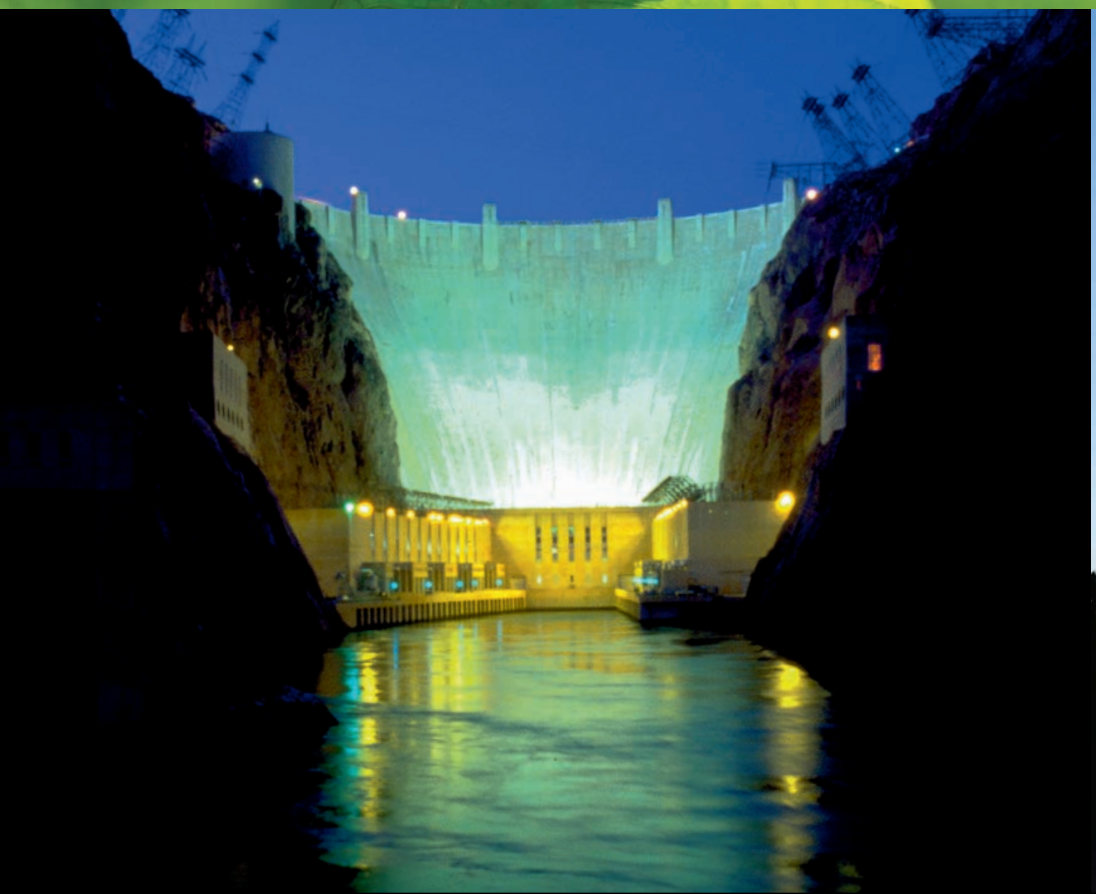
SCPPA

2006-2007 ANNUAL REPORT




Pinedale Natural Gas Reserves Project
WYOMING
Salt Lake City
Intermountain Converter Station
NEVADA
Lake Tahoe
CALIFORNIA
UTAH
Southern Transmission System
Las Vegas
Mead-Adelanto Project
Adelanto Converter Station
500 KV AC
Adelanto Substation
Mead 500KV Substation
Hoover
500 KV AC
ARIZONA
San Juan Unit 3
Farmington
Burbank
Pasadena
Glendale
Los Angeles
Vernon
Cerritos
Anaheim
Azusa
Ormat Geothermal
Banning
Colton
Riverside
Imperial Irrigation District
Mead-Phoenix Project
Phoenix
Westwing Station
Palo Verde
NEW MEXICO
Barnett Natural Gas Reserves Project
TEXAS
Southern Transmission System Project
Mead-Phoenix Transmission Project
Mead-Adelanto Transmission Project
Palo Verde Nuclear Generating Station
Hoover Uprating Project
San Juan Generating Station
Magnolia Power Project
Ormat Geothermal Project
Pinedale Natural Gas Reserves Project
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Member Agencies

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What is SCPPA?

Southern California Public Power Authority (SCPPA), with headquarters in Pasadena California, is a joint powers agency comprising eleven municipal utilities and one irrigation district. SCPPA's members consist of the municipal utilities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District. Together they deliver electricity to over two million customers in the southern California basin, spanning an area of 7,000 square miles, and with a total population that exceeds five million. Formed in 1980, SCPPA was created for the purpose of providing joint financing, construction and operation of transmission and generation projects. Today, SCPPA fulfills a wide range of services for its members by providing effective forums of collaboration through committees such as Customer Service, Finance, Public Benefit Programs, Resource Planning, Transmission and Distribution, Engineering and Operations, Natural Gas, and Renewable Energy Resources.

mission

SCPPA provides financing and oversight for large joint projects in the electric utility industry and through coordinated efforts, facilitates, implements, and communicates information relative to issues and projects of mutual interest to its members as determined by the Board of Directors.

In order to support its primary purpose, SCPPA is also involved in legislative advocacy, contracting for support services, information sharing, training and regulatory monitoring on behalf of its members. To accomplish its mission, SCPPA is:

- Not-for-profit (public agency)
- Governed locally (locally elected officials)
- Customer owned (no stockholders seeking high profits)
- Vertically integrated (focuses on and remains responsible for power supply, transmission, distribution, and customer service)
- Meeting local mandates of obligation to serve by planning to meet long-term needs of customers through ownership of generation and/or transmission and long-and-short term contracts for power supplies or transmission
- Providing diversity of power supplies, including renewable resources (solar, wind, and electric generation from geothermal, and landfill gas)
- Optimizing its energy resources, and
- Providing aggressive, local demand-side management programs.

The Authority currently has five generation projects and three transmission projects in operation, generating and bringing power from Arizona, New Mexico, Utah, and Nevada. In addition, SCPPA has interest in two natural gas reserve projects. Its latest generation project, a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts, is wholly owned by the Authority and began commercial operation in 2005.

vision

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

SCPPA's projects have been financed through the issuance of tax-exempt bonds, backed by the combined credit of the SCPPA members participating in each project. As of June 30, 2007, SCPPA had issued $10.4 billion in bonds, notes, and refunding bonds, of which $1.9 billion was outstanding. It is backed by one the highest credit ratings, and is rated AAA- by Moody's and Standard and Poor's.

SCPPA

OFFICERS & STAFF

From left to right:
Bill Carnahan, Executive Director;
Marcie Edwards, Vice President;
David Wright, President

From left to right: Richard Helgeson, General Counsel; Craig Koehler, Finance and Accounting Manager; Steve Homer, Project Administrator; Salpi Bouboushian, Administrative Analyst; Manny Robledo, Energy Systems Manager; Phyllis Brown, Government Affairs Manager; Bill Carnahan, Executive Director; and Geri Mitchell, Office Manager.

President's Letter

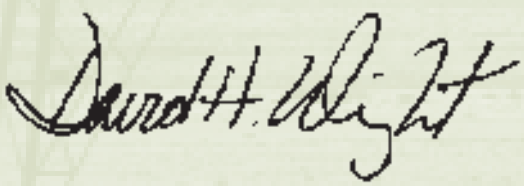
California has called on utilities to increase renewable resources in their total power mix by the year 2010. SCPPA's members have made the commitment to meet or exceed this goal, and currently receive renewable energy each year through Green Power agreements, including landfill gas, wind, solar, and geothermal. SCPPA's members are striving to attain a renewable power mix of 20% by 2010, and 33% by 2020. SCPPA is committed to sustainable, renewable resources like solar and wind, and is continuing to find new ways for its members to ensure that energy supplies remain abundant.

One of the ways SCPPA has been successful, is developing a common vision for its members and a basis for joint action through its strategic planning process. Over the years, SCPPA's success has been largely attributable to the member's effective use of joint action. In its visionary planning, SCPPA's members have added locally-owned generation, with the addition of the Magnolia Power Project (MPP), its first wholly-owned and operated power plant that began operation in 2005. MPP operates under the most stringent environmental standards in the nation, and serves the communities of Anaheim, Burbank, Cerritos, Colton, Glendale, and Pasadena. The members also realized a need to hedge the volatile natural gas prices and invested in natural gas reserves. SCPPA also continues its commitment in renewable energy with its latest request for proposals and consideration for additional renewable resource supplies.

SCPPA has evolved from its historical role of providing financing for our members' generation and transmission projects. SCPPA serves the members in many other ways by providing effective forums of collaboration through committees such as Customer Service, Finance, Public Benefit Programs, Resource Planning, Transmission and Distribution, Engineering and Operations, Natural Gas, and Renewable Energy. In addition to assisting the members with best practices, it also serves as a conduit for joint contracting for services and fuel acquisition for power generation, as well as, acquisition of natural gas reserves, and renewable supplies such as wind and geothermal. Today, SCPPA participates in five major generation projects and three transmission projects, bringing electricity to Southern California from Arizona, Nevada, New Mexico and Utah. SCPPA also has interests in two natural gas reserve projects, providing a secure source of gas for its participants. On a combined basis, SCPPA's members currently deliver electricity and services to over five million people.

SCPPA remains a strong advocate on the regulatory fronts as well, and continues its involvement at both state and federal levels to protect represented customers by assuring adequate resources, reliability, and responsibility to the communities we proudly serve. SCPPA members believe that local control is at the heart of utility governance with local elected bodies best able to make decisions regarding electric providers that serve their communities. SCPPA members also work to ensure that state and national regulation is in the best interest of their customers and the environment. SCPPA members helped shape the "energy independence" bills that ultimately passed the House and Senate, by advocating needed reforms and expansions to the Clean Renewable Energy Bond (CREB) program and seeking sponsors for key bills to achieve those goals. SCPPA advocated for the extension of tax credits for commercial and residential building efficiency measures and incentives for plug-in hybrid electric vehicles (PHEVs) and urged their legislators to support inclusion of those measures. SCPPA also joined the American Public Power Association (APPA) and other utility organizations in opposing an effort in the House to repeal provisions in the EPAct 05 that directed five federal agencies to jointly designate corridors over federal lands for gas pipelines and electric transmission and distribution lines. Designation of these federal corridors is important to SCPPA and other consumer-owned electric utilities in California that are engaged in efforts to build new transmission facilities to increase electric reliability and facilitate development of geothermal resources located near the Salton Sea.

By working together, SCPPA members are providing and delivering reliable service, at competitive and stable rates. Whether it is proactive advocacy impacting energy legislation and regulation in California or at the Federal level, or collectively meeting our commitments for green power and renewable energy resources, SCPPA members are working together to successfully meet the challenges in California's electric energy industry. By taking the necessary steps today, we can assure that we are in a position to serve and meet the energy demands of our customers in the future. We look forward to taking these steps together.



David H. Wright
President

Executive Director's Letter

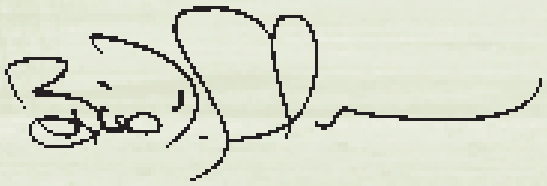
Southern California Public Power Authority continues in its role to meet the challenges facing the electric industry by acquiring additional reliable energy sources for its members. In meeting the renewable power mandate, wind energy power was added to its portfolio with the addition of two wind projects: the Milford Wind Corridor, and Pebble Springs Wind Projects. The Milford Wind Corridor Phase I Project consisting of 200 MW, will be located in Utah. Wind power will be delivered to SCPPA through the IPP switching station located in Delta, Utah. The term of the project is for 20 years with commercial operation expected to commence in late 2008. The Pebble Springs Wind Project is approximately 100 MW and will be located in Oregon. The wind power is scheduled to be delivered to SCPPA through the project substation by late 2008. The term of the project is for 18 years, including a right of first offer following the tenth contract year. Both wind projects are in the final planning stages, and participant approval is expected in the near future.

SCPPA is acquiring additional reliable energy sources, continuing in its commitment to its members. Following the successful completion of Phase I of the acquisition of in-ground reserves this past year in Wyoming and Texas, SCPPA developed a Natural Gas Prepayment Program designed to add additional stability in the participant's fuel portfolios. The Natural Gas Prepayment Program consists of the acquisition of the right to receive an aggregate amount of approximately 129 billion cubic feet of natural gas over 30 years from a supplier pursuant to the terms of Prepaid Natural Gas Sales Agreements. The Gas Prepayment Program was divided into two projects; with the cities of Anaheim, Burbank, Colton, Glendale, and Pasadena as Project No. 1, and Los Angeles Department of Water & Power as Project No. 2. Project No.1 is expected to be completed later this year, with Project No. 2 following in early 2008. This structure will provide flexibility and will benefit the participants in several ways. First it will lock in natural gas prices on a discounted basis. It will enhance the reliability of supply through a long-term prepaid contract and supplier diversification, and provide substantial savings over time. It also provides for a favorable risk allocation so that all debt service payments by SCPPA associated with the issuance of tax-exempt bonds for the prepayment and gas payments by SCPPA participants are contingent upon the delivery of the gas. It includes several termination events to unwind the structure at no cost to SCPPA. Rating agencies have provided favorable reviews of natural gas prepay deals, and exclude natural gas prepay bonds from the calculation of the SCPPA participants' debt calculation. SCPPA is in the process of negotiating the agreements, on behalf of interested participants, and this project is in its final stages of completion.

The Authority consists of its twelve members (Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, the Imperial Irrigation District, Los Angeles, Pasadena, Riverside, and Vernon), and collectively delivers electricity and provides services to over two million customers. Proudly serving as its Executive Director, now in my eighth year, I am honored to have been associated with SCPPA for most of its existence. Traditionally, SCPPA's investments have been in the areas of coal, hydroelectric, natural gas-fired generation, and nuclear, as well as high voltage transmission to deliver electric energy to California. Over the past year, SCPPA's success has continued with the addition of renewable energy sources as well. SCPPA continues to grow at a record setting pace with the addition of its latest wind projects and, together with the Natural Gas Prepayment Project, will experience another 30% in growth. Over the past two years, the number of projects has almost doubled.

This phenomenal growth and continued success has been attributable to the member's effective use of joint action. Through visionary planning, SCPPA's members have not only added locally-owned generation with the addition of the Magnolia Power Project, but investment in natural gas reserves to hedge against volatile natural gas prices as well. SCPPA also continues its commitment in renewable energy with its latest request for proposals and consideration for additional renewable resource supplies, such as wind, and geothermal.

The success and growth of SCPPA has provided the members with the ability to maintain the local demand for energy. With the continued uncertainty in California's electricity industry, SCPPA will continue to proactively assist its members in aggressively meeting new challenges. Over the years, SCPPA's success has been attributable to the collective and visionary leadership of its members. Working together, we know that we will be positioned to face the new challenges within our industry.



Bill D. Carnahan
Executive Director

SCPPA'S QUEST

Southern California Public Power Authority continues in its commitment to acquire additional reliable energy sources for its members. Following the successful acquisition of the in-ground reserves this past year, SCPPA developed a natural gas prepayment program designed to add an additional layer of stability in the Participant's fuel portfolios and address the volatility and unpredictability of the natural gas market. Following an extensive Request for Proposals process, Goldman Sachs & Co., in conjunction with their commodities division, J. Aron, was selected as the gas supplier for their industry experience, to assist SCPPA in putting together a long-term natural gas prepayment structure. SCPPA formed a separate Gas Prepayment Project solely for the purpose of issuing natural gas prepayment debt, differentiating it from all other SCPPA Project debt. The Natural Gas Prepayment Program consists primarily of the acquisition of the right to receive an aggregate amount of approximately 129 billion cubic feet of natural gas from the supplier over a 30-year period pursuant to the terms of Prepaid Natural Gas Sales Agreements. SCPPA will be able to offer discounted gas to the Project Participants through separate Gas Supply Contracts with each Project Participant.

To effectuate the prepayment, SCPPA will issue tax exempt bonds to prepay the gas supply. Payment from the Participants for the natural gas supply, when delivered, will be sufficient to pay bond debt service. Safeguards have been built in so that payment obligation to bondholders shifts to the gas supplier if the supplier defaults or fails to deliver the gas. By entering into a gas price swap, the participants convert their discounted fixed price to a discounted index price. The swap eliminates price risk and the participants can hedge gas price exposure for various terms at advantageous times in the market, entirely outside of the gas prepayment transaction. The Gas Prepayment Program was bifurcated into two projects; with the cities of Anaheim, Burbank, Colton, Glendale, and Pasadena as Project No. 1, and Los Angeles Department of Water & Power as Project No. 2. Project No. 1 is expected to be completed later this year, with Project No. 2 following in early 2008. SCPPA is in the process of negotiating the agreements, and this project is in its final stages of completion.

In response to the renewable energy mandate of 20% by 2020, SCPPA's participants have been positioning their portfolios to add renewable energy sources as well. To assist the members, SCPPA has issued Request for Proposals for

FOR NEW ENERGY SOURCES

Renewable Energy Projects to solicit competitive proposals for up to 300 megawatts (MW) of renewable energy, through facility ownership or power purchase agreements with an early buyout option, in one or more renewable energy facilities. In response to the RFP, SCPPA is pursuing several renewable energy projects.

Two such projects, the Milford Wind Corridor, and Pebble Springs Wind Project, are currently being planned. The Milford Wind Corridor Phase I Project is a 200 MW wind power project planned to be located in the Beaver and Millard Counties of Utah. The wind power will be delivered to SCPPA through the Intermountain Power Project switching station located in Delta, Utah. The term of the project is 20 years with an expected commercial operation in late 2008. An early buyout option is included in the agreement after the tenth 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 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.

A second wind project, Pebble Springs Wind Project, is a 98.7 MW wind project, and is planned to be located in Gilliam County, Oregon. The wind power is scheduled to be delivered to SCPPA through the project substation by late 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 term of the project is for 18 years with a right of first offer after the tenth contract year, which allows SCPPA the right of first offer to purchase the project prior to it being offered for sale to another party. Both wind projects are in the final planning stages, with approval by the participants expected in the near future.

In addition, SCPPA is also considering other renewable energy projects, including biomass and geothermal projects, which are in the early stages of development. As a Joint Action Agency, SCPPA continues to find new ways to bring value to its members so they remain positioned to meet the challenges within our industry. Working together, SCPPA's member utilities continue to leverage their talents, resources, and financial strength to collectively bring sustainable and reliable energy sources to their customers.

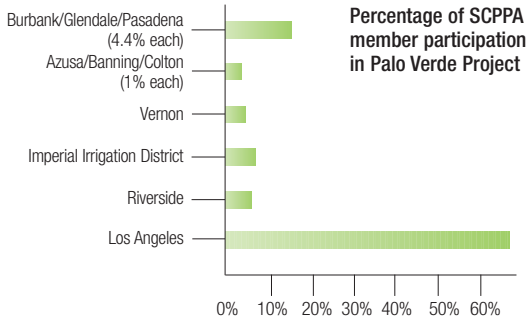
PRODUCTION COST

(Operation and Maintenance plus Nuclear Fuel)

Calendar Year	Cents per kWh
1993	2.02
1994	1.93
1995	1.61
1996	1.45
1997	1.33
1998	1.28
1999	1.25
2000	1.25
2001	1.27
2002	1.28
2003	1.32
2004	1.45
2005	1.63
2006	2.07

2006-2007 OPERATIONS

	Generation (Millions of MWHs)	Capacity Utilization (%)
Unit 1	8.9	77.0%
Unit 2	9.6	83.5%
Unit 3	9.7	89.2%
Aggregate	28.2	83.2%



Percentage of SCPPA member participation in Palo Verde Project

The steam generators in Unit 1 were successfully replaced during the fall of 2005. Unit 2's steam generators were replaced in 2003, and Unit 3's steam generators will be replaced in 2007.

PALO VERDE

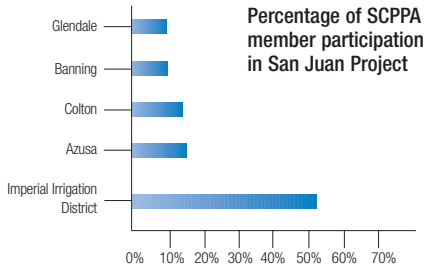
OPERATIONS

SAN JUAN

UNIT 3 OPERATIONS

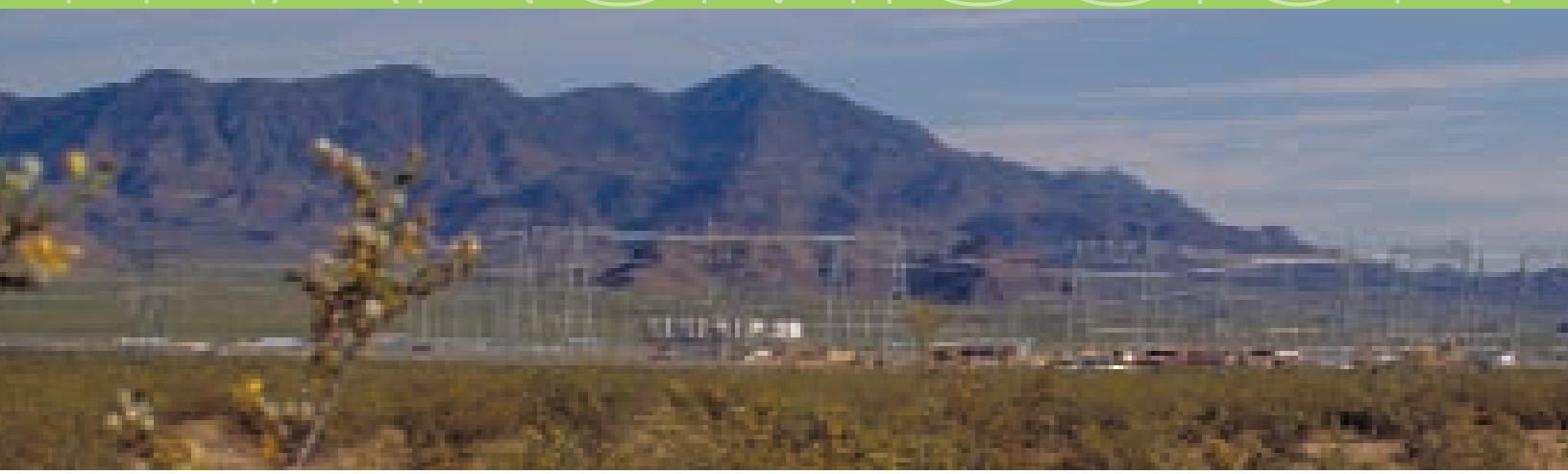
Five SCPPA participants own 41.8% of Unit 3 at the San Juan Generating Station, a coal-fired plant in New Mexico. A series of Interim Invoicing Agreements for fuel has led to high capacity factors and lower per unit fuel costs.

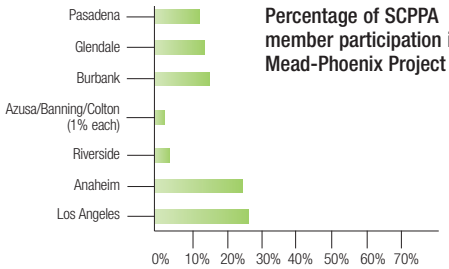
The underground mine is performing well, and the plant is embarking on a major environmental upgrade project. Unit 3's major work is scheduled for January 2008.



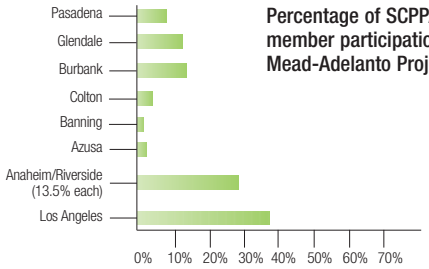
The two 500-kV transmission lines, which connect Phoenix to Las Vegas, and Las Vegas to Southern California, completed their ninth year of dependable operation for the nine SCPPA members who participate in the projects.

MEAD-PHOENIX/MEAD-ADELANTO TRANSMISSION



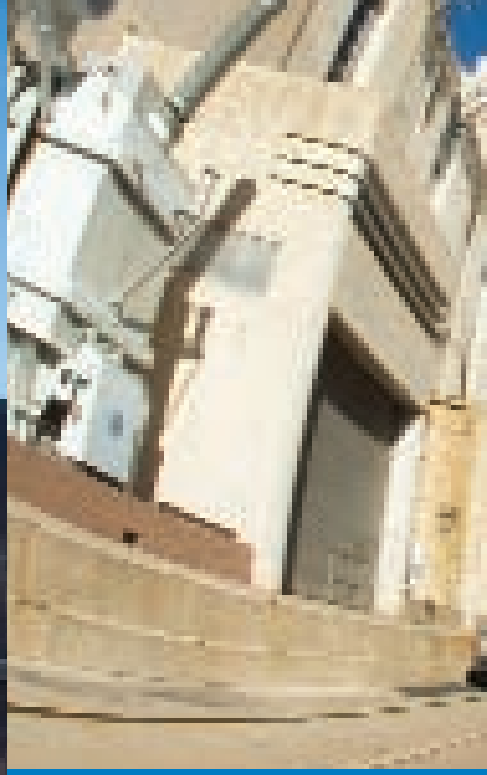


Percentage of SCPPA member participation in Mead-Phoenix Project



Percentage of SCPPA member participation in Mead-Adelanto Project

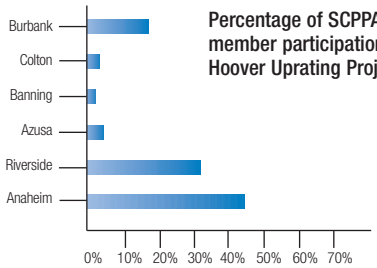
PROJECTS



HO

OVER
UPRATING PROJECT

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

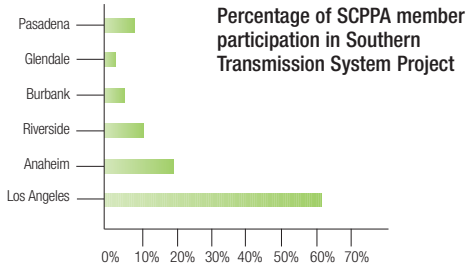


Percentage of SCPPA member participation in Hoover Uprating Project

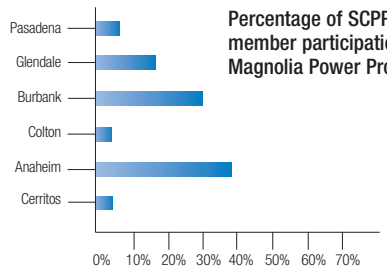
STS

SOUTHERN TRANSMISSION SYSTEM

As usual, the STS operated with near-perfect availability (99.02%), delivering over 14.2 million MWHs to the six SCPPA members who are participants. The power comes 488 miles from the Intermountain Power Project, in Utah, over the ± 500-kv DC line.



Percentage of SCPPA member participation in Southern Transmission System Project



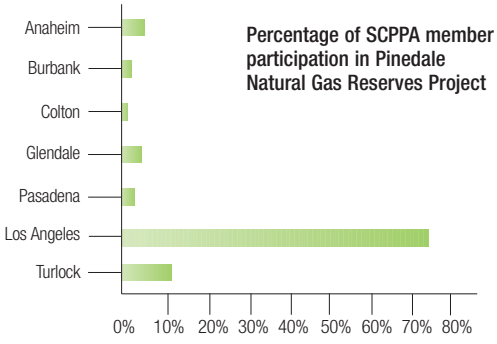
Percentage of SCPPA member participation in Magnolia Power Project

Construction was completed on the Magnolia Power Project, a 240 megawatt natural gas-fired, combined cycle plant, located on the site of an existing plant in the City of Burbank. This is the first project to be wholly-owned and operated by SCPPA members. The Participants are Anaheim, Burbank, Cerritos, Colton, Glendale, and Pasadena.

MAGNOLIA
POWER PROJECT

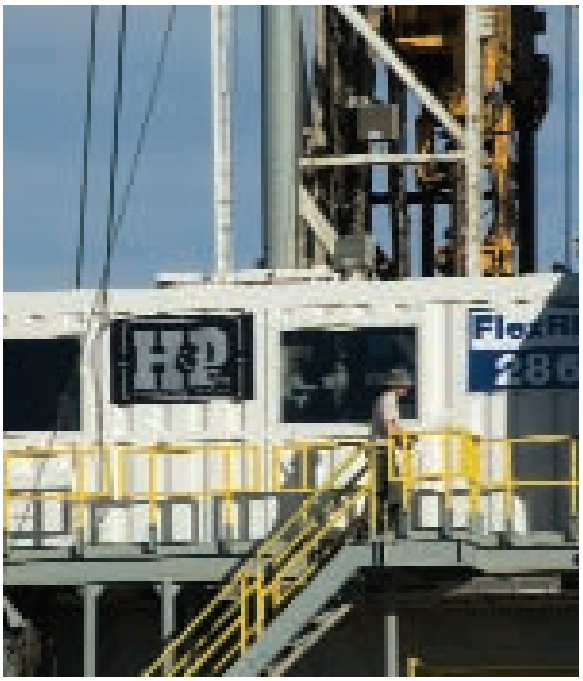
PINEDALE

NATURAL GAS RESERVES PROJECT



Percentage of SCPPA member participation in Pinedale Natural Gas Reserves Project

Los Angeles and Turlock hold their interests individually. Anaheim, Burbank, Colton, Glendale, and Pasadena have ownership through SCPPA. Los Angeles serves as Project Manager for the overall project, and SCPPA provides services for Los Angeles and Turlock under agency agreements.

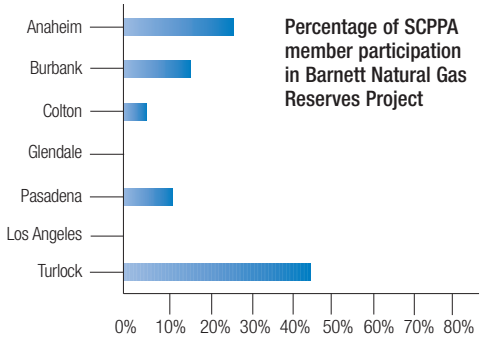


SCPPA negotiated its first purchase of gas in the ground, with the deal closing July 1, 2005. SCPPA Members Los Angeles, Anaheim, Burbank, Colton, Glendale, and Pasadena joined together with the Turlock Irrigation District to purchase shares of existing natural gas wells in the Pinedale area of Wyoming. This purchase, along with similar future purchases, will provide a secure source of gas for the participants, and hedge against volatile prices in the market.

BARNETT

NATURAL GAS RESERVES PROJECT

In 2006, SCPPA members purchased a share of natural gas leases in the Barnett Shale area of Texas.



Percentage of SCPPA member participation in Barnett Natural Gas Reserves Project

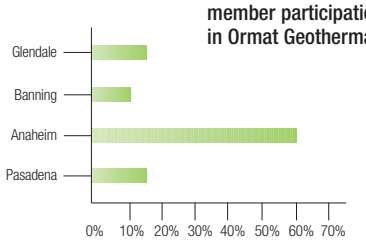
Turlock holds its interest individually. Anaheim, Burbank, Colton, and Pasadena have ownership through SCPPA. SCPPA receives net revenues through a joint operating agreement with Devon Energy Production Company, L.P.

ORMAT

GEOTHERMAL PROJECT

SCPPA Members Anaheim, Banning, Glendale, and Pasadena began receiving a total of five MW of geothermal energy from the Gould Geothermal Plant in Heber, California, on a long-term purchase contract with Ormat. Additional megawatts are to become available in the near future.

Percentage of SCPPA
member participation
in Ormat Geothermal Project



Financing Activities

In July 2006, SCPPA executed an amendment to the Southern Transmission System Project $100 million, floating-to-floating Fixed-Spread basis swap originally entered into in 2004, with the issuance of a Constant Maturity Swap (CMS). Under the amended swap transaction, SCPPA will continue to pay the swap counterparty, JPMorgan, the BMA index but will receive 58.99% of the 10-Year LIBOR plus 66.4 basis points in lieu of the 1-month 65% of LIBOR. The amended swap terms will become effective August 2007. The notional amount of the swap remains at $100 million and the swap will expire in July 2023. The expected gross savings to SCPPA are estimated at $24.3 million.

For the primary purpose of completing the Magnolia Power Project, SCPPA issued $37.7 million par value Magnolia Power Project A, Revenue Bonds, Series 2006-1. The bonds, issued at a premium, generated $38.6 million of new money proceeds and received a True Interest Cost of 4.13%.

In connection with its outstanding Mead-Adelanto Transmission Project bonds, SCPPA executed a CMS in January 2007 with Bear Stearns Financial Products, Inc. (BSFP). BSFP was selected as the swap counterparty based on the results of a competitively bid RFQ for swap provider and request for gross spread bids. The transaction consisted of a $100 million CMS, with an effective forward starting date of February 2008, whereby SCPPA pays BSFP 100% of 1-month LIBOR in exchange for receiving 100% of the ten-year Constant Maturity LIBOR swap rate minus 41.4 basis points. The swap expires in September 2030. Based on historic averages, the expected gross savings are $29.2 million.

In April 2007, SCPPA entered into an interest rate swap in connection with the issuance of variable-rate Magnolia Power Project A, Refunding Revenue Bonds, Series 2007-1. The swap created synthetic fixed-rate debt, and consisted of a $223 million, 29-year floating-to-fixed interest rate swap allocated equally between two counterparties, Citigroup and Bear Stearns Financial Products, Inc. (BSFP). SCPPA pays each of the counterparties a fixed rate of 3.912% in exchange for receiving 98.9% of the BMA Index minus 6 basis points. The swap's effective date is July 13, 2007, with a forward starting date of July 1, 2008 for the variable interest and swap payments. The swap expires on July 1, 2036.

SCPPA issued $223.3 million of Magnolia Power Project A, Refunding Revenue Bonds, 2007-1 Series as variable rate demand obligations that will initially bear interest at a weekly interest rate. The bonds were issued in June 2007, and were used to refund $202.4 million of the Magnolia Power Project A Bonds, Revenue Series 2003-1. For this transaction, SCPPA also entered into two separate floating-to-fixed interest rate swap agreements that effectively fixed the rate of the 2007-1 Bonds. The expected gross savings to SCPPA are estimated at $22.5 million.

Other Refunding and Financing Transactions

SCPPA's Finance Committee continues to look for new financing opportunities and to lower financing costs through bond refundings. At fiscal year- end, financing to complete a Prepaid Gas Program, takeout for the gas reserves bridge loan, upgrade to the Southern Transmission System Project, and several renewable energy projects were under way or anticipated.

LEGISLATIVE REPORT

The policy direction of the 2007-08 Session of the California State Legislature continued where the prior session ended, focusing on the environment, climate change and the reduction of greenhouse gas emissions. While less dramatic than 2006 and with the perennial challenges to public power's local control, surprisingly legislative results were mixed at the conclusion of this first year of the two-year session.

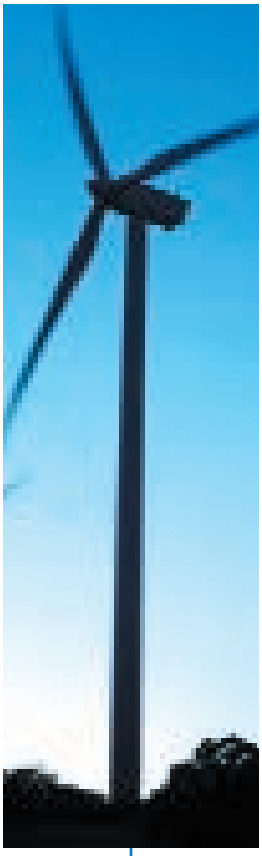
Of notable importance is the California Global Warming Solutions Act state law, which requires technologically feasible and cost-effective greenhouse gas emissions reductions to the 1990 level by 2020. Addressing transportation-related carbon emissions, Assembly Bill 118 authored by Speaker Fabian Nunez would retire high polluting vehicles and fund air quality improvement projects. Successfully surviving the legislative process, the Governor signed the Speaker's bill on October 14th, 2007. Related bills, Assembly Bill 114 by Assemblymember Sam Blakeslee and Assembly Bill 705 by Assemblymember Jared Huffman, addressed carbon capture and carbon sequestration, respectively, but failed to move out of their House of origin. Specifically, Assembly Bill 114 would require the California Energy Commission to recommend containment scrubbing and capture technologies to decrease carbon dioxide emissions from thermal power plants; the bill was held in the Assembly Appropriations Committee. Assembly Bill 705 would require the Division of Oil, Gas and Geothermal Resources, with the California Environmental Protection Agency and the Geological Survey, to develop and adopt standards and regulations governing geologic carbon sequestration; the bill remains in the Assembly Natural Resources Committee. Both bills could see legislative activity early next year.

The effort to increase California's Renewable Portfolio Standard (RPS) for the generation of electricity from 20% by 2010 to 33% by 2020 stalled this year for a variety of reasons, including the state's well-know transmission challenges. With both bills, SCPPA members successfully fought off attempts to change current law that authorizes each locally publicly-owned electric utility to implement and enforce its own RPS while recognizing the state's commitment to invest in renewables. Assemblymember Lloyd Levine's Assembly Bill 94 and Senator Joe Simitian's Senate Bill 411 are parked in the Assembly. Both bills could see legislative activity early next year. Assembly Bill 809, authored by Assemblymember Blakeslee, relaxed the definition of eligible renewable resources and would allow incremental increases, due to energy efficiency measures, in electricity generated from existing small and large hydro facilities count toward the RPS. Assembly Bill 809 was signed by Governor Schwarzenegger on October 14th and becomes law on January 1, 2008.

Attempting to address the challenges of sitting and permitting solar facilities and associated transmission, Assemblymember Paul Krekorian's Assembly Bill 940 remains in the Assembly Appropriations Committee with the possibility of action next year. Relying on solar, an eligible

Legislative Report (continued)

renewable for RPS purposes, for heating hot water was the subject of Assemblymember Huffman's Assembly Bill 1470. With SCPPA conveying to the Governor's office words of support for Assembly Bill 1470, the bill received his signature on October 12th, 2007. Of equal importance, is the goal to reduce the amount of electricity consumed by replacing incandescent light bulbs with compact fluorescents and was the subject of two bills introduced by Assembly members Levine and Huffman. Levine's bill, Assembly Bill 772, and Huffman's bill, Assembly Bill 1109, both sought to prohibit the sale of incandescent light bulbs. Assembly Bill 1109 additionally would require manufacturers, where possible, to eliminate the use of toxic heavy metals such as lead and mercury. On October 12th, the Governor signed Assembly Bill 1109 which becomes effective on January 1, 2008.



Without doubt, this year's greatest challenge to local control was presented in Senate Bill 980. The bill would apply only to municipal electric utilities, largely SCPPA members, and would have transferred authority to evaluate local distribution systems from local governing boards to the state, specifically the California Energy Commission. SCPPA member cities fought the unwarranted legislative move and, in both the Senate and Assembly, Republicans voted solidly in opposition, both activities culminating in a likely veto by the Governor with the collapse of the proponents' attempt in a matter of hours on September 5th, 2007. While SB 980's proponents abandoned their effort for the year, if the bill is revived in 2008, it is certain SCPPA members will continue their commitment to local governance and perseverance to maintain over their cities' local distribution system.

In Washington, D.C., the November, 2006 congressional elections gave Democrats a majority in both the House of Representatives and Senate and the new leaders quickly announced that "energy independence" and climate change initiatives would be at the top of their legislative agenda. House Speaker Nancy Pelosi (D-CA) and Senate Majority Leader Harry Reid (D-NV) listed enactment of a federal Renewable Portfolio Standard (RPS), increasing Corporate Average Fuel Economy (CAFE) requirements, more tax incentives for renewable resources and mandatory carbon dioxide (CO2) emissions controls as high priorities for the 110th Congress.

Although there was an initial blizzard of introduced bills, hearings and other activities on global warming, key legislators soon realized that there were significant barriers to swift passage of a comprehensive climate change program, including concerns about the lack of commercial-scale carbon capture and sequestration technology, the impact on the U.S. economy and participation by developing nations. For that reason, congressional leaders decided to postpone drafting a comprehensive climate change policy and, instead, develop a bill that would take "smaller steps" towards reducing greenhouse gas emissions, increasing energy efficiency and promoting domestic renewable energy resources.

Under the leadership of Board President Dave Wright, SCPPA members helped shape the "energy independence" bills that ultimately passed the House and Senate, by advocating needed reforms and expansions to the Clean Renewable Energy Bond (CREB) program and seeking sponsors for key bills to achieve those goals, H.R. 1821, introduced by Rep. Jim McDermott (D-WA) and S. 1870, sponsored by Sen. Maria Cantwell (D-WA). The CREB program, authorized in the Energy Policy Act of 2005 (EPAct 05), provides a financial incentive, through

Legislative Report (continued)

the tax code, for consumer-owned utilities to develop clean renewable resources. The fact that both H.R. 1821 and S. 1870 garnered significant numbers of co-sponsors was key to the adoption of provisions to reform and expand CREB bonding authority in the House and Senate Finance Committee-passed energy tax titles. SCPPA also advocated for the extension of tax credits for commercial and residential building efficiency measures and incentives for plug-in hybrid electric vehicles (PHEVs) and urged their legislators to support inclusion of those measures. Provisions on both issues were included in both the House and Senate committee-passed versions of the energy independence bills.

SCPPA joined the American Public Power Association (APPA) and other utility organizations in opposing an effort in the House to repeal provisions in the EPAct 05, which directed five federal agencies to jointly designate corridors over federal lands for gas pipelines and electric transmission and distribution lines. Designation of these federal corridors is important to SCPPA and other consumer-owned electric utilities in California that are engaged in efforts to build new transmission facilities to increase electric reliability and facilitate development of geothermal resources located near the Salton Sea. This effort on federal lands also complemented successful efforts by SCPPA who worked, again with APPA, to defeat an amendment advanced by Reps. Maurice Hinchey (D-NY) and Frank Wolf (R-VA) to prohibit the Department of Energy (DOE) and the Federal Energy Regulatory Commission (FERC) from using any funds for the implementation of Section 1221 (a) of the EPAct 05 designating National Interest Electric Transmission Corridors (NEITC) and providing FERC with federal backstop transmission sitting. As a result, the Hinchey-Wolf amendment was defeated on the House floor, by a vote of 257-174.

SCPPA worked to inform and educate federal legislators on the impacts of state legislation -- AB 32 and SB 1368 -- on consumers served by the six SCPPA members that are participants in the Intermountain Power Project. SCPPA representatives urged Members of Congress and staff to consider carefully California's programs as they craft federal climate change legislation, to avoid imposing duplicative or conflicting requirements on SCPPA member utilities. SCPPA advocated an "economy wide" approach to federal and state greenhouse gas emissions controls, to ensure that the electric customers do not bear a disproportionate share of the costs of climate change initiatives. SCPPA also informed its congressional delegation about active efforts by SCPPA members to encourage energy efficiency and acquire renewable resources. Further, SCPPA educated offices about its proposed transmission projects, including the Green Path North Project, undertaken with the Los Angeles Department of Water and Power, and the proposed Southern Transmission System (STS) upgrade, among others. As the end of the first session of the 110th Congress approached, Congress had not yet reconciled the differing versions of the House and Senate "energy independence" bills. Decisions about whether to include in the final bill a federal RPS, mandate increased production of alternative fuels, and higher vehicle efficiency standards were among the controversies remaining to be resolved. Also undecided were a number of tax issues, with legislators divided on how to transfer the amount of federal incentives from the oil and gas industries to developers of renewable resources and energy efficiency measures.

SCPPA MUNICIPALITIES

Marcie L. Edwards
General Manager
Anaheim Public Utilities Dept.

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

James D. Earhart
Electric Utility Director
City of Banning

Ronald E. Davis
General Manager
Burbank Water and Power

Art Gallucci
City Manager
City of Cerritos

City of Anaheim

Since 1894, Anaheim Public Utilities' vision for serving customers has extended well beyond a responsibility to provide reliable, cost-effective electricity and water. Whether we are planning a new substation; building a renewable energy resource; replacing overhead electrical facilities with underground transmission, distribution and service cables; or offering new efficiency incentives, we seek long-term solutions to issues that will strengthen Anaheim's neighborhoods, schools and businesses far into the future. The business decisions we make are about providing multiple benefits that are in the best interests of our entire community. We find that outreach is a contagious philosophy as well. The more people we involve in the process, the greater our capability for turning obstacles into opportunities. We reach out to businesses to produce partnerships that create energy savings, reduce demand and save money. We team up with other City departments to increase efficiency and improve operations. Our residential electric rates average more than 25 percent less than in surrounding cities while our Electric System revenue bond rating was raised to AA-.

City of Azusa

The City's electric utility was established in 1898 after the City purchased a private power company. The foresight and planning of those early pioneers continues to be the cornerstone of Azusa Light & Water today. It is the mission of Azusa Light & Water to provide reliable and cost effective electric and water utilities to the citizens and businesses within its service area. Azusa Light & Water continues to be proactive in promoting energy and water conservation programs to its customers, and to its future customers by continual funding of a resource conservation education program with the local school district.

City of Banning

The City of Banning Electric Utility provides electric service to more than 12,200 metered accounts covering an area of over 22 square miles. The Public Utility was established in 1922 and has an energy resource base including portions of coal, nuclear, hydro, and geothermal generating plants, which provide the majority of electricity required to meet the City's summer peak demand of 48 MW. The Utility has numerous Public Benefit programs promoting energy conservation and renewable resources. In addition, the City supports clean energy and is committed to increasing its renewable resource mix to meet and exceed its RPS requirements. The Utility is dedicated to continue providing quality service to its customers in a safe and reliable manner, at reasonable rates.

City of Burbank

Burbank Water and Power (BWP) began serving both water and electric customers in 1913 and installing on-site power generation in the 1940s. BWP is committed to providing reliable electric services and safe water supply to its customers while keeping rates stable and competitive. BWP's power supply comes from a variety of resources including hydro, natural gas, coal, nuclear facilites and renewable projects throughout the West. Today, BWP independently operates about 135 MW of gas-fired capacity. The most recent development at BWP is the Magnolia Power Plant, a combined cycle generating unit owned and financed through Southern California Public Power Authority (SCPPA) on behalf of its six municipal utility members. BWP is the operating agent for the Magnolia Power Project (MPP) and has a 90 MW share of the jointly owned Magnolia facility. MPP has a nominal capacity of 242 MW and a peaking capacity of 310 MW.

City of Cerritos

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

City of Colton

Colton Electric Utility continually looks for ways to improve electric service to our customers. We remain focused on communication, education, and reliability. We strive to improve the quality of communication with our customers, keeping our customers informed on issues such as climate change, and improve the reliability of our service through a myriad of programs designed to strengthen both our team of employees and our electric system. Colton Electric Utility is proud to serve the long term energy needs of our community.

City of Glendale

Incorporated in 1906, Glendale purchased its electric utility in 1909, obtaining power from outside suppliers. In 1937, it began receiving power from the Hoover Dam and inaugurated the first unit of its own steam generating plant units with 258 MW of gas-fired steam and combustion generating capacity. Glendale Water & Power (GWP) has a diversified portfolio that also includes coal, nuclear, and hydro generating resources, as well as a comprehensive renewables resource program in landfill gas, wind, and geothermal projects. Today, GWP provides reliable electric services to over 83,600 residential, commercial and industrial customers within a 33 square mile area. GWP continues to invest in improving the system infrastructure to ensure its long-term reliability.

Imperial Irrigation District

The Imperial Irrigation District (IID) was established in 1911 and entered the power business in 1936. Proudly serving Imperial and Coachella valleys and a portion of San Diego County, IID's 6,571-square mile service area is one of the fastest growing regions in California. IID controls over 1,100 MW of energy derived from a diverse resource portfolio that includes native generation, SCPPA partnerships, and long- and short-term power purchases. A valuable public resource, IID is regarded as an affordable and reliable service provider serving over 140,000 customers.

Los Angeles Department of Water and Power

Providing service for more than a century, the Los Angeles Department of Water and Power began delivering water to the city in 1902, and with the water came power. In 1916, LADWP first delivered electicity to the city purchased from the Pasadena Municipal Plant. A year later, LADWP began generating its own hydroelectric power at the San Francisquito Power Plant No. 1. After purchasing the remaining distribution system of Southern California Edison within the city limits in 1922, LADWP became the sole water and electricity provider for the City of Los Angeles. It is now the largest municipally owned electric utility in the nation, serving a population of 4.0 million residents over a 465 square mile area. LADWP remains on firm financial footing and serves as a valuable asset to the City of Los Angeles.

City of Pasadena

PWP has been providing electricity since 1906 and began delivering water to customers in 1912. The city built its first electric generating steam plant in 1907 and took over operation of its municipal street lighting from Edison Electric. In 1909, Pasadena began the extension of its operations to commercial and residential customers that resulted in the replacement of all Edison Electric service in the city by 1920. While a lot has changed over the years, PWP's strong connection to its customer/owner base remains constant. Today, PWP provides electric service to more than 62,000 metered accounts over a 23 square-mile service area at competitive rates. PWP's success is a result of its commitment to remain a valued community asset, an exceptional employer, and a partner in Pasadena's prosperous future.

City of Riverside

The City of Riverside Public Utilities began serving both electric and water customers in 1883. Today we serve 105,200 metered electric customers and 63,400 metered water customers, representing a service area population of over 287,800. The utility is committed to the highest quality water and electric services at the lowest possible rates to benefit the community. To maintain their commitment, Riverside has positioned itself well in the electric market by utilizing short, mid and long-term contracts from power suppliers, and by building power generation sources within its own power grid, including a 40 MW power plant in 2002 and the completion of a 99.6 MW power plant in June 2006. Riverside's portfolio includes 27 MW of renewable resources, which includes 523 kW of photovoltaic systems within the city.

City of Vernon

Vernon's Utilities Department began serving industrial customers in 1933, with completion of its diesel generating plant. In addition to its own power from diesel units and gas turbines, Vernon also receives power from Palo Verde, Hoover, and various suppliers. Vernon recently completed (October 2005) the construction of its Malburg Generating Station, a gas-fired combined cycle power plant with a net generating capacity of 134 MW. The Malburg Generating Station resides within the city limits. Vernon is part the California Independent System Operator (CAISO) Control Area and is a Participating Transmission Owner.

Jeannette Olko
Utility Director
City of Colton

Daniel W. Waters
Interim Director of Utilities
Glendale Water and Power

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

Phyllis E. Currie
General Manager
Pasadena Water and Power

David H. Wright
Public Utilities Director
City of Riverside

Not Pictured

Mario Escalera
Acting Manager, Energy Dept.
Imperial Irrigation District

Donal O'Callaghan
Director of Light and Water
City of Vernon

Participant Ownership Interests

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

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

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

The contracts expire as follows:

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

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

(In Thousands)

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

SCPPA Accounting and Investment Group

From left to right: Jocelyn Mariano, Senior Utility Accountant, Margarita Estrella, Lead Utility Accountant, Alice Tong, Administrative Assistant, Therese Savery, Manager, SCPPA Accounting and Investments, Yolanda Pantig, Assistant Manager, SCPPA Accounting, Joan Ilagan, Investment Manager, and Nina Sanchez, Assistant Investment Manager.

CITY OF ANAHEIM

Customers - Retail 111,319
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 696,563
- Purchased 2,780,318
- Total 3,476,881

Total Revenues (000s) $330,421*
Operating Costs (000s) $315,267*

*Unaudited

CITY OF AZUSA

Customers Served 15,524
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 0
- Purchased 281,367

Sales
- Retail 264,485

Total Revenues (000s) $34,785*
Operating Costs (000s) $33,816*

*Unaudited

CITY OF BANNING

Customers - Retail 12,200
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 0
- Purchased 162,280
- Total 162,280

Total Revenues (000s) $22,719*
Operating Costs (000s) $23,601*

*Unaudited

CITY OF BURBANK

Customers - Retail 50,762
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 19,878
- Purchased 1,311,973
- Total 1,331,851

Total Revenues (000s) $161,501*
Operating Costs (000s) $141,835*

*Unaudited and excludes wholesale transactions.

CITY OF CERRITOS

Customers - Retail 186
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 49,815
- Purchased 14,575
- Total 64,390

Total Revenues (000s) $6,478*
Operating Costs (000s) $6,643*

*Unaudited

CITY OF COLTON

Customers - Retail 18,553
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 32,776
- Purchased 367,869
- Total 400,645

Total Revenues (000s) $54,131*
Operating Costs (000s) $53,248*

*Unaudited

CITY OF GLENDALE

Customers - Retail 83,644
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 185,033
- Purchased 1,330,794
- Total 1,515,827

Total Revenues (000s) $178,979
Operating Costs (000s) $170,967

IMPERIAL IRRIGATION DISTRICT

Customers Served 140,631
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 988,223
- Purchased 2,785,205
- Total 3,773,428

Total Revenues (000s) $406,331
Operating Costs (000s) $395,725

LOS ANGELES DEPARTMENT OF WATER AND POWER

Customers Served 1,448,176
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 14,365,617
- Purchased 13,636,318
- Total 28,001,935

Total Revenues (000s) $2,600,055*
Operating Costs (000s) $2,266,236*

*Unaudited

CITY OF PASADENA

Customers Served 62,793
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 55,976
- Purchased 1,496,824
- Total 1,552,800

Total Revenues (000s) $187,527
Operating Costs (000s) $141,185

CITY OF RIVERSIDE

Customers Served 105,226
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 375,000
- Purchased 2,276,000
- Total 2,651,000

Total Revenues (000s) $278,000*
Operating Costs (000s) $244,453*

*Unaudited

CITY OF VERNON

Customers Served 1,911
Power Generated and Purchased
(in Megawatt-Hours)
- Self-Generated 904,839
- Purchased 345,684
- Total 1,250,523

Total Revenues (000s) $138,057
Operating Costs (000s) $123,561

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