995,599
Investments	558,619	556,518	558,497
Cash and cash equivalents	230,000	149,740	80,778
Prepaid and other	592,450	103,290	112,223
	<u>2,390,400</u>	<u>1,816,542</u>	<u>1,747,097</u>
<b>Total assets</b>	<b>\$ 2,390,400</b>	<b>\$ 1,816,542</b>	<b>\$ 1,747,097</b>
<b>Liabilities and Net Assets (Deficit)</b>			
Noncurrent liabilities	\$ 2,310,261	\$ 1,842,488	\$ 1,806,660
Current liabilities	220,748	191,137	186,969
<b>Total liabilities</b>	<u>2,531,009</u>	<u>2,033,625</u>	<u>1,993,629</u>
<b>Net Assets (Deficit)</b>			
Invested in capital assets, net of related debt	(1,236,053)	(742,312)	(715,204)
Restricted net assets	996,901	429,686	361,732
Unrestricted net assets	98,543	95,543	106,940
<b>Total net deficit</b>	<u>(140,609)</u>	<u>(217,083)</u>	<u>(246,532)</u>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 2,390,400</b>	<b>\$ 1,816,542</b>	<b>\$ 1,747,097</b>
<b>Revenues, Expenses and Changes in Net Assets (Deficit) for the year ended June 30</b>			
Operating revenues	\$ 468,809	\$ 390,005	\$ 330,987
Operating expenses	(319,193)	(291,202)	(248,507)
Operating income	149,616	98,803	82,480
Investment income	32,956	33,622	18,932
Debt expense	(108,062)	(113,028)	(106,198)
Change in net assets	74,510	19,397	(4,786)
<b>Net Deficit, beginning of year</b>	<b>(217,083)</b>	<b>(246,532)</b>	<b>(233,031)</b>
<b>Net Contributions/(Withdrawals) By Participants</b>	<u>1,964</u>	<u>10,052</u>	<u>(8,715)</u>
<b>Net Deficit, end of year</b>	<b>\$ (140,609)</b>	<b>\$ (217,083)</b>	<b>\$ (246,532)</b>

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

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**Combined Financial Statements (Continued)**

***Net Deficit -***

During fiscal year 2008 the Authority's net deficit decreased by \$76 million mainly due to the increase in assets of \$573 million and the increase in liabilities of \$497 million.

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

- **Utility Plant - increased by \$2 million.**  
This increase is primarily due to \$10 million of ongoing capital expenditures and \$14 million replenishment of fuel inventory in the Palo Verde Project; \$37 million of environmental upgrades in the San Juan Project; \$3 million of capital improvements in the Magnolia Power Project; and \$11 million of additional drilling of wells in the Natural Gas Barnett Project; offset by \$73 million of scheduled depreciation in all projects.
- **Investments – increased by \$2 million.**  
This increase is due to \$60 million net bond proceeds from the issuance of the Natural Gas Project A, 2008 Revenue Bonds; \$14 million net bond proceeds from the issuance of the Gas Project Revenue Bonds, Project No. 1 Series 2007 A&B Bonds; and \$8 million reinvestment of interest earnings in the Decommissioning Fund. These increases were offset by a decrease of \$56 million net reallocation of investments from long term to short term in the Palo Verde, Hoover, San Juan, STS, Mead Adelanto, Multiple Project and Projects Stabilization Fund (“PSF”); the application of \$15 million of prior year’s overbillings to operating and maintenance expenses and the prepayment of nuclear fuel in the Palo Verde Project; and \$9 million of environmental upgrades in the San Juan Project.
- **Cash and cash equivalents – increased by \$80 million.**  
This increase is due to \$56 million net reallocation of investments from long-term to short-term in Palo Verde, Hoover, San Juan, STS, Mead Adelanto, Multiple Project and PSF Projects; accumulated collections of \$9 million in over billings in the STS, Magnolia, and San Juan Projects; \$14 million in participants’ contributions in the PSF and the Natural Gas Barnett Project; and \$1 million reinvestment of interest earnings in Multiple Project.
- **Prepaid and other assets – increased by \$489 million.**  
This increase is due to the \$481 million prepayment for a 30-year supply of natural gas on behalf of the project participants of the newly acquired Prepaid Natural Gas Project No. 1; \$20 million of unamortized costs of the new Prepaid Natural Gas Project No. 1; and \$12 million increase in accounts receivable due to under billings in Palo Verde, Mead Adelanto, and STS. The increases were mainly offset by a \$24 million decrease in deferred debit in the San Juan Project as the provision for the environmental upgrade project was satisfied.

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

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**Combined Financial Statements (Continued)**

The increase in the Authority's liabilities of \$497 million is primarily due to the following:

- The \$510 million issuance of Gas Project Revenue Bonds, Project No. 1, 2007 Series A & B; issuance of the \$141 million Natural Gas Project A, 2008 Revenue Bonds; and a \$6 million increase in accounts payable due to over billings in the STS Project. The increases were offset by the payoff of \$76 million of bridge loans in the Natural Gas Projects; the \$28 million decrease in advances mainly used to meet the obligation of the San Juan environmental upgrades; and \$56 million of principal maturities and related amortizations for all projects.

During fiscal year 2007, the Natural Gas Barnett Project was acquired, the Magnolia Power Project A Revenue Bonds, 2006-1 and 2007-1 were issued and a portion of the 2003-1 Magnolia Bonds was refunded (See Note 6). As a result of these events, long-term investments decreased by \$2 million; cash and cash equivalents increased by \$69 million; and liabilities increased by \$40 million. In addition, utility plant increased by \$11 million because of the net effect of acquisitions; capital expenditures in Palo Verde, San Juan, Magnolia and Natural Gas Projects; and the accumulated depreciation in all projects. Other assets decreased by \$9 million because of lower maintenance costs in the Palo Verde Project and the reduction of drilling activity in the Natural Gas Pinedale Project which resulted in a decrease in accounts receivable.

***Operating Income -***

The net increase in operating income by \$51 million is due to the following:

- Operating Revenues – increased by \$79 million.  
The increase is primarily due to the additional billings of \$28 million for the steam generator replacement program and the replenishment of fuel inventory in the Palo Verde Project; \$19 million increase in fuel contribution and operation and maintenance costs in the Magnolia Power Project; \$19 million for the environmental upgrades and major maintenance costs in the San Juan Project; and \$13 million for the newly acquired Natural Gas Barnett Project.
- Operating Expenses – increased by \$28 million.  
The increase is mainly due to the \$18 million increase in fuel costs contributed by the participants and higher maintenance cost of the plant in the Magnolia Power Project; \$6 million increase in maintenance expense due to replacement of the steam generator in the Palo Verde Project; and \$7 million for the addition of the Barnett Natural Gas Reserves Project. The offset of \$3 million was primarily due to the accrual of overbilled operating expenses from the operating manager of the STS Project.

During fiscal year 2007, net operating income increased by \$16 million primarily due to increased participant billings offset by increased expenses for the Magnolia Power Project being in commercial operations for the entire fiscal year; the future costs of the San Juan environmental upgrade offset by the higher cost of coal in the San Juan Project; and the operations and maintenance costs for the newly acquired Ormat Geothermal and the Natural Gas Barnett Projects.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
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***Investment Income -***

During fiscal year 2007, investment income increased by \$15 million mainly due to the increase in market values of the investments.

***Debt Expenses -***

Debt expense decreased by \$5 million largely due to the net gain of \$2 million from swap related transactions and a \$3 million decrease in arbitrage and other debt related obligations in the STS Project.

**Supplementary Information:**

**Palo Verde Power Project Subordinate Refunding Bonds**

As of June 30, 2008, SCPPA has outstanding \$101,820,000 of subordinate bonds relating to the Palo Verde Project, consisting of \$12,250,000 aggregate principal amount of the 1996 Subordinate Refunding Series B ("1996 Series B Bonds") and \$89,570,000 aggregate principal amount of the 1996 Subordinate Refunding Series C ("1996 Series C Bonds"). The 1996 Series B and C Bonds ("Refunded Bonds") were issued to refund certain Senior Bonds and consist of insured variable rate bonds.

The Palo Verde 2008 Series Subordinate Bonds ("2008 Series A and B Bonds") in the aggregate principal amount of \$99,830,000, consisting of \$49,915,000 principal amount of 2008 Series A Bonds and \$49,915,000 of 2008 Series B Bonds, are being issued to provide funds, together with certain other available moneys, to refund all of SCPPA's outstanding 1996 Series B and C Bonds.

No Senior Palo Verde Bonds are currently outstanding. Upon issuance of the 2008 Series A and B Bonds on August 28, 2008, the 2008 Series A and B Bonds will be the only bonds outstanding relating to SCPPA's interest in Palo Verde. These bonds are subject to optional redemption but will mature on July 1, 2017. The Refunded Bonds were redeemed on September 3, 2008 (See Note 11).

**Long-term debt** - The Authority has financed the acquisition of most of its Projects through the issuance of revenue bonds. The exception is the Natural Gas Projects wherein some of the natural gas participants used cash for their percentage of the acquisition. Capital additions to all of these Projects are financed through revenues received from the Participants. (See Note 6)

During Fiscal Year 2008, the Authority issued bonds as follows:

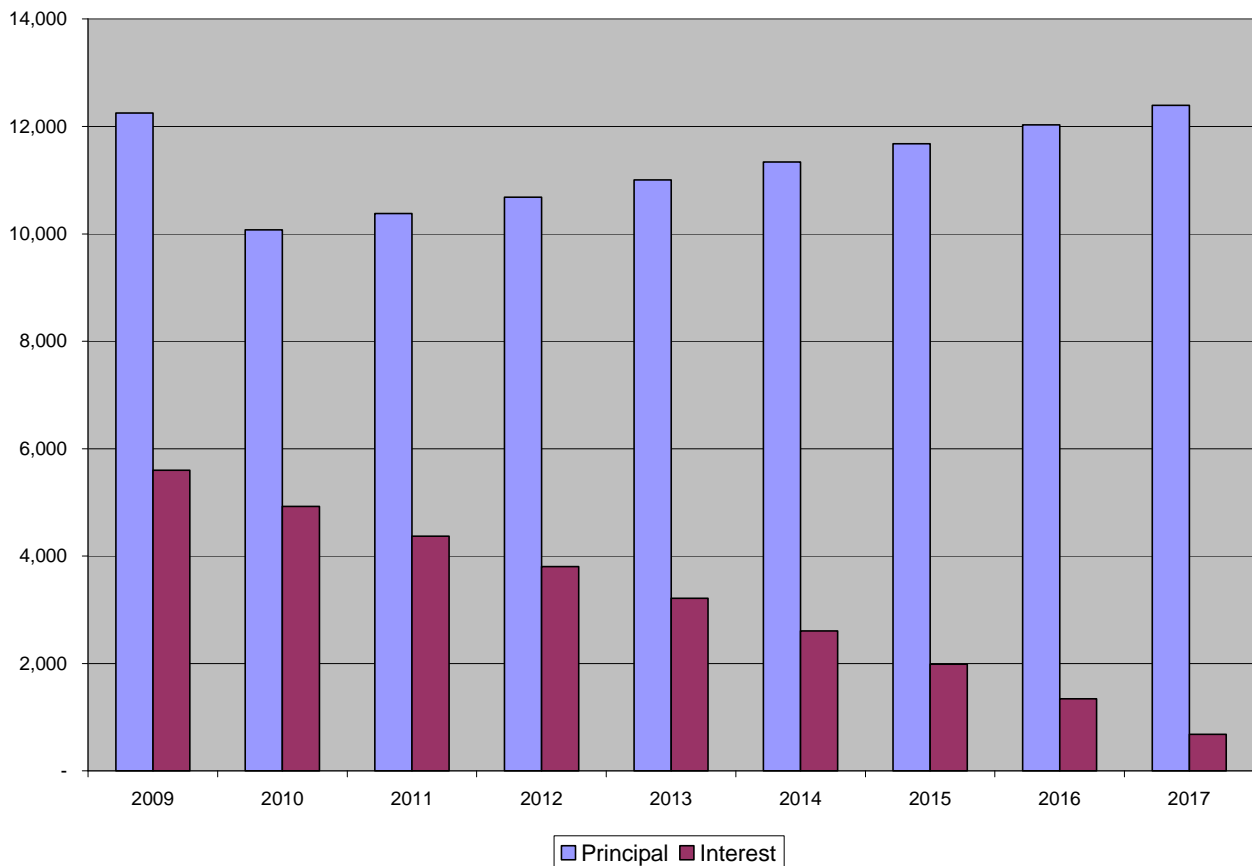
- \$504,445,000 Gas Project Revenue Bonds (Project No. 1) in October 2007
  - \$302,995,000 Series 2007A (Fixed Rate Bonds),
  - \$201,450,000 Series 2007B (LIBOR Index Rate Bonds);
- \$141,060,000 Natural Gas Project A Revenue Bonds (Taxable) in February 2008
  - \$80,795,000 Series 2008 (City of Anaheim, California),
  - \$43,700,000 Series 2008 (City of Burbank, California),
  - \$16,565,000 Series 2008 (City of Colton, California) ; and
- \$48,025,000 Transmission Project Revenue Bonds, 2008 Subordinate Refunding Series A, Southern Transmission Project in June 2008.

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

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The following graphs for each of the Authority's Projects provide an indication of the principal and interest payments on the bonds that are due each year following June 30, 2008 until the bonds mature. Interest is reflected on an accrual basis.

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

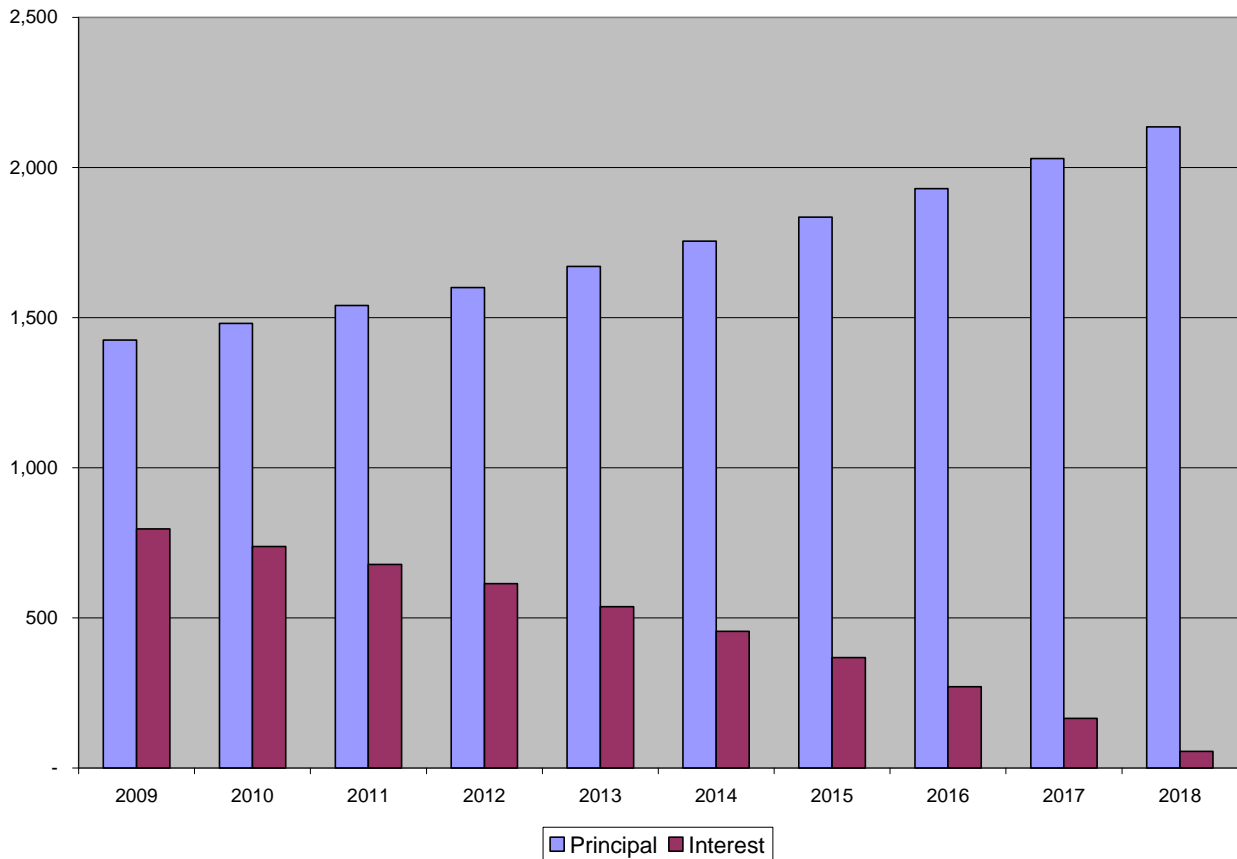


Interest payments on the remaining bonds are payable on the first Wednesday of each month. Principal maturity of \$11.9 million was paid on June 4, 2008. The bonds mature in the fiscal year ended June 30, 2017.

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

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

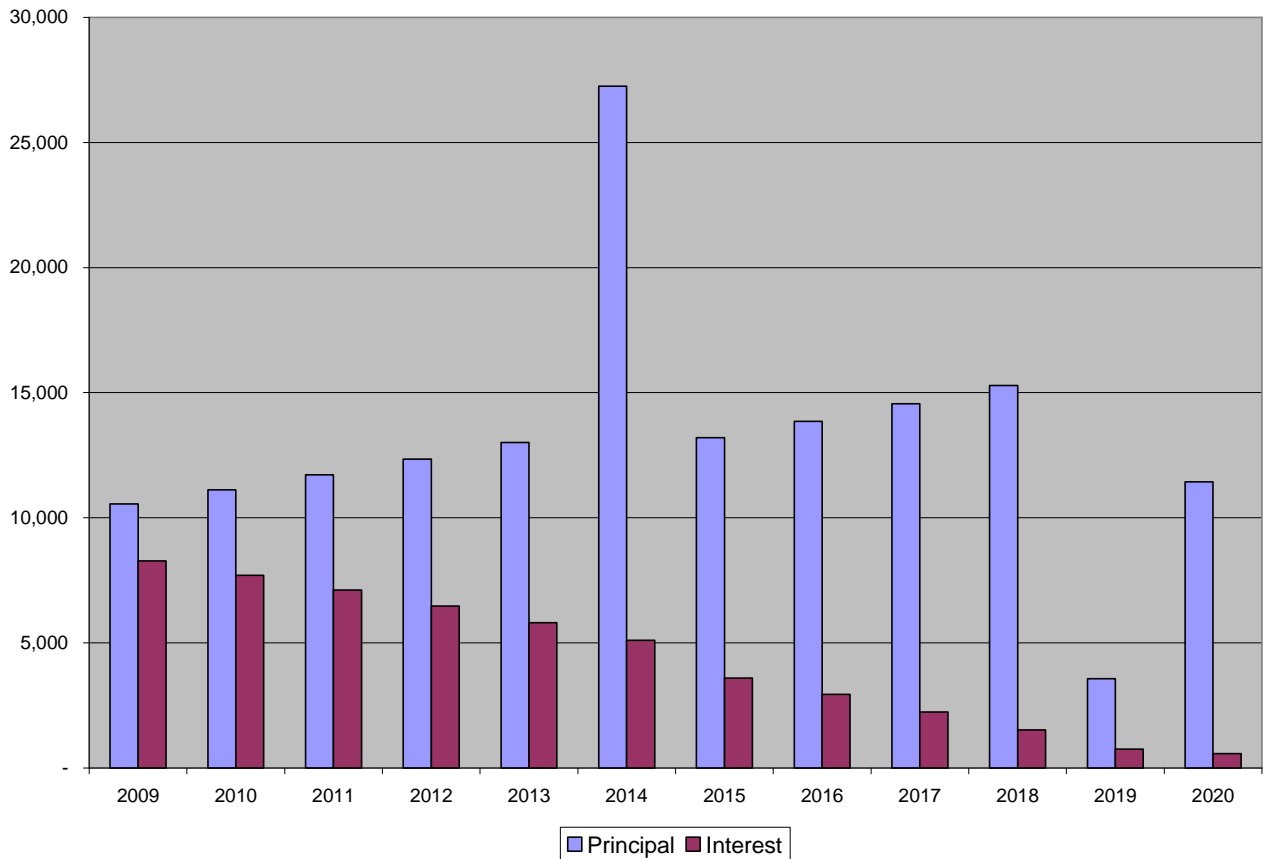


Interest payments on the bonds are payable semi-annually on October 1 and April 1 of each year. Principal maturities of \$1.4 million were paid on October 1, 2007. The bonds mature in the fiscal year ended June 30, 2018.

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

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



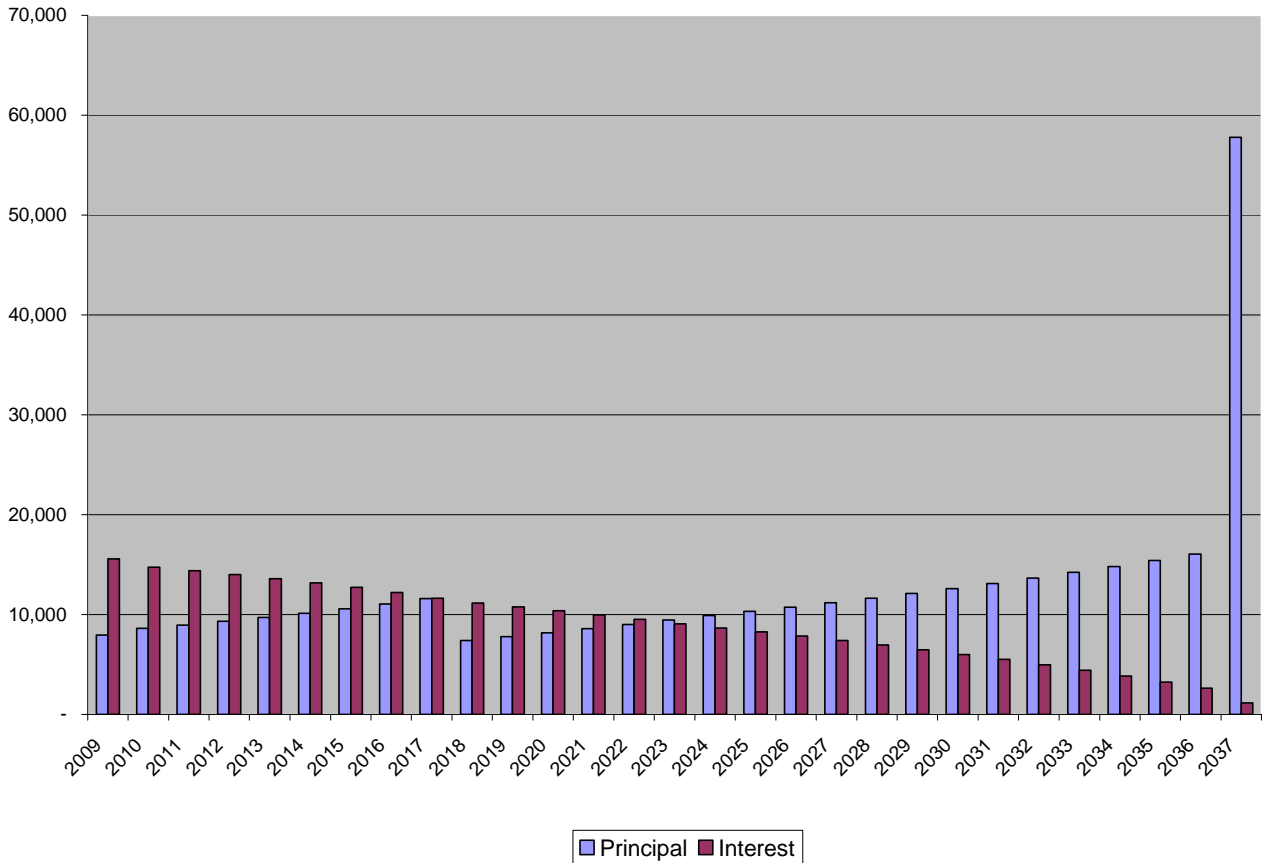
Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. Principal maturities of \$10 million were paid on January 1, 2008. The bonds mature in the fiscal year ended June 30, 2020.



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

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

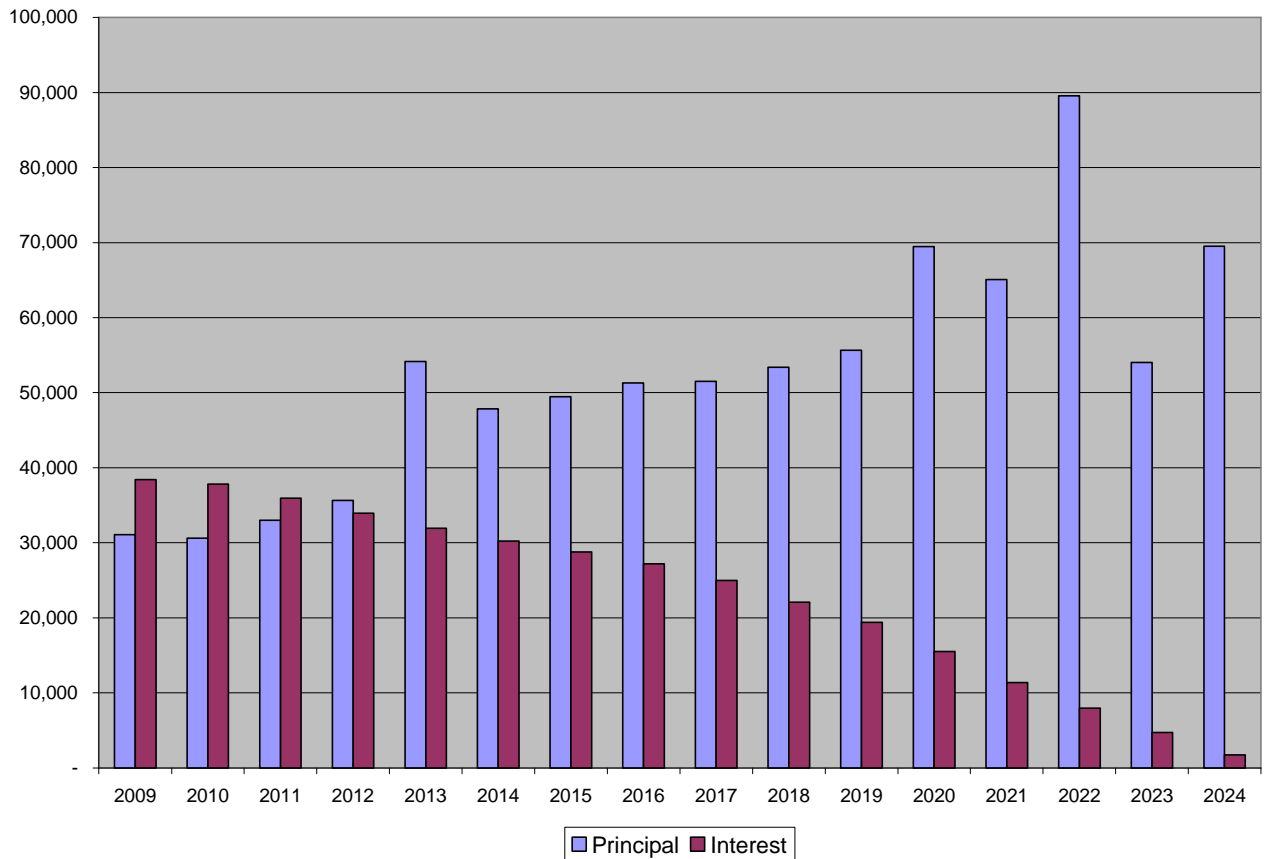


Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. Principal maturities of \$7.4 million were paid on July 1, 2007. The bonds mature in the fiscal year ended June 30, 2037.

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

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

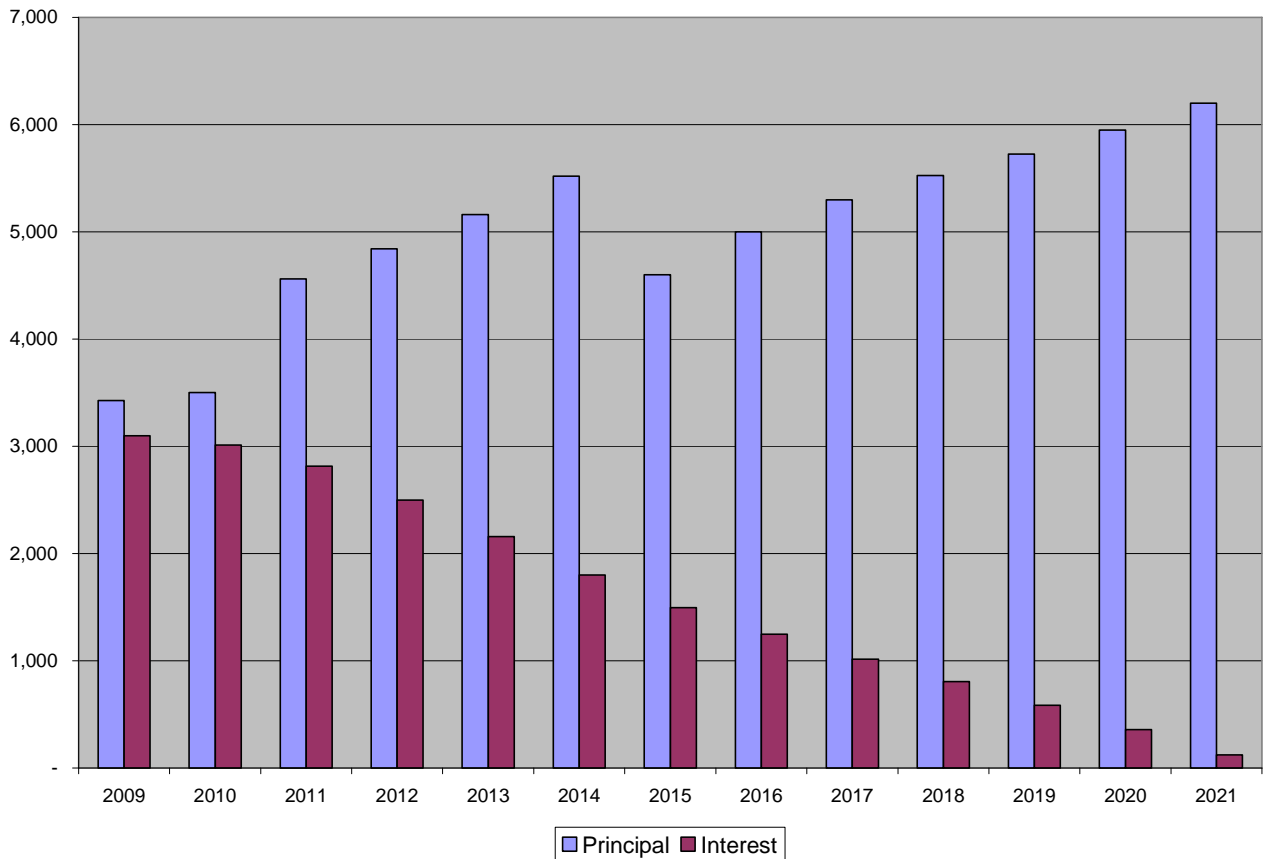


Fixed interest on the bonds is paid semi-annually on July 1 and January 1 of each year. Variable interest is paid monthly. Principal maturities of \$30.9 million were paid on July 1, 2007. The bonds mature in the fiscal year ended June 30, 2024.

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

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

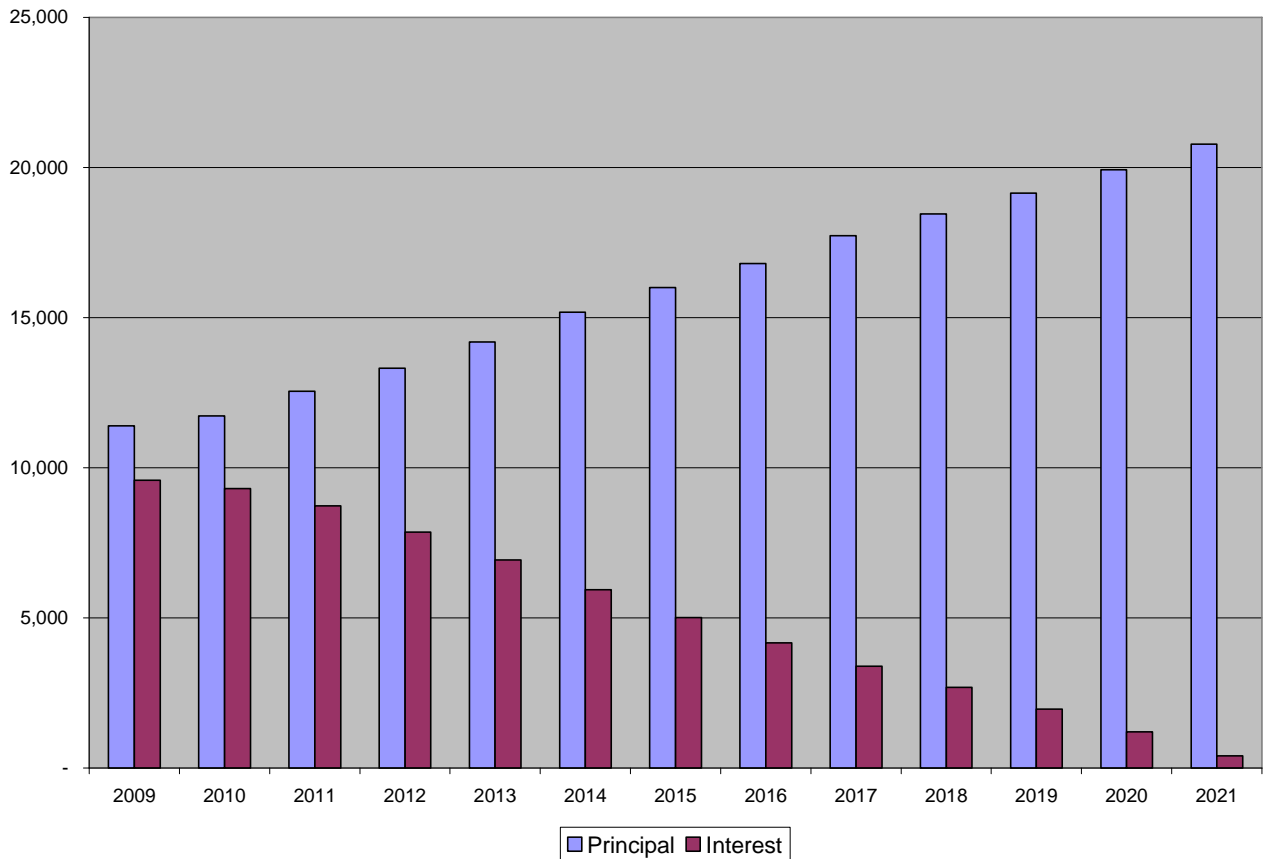


Fixed interest on the bonds is paid semi-annually on July 1 and January 1 of each year. Variable interest is paid weekly. Principal maturities of \$3.3 million were paid on July 1, 2007. The bonds mature in the fiscal year ended June 30, 2021.

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

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

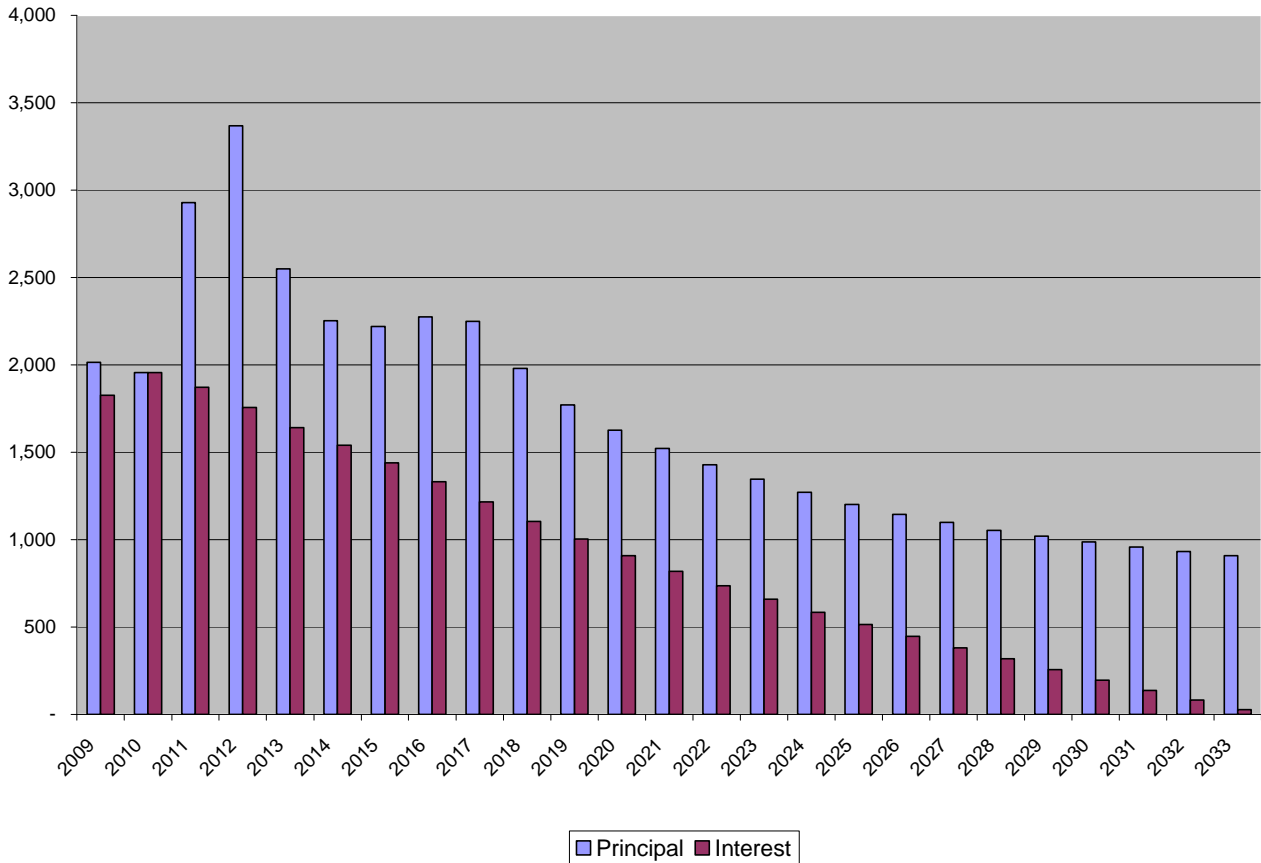


Fixed interest on the bonds is paid semi-annually on July 1 and January 1 of each year. Variable interest is paid Tuesdays, Wednesdays, and Thursdays of every week. Principal maturities of \$11.1 million were paid on July 1, 2007. The bonds mature in the fiscal year ended June 30, 2021.

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

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**NATURAL GAS PINEDALE PROJECT  
Debt Service Requirements  
Fiscal Year Ending June 30, 2008 (\$ in thousands)**

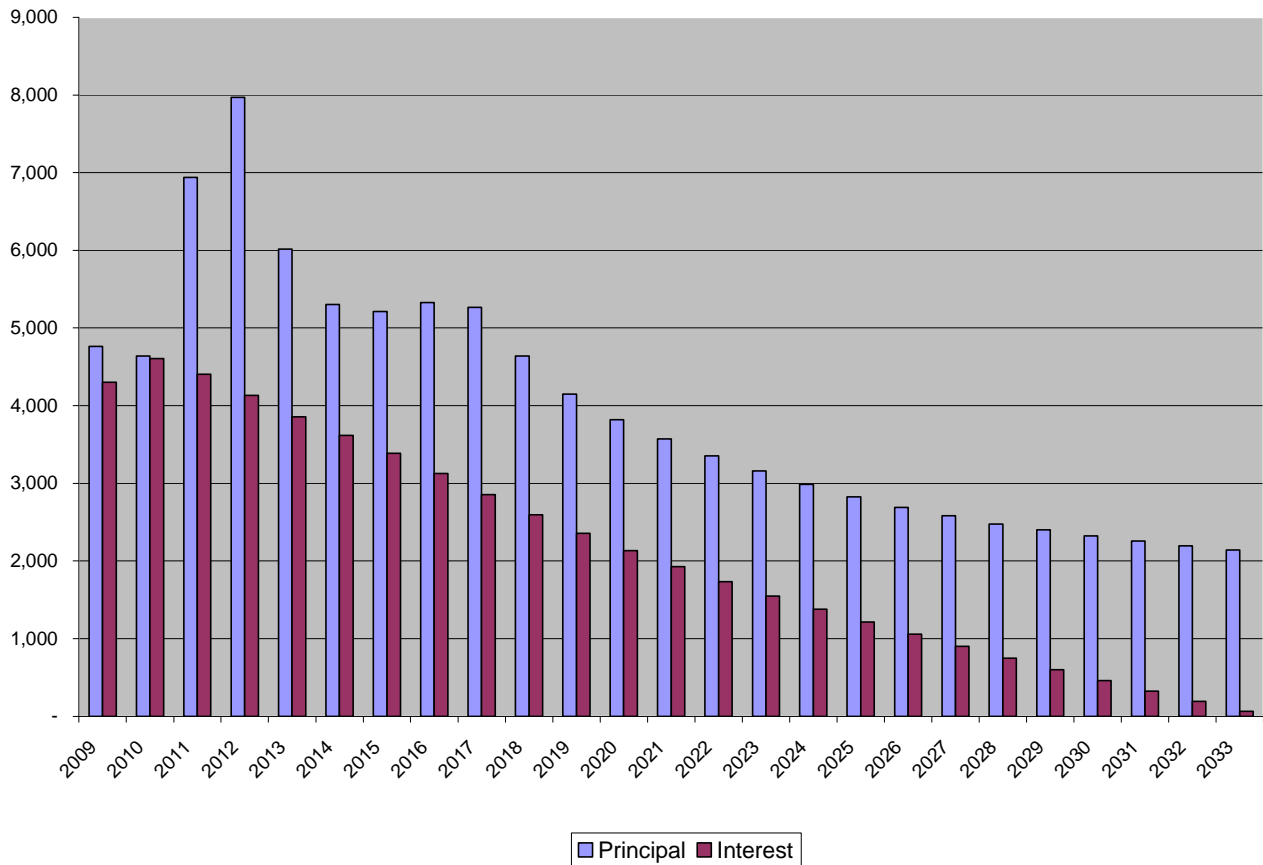


Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. Principal maturity of \$1.3 million was paid on July 1, 2007 and \$26,900,000 par value of bonds were refunded on February 6, 2008. The bonds mature in the fiscal year ended June 30, 2033.

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

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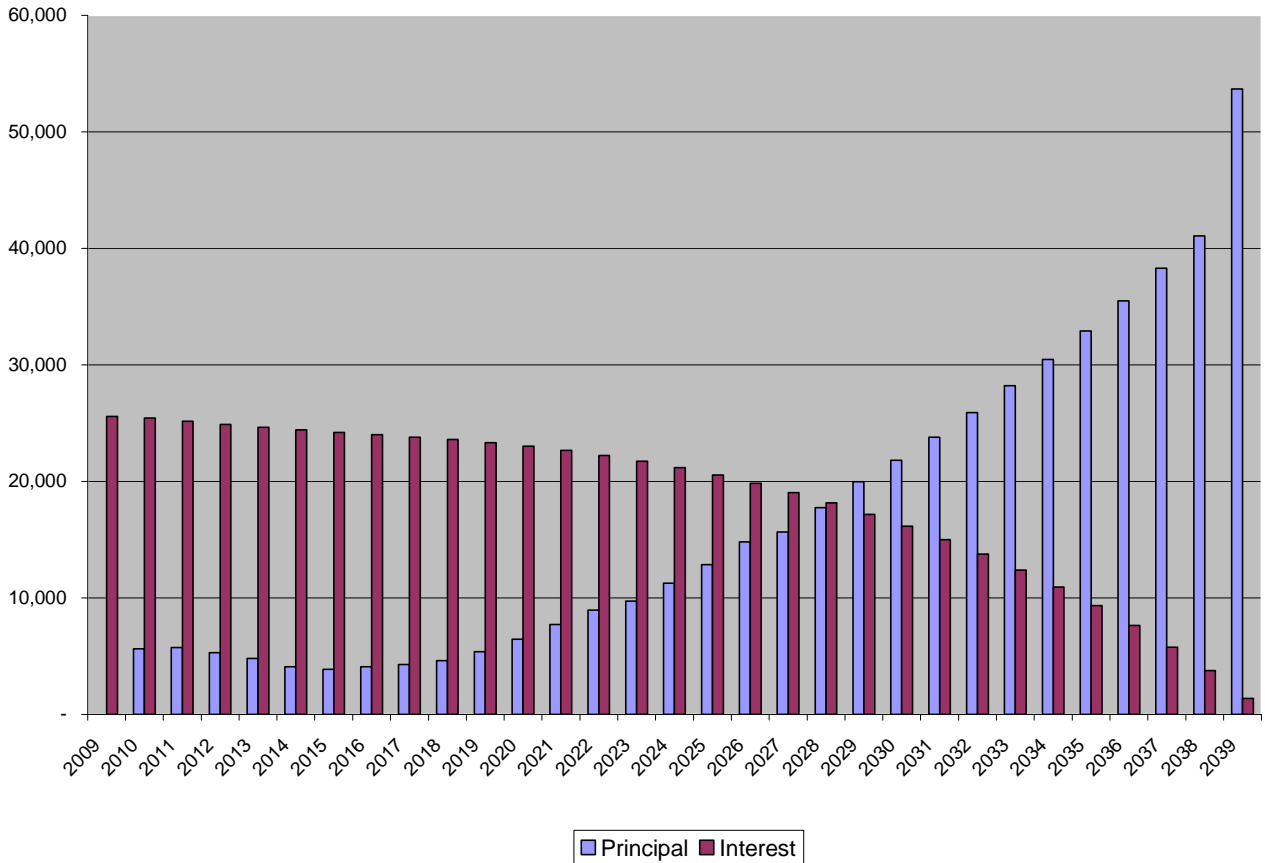
**NATURAL GAS BARNETT PROJECT  
Debt Service Requirements  
Fiscal Year Ending June 30, 2008 (\$ in thousands)**



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. Principal maturity of \$500,000 was paid on July 1, 2007 and \$50,300,000 par value of bonds were refunded on February 6, 2008. The bonds mature in the fiscal year ended June 30, 2033.

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

**PREPAID NATURAL GAS PROJECT No. 1  
Debt Service Requirements  
Fiscal Year Ending June 30, 2008 (\$ in thousands)**

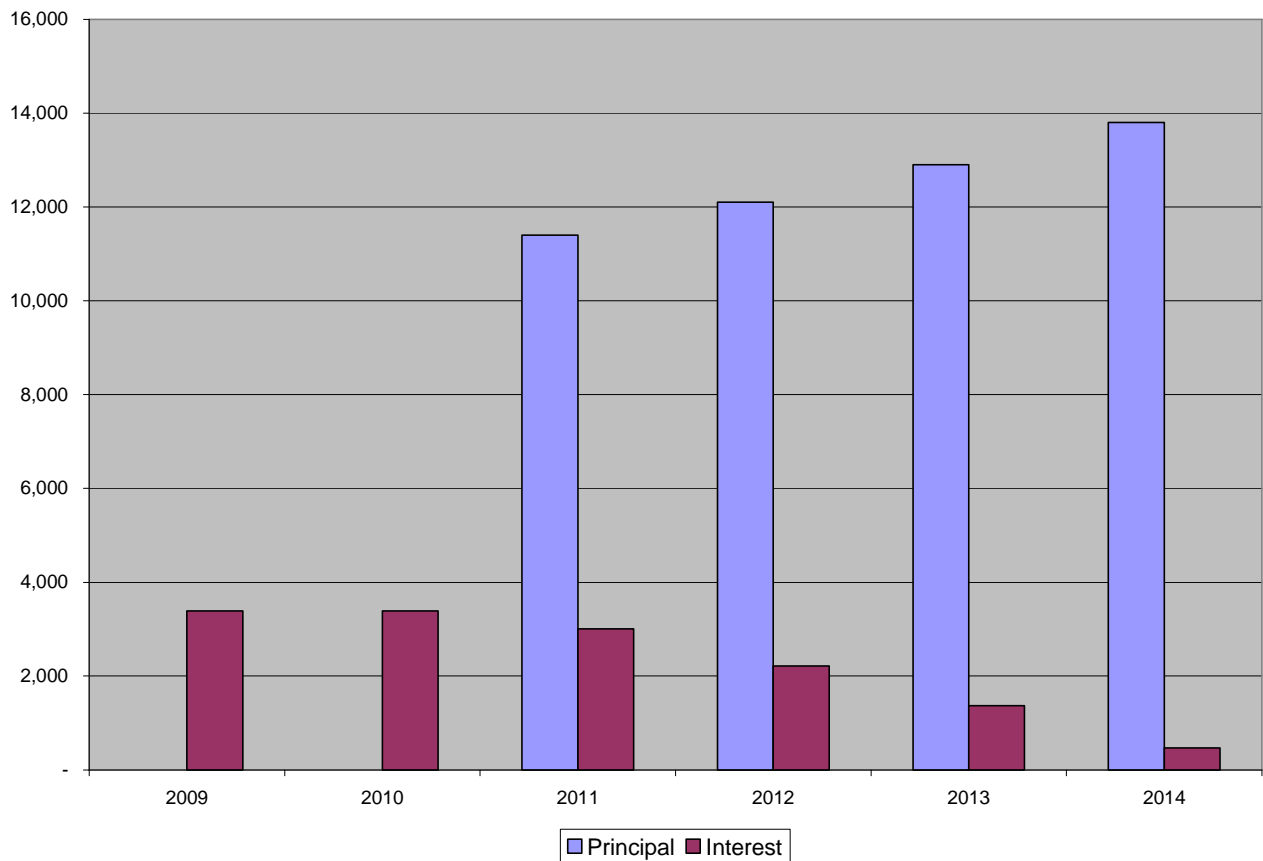


Interest payments on the Series 2007 A bonds are payable semi-annually on November 1 and May 1 of each year. Interest payments on the Series 2007 B bonds are payable each August 1, November 1, February 1, and May 1. There were no principal maturities for the year ended June 30, 2008. The bonds mature in the fiscal year ended June 30, 2039.

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

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



Interest payments on the bonds are payable semi-annually on July 1 and January 1 of each year. There were no principal maturities for the year ended June 30, 2008. The bonds mature in the fiscal year ended June 30, 2014.



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

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

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

Except for the Prepaid Natural Gas Project No. 1, the Authority has take-or-pay power sales, natural gas sales and transmission service contracts which unconditionally require the Participants to pay for the cost of operating and maintaining the Projects, including debt service, whether or not the Projects are operating or operable. Although the contracts have not been court-tested, a municipal utility's authority to enter into such contracts is rooted in the State's constitutional provisions for municipal electric utilities. The Participants of the Prepaid Natural Gas Project No. 1, however, are obligated only to purchase and pay for gas delivered by SCPPA at market-based prices in accordance with the prepaid gas sale agreements.

Through the collaborative efforts of its members, the Authority has developed a comprehensive and dynamic strategic plan that provides a common vision for its members and a platform for joint action. SCPPA continues its involvement in legislative and regulatory affairs at both the state and federal levels to protect represented customers, by assuring resource adequacy, excellent reliability, and environmental stewardship. Backed by one of the strongest financial ratings in the utility industry, SCPPA maintains its traditional role of providing financing for its members' natural gas, generation and transmission projects. In addition to the conventional areas of power, investments are also being made to provide customers with more renewable generation and energy efficiency. Renewable energy will continue to play an important role for the future. Investment by SCPPA members in renewable and energy efficiency programs, have totaled nearly \$775 million to date.

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

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

**Ameresco Chiquita Energy LLC** - SCPPA has entered into a Power Purchase Agreement with Ameresco Chiquita Energy LLC for 100% of the electric generation from a landfill gas to energy facility to be located at the landfill site in Valencia, California (Ameresco Landfill Gas to Energy Project). The SCPPA participants in this project include the cities of Burbank and Pasadena. This project will initially be for 8 megawatts with an option to increase the output by an additional 8 megawatts in the future when additional gas becomes available.

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

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### **Renewable Projects (Continued)**

**Milford Wind Corridor Phase I Project** - The Milford Wind Corridor Phase I Project is a 200 MW wind power project planned to be located in Beaver and Millard Counties, Utah. The wind power will be delivered to SCPPA through the Intermountain Power Project's switching station located in Delta, Utah. The terms of the project is 20 years with an expected commercial operation date of mid 2009. An early buyout option is included in the agreement after the 10<sup>th</sup> contract year. There is an anticipated present value cost savings of approximately \$42 million as compared to a straight purchase of the facility on the commercial operation date.

Similar to other SCPPA projects, the Milford Wind Corridor Phase I project will be paid for entirely by the participants (LADWP, Burbank, and Pasadena). The project will have no fiscal impact on non-participating members, with the exception of a small decrease in administrative and general expenses. This project is under construction and the participant agreements have been finalized.

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

### **Summary**

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINED STATEMENTS OF NET ASSETS (DEFICIT)**  
**(AMOUNTS IN THOUSANDS)**

	JUNE 30,	
	2008	2007
<b>ASSETS</b>		
Noncurrent assets		
Net utility plant	\$ 1,009,331	\$ 1,006,994
Investments - restricted	493,557	476,977
Investments - unrestricted	65,062	79,541
Advance to IPA - restricted	11,550	11,550
Advances for capacity and energy, net - restricted	12,381	13,638
Deferred debits	-	24,515
Unamortized debt expenses	19,940	14,801
Prepaid and other assets	482,291	87
Total noncurrent assets	2,094,112	1,628,103
Current assets		
Cash and cash equivalents - restricted	185,709	116,782
Cash and cash equivalents - unrestricted	44,291	32,958
Interest receivable	6,541	6,292
Accounts receivable	20,168	8,308
Materials and supplies	20,416	19,963
Prepaid and other assets	19,163	4,136
Total current assets	296,288	188,439
Total assets	\$ 2,390,400	\$ 1,816,542
<b>LIABILITIES</b>		
Noncurrent liabilities		
Long-term debt	\$ 2,231,746	\$ 1,721,735
Notes payable	48,219	54,106
Advances from participants	30,296	66,647
Total noncurrent liabilities	2,310,261	1,842,488
Current liabilities		
Debt due within one year	84,835	78,015
Notes payable due within one year	6,176	5,988
Advances from participants due within one year	41,675	33,027
Accrued interest	33,587	24,228
Accounts payable and accruals	47,284	41,185
Accrued property tax	7,191	8,694
Total current liabilities	220,748	191,137
Total liabilities	2,531,009	2,033,625
<b>NET ASSETS (DEFICIT)</b>		
Invested in capital assets, net of related debt and advances from participants	(1,236,053)	(742,312)
Restricted net assets (deficit)	996,901	429,686
Unrestricted net assets (deficit)	98,543	95,543
Total net assets (deficit)	(140,609)	(217,083)
Total liabilities and net assets (deficit)	\$ 2,390,400	\$ 1,816,542

*See accompanying notes.*

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN**  
**NET ASSETS (DEFICIT)**  
**(AMOUNTS IN THOUSANDS)**

	YEAR ENDED JUNE 30,	
	2008	2007
Operating revenues		
Sales of electric energy	\$ 332,646	\$ 263,888
Sales of transmission services	109,384	112,964
Sales of natural gas	26,779	13,153
Total operating revenues	<u>468,809</u>	<u>390,005</u>
Operating expenses		
Operations and maintenance	230,013	203,135
Depreciation, depletion and amortization	69,341	67,586
Amortization of nuclear fuel	8,059	8,702
Decommissioning	11,780	11,779
Total operating expenses	<u>319,193</u>	<u>291,202</u>
Operating income (loss)	<u>149,616</u>	<u>98,803</u>
Non operating revenues (expenses)		
Investment income	32,956	33,622
Debt expense	<u>(108,062)</u>	<u>(113,028)</u>
Net non operating revenues (expenses)	<u>(75,106)</u>	<u>(79,406)</u>
Change in net assets (deficit)	74,510	19,397
Net assets (deficit) - beginning of year	(217,083)	(246,532)
Net contributions by participants	<u>1,964</u>	<u>10,052</u>
Net assets (deficit) - end of year	<u>\$ (140,609)</u>	<u>\$ (217,083)</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
COMBINED STATEMENTS OF CASH FLOWS (AMOUNTS IN THOUSANDS)**

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*See accompanying notes.*

	YEAR ENDED JUNE 30,	
	2008	2007
Cash flows from operating activities		
Receipts from participants	\$ 393,905	\$ 347,735
Receipts from sale of oil and gas	19,399	18,335
Payments to operating managers	(189,572)	(179,832)
Other disbursements and receipts	7,657	7,803
Net cash flows from operating activities	<u>231,389</u>	<u>194,041</u>
Cash flows from noncapital financing activities		
Advances (withdrawals) by participants, net	<u>4,756</u>	<u>25,321</u>
Cash flows from capital financing activities		
Additions to plant, net	(94,212)	(100,105)
Prepaid natural gas	(480,648)	-
Debt interest payments	(111,042)	(91,880)
Proceeds from sale of bonds	707,134	306,792
Payment for defeasance of revenue bonds	(125,950)	(219,059)
Transfer of funds from escrow	10,039	6,535
Principal payments on debt	(79,615)	(75,677)
Payment for bond issue costs	(8,092)	(2,125)
Net cash used for capital and related financing activities	<u>(182,386)</u>	<u>(175,519)</u>
Cash flows from investing activities		
Interest received on investments	22,783	21,862
Purchases of investments	(373,958)	(224,572)
Proceeds from sale/maturity of investments	377,676	227,829
Net cash provided by (used for) investing activities	<u>26,501</u>	<u>25,119</u>
Net increase (decrease) in cash and cash equivalents	80,260	68,962
Cash and cash equivalents, beginning of year	<u>149,740</u>	<u>80,778</u>
Cash and cash equivalents, end of year	<u>\$ 230,000</u>	<u>\$ 149,740</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 149,616	\$ 98,803
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	69,341	67,586
Decommissioning	11,780	11,779
Advances for capacity and energy	2,629	2,583
Amortization of nuclear fuel	8,059	8,702
Changes in assets and liabilities		
Accounts receivable	(13,316)	5,069
Accounts payable and accruals	9,654	845
Other	(6,374)	(1,326)
Net cash provided by operating activities	<u>\$ 231,389</u>	<u>\$ 194,041</u>
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)		
Cash and cash equivalents - restricted	\$ 185,709	\$ 116,782
Cash and cash equivalents - unrestricted	44,291	32,958
	<u>\$ 230,000</u>	<u>\$ 149,740</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF NET ASSETS (DEFICIT)**  
**JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	GENERATION				
	Palo Verde	Hoover Uprating	San Juan	Magnolia Power	Ormat Geothermal Energy
<b>ASSETS</b>					
Noncurrent assets					
Net utility plant	\$ 122,974	\$ -	\$ 77,463	\$ 280,668	\$ -
Investments - restricted	163,930	1,068	21,322	48,176	-
Investments - unrestricted	64,502	560	-	-	-
Advance to IPA - restricted	-	-	-	-	-
Advances for capacity and energy, net - restricted	-	12,381	-	-	-
Deferred debit	-	-	-	-	-
Unamortized debt expenses	494	176	1,181	3,264	-
Prepaid and other assets	-	-	64	-	-
Total noncurrent assets	<u>351,900</u>	<u>14,185</u>	<u>100,030</u>	<u>332,108</u>	<u>-</u>
Current assets					
Cash and cash equivalents - restricted	15,519	2,450	16,860	25,389	-
Cash and cash equivalents - unrestricted	7,806	172	7,017	8,771	1,684
Interest receivable	1,676	8	14	721	3
Accounts receivable	3,824	34	900	5,024	-
Due from other project - restricted	-	-	-	-	-
Materials and supplies	7,392	-	3,880	9,144	-
Prepaid and other assets	149	1,257	362	831	-
Total current assets	<u>36,366</u>	<u>3,921</u>	<u>29,033</u>	<u>49,880</u>	<u>1,687</u>
Total assets	<u>\$ 388,266</u>	<u>\$ 18,106</u>	<u>\$ 129,063</u>	<u>\$ 381,988</u>	<u>\$ 1,687</u>
<b>LIABILITIES</b>					
Noncurrent liabilities					
Long-term debt	\$ 78,175	\$ 14,890	\$ 150,942	\$ 344,981	\$ -
Notes payable	46,768	-	-	1,451	-
Advances from participants	-	-	-	34	-
Total noncurrent liabilities	<u>124,943</u>	<u>14,890</u>	<u>150,942</u>	<u>346,466</u>	<u>-</u>
Current liabilities					
Debt due within one year	12,250	1,425	10,550	7,930	-
Notes payable due within one year	4,998	-	-	1,178	-
Advances from participants due within one year	-	-	-	22,090	-
Accrued interest	420	206	4,133	9,003	-
Accounts payable and accruals	11,654	65	7,504	4,752	1,684
Accrued property tax	1,602	-	233	-	-
Due to other projects	-	-	-	-	-
Total current liabilities	<u>30,924</u>	<u>1,696</u>	<u>22,420</u>	<u>44,953</u>	<u>1,684</u>
Total liabilities	<u>155,867</u>	<u>16,586</u>	<u>173,362</u>	<u>391,419</u>	<u>1,684</u>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt and advances from participants	33,043	-	(82,848)	(65,227)	-
Restricted net assets (deficit)	128,847	810	34,062	36,812	-
Unrestricted net assets (deficit)	70,509	710	4,487	18,984	3
Total net assets (deficit)	<u>232,399</u>	<u>1,520</u>	<u>(44,299)</u>	<u>(9,431)</u>	<u>3</u>
Total liabilities and net assets (deficit)	<u>\$ 388,266</u>	<u>\$ 18,106</u>	<u>\$ 129,063</u>	<u>\$ 381,988</u>	<u>\$ 1,687</u>

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

	GENERATION				
	Palo Verde	Hoover Upgrading	San Juan	Magnolia Power	Ormat Geothermal Energy
<b>ASSETS</b>					
<b>Noncurrent assets</b>					
Net utility plant	\$ 118,778	\$ -	\$ 54,434	\$ 288,640	\$ -
Investments - restricted	166,233	2,255	38,089	45,363	-
Investments - unrestricted	78,263	1,278	-	-	-
Advance to IPA - restricted	-	-	-	-	-
Advances for capacity and energy, net - restricted	-	13,638	-	-	-
Deferred debit	-	-	22,615	1,900	-
Unamortized debt expenses	624	218	1,404	3,580	-
Prepaid and other assets	-	-	87	-	-
Total noncurrent assets	<u>363,898</u>	<u>17,389</u>	<u>116,629</u>	<u>339,483</u>	<u>-</u>
<b>Current assets</b>					
Cash and cash equivalents - restricted	6,697	620	9,180	24,497	-
Cash and cash equivalents - unrestricted	7,784	106	3,924	3,452	1,597
Interest receivable	1,701	31	91	368	9
Accounts receivable	686	-	673	2,839	-
Due from other project - restricted	-	-	-	-	-
Materials and supplies	6,537	-	3,519	9,907	-
Prepaid and other assets	176	1,411	349	1,648	-
Total current assets	<u>23,581</u>	<u>2,168</u>	<u>17,736</u>	<u>42,711</u>	<u>1,606</u>
Total assets	<u>\$ 387,479</u>	<u>\$ 19,557</u>	<u>\$ 134,365</u>	<u>\$ 382,194</u>	<u>\$ 1,606</u>
<b>LIABILITIES</b>					
<b>Noncurrent liabilities</b>					
Long-term debt	\$ 88,373	\$ 15,879	\$ 161,540	\$ 353,150	\$ -
Notes payable	51,372	-	-	2,734	-
Advances from participants	-	-	32,000	5,304	-
Total noncurrent liabilities	<u>139,745</u>	<u>15,879</u>	<u>193,540</u>	<u>361,188</u>	<u>-</u>
<b>Current liabilities</b>					
Debt due within one year	11,895	1,370	10,050	7,450	-
Notes payable due within one year	4,756	-	-	1,232	-
Advances from participants due within one year	-	-	-	14,218	-
Accrued interest	316	220	4,384	3,837	-
Accounts payable and accruals	18,175	120	3,553	2,020	1,604
Accrued property tax	1,800	-	200	-	-
Due to other projects	-	-	-	-	-
Total current liabilities	<u>36,942</u>	<u>1,710</u>	<u>18,187</u>	<u>28,757</u>	<u>1,604</u>
Total liabilities	<u>176,687</u>	<u>17,589</u>	<u>211,727</u>	<u>389,945</u>	<u>1,604</u>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt and advances from participants	19,135	-	(115,751)	(62,980)	-
Restricted net assets (deficit)	112,415	699	33,590	42,805	-
Unrestricted net assets (deficit)	79,242	1,269	4,799	12,424	2
Total net assets (deficit)	<u>210,792</u>	<u>1,968</u>	<u>(77,362)</u>	<u>(7,751)</u>	<u>2</u>
Total liabilities and net assets (deficit)	<u>\$ 387,479</u>	<u>\$ 19,557</u>	<u>\$ 134,365</u>	<u>\$ 382,194</u>	<u>\$ 1,606</u>



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF NET ASSETS (DEFICIT)**  
**JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	TRANSMISSION		
	Southern Transmission System	Mead- Phoenix	Mead- Adelanto
<b>ASSETS</b>			
Noncurrent assets			
Net utility plant	\$ 265,434	\$ 36,936	\$ 117,532
Investments - restricted	41,319	7,593	25,406
Investments - unrestricted	-	-	-
Advance to IPA - restricted	11,550	-	-
Advances for capacity and energy, net - restricted	-	-	-
Deferred debit	-	-	-
Unamortized debt expenses	5,256	619	2,045
Prepaid and other assets	-	-	-
Total noncurrent assets	<u>323,559</u>	<u>45,148</u>	<u>144,983</u>
Current assets			
Cash and cash equivalents - restricted	43,387	5,779	12,238
Cash and cash equivalents - unrestricted	4,396	815	527
Interest receivable	38	266	844
Accounts receivable	5,518	-	685
Due from other project - restricted	-	5,807	15,968
Materials and supplies	-	-	-
Prepaid and other assets	-	-	-
Total current assets	<u>53,339</u>	<u>12,667</u>	<u>30,262</u>
Total assets	<u>\$ 376,898</u>	<u>\$ 57,815</u>	<u>\$ 175,245</u>
<b>LIABILITIES</b>			
Noncurrent liabilities			
Long-term debt	\$ 714,407	\$ 57,497	\$ 183,222
Notes payable	-	-	-
Advances from participants	-	-	-
Total noncurrent liabilities	<u>714,407</u>	<u>57,497</u>	<u>183,222</u>
Current liabilities			
Debt due within one year	31,075	3,425	11,400
Notes payable due within one year	-	-	-
Advances from participants due within one year	-	-	-
Accrued interest	7,169	1,015	2,894
Accounts payable and accruals	13,811	1,405	2,330
Accrued property tax	-	-	-
Due to other projects	-	-	-
Total current liabilities	<u>52,055</u>	<u>5,845</u>	<u>16,624</u>
Total liabilities	<u>766,462</u>	<u>63,342</u>	<u>199,846</u>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt and advances from participants	(474,791)	(23,367)	(75,045)
Restricted net assets (deficit)	89,125	17,618	49,237
Unrestricted net assets (deficit)	(3,898)	222	1,207
Total net assets (deficit)	<u>(389,564)</u>	<u>(5,527)</u>	<u>(24,601)</u>
Total liabilities and net assets (deficit)	<u>\$ 376,898</u>	<u>\$ 57,815</u>	<u>\$ 175,245</u>

*See accompanying notes.*

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

	TRANSMISSION		
	Southern Transmission System	Mead- Phoenix	Mead- Adelanto
<b>ASSETS</b>			
Noncurrent assets			
Net utility plant	\$ 284,142	\$ 37,409	\$ 122,032
Investments - restricted	58,681	7,399	22,628
Investments - unrestricted	-	-	-
Advance to IPA - restricted	11,550	-	-
Advances for capacity and energy, net - restricted	-	-	-
Deferred debit	-	-	-
Unamortized debt expenses	5,937	705	2,333
Prepaid and other assets	-	-	-
Total noncurrent assets	<u>360,310</u>	<u>45,513</u>	<u>146,993</u>
Current assets			
Cash and cash equivalents - restricted	24,622	5,936	15,683
Cash and cash equivalents - unrestricted	4,055	380	650
Interest receivable	20	275	836
Accounts receivable	1,373	-	-
Due from other project - restricted	-	5,396	14,840
Materials and supplies	-	-	-
Prepaid and other assets	-	-	-
Total current assets	<u>30,070</u>	<u>11,987</u>	<u>32,009</u>
Total assets	<u>\$ 390,380</u>	<u>\$ 57,500</u>	<u>\$ 179,002</u>
<b>LIABILITIES</b>			
Noncurrent liabilities			
Long-term debt	\$ 735,641	\$ 60,340	\$ 192,959
Notes payable	-	-	-
Advances from participants	-	-	-
Total noncurrent liabilities	<u>735,641</u>	<u>60,340</u>	<u>192,959</u>
Current liabilities			
Debt due within one year	30,950	3,350	11,150
Notes payable due within one year	-	-	-
Advances from participants due within one year	-	-	-
Accrued interest	9,537	1,001	2,884
Accounts payable and accruals	6,616	874	2,221
Accrued property tax	-	-	-
Due to other projects	-	-	-
Total current liabilities	<u>47,103</u>	<u>5,225</u>	<u>16,255</u>
Total liabilities	<u>782,744</u>	<u>65,565</u>	<u>209,214</u>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt and advances from participants	(476,512)	(25,576)	(79,744)
Restricted net assets (deficit)	85,335	18,003	51,102
Unrestricted net assets (deficit)	(1,187)	(492)	(1,570)
Total net assets (deficit)	<u>(392,364)</u>	<u>(8,065)</u>	<u>(30,212)</u>
Total liabilities and net assets (deficit)	<u>\$ 390,380</u>	<u>\$ 57,500</u>	<u>\$ 179,002</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF NET ASSETS (DEFICIT)**  
**JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	NATURAL GAS		
	Pinedale	Barnett	Prepaid Natural Gas
<b>ASSETS</b>			
Noncurrent assets			
Net utility plant	\$ 45,216	\$ 63,108	\$ -
Investments - restricted	15,126	45,013	10,887
Investments - unrestricted	-	-	-
Advance to IPA - restricted	-	-	-
Advances for capacity and energy, net - restricted	-	-	-
Deferred debit	-	-	-
Unamortized debt expenses	1,273	1,299	4,333
Prepaid and other assets	-	-	482,227
Total noncurrent assets	61,615	109,420	497,447
Current assets			
Cash and cash equivalents - restricted	16,307	7,367	20
Cash and cash equivalents - unrestricted	12,129	709	265
Interest receivable	40	102	44
Accounts receivable	831	3,352	-
Due from other project - restricted	-	-	-
Materials and supplies	-	-	-
Prepaid and other assets	552	-	16,012
Total current assets	29,859	11,530	16,341
Total assets	\$ 91,474	\$ 120,950	\$ 513,788
<b>LIABILITIES</b>			
Noncurrent liabilities			
Long-term debt	\$ 40,038	\$ 94,242	\$ 509,525
Notes payable	-	-	-
Advances from participants	19,096	11,166	-
Total noncurrent liabilities	59,134	105,408	509,525
Current liabilities			
Debt due within one year	2,015	4,765	-
Notes payable due within one year	-	-	-
Advances from participants due within one year	19,149	436	-
Accrued interest	831	1,959	4,263
Accounts payable and accruals	2,543	1,536	-
Accrued property tax	5,356	-	-
Due to other projects	-	-	-
Total current liabilities	29,894	8,696	4,263
Total liabilities	89,028	114,104	513,788
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt and advances from participants	(14,500)	(45,765)	(487,553)
Restricted net assets (deficit)	11,879	50,085	487,288
Unrestricted net assets (deficit)	5,067	2,526	265
Total net assets (deficit)	2,446	6,846	-
Total liabilities and net assets (deficit)	\$ 91,474	\$ 120,950	\$ 513,788

*See accompanying notes.*

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

	NATURAL GAS	
	Pinedale	Barnett
<b>ASSETS</b>		
Noncurrent assets		
Net utility plant	\$ 46,475	\$ 55,084
Investments - restricted	64	-
Investments - unrestricted	-	-
Advance to IPA - restricted	-	-
Advances for capacity and energy, net - restricted	-	-
Deferred debit	-	-
Unamortized debt expenses	-	-
Prepaid and other assets	-	-
Total noncurrent assets	46,539	55,084
Current assets		
Cash and cash equivalents - restricted	18,255	1,401
Cash and cash equivalents - unrestricted	10,835	175
Interest receivable	8	-
Accounts receivable	1,680	1,057
Due from other project - restricted	-	-
Materials and supplies	-	-
Prepaid and other assets	552	-
Total current assets	31,330	2,633
Total assets	\$ 77,869	\$ 57,717
<b>LIABILITIES</b>		
Noncurrent liabilities		
Long-term debt	\$ 26,900	\$ 44,400
Notes payable	-	-
Advances from participants	19,326	10,017
Total noncurrent liabilities	46,226	54,417
Current liabilities		
Debt due within one year	1,300	500
Notes payable due within one year	-	-
Advances from participants due within one year	18,672	137
Accrued interest	139	216
Accounts payable and accruals	4,747	1,255
Accrued property tax	6,694	-
Due to other projects	-	-
Total current liabilities	31,552	2,108
Total liabilities	77,778	56,525
<b>NET ASSETS (DEFICIT)</b>		
Invested in capital assets, net of related debt and advances from participants	(1,051)	167
Restricted net assets (deficit)	63	1,048
Unrestricted net assets (deficit)	1,079	(23)
Total net assets (deficit)	91	1,192
Total liabilities and net assets (deficit)	\$ 77,869	\$ 57,717

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF NET ASSETS (DEFICIT)**  
**JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	MISCELLANEOUS		Total	Eliminations	Total Combined
	Multiple Project Fund	Projects' Stabilization Fund			
<b>ASSETS</b>					
<b>Noncurrent assets</b>					
Net utility plant	\$ -	\$ -	\$ 1,009,331	\$ -	\$ 1,009,331
Investments - restricted	63,252	50,465	493,557	-	493,557
Investments - unrestricted	-	-	65,062	-	65,062
Advance to IPA - restricted	-	-	11,550	-	11,550
Advances for capacity and energy, net - restricted	-	-	12,381	-	12,381
Deferred debit	-	-	-	-	-
Unamortized debt expenses	-	-	19,940	-	19,940
Prepaid and other assets	-	-	482,291	-	482,291
Total noncurrent assets	<u>63,252</u>	<u>50,465</u>	<u>2,094,112</u>	<u>-</u>	<u>2,094,112</u>
<b>Current assets</b>					
Cash and cash equivalents - restricted	4,448	35,945	185,709	-	185,709
Cash and cash equivalents - unrestricted	-	-	44,291	-	44,291
Interest receivable	2,325	460	6,541	-	6,541
Accounts receivable	-	-	20,168	-	20,168
Due from other project - restricted	-	-	21,775	(21,775)	-
Materials and supplies	-	-	20,416	-	20,416
Prepaid and other assets	-	-	19,163	-	19,163
Total current assets	<u>6,773</u>	<u>36,405</u>	<u>318,063</u>	<u>(21,775)</u>	<u>296,288</u>
Total assets	<u>\$ 70,025</u>	<u>\$ 86,870</u>	<u>\$ 2,412,175</u>	<u>\$ (21,775)</u>	<u>\$ 2,390,400</u>
<b>LIABILITIES</b>					
<b>Noncurrent liabilities</b>					
Long-term debt	\$ 43,827	\$ -	\$ 2,231,746	\$ -	\$ 2,231,746
Notes payable	-	-	48,219	-	48,219
Advances from participants	-	-	30,296	-	30,296
Total noncurrent liabilities	<u>43,827</u>	<u>-</u>	<u>2,310,261</u>	<u>-</u>	<u>2,310,261</u>
<b>Current liabilities</b>					
Debt due within one year	-	-	84,835	-	84,835
Notes payable due within one year	-	-	6,176	-	6,176
Advances from participants due within one year	-	-	41,675	-	41,675
Accrued interest	1,694	-	33,587	-	33,587
Accounts payable and accruals	-	-	47,284	-	47,284
Accrued property tax	-	-	7,191	-	7,191
Due to other projects	21,775	-	21,775	(21,775)	-
Total current liabilities	<u>23,469</u>	<u>-</u>	<u>242,523</u>	<u>(21,775)</u>	<u>220,748</u>
Total liabilities	<u>67,296</u>	<u>-</u>	<u>2,552,784</u>	<u>(21,775)</u>	<u>2,531,009</u>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt and advances from participants	-	-	(1,236,053)	-	(1,236,053)
Restricted net assets (deficit)	4,268	86,870	996,901	-	996,901
Unrestricted net assets (deficit)	(1,539)	-	98,543	-	98,543
Total net assets (deficit)	<u>2,729</u>	<u>86,870</u>	<u>(140,609)</u>	<u>-</u>	<u>(140,609)</u>
Total liabilities and net assets (deficit)	<u>\$ 70,025</u>	<u>\$ 86,870</u>	<u>\$ 2,412,175</u>	<u>\$ (21,775)</u>	<u>\$ 2,390,400</u>

*See accompanying notes.*

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

	MISCELLANEOUS		Total	Eliminations	Total Combined
	Multiple Project Fund	Projects' Stabilization Fund			
<b>ASSETS</b>					
<b>Noncurrent assets</b>					
Net utility plant	\$ -	\$ -	\$ 1,006,994	\$ -	\$ 1,006,994
Investments - restricted	66,296	69,969	476,977	-	476,977
Investments - unrestricted	-	-	79,541	-	79,541
Advance to IPA - restricted	-	-	11,550	-	11,550
Advances for capacity and energy, net - restricted	-	-	13,638	-	13,638
Deferred debit	-	-	24,515	-	24,515
Unamortized debt expenses	-	-	14,801	-	14,801
Prepaid and other assets	-	-	87	-	87
Total noncurrent assets	<u>66,296</u>	<u>69,969</u>	<u>1,628,103</u>	<u>-</u>	<u>1,628,103</u>
<b>Current assets</b>					
Cash and cash equivalents - restricted	8	9,883	116,782	-	116,782
Cash and cash equivalents - unrestricted	-	-	32,958	-	32,958
Interest receivable	2,163	790	6,292	-	6,292
Accounts receivable	-	-	8,308	-	8,308
Due from other project - restricted	-	-	20,236	(20,236)	-
Materials and supplies	-	-	19,963	-	19,963
Prepaid and other assets	-	-	4,136	-	4,136
Total current assets	<u>2,171</u>	<u>10,673</u>	<u>208,675</u>	<u>(20,236)</u>	<u>188,439</u>
Total assets	<u>\$ 68,467</u>	<u>\$ 80,642</u>	<u>\$ 1,836,778</u>	<u>\$ (20,236)</u>	<u>\$ 1,816,542</u>
<b>LIABILITIES</b>					
<b>Noncurrent liabilities</b>					
Long-term debt	\$ 42,553	\$ -	\$ 1,721,735	\$ -	\$ 1,721,735
Notes payable	-	-	54,106	-	54,106
Advances from participants	-	-	66,647	-	66,647
Total noncurrent liabilities	<u>42,553</u>	<u>-</u>	<u>1,842,488</u>	<u>-</u>	<u>1,842,488</u>
<b>Current liabilities</b>					
Debt due within one year	-	-	78,015	-	78,015
Notes payable due within one year	-	-	5,988	-	5,988
Advances from participants due within one year	-	-	33,027	-	33,027
Accrued interest	1,694	-	24,228	-	24,228
Accounts payable and accruals	-	-	41,185	-	41,185
Accrued property tax	-	-	8,694	-	8,694
Due to other projects	20,236	-	20,236	(20,236)	-
Total current liabilities	<u>21,930</u>	<u>-</u>	<u>211,373</u>	<u>(20,236)</u>	<u>191,137</u>
Total liabilities	<u>64,483</u>	<u>-</u>	<u>2,053,861</u>	<u>(20,236)</u>	<u>2,033,625</u>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt and advances from participants	-	-	(742,312)	-	(742,312)
Restricted net assets (deficit)	3,984	80,642	429,686	-	429,686
Unrestricted net assets (deficit)	-	-	95,543	-	95,543
Total net assets (deficit)	<u>3,984</u>	<u>80,642</u>	<u>(217,083)</u>	<u>-</u>	<u>(217,083)</u>
Total liabilities and net assets (deficit)	<u>\$ 68,467</u>	<u>\$ 80,642</u>	<u>\$ 1,836,778</u>	<u>\$ (20,236)</u>	<u>\$ 1,816,542</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN**  
**NET ASSETS (DEFICIT)**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	GENERATION				
	Palo Verde	Hoover Uprating	San Juan	Magnolia Power	Ormat Geothermal
Operating revenues					
Sales of electric energy	\$ 94,732	\$ 2,352	\$ 102,735	\$ 128,433	\$ 4,394
Sales of transmission services	-	-	-	-	-
Sales of natural gas	-	-	-	-	-
Total operating revenues	<u>94,732</u>	<u>2,352</u>	<u>102,735</u>	<u>128,433</u>	<u>4,394</u>
Operating expenses					
Operations and maintenance	41,303	2,887	49,518	105,218	4,431
Depreciation, depletion and amortization	18,793	-	10,782	11,264	-
Amortization of nuclear fuel	8,059	-	-	-	-
Decommissioning	8,667	-	3,113	-	-
Total operating expenses	<u>76,822</u>	<u>2,887</u>	<u>63,413</u>	<u>116,482</u>	<u>4,431</u>
Operating income (loss)	<u>17,910</u>	<u>(535)</u>	<u>39,322</u>	<u>11,951</u>	<u>(37)</u>
Non operating revenues (expenses)					
Investment income	10,264	186	2,433	3,287	38
Debt expense	<u>(6,567)</u>	<u>(99)</u>	<u>(8,692)</u>	<u>(16,918)</u>	<u>-</u>
Net non operating revenues (expenses)	<u>3,697</u>	<u>87</u>	<u>(6,259)</u>	<u>(13,631)</u>	<u>38</u>
Change in net assets (deficit)	21,607	(448)	33,063	(1,680)	1
Net assets (deficit) - beginning of year	<u>210,792</u>	<u>1,968</u>	<u>(77,362)</u>	<u>(7,751)</u>	<u>2</u>
Net assets (deficit) - end of year	<u>\$ 232,399</u>	<u>\$ 1,520</u>	<u>\$ (44,299)</u>	<u>\$ (9,431)</u>	<u>\$ 3</u>

*See accompanying notes.*

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

	GENERATION				
	Palo Verde	Hoover Uprating	San Juan	Magnolia Power	Ormat Geothermal
Operating revenues					
Sales of electric energy	\$ 66,398	\$ 2,345	\$ 82,857	\$ 108,473	\$ 3,815
Sales of transmission services	-	-	-	-	-
Sales of natural gas	-	-	-	-	-
Total operating revenues	<u>66,398</u>	<u>2,345</u>	<u>82,857</u>	<u>108,473</u>	<u>3,815</u>
Operating expenses					
Operations and maintenance	34,557	2,838	48,502	87,190	3,935
Depreciation, depletion and amortization	18,453	-	10,573	11,162	-
Amortization of nuclear fuel	8,702	-	-	-	-
Decommissioning	8,666	-	3,113	-	-
Total operating expenses	<u>70,378</u>	<u>2,838</u>	<u>62,188</u>	<u>98,352</u>	<u>3,935</u>
Operating income (loss)	<u>(3,980)</u>	<u>(493)</u>	<u>20,669</u>	<u>10,121</u>	<u>(120)</u>
Non operating revenues (expenses)					
Investment income	11,513	211	2,808	3,170	115
Debt expense	<u>(6,955)</u>	<u>(145)</u>	<u>(9,132)</u>	<u>(16,601)</u>	<u>-</u>
Net non operating revenues (expenses)	<u>4,558</u>	<u>66</u>	<u>(6,324)</u>	<u>(13,431)</u>	<u>115</u>
Change in net assets (deficit)	578	(427)	14,345	(3,310)	(5)
Net assets (deficit) - beginning of year	<u>210,214</u>	<u>2,395</u>	<u>(91,707)</u>	<u>(4,441)</u>	<u>7</u>
Net assets (deficit) - end of year	<u>\$ 210,792</u>	<u>\$ 1,968</u>	<u>\$ (77,362)</u>	<u>\$ (7,751)</u>	<u>\$ 2</u>



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN**  
**NET ASSETS (DEFICIT)**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	TRANSMISSION		
	Southern Transmission System	Mead- Phoenix	Mead- Adelanto
Operating revenues			
Sales of electric energy	\$ -	\$ -	\$ -
Sales of transmission services	79,746	7,881	21,757
Sales of natural gas	-	-	-
Total operating revenues	<u>79,746</u>	<u>7,881</u>	<u>21,757</u>
Operating expenses			
Operations and maintenance	14,065	1,012	1,574
Depreciation, depletion and amortization	18,708	1,403	4,500
Amortization of nuclear fuel	-	-	-
Decommissioning	-	-	-
Total operating expenses	<u>32,773</u>	<u>2,415</u>	<u>6,074</u>
Operating income (loss)	<u>46,973</u>	<u>5,466</u>	<u>15,683</u>
Non operating revenues (expenses)			
Investment income	3,850	985	1,981
Debt expense	<u>(48,023)</u>	<u>(3,913)</u>	<u>(12,053)</u>
Net non operating revenues (expenses)	<u>(44,173)</u>	<u>(2,928)</u>	<u>(10,072)</u>
Change in net assets (deficit)	2,800	2,538	5,611
Net assets (deficit) - beginning of year	<u>(392,364)</u>	<u>(8,065)</u>	<u>(30,212)</u>
Net assets (deficit) - end of year	<u>\$ (389,564)</u>	<u>\$ (5,527)</u>	<u>\$ (24,601)</u>

*See accompanying notes.*

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

	TRANSMISSION		
	Southern Transmission System	Mead- Phoenix	Mead- Adelanto
Operating revenues			
Sales of electric energy	\$ -	\$ -	\$ -
Sales of transmission services	84,569	7,248	21,147
Sales of natural gas	-	-	-
Total operating revenues	<u>84,569</u>	<u>7,248</u>	<u>21,147</u>
Operating expenses			
Operations and maintenance	17,238	1,094	1,625
Depreciation, depletion and amortization	18,757	1,403	4,500
Amortization of nuclear fuel	-	-	-
Decommissioning	-	-	-
Total operating expenses	<u>35,995</u>	<u>2,497</u>	<u>6,125</u>
Operating income (loss)	<u>48,574</u>	<u>4,751</u>	<u>15,022</u>
Non operating revenues (expenses)			
Investment income	4,369	757	2,140
Debt expense	<u>(54,396)</u>	<u>(4,022)</u>	<u>(12,376)</u>
Net non operating revenues (expenses)	<u>(50,027)</u>	<u>(3,265)</u>	<u>(10,236)</u>
Change in net assets (deficit)	(1,453)	1,486	4,786
Net assets (deficit) - beginning of year	<u>(390,911)</u>	<u>(9,551)</u>	<u>(34,998)</u>
Net assets (deficit) - end of year	<u>\$ (392,364)</u>	<u>\$ (8,065)</u>	<u>\$ (30,212)</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN**  
**NET ASSETS (DEFICIT)**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	NATURAL GAS	
	Pinedale	Barnett
Operating revenues		
Sales of electric energy	\$ -	\$ -
Sales of transmission services	-	-
Sales of natural gas	8,933	17,846
Total operating revenues	<u>8,933</u>	<u>17,846</u>
Operating expenses		
Operations and maintenance	3,334	6,671
Depreciation, depletion and amortization	1,611	2,280
Amortization of nuclear fuel	-	-
Decommissioning	-	-
Total operating expenses	<u>4,945</u>	<u>8,951</u>
Operating income (loss)	<u>3,988</u>	<u>8,895</u>
Non operating revenues (expenses)		
Investment income	262	459
Debt expense	<u>(1,895)</u>	<u>(3,700)</u>
Net non operating revenues (expenses)	<u>(1,633)</u>	<u>(3,241)</u>
Change in net assets (deficit)	2,355	5,654
Net assets (deficit) - beginning of year	<u>91</u>	<u>1,192</u>
Net assets (deficit) - end of year	<u>\$ 2,446</u>	<u>\$ 6,846</u>

*See accompanying notes.*

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

	NATURAL GAS	
	Pinedale	Barnett
Operating revenues		
Sales of electric energy	\$ -	\$ -
Sales of transmission services	-	-
Sales of natural gas	8,402	4,751
Total operating revenues	<u>8,402</u>	<u>4,751</u>
Operating expenses		
Operations and maintenance	4,621	1,535
Depreciation, depletion and amortization	2,237	501
Amortization of nuclear fuel	-	-
Decommissioning	-	-
Total operating expenses	<u>6,858</u>	<u>2,036</u>
Operating income (loss)	<u>1,544</u>	<u>2,715</u>
Non operating revenues (expenses)		
Investment income	180	31
Debt expense	<u>(1,748)</u>	<u>(1,554)</u>
Net non operating revenues (expenses)	<u>(1,568)</u>	<u>(1,523)</u>
Change in net assets (deficit)	(24)	1,192
Net assets (deficit) - beginning of year	<u>115</u>	<u>-</u>
Net assets (deficit) - end of year	<u>\$ 91</u>	<u>\$ 1,192</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN**  
**NET ASSETS (DEFICIT)**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	MISCELLANEOUS		
	Multiple Project Fund	Projects' Stabilization Fund	Total Combined
Operating revenues			
Sales of electric energy	\$ -	\$ -	\$ 332,646
Sales of transmission services	-	-	109,384
Sales of natural gas	-	-	26,779
Total operating revenues	<u>-</u>	<u>-</u>	<u>468,809</u>
Operating expenses			
Operations and maintenance	-	-	230,013
Depreciation, depletion and amortization	-	-	69,341
Amortization of nuclear fuel	-	-	8,059
Decommissioning	-	-	11,780
Total operating expenses	<u>-</u>	<u>-</u>	<u>319,193</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>149,616</u>
Non operating revenues (expenses)			
Investment income	4,947	4,264	32,956
Debt expense	<u>(6,202)</u>	<u>-</u>	<u>(108,062)</u>
Net non operating revenues (expenses)	<u>(1,255)</u>	<u>4,264</u>	<u>(75,106)</u>
Change in net assets (deficit)	(1,255)	4,264	74,510
Net assets (deficit) - beginning of year	3,984	80,642	(217,083)
Net contributions by participants	<u>-</u>	<u>1,964</u>	<u>1,964</u>
Net assets (deficit) - end of year	<u>\$ 2,729</u>	<u>\$ 86,870</u>	<u>\$ (140,609)</u>

*See accompanying notes.*

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

	MISCELLANEOUS		Total Combined
	Multiple Project Fund	Projects' Stabilization Fund	
Operating revenues			
Sales of electric energy	\$ -	\$ -	\$ 263,888
Sales of transmission services	-	-	112,964
Sales of natural gas	-	-	13,153
Total operating revenues	<u>-</u>	<u>-</u>	<u>390,005</u>
Operating expenses			
Operations and maintenance	-	-	203,135
Depreciation, depletion and amortization	-	-	67,586
Amortization of nuclear fuel	-	-	8,702
Decommissioning	-	-	11,779
Total operating expenses	<u>-</u>	<u>-</u>	<u>291,202</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>98,803</u>
Non operating revenues (expenses)			
Investment income	4,331	3,997	33,622
Debt expense	<u>(6,099)</u>	<u>-</u>	<u>(113,028)</u>
Net non operating revenues (expenses)	<u>(1,768)</u>	<u>3,997</u>	<u>(79,406)</u>
Change in net assets (deficit)	(1,768)	3,997	19,397
Net assets (deficit) - beginning of year	5,752	66,593	(246,532)
Net contributions by participants	<u>-</u>	<u>10,052</u>	<u>10,052</u>
Net assets (deficit) - end of year	<u>\$ 3,984</u>	<u>\$ 80,642</u>	<u>\$ (217,083)</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	GENERATION				
	Palo Verde	Hoover Uprating	San Juan	Magnolia Power	Ormat Geothermal Energy
Cash flows from operating activities					
Receipts from participants	\$ 78,712	\$ 2,262	\$ 95,856	\$ 74,935	\$ 4,148
Receipts from sale of oil and gas	-	-	-	-	-
Payments to operating managers	(40,913)	(260)	(49,626)	(46,672)	(4,104)
Other disbursements and receipts	7,634	4	-	16	-
Net cash flows from operating activities	<u>45,433</u>	<u>2,006</u>	<u>46,230</u>	<u>28,279</u>	<u>44</u>
Cash flows from noncapital financing activities					
Advances (withdrawals) by participants, net	-	-	-	-	-
Cash flows from capital financing activities					
Additions to plant, net	(41,972)	-	(35,909)	(2,810)	-
Prepaid natural gas	-	-	-	-	-
Debt interest payments	(4,292)	(852)	(8,769)	(21,948)	-
Proceeds from sale of bonds	-	-	-	-	-
Payment for defeasance of revenue bonds	-	-	-	-	-
Transfer of funds from escrow	-	-	-	10,119	-
Principal payments on debt	(11,895)	(1,370)	(10,050)	(7,450)	-
Payment for bond issue costs	-	-	-	(360)	-
Net cash used for capital and related financing activities	<u>(58,159)</u>	<u>(2,222)</u>	<u>(54,728)</u>	<u>(22,449)</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investments	1,822	140	1,930	3,009	43
Purchases of investments	(37,102)	(1,618)	(26,171)	(51,185)	-
Proceeds from sale/maturity of investments	56,850	3,590	43,512	48,557	-
Net cash provided by (used for) investing activities	<u>21,570</u>	<u>2,112</u>	<u>19,271</u>	<u>381</u>	<u>43</u>
Net increase (decrease) in cash and cash equivalents	8,844	1,896	10,773	6,211	87
Cash and cash equivalents, beginning of year	14,481	726	13,104	27,949	1,597
Cash and cash equivalents, end of year	<u>\$ 23,325</u>	<u>\$ 2,622</u>	<u>\$ 23,877</u>	<u>\$ 34,160</u>	<u>\$ 1,684</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 17,910	\$ (535)	\$ 39,322	\$ 11,951	\$ (37)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	18,793	-	10,782	11,264	-
Decommissioning	8,667	-	3,113	-	-
Advances for capacity and energy	-	2,629	-	-	-
Amortization of nuclear fuel	8,059	-	-	-	-
Changes in assets and liabilities					
Accounts receivable	(3,141)	(34)	(748)	(2,409)	-
Accounts payable and accruals	(4,426)	(56)	3,519	2,732	81
Other	(429)	2	(9,758)	4,741	-
Net cash provided by operating activities	<u>\$ 45,433</u>	<u>\$ 2,006</u>	<u>\$ 46,230</u>	<u>\$ 28,279</u>	<u>\$ 44</u>
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)					
Cash and cash equivalents - restricted	\$ 15,519	\$ 2,450	\$ 16,860	\$ 25,389	\$ -
Cash and cash equivalents - unrestricted	7,806	172	7,017	8,771	1,684
	<u>\$ 23,325</u>	<u>\$ 2,622</u>	<u>\$ 23,877</u>	<u>\$ 34,160</u>	<u>\$ 1,684</u>

See accompanying notes.

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

	GENERATION				
	Palo Verde	Hoover Upating	San Juan	Magnolia Power	Ormat Geothermal Energy
Cash flows from operating activities					
Receipts from participants	\$ 71,033	\$ 2,354	\$ 84,144	\$ 58,352	\$ 3,015
Receipts from sale of oil and gas	-	-	-	-	-
Payments to operating managers	(33,658)	(257)	(48,344)	(47,967)	(3,875)
Other disbursements and receipts	7,633	-	-	-	(7)
Net cash flows from operating activities	<u>45,008</u>	<u>2,097</u>	<u>35,800</u>	<u>10,385</u>	<u>(867)</u>
Cash flows from noncapital financing activities					
Advances (withdrawals) by participants, net	-	-	-	(10,538)	-
Cash flows from capital financing activities					
Additions to plant, net	(22,058)	-	(18,432)	(2,232)	-
Debt interest payments	(4,650)	(906)	(9,247)	(16,026)	-
Proceeds from sale of bonds	-	-	-	261,892	-
Payment for defeasance of revenue bonds	-	-	-	(219,059)	-
Transfer of funds from escrow	-	-	-	-	-
Principal payments on debt	(11,545)	(1,315)	(9,570)	(4,917)	-
Payment for bond issue costs	-	-	-	(2,125)	-
Net cash used for capital and related financing activities	<u>(38,253)</u>	<u>(2,221)</u>	<u>(37,249)</u>	<u>17,533</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investments	2,098	145	2,392	2,996	113
Purchases of investments	(2,177)	(1,326)	(19,482)	(80,695)	-
Proceeds from sale/maturity of investments	2,205	1,237	20,449	62,114	1,740
Net cash provided by (used for) investing activities	<u>2,126</u>	<u>56</u>	<u>3,359</u>	<u>(15,585)</u>	<u>1,853</u>
Net increase (decrease) in cash and cash equivalents	8,881	(68)	1,910	1,795	986
Cash and cash equivalents, beginning of year	5,600	794	11,194	26,154	611
Cash and cash equivalents, end of year	<u>\$ 14,481</u>	<u>\$ 726</u>	<u>\$ 13,104</u>	<u>\$ 27,949</u>	<u>\$ 1,597</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (3,980)	\$ (493)	\$ 20,669	\$ 10,121	\$ (120)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	18,453	-	10,573	11,162	-
Decommissioning	8,666	-	3,113	-	-
Advances for capacity and energy	-	2,583	-	-	-
Amortization of nuclear fuel	8,702	-	-	-	-
Changes in assets and liabilities					
Accounts receivable	6,247	-	145	46	-
Accounts payable and accruals	6,878	7	162	(9,573)	(740)
Other	42	-	1,138	(1,371)	(7)
Net cash provided by operating activities	<u>\$ 45,008</u>	<u>\$ 2,097</u>	<u>\$ 35,800</u>	<u>\$ 10,385</u>	<u>\$ (867)</u>
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)					
Cash and cash equivalents - restricted	\$ 6,697	\$ 620	\$ 9,180	\$ 24,497	\$ -
Cash and cash equivalents - unrestricted	7,784	106	3,924	3,452	1,597
	<u>\$ 14,481</u>	<u>\$ 726</u>	<u>\$ 13,104</u>	<u>\$ 27,949</u>	<u>\$ 1,597</u>



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	TRANSMISSION		
	Southern Transmission System	Mead- Phoenix	Mead- Adelanto
Cash flows from operating activities			
Receipts from participants	\$ 87,917	\$ 8,452	\$ 20,827
Receipts from sale of oil and gas	-	-	-
Payments to operating managers	(18,173)	(896)	(1,675)
Other disbursements and receipts	-	-	-
Net cash flows from operating activities	<u>69,744</u>	<u>7,556</u>	<u>19,152</u>
Cash flows from noncapital financing activities			
Advances (withdrawals) by participants, net	-	-	-
Cash flows from capital financing activities			
Additions to plant, net	-	(930)	-
Prepaid natural gas	-	-	-
Debt interest payments	(40,508)	(3,496)	(10,756)
Proceeds from sale of bonds	50,047	-	-
Payment for defeasance of revenue bonds	(50,050)	-	-
Transfer of funds from escrow	(80)	-	-
Principal payments on debt	(30,950)	(3,350)	(11,150)
Payment for bond issue costs	(290)	-	-
Net cash used for capital and related financing activities	<u>(71,831)</u>	<u>(7,776)</u>	<u>(21,906)</u>
Cash flows from investing activities			
Interest received on investments	3,422	640	1,854
Purchases of investments	(34,182)	(5,017)	(8,948)
Proceeds from sale/maturity of investments	51,953	4,875	6,280
Net cash provided by (used for) investing activities	<u>21,193</u>	<u>498</u>	<u>(814)</u>
Net increase (decrease) in cash and cash equivalents	19,106	278	(3,568)
Cash and cash equivalents, beginning of year	28,677	6,316	16,333
Cash and cash equivalents, end of year	<u>\$ 47,783</u>	<u>\$ 6,594</u>	<u>\$ 12,765</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 46,973	\$ 5,466	\$ 15,683
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	18,708	1,403	4,500
Decommissioning	-	-	-
Advances for capacity and energy	-	-	-
Amortization of nuclear fuel	-	-	-
Changes in assets and liabilities			
Accounts receivable	(4,145)	-	(685)
Accounts payable and accruals	8,179	389	(354)
Other	29	298	8
Net cash provided by operating activities	<u>\$ 69,744</u>	<u>\$ 7,556</u>	<u>\$ 19,152</u>
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)			
Cash and cash equivalents - restricted	\$ 43,387	\$ 5,779	\$ 12,238
Cash and cash equivalents - unrestricted	4,396	815	527
	<u>\$ 47,783</u>	<u>\$ 6,594</u>	<u>\$ 12,765</u>

*See accompanying notes.*

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

	TRANSMISSION		
	Southern Transmission System	Mead- Phoenix	Mead- Adelanto
Cash flows from operating activities			
Receipts from participants	\$ 87,781	\$ 7,209	\$ 21,118
Receipts from sale of oil and gas	-	-	-
Payments to operating managers	(17,521)	(1,261)	(1,485)
Other disbursements and receipts	-	167	-
Net cash flows from operating activities	<u>70,260</u>	<u>6,115</u>	<u>19,633</u>
Cash flows from noncapital financing activities			
Advances (withdrawals) by participants, net	-	-	-
Cash flows from capital financing activities			
Additions to plant, net	-	(156)	-
Debt interest payments	(40,876)	(3,350)	(10,457)
Proceeds from sale of bonds	-	-	-
Payment for defeasance of revenue bonds	-	-	-
Transfer of funds from escrow	6,535	-	-
Principal payments on debt	(34,230)	(3,250)	(10,850)
Payment for bond issue costs	-	-	-
Net cash used for capital and related financing activities	<u>(68,571)</u>	<u>(6,756)</u>	<u>(21,307)</u>
Cash flows from investing activities			
Interest received on investments	3,818	755	2,076
Purchases of investments	(33,367)	(1,876)	(4,066)
Proceeds from sale/maturity of investments	39,931	5,904	15,454
Net cash provided by (used for) investing activities	<u>10,382</u>	<u>4,783</u>	<u>13,464</u>
Net increase (decrease) in cash and cash equivalents	12,071	4,142	11,790
Cash and cash equivalents, beginning of year	16,606	2,174	4,543
Cash and cash equivalents, end of year	<u>\$ 28,677</u>	<u>\$ 6,316</u>	<u>\$ 16,333</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 48,574	\$ 4,751	\$ 15,022
Adjustments to reconcile operating income (loss) to net cash provided			
by operating activities			
Depreciation	18,757	1,403	4,500
Decommissioning	-	-	-
Advances for capacity and energy	-	-	-
Amortization of nuclear fuel	-	-	-
Changes in assets and liabilities			
Accounts receivable	(283)	-	-
Accounts payable and accruals	3,212	(41)	103
Other	-	2	8
Net cash provided by operating activities	<u>\$ 70,260</u>	<u>\$ 6,115</u>	<u>\$ 19,633</u>
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)			
Cash and cash equivalents - restricted	\$ 24,622	\$ 5,936	\$ 15,683
Cash and cash equivalents - unrestricted	4,055	380	650
	<u>\$ 28,677</u>	<u>\$ 6,316</u>	<u>\$ 16,333</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	NATURAL GAS		
	Pinedale	Barnett	Prepaid Natural Gas
Cash flows from operating activities			
Receipts from participants	\$ 11,765	\$ 9,031	\$ -
Receipts from sale of oil and gas	11,060	8,339	-
Payments to operating managers	(18,714)	(8,539)	-
Other disbursements and receipts	3	-	-
Net cash flows from operating activities	<u>4,114</u>	<u>8,831</u>	<u>-</u>
Cash flows from noncapital financing activities			
Advances (withdrawals) by participants, net	<u>885</u>	<u>1,907</u>	<u>-</u>
Cash flows from capital financing activities			
Additions to plant, net	(2,146)	(10,445)	-
Prepaid natural gas	-	-	(480,648)
Debt interest payments	(1,035)	(1,786)	(14,212)
Proceeds from sale of bonds	42,053	105,207	509,827
Payment for defeasance of revenue bonds	(25,600)	(50,300)	-
Transfer of funds from escrow	-	-	-
Principal payments on debt	(2,600)	(800)	-
Payment for bond issue costs	(1,440)	(1,470)	(4,532)
Net cash used for capital and related financing activities	<u>9,232</u>	<u>40,406</u>	<u>10,435</u>
Cash flows from investing activities			
Interest received on investments	181	369	736
Purchases of investments	(15,116)	(46,298)	(25,098)
Proceeds from sale/maturity of investments	50	1,285	14,212
Net cash provided by (used for) investing activities	<u>(14,885)</u>	<u>(44,644)</u>	<u>(10,150)</u>
Net increase (decrease) in cash and cash equivalents	(654)	6,500	285
Cash and cash equivalents, beginning of year	29,090	1,576	-
Cash and cash equivalents, end of year	<u>\$ 28,436</u>	<u>\$ 8,076</u>	<u>\$ 285</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 3,988	\$ 8,895	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	1,611	2,280	-
Decommissioning	-	-	-
Advances for capacity and energy	-	-	-
Amortization of nuclear fuel	-	-	-
Changes in assets and liabilities			
Accounts receivable	141	(2,295)	-
Accounts payable and accruals	(776)	366	-
Other	(850)	(415)	-
Net cash provided by operating activities	<u>\$ 4,114</u>	<u>\$ 8,831</u>	<u>\$ -</u>
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)			
Cash and cash equivalents - restricted	\$ 16,307	\$ 7,367	\$ 20
Cash and cash equivalents - unrestricted	12,129	709	265
	<u>\$ 28,436</u>	<u>\$ 8,076</u>	<u>\$ 285</u>

*See accompanying notes.*

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

	NATURAL GAS	
	Pinedale	Barnett
Cash flows from operating activities		
Receipts from participants	\$ 9,945	\$ 2,784
Receipts from sale of oil and gas	17,327	1,008
Payments to operating managers	(24,287)	(1,177)
Other disbursements and receipts	(2)	12
Net cash flows from operating activities	<u>2,983</u>	<u>2,627</u>
Cash flows from noncapital financing activities		
Advances (withdrawals) by participants, net	<u>15,349</u>	<u>10,458</u>
Cash flows from capital financing activities		
Additions to plant, net	(2,126)	(55,101)
Debt interest payments	(1,640)	(1,339)
Proceeds from sale of bonds	-	44,900
Payment for defeasance of revenue bonds	-	-
Transfer of funds from escrow	-	-
Principal payments on debt	-	-
Payment for bond issue costs	-	-
Net cash used for capital and related financing activities	<u>(3,766)</u>	<u>(11,540)</u>
Cash flows from investing activities		
Interest received on investments	808	31
Purchases of investments	(60)	-
Proceeds from sale/maturity of investments	3,749	-
Net cash provided by (used for) investing activities	<u>4,497</u>	<u>31</u>
Net increase (decrease) in cash and cash equivalents	19,063	1,576
Cash and cash equivalents, beginning of year	10,027	-
Cash and cash equivalents, end of year	<u>\$ 29,090</u>	<u>\$ 1,576</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 1,544	\$ 2,715
Adjustments to reconcile operating income (loss) to net cash provided		
by operating activities		
Depreciation	2,237	501
Decommissioning	-	-
Advances for capacity and energy	-	-
Amortization of nuclear fuel	-	-
Changes in assets and liabilities		
Accounts receivable	(29)	(1,057)
Accounts payable and accruals	278	559
Other	(1,047)	(91)
Net cash provided by operating activities	<u>\$ 2,983</u>	<u>\$ 2,627</u>
Cash and cash equivalents as stated in the Combined		
Statements of Net Assets (Deficit)		
Cash and cash equivalents - restricted	\$ 18,255	\$ 1,401
Cash and cash equivalents - unrestricted	10,835	175
	<u>\$ 29,090</u>	<u>\$ 1,576</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(AMOUNTS IN THOUSANDS)**

	MISCELLANEOUS		
	Multiple Project Fund	Projects' Stabilization Fund	Total Combined
Cash flows from operating activities			
Receipts from participants	\$ -	\$ -	\$ 393,905
Receipts from sale of oil and gas	-	-	19,399
Payments to operating managers	-	-	(189,572)
Other disbursements and receipts	-	-	7,657
Net cash flows from operating activities	<u>-</u>	<u>-</u>	<u>231,389</u>
Cash flows from noncapital financing activities			
Advances (withdrawals) by participants, net	<u>-</u>	<u>1,964</u>	<u>4,756</u>
Cash flows from capital financing activities			
Additions to plant, net	-	-	(94,212)
Prepaid natural gas	-	-	(480,648)
Debt interest payments	(3,388)	-	(111,042)
Proceeds from sale of bonds	-	-	707,134
Payment for defeasance of revenue bonds	-	-	(125,950)
Transfer of funds from escrow	-	-	10,039
Principal payments on debt	-	-	(79,615)
Payment for bond issue costs	-	-	(8,092)
Net cash used for capital and related financing activities	<u>(3,388)</u>	<u>-</u>	<u>(182,386)</u>
Cash flows from investing activities			
Interest received on investments	4,449	4,188	22,783
Purchases of investments	(14,706)	(108,517)	(373,958)
Proceeds from sale/maturity of investments	18,085	128,427	377,676
Net cash provided by (used for) investing activities	<u>7,828</u>	<u>24,098</u>	<u>26,501</u>
Net increase (decrease) in cash and cash equivalents	4,440	26,062	80,260
Cash and cash equivalents, beginning of year	8	9,883	149,740
Cash and cash equivalents, end of year	<u>\$ 4,448</u>	<u>\$ 35,945</u>	<u>\$ 230,000</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ -	\$ -	\$ 149,616
Adjustments to reconcile operating income (loss) to net cash provided			
by operating activities			
Depreciation	-	-	69,341
Decommissioning	-	-	11,780
Advances for capacity and energy	-	-	2,629
Amortization of nuclear fuel	-	-	8,059
Changes in assets and liabilities			
Accounts receivable	-	-	(13,316)
Accounts payable and accruals	-	-	9,654
Other	-	-	(6,374)
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,389</u>
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)			
Cash and cash equivalents - restricted	\$ 4,448	\$ 35,945	\$ 185,709
Cash and cash equivalents - unrestricted	-	-	44,291
	<u>\$ 4,448</u>	<u>\$ 35,945</u>	<u>\$ 230,000</u>

*See accompanying notes.*

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

	MISCELLANEOUS		
	Multiple Project Fund	Projects' Stabilization Fund	Total Combined
Cash flows from operating activities			
Receipts from participants	\$ -	\$ -	\$ 347,735
Receipts from sale of oil and gas	-	-	18,335
Payments to operating managers	-	-	(179,832)
Other disbursements and receipts	-	-	7,803
Net cash flows from operating activities	-	-	194,041
Cash flows from noncapital financing activities			
Advances (withdrawals) by participants, net	-	10,052	25,321
Cash flows from capital financing activities			
Additions to plant, net	-	-	(100,105)
Debt interest payments	(3,389)	-	(91,880)
Proceeds from sale of bonds	-	-	306,792
Payment for defeasance of revenue bonds	-	-	(219,059)
Transfer of funds from escrow	-	-	6,535
Principal payments on debt	-	-	(75,677)
Payment for bond issue costs	-	-	(2,125)
Net cash used for capital and related financing activities	(3,389)	-	(175,519)
Cash flows from investing activities			
Interest received on investments	4,298	2,332	21,862
Purchases of investments	(8,336)	(73,187)	(224,572)
Proceeds from sale/maturity of investments	7,435	67,611	227,829
Net cash provided by (used for) investing activities	3,397	(3,244)	25,119
Net increase (decrease) in cash and cash equivalents	8	6,808	68,962
Cash and cash equivalents, beginning of year	-	3,075	80,778
Cash and cash equivalents, end of year	\$ 8	\$ 9,883	\$ 149,740
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ -	\$ -	\$ 98,803
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	-	-	67,586
Decommissioning	-	-	11,779
Advances for capacity and energy	-	-	2,583
Amortization of nuclear fuel	-	-	8,702
Changes in assets and liabilities			
Accounts receivable	-	-	5,069
Accounts payable and accruals	-	-	845
Other	-	-	(1,326)
Net cash provided by operating activities	\$ -	\$ -	\$ 194,041
Cash and cash equivalents as stated in the Combined Statements of Net Assets (Deficit)			
Cash and cash equivalents - restricted	\$ 8	\$ 9,883	\$ 116,782
Cash and cash equivalents - unrestricted	-	-	32,958
	\$ 8	\$ 9,883	\$ 149,740

## SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY NOTES TO COMBINED FINANCIAL STATEMENTS

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### Note 1 - Organization and Purpose

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

The Authority has interests in the following projects:

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

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

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

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

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 1 - Organization and Purpose (Continued)**

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

**Ormat Geothermal Energy Project** - The Authority entered into long-term Power Purchase Agreements in December 2005 with divisions of Ormat Technologies, Inc. for up to 20 megawatts (“MW”) of electric generation. The Project started delivery of approximately 5 MW in January 2006 from geothermal energy facilities located in Heber, California. In May 2008, the agreements were amended to substitute new wells as the source of the generation, and to increase the capacity to 14 MW. The City of Anaheim acts as the Scheduling Coordinator on behalf of the Project Participants.

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

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

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

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

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



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 1 - Organization and Purpose (Continued)**

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

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

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

**Prepaid Natural Gas Project No. 1** - On October 11, 2007, the Authority made a one-time prepayment of \$481 million to acquire the right to receive approximately 135 billion cubic feet of natural gas from J. Aron & Company to be delivered over a 30-year term, beginning July 1, 2008. On October 3, 2007, prior to the acquisition of the prepaid gas supply, the Authority entered into five separate Prepaid Natural Gas Sales Agreements (the Gas Sales Agreements) with J. Aron and simultaneously, five Prepaid Natural Gas Supply Agreements (the Gas Supply Contracts) in which the Authority sold its interest in the natural gas, on a "take-and-pay" basis, to the cities of Anaheim, Burbank, Colton, Glendale, and Pasadena (the Project No. 1 Participants). Through the Gas Supply Contracts, SCPPA has provided for the sale to the Project Participants, on a pay-as-you-go basis, of all of the natural gas to be delivered to SCPPA pursuant to the Gas Sales Agreements. The Natural Gas contracts expire in 2038.

Under the Gas Supply Contracts, the approximate average Daily Quantity of gas to be purchased by each Project Participant is as follows:

<u>PROJECT PARTICIPANT</u>	<u>AVERAGE DAILY QUANTITY (1)</u>	<u>PERCENTAGE BY PARTICIPANT</u>
City of Anaheim	2,000	16.5%
City of Burbank	4,000	33.0%
City of Colton	1,375	11.0%
City of Glendale	2,750	23.0%
City of Pasadena	<u>2,000</u>	<u>16.5%</u>
TOTAL	12,125	100%

(1) The average Daily Quantity is in MmBtu's and is calculated over the term of the applicable Gas Supply Contract.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 1 - Organization and Purpose (Continued)**

**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.

**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 SCPA 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, 2008, the members have the following participation percentages in the Authority's operating projects:

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

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 1 - Organization and Purpose (Continued)**

The contracts expire as follows:

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

- **Invested in capital assets, net of related debt and advances from participants** - This component of net assets consists of (a) capital assets, (b) net of accumulated depreciation, and (c) unamortized debt expenses, reduced by the outstanding balances of any bonds, other borrowings, and advances from participants that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

- **Restricted** - This component consists of net assets on which constraints are placed as to their use. Constraints include those imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.
- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt and advances from participants."

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

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

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

**Natural gas reserve depletion** - Depletion expense for the Natural Gas Projects is computed using the unit of production method based on the future production of the proved developed producing wells, estimated at 54 years. The depletion rate for the Natural Gas Pinedale Project was \$1.87/MMbtu and the estimated total net revenue volume was 24,351,608 MMbtu up to the period ending 2060. The depletion rate for the Natural Gas Barnett Project was \$1.91/MMbtu and the estimated total net revenue volume was 28,906,440 MMbtu up to the period ending 2060.

**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 10 for information about spent nuclear fuel disposal.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Nuclear decommissioning** - Decommissioning of PVNGS is expected to commence subsequent to the year 2026. The total cost to decommission the Authority's interest in PVNGS is estimated to be \$125.6 million in 2007 dollars (\$339.5 million in 2022 dollars, assuming a 6% estimated annual inflation rate). This estimate is based on an updated site specific study prepared by an independent consultant in 2004. The Authority is providing for its share of the estimated future decommissioning costs over the remaining life of the nuclear power plant through annual charges to expense, which amounted to \$8.7 million in fiscal years 2008 and 2007. The decommissioning liability is included as a component of accumulated depreciation and was \$220.0 and \$211.4 million at June 30, 2008 and 2007, respectively.

The Authority contributes to external trusts set up in accordance with the Arizona Nuclear Power Plant participation agreement and Nuclear Regulatory Commission requirements. As of June 30, 2008, decommissioning funds totaled approximately \$150.8 million, including approximately \$1.5 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 \$46.7 million and \$43.6 million at June 30, 2008 and 2007, respectively.

As of June 30, 2008, 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 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.

**Prepaid Natural Gas** - SCPPA entered into a contract with the supplier for a 30-year gas supply at a fixed discount and simultaneously entered into a contract with each of the project participants for the delivery of natural gas. By prepaying the gas supply, the participants will be able to procure the gas delivery at a fixed discount from a monthly market index price, as determined by the Prepaid Natural Gas Agreements. SCPPA also entered into commodity swap agreements on behalf of each participant to hedge against reductions in its revenues resulting from changes in the monthly market index price. The payments received from the participants for natural gas, when delivered, will be sufficient to pay debt service.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

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

The recorded liability of the Multiple Project Fund of \$21.8 million (\$5.8 million payable to the Mead-Phoenix Project and \$16.0 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, 2008, the Authority made rebate payments to the IRS of \$1.67 million for the STS bonds and \$48,440 for Palo Verde bonds.

Recorded arbitrage rebate and yield restriction liabilities as of June 30, 2008, were \$0.11 million for Palo Verde, \$0.72 million for STS, \$0.81 million for Mead-Phoenix, and \$2.32 million for Mead-Adelanto.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Revenues** - Revenues consist of billings to participants for the sales of electric energy, natural gas and transmission service in accordance with the participation agreements. Generally revenues are fixed at a level to recover all operating and any 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 over billings, renewal and replacement excess funds or surplus amounts through June 30, 2004 into the Palo Verde reserve account. On November 20, 2003, the Authority adopted a resolution to utilize the amounts on deposit in the reserve accounts to pay a portion of the operating and maintenance expenses of the Palo Verde Project starting July 1, 2004. Funds held in the reserve account as a result of this resolution totaled \$54.9 million and \$60 million as of June 30, 2008 and 2007, respectively.

**Transportation Costs** - As a result of the sales and purchases agreements for natural gas entered into by SCPPA, the participants receive less volume than processed incurring embedded transportation costs. These costs are recorded as participants' revenue and expense to the Natural Gas Project. At June 30, 2008 and 2007, transportation costs were approximately \$.1 million and \$.2 million, respectively, for the Natural Gas Pinedale Project and \$.5 million and \$.1 million, respectively, for the Natural Gas Barnett Project.

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

In kind contributions are valued at fair market value and recorded as participant revenue and fuel expense to the Magnolia Power Project. SCPPA values the participants' fuel contribution using monthly average pricing from the Project's OEMI fuel purchases. During the fiscal year ended June 30, 2008 and 2007 the participants' contribution in kind was approximately 7.2 million and 6.7 million MmBtu's and was valued at approximately \$56.9 million and \$43.0 million, respectively.

**In Kind Payment** - The Natural Gas Pinedale Project pays federal royalties to Mineral Management Services (MMS). Beginning November 2007, SCPPA elected to pay its obligation in kind with approximately 0.6 million MMBtu, with a monetary value of approximately \$0.5 million.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 3 - Utility Plant**

At June 30, 2008 and 2007 Utility Plant consisted of the following (amounts in thousands):

	June 30, 2008									
	GENERATION				TRANSMISSION			NATURAL GAS		
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Pinedale Project	Barnett Project	Total
Utility plant										
Production	\$662,942	\$ -	\$ 231,192	\$280,338	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,174,472
Transmission	14,082	-	-	15,239	674,606	50,770	172,319	-	-	927,016
General	2,797	21	7,443	15,224	18,911	2,640	473	6,611	9,245	63,365
Natural gas reserves	-	-	-	-	-	-	-	44,747	46,340	91,087
	679,821	21	238,635	310,801	693,517	53,410	172,792	51,358	55,585	2,255,940
Less accumulated depreciatio	606,123	21	164,644	30,919	428,083	17,640	55,260	6,494	2,781	1,311,965
	73,698	-	73,991	279,882	265,434	35,770	117,532	44,864	52,804	943,975
Construction work in progres	15,065	-	3,472	786	-	1,166	-	352	10,304	31,145
Nuclear fuel, at amortized co	34,211	-	-	-	-	-	-	-	-	34,211
Net utility plant	\$ 122,974	\$ -	\$ 77,463	\$280,668	\$ 265,434	\$ 36,936	\$ 117,532	\$ 45,216	\$ 63,108	\$ 1,009,331

	June 30, 2007									
	GENERATION				TRANSMISSION			NATURAL GAS		
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Southern Transmission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Pinedale Project	Barnett Project	Total
Utility plant										
Production	\$650,944	\$ -	\$ 176,249	\$278,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,105,496
Transmission	14,076	-	-	15,144	674,606	50,770	172,319	-	-	926,915
General	2,782	21	7,443	14,825	18,911	2,640	473	5,038	822	52,955
Natural gas reserves	-	-	-	-	-	-	-	44,747	46,340	91,087
	667,802	21	183,692	308,272	693,517	53,410	172,792	49,785	47,162	2,176,453
Less accumulated depreciatio	586,538	21	151,154	19,655	409,375	16,237	50,760	4,883	501	1,239,124
	81,264	-	32,538	288,617	284,142	37,173	122,032	44,902	46,661	937,329
Construction work in progres	17,338	-	21,896	23	-	236	-	1,573	8,423	49,489
Nuclear fuel, at amortized co	20,176	-	-	-	-	-	-	-	-	20,176
Net utility plant	\$ 118,778	\$ -	\$ 54,434	\$288,640	\$ 284,142	\$ 37,409	\$ 122,032	\$ 46,475	\$ 55,084	\$ 1,006,994

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

	Balance				Balance	
	July 1, 2007	Additions	Disposals	Transfers	June 30, 2008	
Nondepreciable utility plant						
Land	\$ 42,472	\$ -	\$ -	\$ -	\$ 42,472	
Construction work in progress	39,493	58,694	-	(77,740)	20,488	
Construction work in progress - gas	9,996	2,234	-	(1,573)	10,657	
Nuclear fuel*	20,176	19,943	(5,908)	-	34,211	
Total nondepreciable utility plant	112,137	80,871	(5,867)	(79,313)	107,828	
Depreciable utility plant						
Production						
Nuclear generation (Palo Verde Project)	650,208	19,876	(7,878)	-	662,206	
Coal-fired plant (San Juan Unit 3 Project)	176,249	55,348	(405)	-	231,192	
Gas-fired plant (Magnolia Power Project)	278,303	2,035	-	-	280,338	
Transmission	885,180	101	-	-	885,281	
General	47,095	452	(38)	15,855	63,364	
Acquisition of gas reserves	91,087	-	-	-	91,087	
Intangibles	4,797	1,497	-	(6,294)	-	
Well equipment and production facilities	1,062	8,499	-	(9,561)	-	
Total depreciable utility plant	2,133,981	87,808	(8,321)	-	2,213,468	
Less accumulated depreciation	(1,239,124)	(81,120)	8,279	-	(1,311,965)	
Total utility plant, net	\$ 1,006,994	\$ 87,559	\$ (5,909)	\$ (79,313)	\$ 1,009,331	

\*Nuclear fuel disposals represent amortization.



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 4 - Investments**

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

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

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

The operative Indentures of Trust in which securities are authorized for investment purposes relate to the Palo Verde Project Bonds, the Southern Transmission System Project Bonds, the Hoover Upgrading Project Bonds, the Mead-Phoenix Project Bonds, the Mead-Adelanto Project Bonds, the Multiple Project Fund Bonds, the San Juan Project Bonds, the Magnolia Power Project Bonds, and the Natural Gas Projects 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 short-term ratings of at least "A-1" by S&P and at least "P-1" by Moody's;
- Banker's Acceptances, a short-term draft or bill of exchange guaranteed for payment at face value to the holder of the instrument on its maturity date, which has a short-term rating of at least "A-1" by S&P and at least "P-1" by Moody's;
- Commercial Paper, a short-term unsecured promissory note issued by non-financial or financial firms with a rating of at least "A-1" by S&P and at least "P-1" by Moody's;
- Medium Term Notes rated "A" or better and only those issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States;
- Equity-Linked Notes, which are categorized as medium-term corporate notes and are subject to the constraints set forth in the Government code and the Authority's Investment Policy.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 4 - Investments (Continued)**

Investments at June 30, 2008 and 2007 are as follows (amounts in thousands):

	JUNE 30, 2008													
	GENERATION				TRANSMISSION				NATURAL GAS			MISCELLANEOUS		
	Palo Verde Project	Hoover Upgrading Project	San Juan Project	Magnolia Power Project	Ormat Geo- thermal Project	Southern Trans- mission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Barnett Project	Pinedale Project	Prepaid Natural Gas	Multiple Project Fund	Projects' Stabilization Fund	Total
U.S. Agencies	\$ 158,137	\$ 569	\$ -	\$ 23,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,465	\$ 233,148
Agency Discount Notes	37,326	3,545	23,841	32,916	1,117	46,239	5,149	13,065	6,112	25,729	-	880	35,787	231,706
Treasury Coupon	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GIC's	55,302	-	21,323	20,449	-	37,179	7,143	22,626	45,013	15,067	10,887	63,252	-	298,241
Negotiable CD's	-	-	-	3,400	-	3,400	-	1,700	-	60	-	3,500	-	12,060
Commercial Paper	-	-	-	-	364	-	-	-	-	-	-	-	-	364
Equity Link Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Money Market Funds	992	136	35	1,594	203	2,284	1,895	780	1,964	2,706	285	68	158	13,100
<b>Total</b>	<b>\$ 251,757</b>	<b>\$ 4,250</b>	<b>\$ 45,199</b>	<b>\$ 82,336</b>	<b>\$ 1,684</b>	<b>\$ 89,102</b>	<b>\$ 14,187</b>	<b>\$ 38,171</b>	<b>\$ 53,089</b>	<b>\$ 43,562</b>	<b>\$ 11,172</b>	<b>\$ 67,700</b>	<b>\$ 86,410</b>	<b>\$ 788,619</b>
Restricted investments	\$ 163,930	\$ 1,068	\$ 21,322	\$ 48,176	\$ -	\$ 41,319	\$ 7,593	\$ 25,406	\$ 45,013	\$ 15,126	\$ 10,887	\$ 63,252	\$ 50,465	\$ 493,557
Unrestricted investments	64,502	560	-	-	-	-	-	-	-	-	-	-	-	65,062
Cash and cash equivalents	23,325	2,622	23,877	34,160	1,684	47,783	6,594	12,765	8,076	28,436	285	4,448	35,945	230,000
<b>Total</b>	<b>\$ 251,757</b>	<b>\$ 4,250</b>	<b>\$ 45,199</b>	<b>\$ 82,336</b>	<b>\$ 1,684</b>	<b>\$ 89,102</b>	<b>\$ 14,187</b>	<b>\$ 38,171</b>	<b>\$ 53,089</b>	<b>\$ 43,562</b>	<b>\$ 11,172</b>	<b>\$ 67,700</b>	<b>\$ 86,410</b>	<b>\$ 788,619</b>

	JUNE 30, 2007													
	GENERATION				TRANSMISSION				NATURAL GAS			MISCELLANEOUS		
	Palo Verde Project	Hoover Upgrading Project	San Juan Project	Magnolia Power Project	Ormat Geo- thermal Project	Southern Trans- mission System Project	Mead- Phoenix Project	Mead- Adelanto Project	Barnett Project	Pinedale Project	Multiple Project Fund	Projects' Stabilization Fund	Total	
U.S. Agencies	\$ 183,404	\$ 2,203	\$ 9,954	\$ 18,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,968	\$ 284,341	
Agency Discount Notes	13,400	1,930	19,301	32,539	1,415	47,889	5,746	15,588	-	27,006	7,449	7,032	179,295	
Treasury Coupon	489	-	-	-	-	-	-	-	-	-	-	-	489	
GIC's	60,058	-	21,323	20,449	-	37,179	7,398	22,626	-	-	58,847	-	227,880	
Negotiable CD's	-	-	-	-	-	-	-	-	60	-	-	-	60	
Commercial Paper	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity Link Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	
Money Market Funds	1,626	126	615	1,512	182	2,290	571	747	1,576	2,088	8	2,852	14,193	
<b>Total</b>	<b>\$ 258,977</b>	<b>\$ 4,259</b>	<b>\$ 51,193</b>	<b>\$ 73,312</b>	<b>\$ 1,597</b>	<b>\$ 87,358</b>	<b>\$ 13,715</b>	<b>\$ 38,961</b>	<b>\$ 1,576</b>	<b>\$ 29,154</b>	<b>\$ 66,304</b>	<b>\$ 79,852</b>	<b>\$ 706,258</b>	
Restricted investments	\$ 166,233	\$ 2,255	\$ 38,089	\$ 45,363	\$ -	\$ 58,681	\$ 7,399	\$ 22,628	\$ -	\$ 64	\$ 66,296	\$ 69,969	\$ 476,977	
Unrestricted investments	78,263	1,278	-	-	-	-	-	-	-	-	-	-	79,541	
Cash and cash equivalents	14,481	726	13,104	27,949	1,597	28,677	6,316	16,333	1,576	29,090	8	9,883	149,740	
<b>Total</b>	<b>\$ 258,977</b>	<b>\$ 4,259</b>	<b>\$ 51,193</b>	<b>\$ 73,312</b>	<b>\$ 1,597</b>	<b>\$ 87,358</b>	<b>\$ 13,715</b>	<b>\$ 38,961</b>	<b>\$ 1,576</b>	<b>\$ 29,154</b>	<b>\$ 66,304</b>	<b>\$ 79,852</b>	<b>\$ 706,258</b>	

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 4 - Investments (Continued)**

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

The Authority’s investment policy specifies that all project funds may be invested in shares of beneficial interest for temporary periods, pending disbursement or reinvestment as allowed under the state of California Government Code (“Code”). The Code requires that the fund must have either 1) attained the highest ranking or highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations (“NRSRO”) or 2) retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of five hundred million dollars. As of June 30, 2008 and 2007, each of the money market funds in the portfolio have attained the highest possible ratings by three NRSRO’s, specifically AAA by Standard and Poor’s, Aaa by Moody’s Investors Service, and AAA by Fitch Ratings.

The U.S. government agency securities in the portfolio consist of securities issued by government-sponsored enterprises, which are not explicitly guaranteed by the U.S. government. As of June 30, 2008 and 2007, the U.S. government agency securities in the portfolio carried the highest possible credit ratings by the NRSRO’s that rated them.

The Guaranteed Investment Contracts in the portfolio with AIG consist of securities issued by corporations and carry a rating of AA- by Standard and Poor’s, Aa3 by Moody’s Investors Service and AA- by Fitch Rating. The Guaranteed Investment Contracts in the portfolio with PNC carry a rating of A+ by Standard and Poor’s, A1 by Moody’s Investors Service, and A+ by Fitch Ratings.

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

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

Of the Authority’s total investments as of June 30, 2008, \$214.2 million (27%) was invested in securities issued by the Federal Home Loan Bank; \$125.0 million (16%) was invested in securities issued by the Federal National Mortgage Association; \$75.8 million (10%) was invested in an investment agreement with Financial Security Assurance (FSA); \$93.0 million (12%) was invested in GIC’s with PNC Financial Securities Group; and \$129.5 million (16%) was invested in GIC’s with American International Group (AIG).

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 4 - Investments (Continued)**

Of the Authority's total investments as of June 30, 2007, \$269.0 million (38%) was invested in securities issued by the Federal Home Loan Bank; \$114.3 million (16%) was invested in securities issued by the Federal National Mortgage Association; \$80.5 million (12%) was invested in an investment agreement with Financial Security Assurance (FSA); \$88.9 million (13%) was invested in GIC's with PNC Financial Securities Group; and \$58.5 million (8%) was invested in GIC's with AIG.

SCPPA is aware that there are global pressures on the current financial markets. Based on the best available information at this time, SCPPA is vigilantly monitoring the developments in the markets and believes that it is positioned to deal with these developments should the market conditions persist.

**Note 5 - Derivative Instruments**

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

**Terms, fair values, and credit risk** - The terms, including the fair values and credit ratings of the counterparties under the outstanding swaps as of June 30, 2008, are included below. In most cases, the notional amount of any swap matches the principal amount of the associated debt. Except as discussed under the rollover risk, the Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

	Notional Amount (in thousands)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating
MPP 2007 Swap (Bear Stearns)	\$ 111,603	6/13/2007	3.912%	98.9% of SIFMA less .06%	\$ (3,792)	7/1/2036	AAA/Aaa/NA
MPP 2007 Swap (Citigroup)	111,603	6/13/2007	3.912%	98.9% of SIFMA less .06%	(3,792)	7/1/2036	AA/Aa1/AA-
MA 2007 Swap	100,000	2/1/2008	1-month LIBOR	100% of 10-yr LIBOR CMS rate less .414%	2,913	9/15/2030	AAA/Aaa/NA
STS 2006 Amended Swap	100,000	5/1/2013	SIFMA	58.99% of 10-yr LIBOR CMS rate plus .664%	(383)	7/1/2023	AA/Aaa/AA-
MP 2004 Swap	28,700	5/27/2004	3.894%	65% of LIBOR	(2,146)	7/1/2020	AA-/Aa1/AA-
MA 2004 Swap	96,025	5/27/2004	3.890%	65% of LIBOR	(7,148)	7/1/2020	AA-/Aa1/AA-
STS Swaption/Swap	125,000	2/6/2001	4.250%	60% of LIBOR	(20,141)	7/1/2022	AA-/Aa3/AA-
STS 2001 Swap	79,795	6/14/2001	4.240%	SIFMA less .40%	(8,071)	7/1/2021	AA-/Aa1/AA-
STS 1991 Swap	280,000	4/17/1991	6.380%	Bond variable coupon rate	(52,373)	6/30/2019	AA-/Aa3/NA
Prepaid Natural Gas 2007 Swap	201,450	10/11/2007	5.0475%	67% of 3-Month LIBOR plus 1.47%	(10,087)	11/1/2038	AA-/Aa3/AA-
	<u>\$ 1,234,176</u>				<u>\$ (105,020)</u>		

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 5 - Derivative Instruments (Continued)**

- **PNG 2007 Swap** - In October 2007, SCPPA entered into an interest rate swap agreement in connection with the issuance of the Prepaid Natural Gas Project No. 1 Series 2007B Bonds. The swap hedges the interest-rate risk on the LIBOR Floating-rate bonds, where SCPPA pays a fixed rate of 5.0475% in exchange for receiving 67% of 3-month LIBOR plus 1.47%. The floating index on the swap exactly matches the coupon on the Bonds and therefore provides a hedge with no tax or basis risk. The swap expires on November 1, 2038.
- **PNG 2007 Commodity Swap** - At the same time, SCPPA also entered into five commodity price swap agreements, on behalf of each of the Prepaid Natural Gas Project No. 1 Participants in order to hedge against reductions to its gas sale revenues resulting from changes in monthly market index prices. SCPPA pays a floating natural gas price over a thirty-year period and receives specified fixed natural gas prices at an agreed pricing point as determined in the Prepaid Natural Gas No. 1 Agreements. The effective date of the swaps is July 1, 2008 and they all expire on September 30, 2038.
- **MPP 2007 Swap** - In April 2007, the Authority entered into an interest rate swap in connection with the issuance of variable-rate Magnolia Power Project A, Refunding Revenue Bonds, Series 2007-1 (“2007-1 Bonds”). The Swap created synthetic fixed-rate debt which consisted of a \$223,260,000 29-year floating-to-fixed interest rate swap allocated equally between two counterparties. The Authority pays each of the counterparties a fixed rate of 3.912% in exchange for receiving 98.9% of the SIFMA Index minus 6 basis points. The swap became effective on June 13, 2007, and variable interest and swap payments commenced on January 1, 2008. The swap expires on July 1, 2036.
- **MA 2007 Swap** - In January 2007, the Authority entered into a Constant Maturity Swap (“CMS”) in connection with its outstanding Mead-Adelanto Project. The transaction consisted of a \$100 million basis swap and does not relate to any single series of the Mead-Adelanto bonds. The swap terms became effective on February 1, 2008 and the Authority pays the swap counterparty 100% of the 1-month LIBOR in exchange for receiving 100% of the 10-year LIBOR minus 41.4 basis points. The swap expires on September 15, 2030.
- **STS 2006 Amended Swap** - In July 2006, the Authority executed an amendment to the STS \$100 million, floating-to-floating Fixed-Spread basis swap entered into in November 2004. Under the amended swap, which became effective on August 1, 2007, SCPPA continues to pay the swap counterparty the SIFMA index but receives 58.99% of the 10-Year LIBOR plus 66.4 basis points, instead of 65% of 1-month LIBOR plus 66.4% basis points. The STS 2006 Constant Maturity Swap was suspended for 5 years effective May 7, 2008 and SCPPA received the swap value of \$3.7 million, which was recorded as an offset to interest expense. The notional amount of the Swap Agreement remains at \$100 million. The swap expires on July 1, 2023.
- **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 the 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, 2008 and 2007 was 2.958% and 3.50%, respectively.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 5 - Derivative Instruments (Continued)**

- **MA 2004 Swap** - In connection with the issuance of the 2004 Mead-Adelanto Revenue Bonds Series A auction-rate security in May 2004, the Authority entered into an interest rate swap on March 3, 2004. The floating-to-fixed rate swap created synthetic fixed-rate debt for the Authority. Under the Swap Agreement, the Authority pays the counterparty a fixed rate of 3.89% for the swap and in exchange the Authority receives a floating rate index equal to 65% of the one-month LIBOR. The swap agreement expires July 1, 2020. The Authority received approximately \$5.9 million in an upfront payment in connection with the execution of the swap, which has been deferred and is being amortized as an interest yield adjustment over the life of the swap. Approximately \$45.1 million in Mead-Adelanto 2004 Project Revenue Bonds Series A are not swapped and remain floating-rate bonds. The average floating rate on the related bonds as of June 30, 2008 and 2007 was 3.032% and 3.522%, respectively.
- **STS 2003 Swap** - The STS 2003 interest rate swap was terminated on May 7, 2008 and SCPA paid the associated swap termination value of \$1,287,000, before the STS 2003 Series Bonds were refunded on June 4, 2008.
- **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 the one-month LIBOR; the annual fixed rate on the swap paid by the Authority is 4.25%. In exchange for the right to exercise the Swaption, the counterparty paid the Authority a one-time up front option premium amount of \$7.9 million which has been deferred and is being amortized as an interest yield adjustment over the life of the option. The counterparty has the option to cancel the agreement at the counterparty's discretion. The swap expires on July 1, 2022.
- **STS 2001 Swap** - In June 2001, the Authority entered into an interest rate swap agreement with a counterparty for the purpose of hedging against interest rate variations arising from the issuance of the 2001 Subordinate Refunding Series A Southern Transmission Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. The Swap Agreement provides for the Authority to make payments to the counterparty at a fixed rate of 4.24%, and for the counterparty to make reciprocal payments based on a variable rate. The reset dates of the variable rate occur weekly and the rate for a reset date will be the rate determined by the Securities Industry and Financial Markets Association Swap Index ("SIFMA") minus 40 basis points. The counterparty has the option to cancel the agreement on July 5, 2006 and on every Fixed Rate Payer Payment Date, thereafter, should the SIFMA index average more than 7% over a consecutive 180-day period. The floating rates on the bonds were 1.60% and 3.65% at June 30, 2008 and 2007, respectively. The swap expires on July 1, 2021.
- **STS 1991 Swap** - In fiscal year 1991, the Authority entered into an interest rate swap Agreement with a counterparty for the purpose of hedging against interest rate fluctuations arising from the issuance of the 1991 Subordinate Refunding Series Southern Transmission Project Revenue Bonds. The notional amount of the Swap Agreement is equal to the par value of the bonds. Under the Swap Agreement, the Authority pays the counterparty a fixed rate of 6.38%; in exchange, the Authority receives payments mirroring the bond variable coupon rate (3.50% and 3.68% at June 30, 2008 and 2007, respectively). The swap expires on June 30, 2019.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 5 - Derivative Instruments (Continued)**

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

**Credit risk** - As of June 30, 2008, the net fair values of the Authority's applicable swaps for which payments were made were negative for each counterparty except for the MA 2007 CMS swaps. However, should interest rates change and the fair values of the swaps become positive, the Authority may be exposed to credit risk in the amount of the derivatives' fair value.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require full collateralization of the fair value of the swap should the counterparty's (or guarantors of the counterparty, as applicable) credit rating fall below AA- as issued by Standard & Poor's or Aa3 as issued by Moody's Investors Service for the 1991 Swap; A+/A1 for the 2004 Fixed Spread Basis Swap; A-/A3 for the 2001, the 2003 and the 2004 Swaps; Baa1/BBB+ for the Swaption/Swap; A-/A3 for the Magnolia 2007 Swap; and A/A2 for the Prepaid Natural Gas Project No. 1 2007 Commodity Swap. Collateral on all swaps is to be in the form of U.S. government securities held by a third-party custodian.

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

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

Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from a swap may not be fully realized. The 2001 swap is based on SIFMA rate minus 40 basis points; similar to the LIBOR-based swaps, SIFMA minus 40 bps may not exactly hedge the underlying variable rate. As of June 30, 2008, the SIFMA rate, minus 40 bps, was 1.185%, 98.9% of SIFMA minus 6 bps, was 2.145%, 60% of LIBOR was 1.476%, 65% of LIBOR was 1.599%, 100% of 10-Year LIBOR minus 41.4 bps was 4.353 and 67% of 3-month LIBOR plus 147 bps was 3.395%.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 5 - Derivative Instruments (Continued)**

The following is a summary of interest rates paid to and received from the counterparties as of June 30, 2008:

	Type of Derivative							NGP repay 2007 Swap
	1991 Swap	Swaption/ Swap	2001 Swap	MP 2004 Swap	MA 2004 Swap	MA 2007 Swap	MAG 2007 Swap	
Payments to counterparty	6.380%	4.250%	4.240%	3.894%	3.890%	2.459%	3.912%	5.048%
Less, variable payments from counterparty	3.500%	1.476%	1.185%	1.599%	1.599%	4.353%	2.145%	3.395%
Net interest rate swap payments	2.880%	2.774%	3.055%	2.295%	2.291%	-1.894%	1.767%	1.653%
Add, variable-rate bond coupon payments	3.500%	N/A	1.600%	2.958%	3.032%	N/A	3.750%	3.395%
Synthetic interest rate on bonds	6.380%	2.774%	4.655%	5.253%	5.323%	-1.894%	5.517%	5.048%

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

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

Associated Debt Issuance

Debt Maturity Date

Swap Termination Date

STS 2001 Subordinate  
Refunding Series A

July 1, 2021

July 1, 2021



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 5 - Derivative Instruments (Continued)**

**Swap payments and associated debt** - Using rates as of June 30, 2008, 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.

<u>Fiscal Year Ending June 30,</u>	(Amounts in thousands)			
	<u>Variable-Rate Bonds</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps, Net</u>	
2009	\$ 19,295	\$ 24,254	\$ 19,908	\$ 44,162
2010	17,315	23,655	19,415	43,070
2011	18,435	23,018	18,891	41,909
2012	41,055	21,975	17,738	39,713
2013	42,380	20,888	16,547	37,435
2014-2018	319,280	80,063	56,506	136,569
2019-2023	159,420	42,725	22,061	64,786
2024-2028	53,605	32,500	15,314	47,814
2029-2033	65,435	21,154	9,968	31,122
2034-2038	287,055	20,019	9,672	29,691
	<u>\$ 1,023,275</u>	<u>\$ 310,251</u>	<u>\$ 206,020</u>	<u>\$ 516,271</u>

**Note 6 - Long-Term Debt**

Long-term debt outstanding at June 30, 2008 consisted of "new money" bonds, refunding bonds and subordinate refunding bonds due in varying annual amounts through 2038. The new money bonds were issued to finance the purchase and construction or acquisition of the Authority's interest in each of the Projects. The subordinate refunding bonds were issued to refund specified new money bonds.

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

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 6 - Long-Term Debt (Continued)**

The Authority has agreed to certain covenants with respect to bonded indebtedness, including the requirement to enforce the natural gas, power and transmission sales agreements with the participants. At the option of the Authority, all outstanding new money bonds and refunding bonds are subject to redemption prior to maturity, except for the 2006-1 Magnolia Revenue Bonds; the 2002 Subordinate Refunding Series B Bonds, and portions of the 1988A Refunding Bonds, the 1992 and the 2008A Subordinate Refunding Bonds issued for the Southern Transmission System; the 2002A San Juan Revenue Bonds; a total of \$125.5 million of the Multiple Project Revenue Bonds and the 2007 A & B Prepaid Natural Gas Project No. 1 Bonds.

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

Driven by the subprime mortgage problems which led to the downgrade of bond insurers, the contraction of financial markets, and the loss of consumer confidence, there is uncertainty in the viability of the auction rate market and the variable debt market continues to experience increased pressure. The availability of liquidity and credit facilities has been severely curtailed and the price for obtaining these facilities has dramatically increased. Conditions continue to be challenging and no assurance can be given that there will not be other issues that affect the financial markets.

A summary of changes in long-term debt follows:

	(Amounts In Thousands)						
	GENERATION				TRANSMISSION		
	Palo Verde Project	Hoover Uprating Project	San Juan Project	Magnolia Power Project	Southern Transmission System Project	Mead-Phoenix Project	Mead-Adelanto Project
Total long-term debt at June 30, 2007	\$ 88,373	\$ 15,879	\$ 161,540	\$ 353,150	\$ 735,641	\$ 60,340	\$ 192,959
Total debt due within one year at June 30, 2007	11,895	1,370	10,050	7,450	30,950	3,350	11,150
Total debt at June 30, 2007	100,268	17,249	171,590	360,600	766,591	63,690	204,109
Principal payments	(11,895)	(1,370)	(10,050)	(7,450)	(30,950)	(3,350)	(11,150)
Revenue bonds issued	-	-	-	-	-	-	-
Bonds refunded/defeased	-	-	-	-	(50,050)	-	-
Refunding bonds issued	-	-	-	-	48,025	-	-
Decrease in unamortized debt-related costs, net	2,052	436	(48)	(239)	11,866	582	1,663
Total debt at June 30, 2008	90,425	16,315	161,492	352,911	745,482	60,922	194,622
Total debt due within one year at June 30, 2008	(12,250)	(1,425)	(10,550)	(7,930)	(31,075)	(3,425)	(11,400)
Total long-term debt at June 30, 2008	<u>\$ 78,175</u>	<u>\$ 14,890</u>	<u>\$ 150,942</u>	<u>\$ 344,981</u>	<u>\$ 714,407</u>	<u>\$ 57,497</u>	<u>\$ 183,222</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 6 - Long-Term Debt (Continued)**

	(Amounts In Thousands)				Total
	NATURAL GAS			MISC.	
	Barnett Project	Pinedale Project	Prepaid Natural Gas	Multiple	
				Project Fund	
Total long-term debt at June 30, 2007	\$ 44,400	\$ 26,900	\$ -	\$ 42,553	\$ 1,721,735
Total debt due within one year at June 30, 2007	500	1,300	-	-	78,015
Total debt at June 30, 2007	44,900	28,200	-	42,553	1,799,750
Principal payments	(500)	(1,300)	-	-	(78,015)
Revenue bonds issued	5,900	-	504,445	-	510,345
Bonds refunded/defeased	(50,300)	(26,900)	-	-	(127,250)
Refunding bonds issued	99,007	42,053	-	-	189,085
Decrease in unamortized debt-related costs, net	-	-	5,080	1,274	22,666
Total debt at June 30, 2008	99,007	42,053	509,525	43,827	2,316,581
Total debt due within one year at June 30, 2008	(4,765)	(2,015)	-	-	(84,835)
Total long-term debt at June 30, 2008	\$ 94,242	\$ 40,038	\$ 509,525	\$ 43,827	\$ 2,231,746

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

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

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

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

*Magnolia Power Project Refunding* - In June 2007, the Authority issued \$223.26 million of Magnolia Power Project Project A Refunding Revenue Bonds, 2007-1 Series as variable rate demand obligations that currently bear interest at a weekly interest rate. The bonds were issued to refund \$202.38 million of the Magnolia Power Project A Bonds, Revenue Series 2003 -1. The Authority also entered into two separate floating-to-fixed interest rate swap agreements allocated equally between two swap counterparties in connection with the Series 2007-1 Bonds which effectively fixed the rate of the 2007-1 Bonds. (See Note 5).

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 6 - Long-Term Debt (Continued)**

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

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

**Southern Transmission System Project** - Debt consists of refunding and subordinate refunding series bonds with fixed and variable interest rates. Fixed interest rates range from 3.00% to 6.38% with final maturities occurring in 2022.

*STS Project Refunding* - On June 4, 2008, SCPPA issued \$48,025,000 of Southern Transmission Revenue Bonds, 2008 Subordinate Refunding Series A ("2008 Series A Bonds"). Due to the marked change in the performance of Auction-Rate Securities (ARS) versus Variable Rate Demand Obligations ("VRDO") in the current market, driven by the credit crisis and subprime problems, SCPPA issued these fixed rate bonds to refund \$50,050,000 of the Southern Transmission System Project Revenue Bonds, 2003 Subordinate Refunding Series A Bonds ("STS 2003 ARS") and to pay the related costs of issuance for the 2008 Series A Bonds. In refinancing the 2003 Series A Bonds, SCPPA successfully converted the STS 2003 ARS Bonds to fixed rate debt and completed the first step in its strategy to exit the uncertainty of the ARS market. This transaction resulted in a net loss for accounting purposes of \$6.6 million, consisting primarily of unamortized debt expenses associated with the refunded bonds. The loss on refunding was deferred and is being amortized in accordance with GASB 23, over the remaining life of the old debt which is shorter than the life of the new debt.

The associated 2003 interest rate swap with Citigroup was terminated on May 7, 2008 and SCPPA paid the swap termination value of \$1,287,000. The 2006 Constant Maturity Swap with JP Morgan was suspended for 5 years effective May 7, 2008 and SCPPA received a swap value of \$3,745,000. The excess net proceeds of \$2,458,000 will be used to pay debt service costs on other bonds. Both the swap termination and swap suspension have been recorded to debt expense.

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

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

**Natural Gas Projects** - On February 6, 2008, SCPPA issued \$141.1 million Natural Gas Project A Revenue Bonds, 2008 Series A in connection with the Natural Gas Projects. This fixed rate taxable bond transaction was issued to pay-off the outstanding \$76 million of the expiring Natural Gas Project Revenue Bonds, Draw Down Series 2005A (the short-term bridge loan) and to provide for five years of capital drilling needs for both the Natural Gas Pinedale and Barnett Projects. Financing for the SCPPA Natural Gas Projects was executed as three separate transactions for each of the Project A Participants with final maturity in 2032.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 6 - Long-Term Debt (Continued)**

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

**Debt Related Costs** - Unamortized debt-related costs, net are as follows (amounts in thousands):

Unamortized debt-related costs, net	June 30, 2008		
	Loss on Refunding	(Premium) Discount	Total
Palo Verde Project	\$ 11,395	\$ -	\$ 11,395
Southern Transmission System Project	80,770	14,893	95,663
Hoover Uprating Project	1,280	(195)	1,085
Mead-Phoenix Project	4,523	(140)	4,383
Mead-Adelanto Project	13,451	(903)	12,548
Multiple Project Fund	-	6,373	6,373
San Juan Project	4,169	(7,796)	(3,627)
Magnolia Power Project	12,805	(4,206)	8,599
Prepaid Natural Gas Project No. 1	-	(5,080)	(5,080)
	<u>\$ 128,393</u>	<u>\$ 2,946</u>	<u>\$ 131,339</u>

Unamortized debt-related costs, net	June 30, 2007		
	Loss on Refunding	(Premium) Discount	Total
Palo Verde Project	\$ 13,447	\$ -	\$ 13,447
Southern Transmission System Project	88,455	19,075	107,530
Hoover Uprating Project	1,751	(230)	1,521
Mead-Phoenix Project	5,193	(229)	4,964
Mead-Adelanto Project	15,445	(1,235)	14,210
Multiple Project Fund	-	7,647	7,647
San Juan Project	5,524	(9,199)	(3,675)
Magnolia Power Project	13,262	(4,902)	8,360
	<u>\$ 143,077</u>	<u>\$ 10,927</u>	<u>\$ 154,004</u>

**Fair Value** - The fair value of the Authority's long-term debt (including the current portion) is approximately \$2.46 billion and \$1.90 billion at June 30, 2008 and 2007, respectively. Management has estimated fair value based on the quoted market prices for the same or similar issues or on the current average rates offered to the Authority for debt of approximately the same remaining maturities, excluding the effect of a related interest rate swap agreement.

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 6 - Long-Term Debt (Continued)**

**Defeasance of Debt** - The Authority has defeased specified revenue bonds by placing the proceeds from the issuance of subordinate refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. The trust investments and related liability for bonds that are considered legally defeased are not included in the Authority's financial statements. At June 30, 2008 and 2007, \$853.4 million and \$880.1 million, respectively, of revenue bonds outstanding are considered legally defeased.

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

**Debt Service** - The scheduled debt service payments for future years ending June 30 are included in the table below. The variable rates used for the PV 1996 Subordinate Refunding Series B and C, and the STS 1996 Subordinate Refunding Series B were the rates at June 30, 2008 of 8.00% and 1.28%, respectively. The variable rates used for the MA and MP 2004 Subordinate Refunding Series A, and the STS 2000 and 2001 Subordinate Refunding Series A were the rates at June 30, 2008 of 3.03% and 1.60%, respectively. The variable rates are set by the bond-remarketing agent on a weekly basis based on economic conditions and bond ratings.

	(Amounts in thousands)											Total
	GENERATION			TRANSMISSION				NATURAL GAS			MISC.	
	Palo Verde	Hoover Upgrading	San Juan	Magnolia Power	Southern Trans- mission System	Mead- Phoenix	Mead- Adelanto	Pinedale	Barnett	Prepaid Natural Gas	Multiple Project Fund	
2009 Principal	\$ 12,250	\$ 1,425	\$ 10,550	\$ 7,930	\$ 31,075	\$ 3,425	\$ 11,400	\$ 2,015	\$ 4,765	\$ -	\$ -	\$ 84,835
2009 Interest	5,600	796	8,266	15,563	38,385	3,098	9,588	1,826	4,302	25,581	3,390	116,395
2010 Principal	10,075	1,480	11,115	8,615	30,585	3,500	11,725	1,956	4,639	5,625	-	89,315
2010 Interest	4,926	738	7,699	14,734	37,817	3,011	9,299	1,956	4,606	25,440	3,389	113,615
2011 Principal	10,375	1,540	11,715	8,930	32,990	4,560	12,540	2,929	6,941	5,715	11,400	109,635
2011 Interest	4,372	678	7,102	14,387	35,916	2,814	8,729	1,871	4,405	25,157	3,004	108,435
2012 Principal	10,685	1,600	12,345	9,310	35,650	4,840	13,310	3,368	7,972	5,295	12,100	116,475
2012 Interest	3,802	614	6,472	14,004	33,951	2,497	7,856	1,756	4,132	24,881	2,211	102,176
2013 Principal	11,005	1,670	13,010	9,695	54,140	5,160	14,190	2,549	6,015	4,805	12,900	135,139
2013 Interest	3,214	537	5,808	13,595	31,921	2,159	6,928	1,640	3,857	24,629	1,366	95,654
2014 - 2018 Principal	47,430	9,685	84,140	50,705	253,475	25,945	84,155	10,975	25,745	20,895	13,800	626,950
2014 - 2018 Interest	6,619	1,313	15,376	60,836	133,213	6,357	21,195	6,628	15,582	120,005	465	387,589
2019 - 2023 Principal	-	-	14,990	42,930	333,715	17,875	59,850	7,691	18,054	38,200	-	533,305
2019 - 2023 Interest	-	-	1,320	49,661	58,914	10,600	3,555	4,123	9,700	112,952	-	241,285
2024 - 2028 Principal	-	-	-	53,700	69,515	-	-	5,766	13,559	72,310	-	214,850
2024 - 2028 Interest	-	-	-	39,064	1,721	-	-	2,243	5,296	98,700	-	147,024
2029 - 2033 Principal	-	-	-	65,670	-	-	-	4,804	11,317	119,690	-	201,481
2029 - 2033 Interest	-	-	-	27,294	-	-	-	696	1,643	74,448	-	104,081
2034 - 2038 Principal	-	-	-	104,025	-	-	-	-	-	178,225	-	282,250
2034 - 2038 Interest	-	-	-	10,792	-	-	-	-	-	37,374	-	48,166
2039 - Principal	-	-	-	-	-	-	-	-	-	53,685	-	53,685
2039 - Interest	-	-	-	-	-	-	-	-	-	1,355	-	1,355
<b>Principal</b>	<b>\$ 101,820</b>	<b>\$ 17,400</b>	<b>\$ 157,865</b>	<b>\$ 361,510</b>	<b>\$ 841,145</b>	<b>\$ 65,305</b>	<b>\$ 207,170</b>	<b>\$ 42,053</b>	<b>\$ 99,007</b>	<b>\$ 504,445</b>	<b>\$ 50,200</b>	<b>\$ 2,447,920</b>
<b>Interest</b>	<b>\$ 28,533</b>	<b>\$ 4,676</b>	<b>\$ 52,043</b>	<b>\$ 259,930</b>	<b>\$ 371,838</b>	<b>\$ 20,996</b>	<b>\$ 67,150</b>	<b>\$ 22,739</b>	<b>\$ 53,523</b>	<b>\$ 570,522</b>	<b>\$ 13,825</b>	<b>\$ 1,465,775</b>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 7 - Notes Payable**

Notes payable consist mainly of Palo Verde Participants' over billings from prior periods and a note secured from GE Capital Public Finance, Inc., to lease purchased spare parts inventory for the Magnolia Power Project. The notes payable in the Palo Verde Project are to be paid through June 2017. These notes are unsecured, bear an interest rate of 4.97%, and are due in monthly payments of \$.6 million. At June 30, 2008, the remaining balance is \$51.8 million. The note payable in the Magnolia Power Project has a coupon rate of 4.1%, with principal payments due monthly through July 2010. At June 30, 2008, the remaining principal balance is \$2.6 million.

Notes Payable Rollforward (amounts in thousands):

Description	June 30, 2007	Payments	Amortization of Surplus Fund	June 30, 2008
PV prior year overbillings	\$ 56,128	\$ (4,755)	\$ 393	\$ 51,766
MPP GE spare parts	3,966	(1,337)	-	2,629
	<u>\$ 60,094</u>	<u>\$ (6,092)</u>	<u>\$ 393</u>	<u>\$ 54,395</u>

**Note 8 - Advances from Participants**

Advances from participants consist mainly of billings to participants related to acquisition, capital drilling, and inventory wherein the matching operating expenses will be recognized at a future date. Also and specific only to the Natural Gas Pinedale Project, advances held by the project are funds from LADWP and TID, both owners independent of SCPPA, are for their share of operating costs and capital expenditures pursuant to their respective Agency Agreements.

Advances from participants rollforward (amounts in thousands):

Description	June 30, 2007	Activity	June 30, 2008
NG Pinedale advances from participants	\$ 37,998	\$ 247	\$ 38,245
NG Barnett advances from participants	10,154	1,448	11,602
MPP advances from participants	19,522	2,602	22,124
San Juan enviromental upgrade	32,000	(32,000)	-
	<u>\$ 99,674</u>	<u>\$ (27,703)</u>	<u>\$ 71,971</u>

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 9 - Net Assets (Deficit)**

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

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

	June 30, 2006	Fiscal Year 2007 Activity	June 30, 2007	Fiscal Year 2008 Activity	June 30, 2008
GAAP items not included in billings to participants					
Depreciation of plant	\$ (987,340)	\$ (67,586)	\$ (1,054,926)	\$ (69,341)	\$ (1,124,267)
Nuclear fuel amortization	(19,548)	-	(19,548)	13,688	(5,860)
Decommissioning expense	(164,546)	(11,779)	(176,325)	(11,779)	(188,104)
Amortization of bond discount, debt issue costs, and loss on refundings	(653,205)	(16,800)	(670,005)	(17,516)	(687,521)
Interest expense	(65,597)	(2,065)	(67,662)	2,826	(64,836)
Loss on defeasance of bonds	(85,827)	-	(85,827)	-	(85,827)
Bond requirements included in billings to participants					
Operations and maintenance, net of investment income	295,341	9,698	305,039	8,091	313,130
Costs of acquisition of capacity	16,129	(1,356)	14,773	(1,411)	13,362
Billings to amortize costs recoverable	382,050	-	382,050	-	382,050
Reduction in debt service billings due to transfer of excess funds	(90,020)	-	(90,020)	-	(90,020)
Principal repayments	982,130	78,593	1,060,723	87,628	1,148,351
Other	71,556	28,463	100,019	59,315	159,334
	<u>(318,877)</u>	<u>17,168</u>	<u>(301,709)</u>	<u>71,501</u>	<u>(230,208)</u>
Multiple Project Fund net assets	5,752	(1,768)	3,984	(1,255)	2,729
Projects' Stabilization Fund net assets	66,593	14,049	80,642	6,228	86,870
	<u>\$ (246,532)</u>	<u>\$ 29,449</u>	<u>\$ (217,083)</u>	<u>\$ 76,474</u>	<u>\$ (140,609)</u>



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 10 - Commitments and Contingencies**

**Industry Restructuring** - Since the passage of Assembly Bill 1890 (the "Bill") in September 1996, the electric industry in California continues to remain uncertain. The deregulation experiment has, for the most part, been abandoned. The public power participants of SCPA were not required to comply with the Bill's provisions.

**Fuel Supply Pricing Volatility** - Most of the SCPA participants have made investments in gas-fired peaking or base-load generation located in Southern California. The price volatility of natural gas, which is the fuel source for many of California's electric generating units, may contribute to greater volatility in revenues from the sale (and purchase) of electric energy and could materially affect the financial condition of the participants. However, the very competitive prices for a portion of gas supply and additional services provided by SCPA are intended to maintain and improve the competitive position of the participants.

**Public Benefits** - The members continue to collect the public benefit charge through existing rate structures and have instituted in excess of \$775 million of programs to benefit their customers. The decisions on how these funds are allocated are made by the local governing authority, in most cases this is the city council. Funds (approximately 2.85% of gross revenues) have been spent on conservation and energy efficiency programs, public educational programs, research and development, and low income rate subsidies.

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

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

**Note 10 - Commitments and Contingencies (Continued)**

- **Renewable Portfolio Standards (RPS)** - Senate Bill 1078 (“SB 1078”) directed municipal utilities to implement and enforce an RPS that recognizes the intent of the Legislature to encourage development of renewable resources taking into consideration the impact on a utility’s standard on rates, reliability, financial resources, and the goal of environmental improvement. Since the implementation of SB 1078, the California Public Utilities Commission and the State Energy Resources Conservation and Development Commission have taken a number of actions that have had an impact on the renewable energy goals set by legislation primarily seeking to accelerate the time-line for meeting the renewable resource development goals and to provide additional standards for future extension of the goals. SCPPA participants have embraced the objective of increasing renewable resources within their portfolios. However, the costs of renewable generation, required infrastructures, and other requirements will have additional significant financial implications on SCPPA participants.

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

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

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 10 - Commitments and Contingencies (Continued)**

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

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

In addition to the above, the Authority may be subject to retroactive insurance assessments for its participation in the Neil Property Insurance Program in the amount of \$2.9 million.

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

During 2005, the parties achieved a settlement of the substantive elements of the case which has been approved by the United States District Court. A number of environmental upgrades have been made to the San Juan Generating Station as part of the settlement that is expected to mitigate a number of environmental consequences which might otherwise occur in the operation of the plant. The additional costs associated with these environmental upgrades have been shared by the San Juan Generation Station participants. The environmental upgrades affecting Unit 3 and the SCPPA San Juan participants have been added this year. The estimated costs which have been borne by the SCPPA San Juan Generating Station participants totaled approximately \$34 million. Since 2005, SCPPA has budgeted for its portion of the added costs of these upgrades which have now been paid by the SCPPA participants.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 10 - Commitments and Contingencies (Continued)**

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

In February 2005, the remaining Utah plaintiffs filed a complaint in the Third Judicial District Court in and for Salt Lake County, Utah, which alleged facts similar to those alleged in California. The action was later transferred to the District Court in and for Millard County, Utah. SCPPA moved the Utah court to dismiss the action as to SCPPA. This motion resulted in the dismissal of certain of the causes of action in the complaint against SCPPA however other causes of action still remain. The case has concluded the discovery stage of the litigation and SCPPA and several other defendants have now filed motions for Summary Judgment which are currently pending before the District Court for Millard County, Utah. During the pendency of the Summary Judgment determinations, the plaintiffs in the case moved to disqualify the judge presently presiding over the matter. While the case had originally been scheduled for trial in October 2008, the pending motions could cause this date to be deferred. No provision for this litigation matter has been included in the accompanying financial statements.

Prior to the commencement of the construction of the Magnolia Power Project ("Project"), the Authority entered into an engineering, procurement and construction agreement (the "EPC Agreement") with Kvaerner E&C ("Kvaerner"), a division of Aker Kvaerner, which is headquartered in Oslo, Norway. Under the EPC Agreement, Kvaerner was responsible for the design, engineering procurement, construction, installation, training for operation, commissioning, start-up, testing and completion of the Project. Construction of the Project commenced during 2003 and was substantially completed in late 2005. During 2006, a claim was submitted on behalf of Kvaerner for additional compensation in the amount of approximately \$15 million with respect to work on the Project. The Operating Agent, the Authority and the Authority's outside legal counsel on this matter believed that the claim for additional compensation was substantially without merit and violated many provisions of the EPC Agreement. The matter went to mediation and in the mediation, in order to avoid further costly time consuming litigation, SCPPA offered to settle the matter for approximately \$1.9 million which was an amount approximately equaling the amount of liquidated damages which, due to the alleged delay in completion, had been withheld from Kvaerner at the conclusion of construction. The mediation of this matter, however, failed to settle the matter. In May 2007, Kvaerner filed a lawsuit against the Authority in California state court for damages for breach of contract and violation of the California prompt payment act. After a number of preliminary filings and motions in connection with the early stages of this litigation, Kvaerner and SCPPA ultimately agreed to settle the matter for the \$1,860,000 amount which SCPPA had previously offered. The parties have recently entered into a settlement agreement with respect to this matter and this litigation has now been concluded.

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**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

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**Note 11 - Subsequent Events**

**Palo Verde Power Project Subordinate Refunding Bonds** - As of June 30, 2008, SCPPA has outstanding \$101,820,000 of subordinate bonds relating to the Palo Verde Project, consisting of \$12,250,000 aggregate principal amount of the 1996 Subordinate Refunding Series B ("1996 Series B Bonds") and \$89,570,000 aggregate principal amount of the 1996 Subordinate Refunding Series C ("1996 Series C Bonds"). The 1996 Series B and C Bonds ("Refunded Bonds") were issued to refund certain Senior Bonds and consist of insured variable rate bonds.

The Palo Verde 2008 Series Subordinate Bonds ("2008 Series A and B Bonds") in the aggregate principal amount of \$99,830,000, consisting of \$49,915,000 principal amount of 2008 Series A Bonds and \$49,915,000 of 2008 Series B Bonds, are being issued to provide funds, together with certain other available moneys, to refund all of SCPPA's outstanding 1996 Series B and C Bonds. This refunding is necessary to remove the current bond insurance, given the continued deterioration in the performance of certain bond insured variable rate debt obligations ("VRDOs"), and to replace them with VRDOs that are supported by bank issued Letter of Credit which are expected to perform better in the current market.

No Senior Palo Verde Bonds are currently outstanding. Upon issuance of the 2008 Series A and B Bonds on August 28, 2008, the 2008 Series A and B Bonds will be the only bonds outstanding relating to SCPPA's interest in Palo Verde. These bonds are subject to optional redemption but will mature on July 1, 2017. The Refunded Bonds were redeemed on or before September 3, 2008.

**SUPPLEMENTAL INFORMATION**

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**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, 2008  
(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, 2007	\$ -	\$ -	\$ 143,409	\$ -	\$ -	\$ 356,997	\$ -	\$ 3,206	\$ 86,626	\$ 28,086	\$ -	\$ 618,324
Additions												
Investment earnings	-	-	5,993	-	-	8,953	-	140	3,317	735	19	19,157
Discount on investment purchases	-	-	147	-	-	-	-	110	204	191	-	652
Distribution of investment earnings	-	-	-	-	-	-	-	(250)	(644)	(926)	1,820	-
Revenue from power sales	-	-	-	-	-	-	-	-	-	-	78,711	78,711
Distribution of revenue	-	-	-	-	-	(38)	-	17,390	46,080	17,118	(80,550)	-
Transfer from escrow fund for principal and interest payments	3,704	-	-	-	-	(54,609)	-	50,905	-	-	-	-
Total	3,704	-	6,140	-	-	(45,694)	-	68,295	48,957	17,118	-	98,520
Deductions												
Construction expenditures	-	-	-	-	-	-	-	-	-	19,704	-	19,704
Operating expenditures	-	-	3	-	-	-	-	-	40,961	-	-	40,964
Remarketing/commitment fees	-	-	-	-	-	-	-	270	-	-	-	270
Fuel costs	-	-	-	-	-	-	-	-	22,268	-	-	22,268
Payment of principal	-	-	-	-	-	-	-	11,895	-	-	-	11,895
Interest paid - non escrow	-	-	-	-	-	-	-	3,974	-	-	-	3,974
Premium and interest paid on investment purchases	-	-	59	-	-	(243)	-	-	-	(2)	-	(186)
Payment of principal and interest paid escrow	3,704	-	-	-	-	-	-	50,905	-	-	-	54,609
Total	3,704	-	62	-	-	(243)	-	67,044	63,229	19,702	-	153,498
Balance at June 30, 2008	\$ -	\$ -	\$ 149,487	\$ -	\$ -	\$ 311,546	\$ -	\$ 4,457	\$ 72,354	\$ 25,502	\$ -	\$ 563,346

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$83 and \$101 held in the revolving fund at June 30, 2008 and 2007, 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, 2008  
(AMOUNTS IN THOUSANDS)**

	Debt Service Fund	General Reserve Fund	Advance Payment Fund	Operating Fund	Revenue Fund	Total
Balance at June 30, 2007	\$ 1,205	\$ 1,703	\$ -	\$ 1,360	\$ -	\$ 4,268
Additions						
Investment earnings	6	64	-	30	1	101
Discount on investment purchases	35	5	-	26	-	66
Distribution of investment earnings	(41)	(69)	-	(56)	166	-
Revenue from power sales	-	-	-	-	2,261	2,261
Distribution of revenue	2,095	-	-	333	(2,428)	-
Other	-	-	-	4	-	4
Total	2,095	-	-	337	-	2,432
Deductions						
Operating expenses	-	-	-	259	-	259
Payment of principal	1,370	-	-	-	-	1,370
Interest paid	852	-	-	-	-	852
Total	2,222	-	-	259	-	2,481
Balance at June 30, 2008	\$ 1,078	\$ 1,703	\$ -	\$ 1,438	\$ -	\$ 4,219

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$18 and \$21 held in the revolving fund at June 30, 2008 and 2007, respectively.



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
SAN JUAN PROJECT  
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS  
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2008  
(AMOUNTS IN THOUSANDS)**

	Acquisition Account	Debt Service Reserve Account	Revenue Fund	Operating Fund	Reserve & Contingenc y Fund	General Reserve Fund	Cost of Issuance Fund	Escrow Account	Total
Balance at June 30, 2007	\$ 4,386	\$ 21,323	\$ -	\$ 3,881	\$ 21,460	\$ 31	\$ (1)	\$ 76,050	\$ 127,130
Additions									
Investment earnings	6	1,101	15	8	365	-	-	3,101	4,596
Discount on investments	240	-	19	117	706	-	-	-	1,082
Distribution of investment earnings	(246)	(1,101)	2,543	(125)	(1,071)	-	-	-	-
Revenue from power sales	-	-	95,856	-	-	-	-	-	95,856
Distribution of revenues	18,568	-	(98,433)	52,733	27,163	(31)	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	18,568	-	-	52,733	27,163	(31)	-	3,101	101,534
Deductions									
Operating expenses	-	-	-	49,626	-	-	-	-	49,626
Construction expenses	-	-	-	-	35,909	-	-	-	35,909
Payment of principal and interest - escrow	-	-	-	-	-	-	-	3,772	3,772
Premium and interest on investment purchases	-	-	-	-	-	-	-	-	-
Payment of principal	10,050	-	-	-	-	-	-	-	10,050
Interest paid - non-escrow	8,769	-	-	-	-	-	-	-	8,769
Total	18,819	-	-	49,626	35,909	-	-	3,772	108,126
Balance at June 30, 2008	\$ 4,135	\$ 21,323	\$ -	\$ 6,988	\$ 12,714	\$ -	\$ (1)	\$ 75,379	\$ 120,538

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$27 and \$34 held in the revolving fund at June 30, 2008 and 2007, 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, 2008  
(AMOUNTS IN THOUSANDS)**

	Debt Service Account	Debt Service Reserve Account	Project Fund	Operating Reserve Fund	Reserve and Contingency	Operating Fund	Revenue Fund	General Reserve Fund	Escrow Fund	Total
Balance at June 30, 2007	\$ 10,765	\$ 29,922	\$ 5,381	\$ 4,919	\$ 9,554	\$ 3,451	\$ -	\$ 9,108	\$ -	\$ 73,100
Additions										
Investment earnings	62	1,612	13	137	482	23	16	13	5,342	7,700
Discount on investment purchases	252	49	192	25	28	117	1	342	-	1,006
Distribution of investment earnings	(314)	(1,661)	-	(162)	(510)	(140)	2,787	-	-	-
Transfer of funds for debt service payment	10,119	-	-	-	-	-	-	-	(10,119)	-
Bond Escrow 2007A	-	-	-	-	-	-	-	-	219,059	219,059
Receipt from participants	-	-	-	-	-	-	74,935	-	-	74,935
Distribution of revenues	24,055	-	-	-	1,442	27,750	(77,739)	24,492	-	-
Other transfers	-	-	70	-	-	24,400	-	(24,470)	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total	34,174	-	275	-	1,442	52,150	-	377	214,282	302,700
Deductions										
Construction expenditures	-	-	1,571	-	1,141	98	-	-	-	2,810
Operating expenses	-	-	-	-	5	46,667	-	-	-	46,672
Liquidity & Remarketing Fees	437	-	-	-	-	66	-	-	-	503
Interest paid	21,444	-	-	-	-	-	-	-	-	21,444
Premium and interest on investment purchases	2	-	-	-	(38)	-	-	-	-	(36)
Payment of principal	7,450	-	-	-	-	-	-	-	-	7,450
Debt issuance costs	-	-	360	-	-	-	-	-	-	360
Total	29,333	-	1,931	-	1,108	46,831	-	-	-	79,203
Balance at June 30, 2008	\$ 15,606	\$ 29,922	\$ 3,725	\$ 4,919	\$ 9,888	\$ 8,770	\$ -	\$ 9,485	\$ 214,282	\$ 296,597

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$34 and \$31 held in the revolving fund at June 30, 2008 and 2007, 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, 2008  
(AMOUNTS IN THOUSANDS)**

	Debt Service Fund	Escrow Fund	General Reserve Fund	Issue Fund	Operating Fund	Revenue Fund	Total
Balance at June 30, 2007	\$ -	\$ -	\$ -	\$ 81,606	\$ 3,996	\$ -	\$ 85,602
Additions							
Investment earnings	-	-	-	2,872	9	17	2,898
Discount on investment purchases	-	-	5	1,113	138	26	1,282
Distribution of investment earnings	-	-	(5)	(3,985)	(147)	4,137	-
Revenue from transmission sales	-	-	-	-	-	87,917	87,917
Distribution of revenue	-	-	-	71,856	20,241	(92,097)	-
Bond Proceeds 2008A	-	50,047	-	-	-	-	50,047
Transfer from/to escrow fund required by refunding bonds issuance	-	80	-	(80)	-	-	-
Transfer 2008A Bond Proceeds from Escrow	-	(50,047)	-	50,047	-	-	-
Other Transfers	-	-	2,118	1,627	-	(3,745)	-
Other Receipts	-	-	-	-	-	3,745	3,745
Total	-	80	2,118	123,450	20,241	-	145,889
Deductions							
Operating expenses	-	-	-	-	18,172	-	18,172
Payment of principal	-	-	-	30,950	-	-	30,950
Interest paid	-	-	-	41,164	-	-	41,164
Arbitrage Rebate	-	-	-	-	1,670	-	1,670
LOC & Remarketing Fees	-	-	-	1,419	-	-	1,419
Debt issuance costs	-	-	-	290	-	-	290
2003A Bond Redemption	-	-	-	50,050	-	-	50,050
Total	-	-	-	123,873	19,842	-	143,715
Balance at June 30, 2008	\$ -	\$ 80	\$ 2,118	\$ 81,183	\$ 4,395	\$ -	\$ 87,776

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$49 and \$52 held in the revolving fund at June 30, 2008 and 2007, 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, 2008  
(AMOUNTS IN THOUSANDS)**

	Revenue Fund	Debt Service Account	Debt Service Reserve Account	Operating Fund	Reserve & Contingency Fund	Surplus Fund	Total
Balance at June 30, 2007	\$ -	\$ 4,841	\$ 5,915	\$ 362	\$ 1,248	\$ 1,305	\$ 13,671
Additions							
Investment earnings	3	67	435	10	96	3	614
Discount on investment earnings	-	26	-	5	3	54	88
Distribution of investment earnings	689	(83)	(435)	(15)	(99)	(57)	-
Transmission revenue	8,452	-	-	-	-	-	8,452
Distribution of revenues	(9,144)	6,064	-	1,333	1,303	444	-
Payments from Western Area Power Administration	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-
Total	-	6,074	-	1,333	1,303	444	9,154
Deductions							
Construction expenditures	-	-	-	-	930	-	930
Operating expenses	-	-	-	896	-	-	896
Principal payment	-	3,350	-	-	-	-	3,350
Interest paid	-	3,497	-	-	-	-	3,497
Total	-	6,847	-	896	930	-	8,673
Balance at June 30, 2008	\$ -	\$ 4,068	\$ 5,915	\$ 799	\$ 1,621	\$ 1,749	\$ 14,152

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$15 and \$18 held in the revolving fund at June 30, 2008 and 2007, respectively.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
MEAD-ADELANTO PROJECT  
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS  
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2008  
(AMOUNTS IN THOUSANDS)**

	Debt Service Account	Debt Service Reserve Fund	Operating Fund	Reserve & Contingency	Revenue Fund	Surplus Fund	Total
Balance at June 30, 2007	\$ 13,679	\$ 16,267	\$ 645	\$ 6,383	\$ -	\$ 1,880	\$ 38,854
Additions							
Investment earnings	21	1,195	11	469	5	21	1,722
Discount on investment earnings	183	-	9	-	-	70	262
Distribution of investment earnings	(204)	(1,195)	(20)	(469)	1,980	(92)	-
Transmission revenue	-	-	-	-	20,827	-	20,827
Distribution of revenues	19,961	-	1,541	-	(22,812)	1,310	-
Payment from Western Area Power Administration	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-
Total	19,961	-	1,541	-	-	1,309	22,811
Deductions							
Principal payment	11,150	-	-	-	-	-	11,150
Interest paid	10,756	-	-	-	-	-	10,756
Operating expenses	-	-	1,675	-	-	-	1,675
Total	21,906	-	1,675	-	-	-	23,581
Balance at June 30, 2008	\$ 11,734	\$ 16,267	\$ 511	\$ 6,383	\$ -	\$ 3,189	\$ 38,084

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$15 and \$18 held in the revolving fund at June 30, 2008 and 2007, 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, 2008  
(AMOUNTS IN THOUSANDS)**

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	Proceeds Account	Debt Service Account	Earnings Account	Cost of Redemption Account	Total
Balance at June 30, 2007	\$ 64,999	\$ 1,305	\$ -	\$ -	\$ 66,304
Additions					
Investment earnings	4,605	176	-	-	4,781
Distribution of investment earnings	(4,595)	7,617	(3,022)	-	-
Transfer for debt service payment	(3,071)	-	3,071	-	-
Transfer from debt service account	-	-	-	-	-
Total	(3,061)	7,793	49	-	4,781
Deductions					
Interest paid	-	3,388	-	-	3,388
Payment of principal	-	-	-	-	-
Redemption of bonds	-	-	-	-	-
Cost of redemption	-	-	-	-	-
Total	-	3,388	-	-	3,388
Balance at June 30, 2008	\$ 61,938	\$ 5,710	\$ 49	\$ -	\$ 67,697

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

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
NATURAL GAS BARNETT PROJECT  
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS  
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2008  
(AMOUNTS IN THOUSANDS)**

	Revenue Fund	Operating Fund	Debt Service Fund	General Reserve Fund	Project Fund	Capital Fund	Depository Fund	Total
Balance at June 30, 2007	\$ -	\$ 175	\$ 1,089	\$ -	\$ 9	\$ 303	\$ -	\$ 1,576
Additions								
Investment earnings	5	14	8	1	5	4	-	37
Discount on investment purchases	-	7	7	-	293	1	-	308
Distribution of investment earnings	10	(6)	(3)	(1)	-	-	-	-
Bond Proceeds 2008A	-	-	50,366	-	54,841	-	-	105,207
Receipt from participants	15,624	3,739	-	-	-	-	-	19,363
Distribution of revenues	(15,639)	5,390	8,160	-	(8,761)	10,850	-	-
Other receipts	-	-	-	-	1	(18)	-	(17)
Other transfer	-	5	-	245	(245)	(5)	-	-
Total	-	9,149	58,538	245	46,134	10,832	-	124,898
Deductions								
Construction expenditures	-	-	-	-	-	10,822	-	10,822
Operating expenses	-	8,615	-	-	-	-	-	8,615
Payment of principal	-	-	51,100	-	-	-	-	51,100
Interest paid	-	-	1,786	-	-	-	-	1,786
Debt Issuance Cost	-	-	-	-	1,093	-	-	1,093
Total	-	8,615	52,886	-	1,093	10,822	-	73,416
Balance at June 30, 2008	\$ -	\$ 709	\$ 6,741	\$ 245	\$ 45,050	\$ 313	\$ -	\$ 53,058

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$18 and \$6 held in the revolving fund at June 30, 2008 and 2007, respectively.

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
NATURAL GAS PINEDALE PROJECT  
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS  
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2008  
(AMOUNTS IN THOUSANDS)**

	Revenue Fund	Operating Fund	Debt Service Fund	General Reserve Fund	Project Fund	Capital Fund	Depository Fund	Total
Balance at June 30, 2007	\$ -	\$ 10,837	\$ 2,313	\$ -	\$ 400	\$ 15,479	\$ -	\$ 29,029
Additions								
Investment earnings	9	49	7	1	8	22	-	96
Discount on investment purchases	-	441	48	-	96	720	-	1,305
Distribution of investment earnings	9	(1)	(4)	(1)	-	(3)	-	-
Bond Proceeds 2008A	-	-	25,635	-	16,418	-	-	42,053
Receipt from participants	5,913	19,789	-	-	-	-	-	25,702
Distribution of revenues	(5,931)	2,421	4,093	-	(552)	(31)	-	-
Other receipts	-	3	-	-	-	16	-	19
Other transfer	-	(231)	(4)	47	(47)	235	-	-
Total	-	22,471	29,775	47	15,923	959	-	69,175
Deductions								
Construction expenditures	-	-	-	-	-	3,216	-	3,216
Operating expenses	-	21,151	-	-	-	-	-	21,151
Payment of principal	-	-	28,200	-	-	-	-	28,200
Interest paid	-	-	1,035	-	-	-	-	1,035
Debt Issuance Cost	-	-	-	-	1,093	-	-	1,093
Total	-	21,151	29,235	-	1,093	3,216	-	54,695
Balance at June 30, 2008	\$ -	\$ 12,157	\$ 2,853	\$ 47	\$ 15,230	\$ 13,222	\$ -	\$ 43,509

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$40 and \$18 held in the revolving fund at June 30, 2008 and 2007, respectively.



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
PREPAID NATURAL GAS PROJECT No. 1  
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS  
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2008  
(AMOUNTS IN THOUSANDS)**

	Revenue Fund	Operating Fund	Debt Service Fund	Project Fund	Cost of Issuance	Total
Balance at June 30, 2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions						
Investment earnings	-	312	422	3	-	737
Discount on investment purchases	-	-	-	3	-	3
Distribution of investment earnings	312	(312)	-	-	-	-
Bond Proceeds 2007A&B	-	9,613	15,063	485,151	-	509,827
Receipt from participants	-	-	-	-	-	-
Distribution of revenues	(312)	312	-	-	-	-
Other receipts	-	-	4,915	-	-	4,915
Other transfer	-	(27)	-	27	-	-
Total	-	9,898	20,400	485,184	-	515,482
Deductions						
Prepayment to J. Aron & Co	-	-	-	480,600	-	480,600
A & G expenses	-	19	-	27	-	46
Payment of principal	-	-	-	-	-	-
Interest paid	-	-	19,126	-	-	19,126
Debt Issuance Cost	-	-	-	4,533	-	4,533
Total	-	19	19,126	485,160	-	504,305
Balance at June 30, 2008	\$ -	\$ 9,879	\$ 1,274	\$ 24	\$ -	\$ 11,177

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