



Report of Independent Auditors and
Combined Financial Statements for

**Southern California
Public Power Authority**

June 30, 2013 and 2012

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Participants of
Southern California Public Power Authority

Report on Financial Statements

We have audited the accompanying combined and individual project financial statements of Southern California Public Power Authority, which comprise the combined and individual project's statements of net position as of June 30, 2013 and 2012, and the related combined and individual project's statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined and individual project financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined and individual project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined and individual project 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 combined and individual project financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and individual project financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined and individual project financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined and individual project financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined and individual project financial statements.

REPORT OF INDEPENDENT AUDITORS (continued)

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the combined and individual project 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, San Juan Project, Magnolia Power Project, Canyon Power Project, Hoover Upgrading Project, Tieton Hydropower Project, Milford I Wind Project, Milford II Wind Project, Windy Point Project, Linden Wind Energy Project, Southern Transmission System Project, Mead-Phoenix Project, Mead-Adelanto Project, Pinedale Project, Barnett Project, Prepaid Natural Gas Project, Ormat Geothermal Energy Project, MWD Small Hydro Project, Pebble Springs Project, Ameresco Chiquita Landfill Gas Project, Multiple Project Fund, Project Development Fund, Projects' Stabilization Fund and SCPA Building Fund as of June 30, 2013 and 2012, and the combined and individual results of the project's operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures in the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental schedules of receipts and disbursements in funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Miss Adams U.P.

Portland, Oregon
October 31, 2013

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of Southern California Public Power Authority (the Authority or SCPPA), provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2013 and 2012. Please read this discussion and analysis in conjunction with the Authority's Combined Financial Statements, which begin on page 10. 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 two million retail electric customers. A Board of Directors (the Board) governs the Authority, which consists of one representative from each member agency.

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 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 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. In addition, the Authority has entered into various power purchase agreements. These agreements are substantially take-and-pay contracts but there may be other costs not associated with the delivery of energy that the participants may be obligated to pay.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Combined Summary of Financial Condition and Changes in Net Position (in thousands)

| | June 30, | | |
|--|---------------------|---------------------|---------------------|
| | 2013 | 2012 | 2011 |
| Assets | | | |
| Net utility plant | \$ 1,362,772 | \$ 1,431,352 | \$ 1,454,668 |
| Investments | 730,573 | 678,358 | 809,081 |
| Cash and cash equivalents | 230,929 | 348,515 | 233,543 |
| Prepaid and other | 1,195,798 | 1,278,652 | 1,146,403 |
| Total assets | <u>3,520,072</u> | <u>3,736,877</u> | <u>3,643,695</u> |
| Deferred outflows of resources | <u>13,541</u> | <u>30,985</u> | <u>33,376</u> |
| Total assets and deferred outflows of resources | <u>\$ 3,533,613</u> | <u>\$ 3,767,862</u> | <u>\$ 3,677,071</u> |
| Liabilities | | | |
| Noncurrent liabilities | \$ 3,198,636 | \$ 3,482,080 | \$ 3,406,143 |
| Current liabilities | <u>398,509</u> | <u>415,090</u> | <u>394,590</u> |
| Total liabilities | <u>3,597,145</u> | <u>3,897,170</u> | <u>3,800,733</u> |
| Deferred inflows of resources | <u>-</u> | <u>-</u> | <u>3,417</u> |
| Net position | | | |
| Net investment in capital assets | (585,142) | (641,171) | (609,033) |
| Restricted | 565,737 | 603,201 | 530,757 |
| Unrestricted | <u>(44,127)</u> | <u>(91,338)</u> | <u>(48,803)</u> |
| Total net position | <u>(63,532)</u> | <u>(129,308)</u> | <u>(127,079)</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 3,533,613</u> | <u>\$ 3,767,862</u> | <u>\$ 3,677,071</u> |
| Revenues, expenses and changes in net position for the year ended June 30 | | | |
| Operating revenues | \$ 640,188 | \$ 682,990 | \$ 604,170 |
| Operating expenses | <u>(503,837)</u> | <u>(511,062)</u> | <u>(449,731)</u> |
| Operating income | 136,351 | 171,928 | 154,439 |
| Investment and other income | 14,464 | 23,745 | 19,095 |
| Derivative gain (loss) | 60,189 | (42,743) | (22,199) |
| Debt expense | <u>(161,857)</u> | <u>(167,130)</u> | <u>(145,770)</u> |
| Change in net position | 49,147 | (14,200) | 5,565 |
| Net position, beginning of year | (129,308) | (127,079) | (132,506) |
| Net contributions/(withdrawals) by participants | <u>16,629</u> | <u>11,971</u> | <u>(138)</u> |
| Net position, end of year | <u>\$ (63,532)</u> | <u>\$ (129,308)</u> | <u>\$ (127,079)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Combined Financial Statements (continued)

Net Position –

The change in the Authority's net position during fiscal year 2013 was an increase of \$66 million mainly due to the decrease in assets and deferred outflows of \$234 million, offset by the decrease in liabilities of \$300 million.

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

- Utility plant – decreased by \$69 million.
This decrease is primarily due to \$94 million of scheduled accumulated depreciation and amortization in all projects, offset by \$25 million of ongoing capital improvements in the Palo Verde (PV), Canyon Power (CPP), and the San Juan (SJ) Projects; and capital drilling costs in the Pinedale and Barnett Natural Gas Projects.
- Investments – increased by \$52 million.
This increase is mainly due to \$79 million of transfers from short-term investments to long-term investments in various projects; \$16 million participants' contribution in the Project Stabilization Fund (PSF); and \$3 million reinvestment of interest earnings in the PSF and the PV Decommissioning Trust Funds. The increases were offset by \$12 million of accumulated overbillings paid to the projects' participants; \$12 million payment of principal maturities in the Multiple Project Fund; \$6 million decrease in billings in the Mead-Adelanto(MA) and Mead-Phoenix (MP) Projects due to the anticipated release of debt service reserves for the payment of the final debt service requirements of the 1989 Multiple Project Revenue Bonds; \$8 million equity contribution for the refunding of the 2008 MA and MP Series A and B Bonds; and an \$8 million market value adjustment because of lower market values resulting from a sharp rise of interest rates in the final months of the fiscal year.
- Cash and cash equivalents – decreased by \$118 million.
This decrease is largely due to \$79 million of transfers from short-term to long-term investments in various projects; \$28 million of accumulated overbillings paid to the projects' participants; and \$10 million decrease in billings in the MA and MP Projects, due to the anticipated release of debt service reserves for the final debt service requirements of the 1989 Multiple Project Revenue Bonds.
- Prepaid and other assets – decreased by \$83 million.
This decrease is primarily due to \$64 million amortization of the prepaid assets in the Prepaid Gas, Milford I, Milford II, and Windy Point/Windy Flats Projects; \$6 million decrease in the reported fair value of the derivative instruments in the STS and Mead-Adelanto Projects that were deemed ineffective in accordance with GASB 53; \$7 million decrease in accounts receivable in STS due to lower renewal and replacement costs; and \$5 million decrease in the unamortized costs of debt expenses in all debt funded projects.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Combined Financial Statements (continued)

- Deferred outflows of resources – decreased by \$17 million
In June 2012, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63)*, effective for periods beginning after December 15, 2011. GASB 63 specifies that in addition to, assets and liabilities, the financial statements will now include deferred outflows of resources and deferred inflows of resources, and will report net position instead of net assets (deficit). \$13.6 million and \$31 million were recorded as deferred outflows of resources at June 30, 2013 and June 30, 2012, respectively. Total deferred outflows of resources decreased \$17 million due to the decrease in the fair values of the effective hedging derivative instruments in the Magnolia Power Project (MPP) and Prepaid Gas Projects.

The decrease in the Authority's liabilities of \$300 million is mainly due to the following:

- \$174 million of principal maturities and related amortization for all debt-funded projects; \$84 million decrease in the reported change in fair value of the derivative instruments in STS, MPP, MA, MP, and the Prepaid Gas Projects; \$40 million decrease in overbillings and advances due to the projects' participants; and \$2 million decrease in other liabilities related to the full amortization of the remaining balance of the upfront payment received in connection with the execution of the MA and MP 2004 Swaps, which were terminated in the current fiscal year.

During fiscal year 2012, the Milford II 2011-1 Revenue Bonds were issued to finance the prepayment of a specified supply of energy from an electric generating facility located near Milford, Utah; and the STS Upgrade was completed and capitalized. As a result of these events and other on-going transactions such as the scheduled depreciation, and the payment for construction costs and capital improvements in all projects, assets increased by \$91 million, and liabilities increased by \$93 resulting in a net decrease of the Authority's net position of \$2 million.

Operating income –

The net decrease in operating income of \$36 million is mainly due to the following:

- Lower debt service costs in the STS MPP, Mead-Adelanto, Mead-Phoenix and Palo Verde Projects and increased costs for the scheduled major maintenance outage in the San Juan Project resulted in a net decrease in operating revenues of \$43 million and a net decrease in operating expenses of \$7 million.

During fiscal year 2012, the additional billings to participants for increased principal payments for the STS 2000A Bonds; start-up of operations in the Canyon Power and Milford II Projects; a planned major maintenance payment and the resumption of scheduled fuel contributions to the Magnolia Project which was offline intermittently in the fiscal year ending 2011 resulted in a net increase of \$17 million in operating income.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Combined Financial Statements (continued)

Investment and other income –

Investment and other income decreased by \$9 million mainly due to market value adjustments in the Magnolia, Palo Verde, STS and the PSF Funds resulting from a sharp rise of interest rates in the final months of the fiscal year.

Derivative gain (loss) –

In June 2008, GASB issued Statement No 53, Accounting and Financial Reporting for Derivative Instruments, effective for financial statements for periods beginning after June 15, 2009. GASB 53 requires that the fair value of derivative instruments be reported in the financial statements as investment income or loss if the derivative fails to effectively hedge the risk of rising or falling cash flows or fair values. \$60 million and \$43 million were charged to expense and income related to the Authority's derivative instruments that were deemed investment instruments as of June 30, 2013 and 2012, respectively. The increase in derivative loss of \$103 million is mainly due to termination of the STS 2001, MA 2008 and the MP 2008 Swaps. (see Note 5).

Debt Expense –

Debt expense decreased \$5 million largely due to the termination of the STS 2006 Constant Maturity Swap; the refunding of the STS 2002 Series A and B Bonds, the refunding of a portion of the MPP 2003 Series A Bonds; and the recognition of the remaining balance of the upfront payment received in connection with the execution of the MA and MP 2004 Swaps which were terminated in the current fiscal year.

During fiscal year 2012 interest costs increased because of the issuance of revenue bonds for the acquisition of the Milford II Project; start-up of commercial operations in the CPP and the capitalization of the two converter stations completed as a part of the STS Upgrade. The net effect of these transactions was a \$21 million net increase in debt expense.

Financial outlook – The Authority's credit strength is based on a number of factors including:

- 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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Combined Financial Statements (continued)

The Authority has take-or-pay power sales, natural gas sales, and transmission service contracts that 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 in take-and-pay contracts. The Authority has also entered into various power purchase agreements that are substantially take-and-pay contracts but there may be other costs not associated with the delivery of energy that the participants may be obligated to pay.

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.

AB 1890 required all California electric utilities to commit a portion of their revenue to other Public Benefit Programs, including energy efficiency, renewable energy, research, development and demonstration (RD&D), and low-income customer assistance. Since 1998, a combined 1.6 billion dollars have been spent by our Members on their respective Public Benefits Programs to support local communities.

Renewable projects – Member agencies' electric utilities are governed by their respective city councils or other elected legislative bodies. Many of whom previously established voluntary targets including goals for the percentage of renewable energy they wish to obtain within their portfolios. Some have set targets as high as 40% by the year 2020. Many of our members are approaching, or have already exceeded their interim targets of 20% renewable energy and are now updating their objectives to meet 33% by 2020 as required by SBX1 2.

SCPPA continues to seek cost effective resources to support our members' Renewable Portfolio Standard (RPS) objectives for 2016 and forward. SCPPA has an active working group focused on renewable energy development. This group, with representation from all twelve of the member agencies, has reviewed over five hundred (500) individual project proposals since starting in 2007. Many of these projects have advanced into specific contract negotiations, and over 800 MW are now being delivered in support of our members' renewable objectives.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Combined Financial Statements (continued)

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 POSITION
(AMOUNTS IN THOUSANDS)

| | June 30, | |
|---|---------------------|---------------------|
| | 2013 | 2012 |
| ASSETS | | |
| Noncurrent assets | | |
| Net utility plant | \$ 1,362,772 | \$ 1,431,352 |
| Investments - restricted | 682,044 | 624,056 |
| Investments - unrestricted | 48,529 | 54,302 |
| Advance to IPA - restricted | 11,550 | 11,550 |
| Advances for capacity and energy, net - restricted | 5,259 | 6,754 |
| Fair value of derivative instruments | 625 | 6,611 |
| Unamortized debt expenses | 43,467 | 47,679 |
| Prepaid and other assets | 1,032,953 | 1,095,916 |
| Total noncurrent assets | <u>3,187,199</u> | <u>3,278,220</u> |
| Current assets | | |
| Cash and cash equivalents - restricted | 151,476 | 267,022 |
| Cash and cash equivalents - unrestricted | 79,453 | 81,493 |
| Interest receivable | 3,822 | 4,434 |
| Accounts receivable | 9,692 | 16,036 |
| Materials and supplies | 21,272 | 21,430 |
| Prepaid and other assets | 67,158 | 68,242 |
| Total current assets | <u>332,873</u> | <u>458,657</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Accumulated decrease in fair value of hedging derivatives | 13,541 | 30,985 |
| Total assets and deferred outflows of resources | <u>\$ 3,533,613</u> | <u>\$ 3,767,862</u> |
| LIABILITIES | | |
| Noncurrent liabilities | | |
| Long-term debt | \$ 3,091,210 | \$ 3,278,830 |
| Fair value of derivative instruments | 54,399 | 138,018 |
| Notes payable and other liabilities | 22,214 | 32,054 |
| Advances from participants | 30,813 | 33,178 |
| Total noncurrent liabilities | <u>3,198,636</u> | <u>3,482,080</u> |
| Current liabilities | | |
| Debt due within one year | 189,730 | 172,590 |
| Notes payable and other liabilities due within one year | 11,572 | 11,239 |
| Advances from participants due within one year | 46,894 | 48,525 |
| Accrued interest | 64,173 | 64,492 |
| Accounts payable and accruals | 79,658 | 111,521 |
| Accrued property tax | 6,482 | 6,723 |
| Total current liabilities | <u>398,509</u> | <u>415,090</u> |
| Total liabilities | <u>3,597,145</u> | <u>3,897,170</u> |
| NET POSITION | | |
| Net investment in capital assets | (585,142) | (641,171) |
| Restricted | 565,737 | 603,201 |
| Unrestricted | (44,127) | (91,338) |
| Total net position | <u>(63,532)</u> | <u>(129,308)</u> |
| Total liabilities and net position | <u>\$ 3,533,613</u> | <u>\$ 3,767,862</u> |

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

| | Years Ended June 30, | |
|--|----------------------|---------------------|
| | 2013 | 2012 |
| Operating revenues | | |
| Sales of electric energy | \$ 467,798 | \$ 480,661 |
| Sales of transmission services | 119,322 | 151,260 |
| Sales of natural gas | 53,068 | 51,069 |
| Total operating revenues | <u>640,188</u> | <u>682,990</u> |
| Operating expenses | | |
| Operations and maintenance | 385,999 | 398,558 |
| Depreciation, depletion and amortization | 94,334 | 90,995 |
| Amortization of nuclear fuel | 16,749 | 16,272 |
| Decommissioning | 6,755 | 5,237 |
| Total operating expenses | <u>503,837</u> | <u>511,062</u> |
| Operating income | <u>136,351</u> | <u>171,928</u> |
| Non operating revenues (expenses) | | |
| Investment and other income | 14,464 | 23,745 |
| Derivative gain (loss) | 60,189 | (42,743) |
| Debt expense | (161,857) | (167,130) |
| Net non operating revenues (expenses) | <u>(87,204)</u> | <u>(186,128)</u> |
| Change in net position | 49,147 | (14,200) |
| Net position - beginning of year | (129,308) | (127,079) |
| Net contributions by participants | <u>16,629</u> | <u>11,971</u> |
| Net position - end of year | <u>\$ (63,532)</u> | <u>\$ (129,308)</u> |

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

| | Years Ended June 30, | |
|---|----------------------|-------------------|
| | 2013 | 2012 |
| Cash flows from operating activities | | |
| Receipts from participants | \$ 569,883 | \$ 605,920 |
| Receipts from sale of oil and gas | 9,809 | 8,475 |
| Payments to operating managers | (295,548) | (292,262) |
| Other disbursements and receipts | 20,946 | 21,825 |
| Net cash flows from operating activities | <u>305,090</u> | <u>343,958</u> |
| Cash flows from noncapital financing activities | | |
| Advances by participants, net | <u>1,460</u> | <u>30,030</u> |
| Cash flows from capital financing activities | | |
| Additions to plant and prepaid projects, net | (51,528) | (274,088) |
| Debt interest payments | (167,428) | (155,487) |
| Proceeds from sale of bonds | 243,030 | 296,395 |
| Payment for defeasance of revenue bonds | (226,032) | (10,340) |
| Transfer of funds from (to) escrow | (56,970) | (115,747) |
| Transfer of funds from (to) Mine Reclamation Trust Fund | (1,930) | - |
| Transfer of funds from (to) other projects | - | - |
| Principal payments on debt | (115,620) | (124,110) |
| Payment for bond issue costs | (1,292) | (2,512) |
| Net cash used for capital and related financing activities | <u>(377,770)</u> | <u>(385,889)</u> |
| Cash flows from investing activities | | |
| Interest received on investments | 11,732 | 14,769 |
| Purchases of investments | (580,344) | (651,305) |
| Proceeds from sale/maturity of investments | 522,246 | 763,409 |
| Net cash provided by (used for) investing activities | <u>(46,366)</u> | <u>126,873</u> |
| Net increase (decrease) in cash and cash equivalents | (117,586) | 114,972 |
| Cash and cash equivalents, beginning of year | <u>348,515</u> | <u>233,543</u> |
| Cash and cash equivalents, end of year | <u>\$ 230,929</u> | <u>\$ 348,515</u> |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 136,351 | \$ 171,928 |
| Adjustments to reconcile operating income to net cash provided | | |
| Depreciation, depletion and amortization | 145,950 | 141,333 |
| Decommissioning | 6,755 | 5,237 |
| Advances for capacity and energy | 3,202 | 3,191 |
| Amortization of nuclear fuel | 16,749 | 16,272 |
| Changes in assets and liabilities | | |
| Accounts receivable | 6,118 | (13,927) |
| Accounts payable and accruals | (25,187) | 12,983 |
| Other | 15,152 | 6,941 |
| Net cash provided by operating activities | <u>\$ 305,090</u> | <u>\$ 343,958</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | |
| Cash and cash equivalents - restricted | \$ 151,476 | \$ 267,022 |
| Cash and cash equivalents - unrestricted | <u>79,453</u> | <u>81,493</u> |
| | <u>\$ 230,929</u> | <u>\$ 348,515</u> |

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SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | GENERATION | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Palo Verde | San Juan | Magnolia Power | Canyon Power |
| ASSETS | | | | |
| Noncurrent assets | | | | |
| Net utility plant | \$ 84,910 | \$ 84,961 | \$ 230,395 | \$ 260,687 |
| Investments - restricted | 178,911 | 31,189 | 52,625 | 30,870 |
| Investments - unrestricted | 36,878 | - | - | - |
| Advance to IPA - restricted | - | - | - | - |
| Advances for capacity and energy, net - restricted | - | - | - | - |
| Fair value of derivative instruments | - | - | - | - |
| Unamortized debt expenses | 132 | 363 | 26,382 | 2,050 |
| Prepaid and other assets | - | 1,153 | - | - |
| Total noncurrent assets | 300,831 | 117,666 | 309,402 | 293,607 |
| Current assets | | | | |
| Cash and cash equivalents - restricted | 19,371 | 5,878 | 28,701 | 8,757 |
| Cash and cash equivalents - unrestricted | 4,964 | 11,455 | 6,346 | 626 |
| Interest receivable | 543 | 45 | 117 | 49 |
| Accounts receivable | 1,748 | 220 | 599 | 1,069 |
| Due from other project - restricted | - | - | - | - |
| Materials and supplies | 9,645 | 4,502 | 6,070 | 1,055 |
| Prepaid and other assets | 648 | 505 | 192 | - |
| Total current assets | 36,919 | 22,605 | 42,025 | 11,556 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | 5,405 | - |
| Total assets and deferred outflows of resources | \$ 337,750 | \$ 140,271 | \$ 356,832 | \$ 305,163 |
| LIABILITIES | | | | |
| Noncurrent liabilities | | | | |
| Long-term debt | \$ 47,460 | \$ 72,713 | \$ 329,343 | \$ 310,102 |
| Fair value of derivative instruments | - | - | 15,972 | - |
| Notes payable and other liabilities | 19,737 | - | - | - |
| Advances from participants | - | - | - | - |
| Total noncurrent liabilities | 67,197 | 72,713 | 345,315 | 310,102 |
| Current liabilities | | | | |
| Debt due within one year | 10,980 | 27,250 | 15,605 | - |
| Notes payable and other liabilities due within one year | 6,337 | - | 4,607 | - |
| Advances from participants due within one year | - | 4,071 | 21,479 | 2,225 |
| Accrued interest | 4 | 2,546 | 3,853 | 8,366 |
| Accounts payable and accruals | 10,993 | 5,896 | 2,105 | 378 |
| Accrued property tax | 1,350 | 349 | - | - |
| Due to other projects | - | - | - | - |
| Total current liabilities | 29,664 | 40,112 | 47,649 | 10,969 |
| Total liabilities | 96,861 | 112,825 | 392,964 | 321,071 |
| NET POSITION | | | | |
| Net investment in capital assets | 26,603 | (17,558) | (83,969) | (35,985) |
| Restricted | 172,336 | 34,564 | 51,908 | 17,706 |
| Unrestricted | 41,950 | 10,440 | (4,071) | 2,371 |
| Total net position | 240,889 | 27,446 | (36,132) | (15,908) |
| Total liabilities and net position | \$ 337,750 | \$ 140,271 | \$ 356,832 | \$ 305,163 |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | GENERATION | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Palo Verde | San Juan | Magnolia Power | Canyon Power |
| ASSETS | | | | |
| Noncurrent assets | | | | |
| Net utility plant | \$ 100,996 | \$ 79,487 | \$ 239,581 | \$ 269,682 |
| Investments - restricted | 182,945 | 31,067 | 47,810 | 26,062 |
| Investments - unrestricted | 42,973 | 6,819 | - | - |
| Advance to IPA - restricted | - | - | - | - |
| Advances for capacity and energy, net - restricted | - | - | - | - |
| Fair value of derivative instruments | - | - | - | - |
| Unamortized debt expenses | 208 | 492 | 28,167 | 2,190 |
| Prepaid and other assets | - | 346 | - | - |
| Total noncurrent assets | 327,122 | 118,211 | 315,558 | 297,934 |
| Current assets | | | | |
| Cash and cash equivalents - restricted | 20,438 | 11,175 | 34,210 | 16,419 |
| Cash and cash equivalents - unrestricted | 8,563 | 7,616 | 8,649 | 620 |
| Interest receivable | 524 | 48 | 143 | 31 |
| Accounts receivable | 2,206 | 113 | 658 | 261 |
| Due from other project - restricted | - | - | - | - |
| Materials and supplies | 8,825 | 4,380 | 8,202 | 23 |
| Prepaid and other assets | 253 | 409 | 756 | - |
| Total current assets | 40,809 | 23,741 | 52,618 | 17,354 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | 17,556 | - |
| Total assets and deferred outflows of resources | \$ 367,931 | \$ 141,952 | \$ 385,732 | \$ 315,288 |
| LIABILITIES | | | | |
| Noncurrent liabilities | | | | |
| Long-term debt | \$ 56,679 | \$ 100,511 | \$ 345,107 | \$ 311,160 |
| Fair value of derivative instruments | - | - | 42,839 | - |
| Notes payable and other liabilities | 25,726 | - | - | - |
| Advances from participants | - | - | - | - |
| Total noncurrent liabilities | 82,405 | 100,511 | 387,946 | 311,160 |
| Current liabilities | | | | |
| Debt due within one year | 10,660 | 13,010 | 9,780 | - |
| Notes payable and other liabilities due within one year | 6,045 | - | 2,926 | - |
| Advances from participants due within one year | - | 6,000 | 17,895 | 2,225 |
| Accrued interest | 11 | 2,904 | 4,023 | 8,366 |
| Accounts payable and accruals | 20,383 | 12,953 | 7,716 | 340 |
| Accrued property tax | 1,350 | 348 | - | - |
| Due to other projects | - | - | - | - |
| Total current liabilities | 38,449 | 35,215 | 42,340 | 10,931 |
| Total liabilities | 120,854 | 135,726 | 430,286 | 322,091 |
| NET POSITION | | | | |
| Net investment in capital assets | 32,192 | (39,196) | (82,553) | (26,708) |
| Restricted | 162,105 | 39,073 | 56,049 | 19,340 |
| Unrestricted | 52,780 | 6,349 | (18,050) | 565 |
| Total net position | 247,077 | 6,226 | (44,554) | (6,803) |
| Total liabilities and net position | \$ 367,931 | \$ 141,952 | \$ 385,732 | \$ 315,288 |

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | GREEN POWER | | | | | |
|---|------------------|----------------------|-------------------|-------------------|------------------------|-----------------------|
| | Hoover Uprating | Tieton Hydropower | Milford I Wind | Milford II Wind | Windy Point Project | Linden Wind Energy |
| ASSETS | | | | | | |
| Noncurrent assets | | | | | | |
| Net utility plant | \$ - | \$ 42,589 | \$ - | \$ - | \$ - | \$ 130,283 |
| Investments - restricted | 2,344 | 5,293 | 32,071 | 7,865 | 29,347 | 6,392 |
| Investments - unrestricted | 1,160 | - | 1,498 | 5,497 | - | 2,497 |
| Advance to IPA - restricted | - | - | - | - | - | - |
| Advances for capacity and energy, net - restricted | 5,259 | - | - | - | - | - |
| Fair value of derivative instruments | - | - | - | - | - | - |
| Unamortized debt expenses | 39 | 576 | 1,384 | 1,052 | 2,481 | 911 |
| Prepaid and other assets | - | - | 175,337 | 149,285 | 448,657 | - |
| Total noncurrent assets | 8,802 | 48,458 | 210,290 | 163,699 | 480,485 | 140,083 |
| Current assets | | | | | | |
| Cash and cash equivalents - restricted | 742 | 2,111 | 5,316 | 4,369 | 10,381 | 3,363 |
| Cash and cash equivalents - unrestricted | 139 | 618 | 6,723 | 2,377 | 6,988 | 1,907 |
| Interest receivable | - | 16 | 58 | 14 | 50 | 2 |
| Accounts receivable | 39 | 64 | - | - | - | - |
| Due from other project - restricted | - | - | - | - | - | - |
| Materials and supplies | - | - | - | - | - | - |
| Prepaid and other assets | 1,495 | 1 | 11,401 | 8,696 | 32,242 | - |
| Total current assets | 2,415 | 2,810 | 23,498 | 15,456 | 49,661 | 5,272 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | - | - | - | - |
| Total assets and deferred outflows of resources | \$ 11,217 | \$ 51,268 | \$ 233,788 | \$ 179,155 | \$ 530,146 | \$ 145,355 |
| LIABILITIES | | | | | | |
| Noncurrent liabilities | | | | | | |
| Long-term debt | \$ 7,983 | \$ 51,716 | \$ 224,612 | \$ 164,762 | \$ 513,295 | \$ 136,972 |
| Fair value of derivative instruments | - | - | - | - | - | - |
| Notes payable and other liabilities | - | - | - | - | - | - |
| Advances from participants | - | - | - | - | - | - |
| Total noncurrent liabilities | 7,983 | 51,716 | 224,612 | 164,762 | 513,295 | 136,972 |
| Current liabilities | | | | | | |
| Debt due within one year | 1,755 | 790 | 8,135 | 5,065 | 17,850 | 3,425 |
| Notes payable and other liabilities due within one year | - | - | - | - | - | - |
| Advances from participants due within one year | - | 202 | 250 | 250 | 1,000 | 2,004 |
| Accrued interest | 123 | 1,284 | 5,370 | 3,898 | 11,597 | 3,364 |
| Accounts payable and accruals | 45 | 417 | 7,930 | 7,596 | 5,746 | 2,956 |
| Accrued property tax | - | - | - | - | 773 | 247 |
| Due to other projects | - | - | - | - | - | - |
| Total current liabilities | 1,923 | 2,693 | 21,685 | 16,809 | 36,966 | 11,996 |
| Total liabilities | 9,906 | 54,409 | 246,297 | 181,571 | 550,261 | 148,968 |
| NET POSITION | | | | | | |
| Net investment in capital assets | - | (9,340) | - | - | - | (9,203) |
| Restricted | 20 | 6,134 | - | - | - | 6,393 |
| Unrestricted | 1,291 | 65 | (12,509) | (2,416) | (20,115) | (803) |
| Total net position | 1,311 | (3,141) | (12,509) | (2,416) | (20,115) | (3,613) |
| Total liabilities and net position | \$ 11,217 | \$ 51,268 | \$ 233,788 | \$ 179,155 | \$ 530,146 | \$ 145,355 |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | GREEN POWER | | | | | |
|---|--------------------|----------------------|-------------------|--------------------|------------------------|-----------------------|
| | Hoover Uprating | Tieton Hydropower | Milford I Wind | Milford II Wind | Windy Point Project | Linden Wind Energy |
| ASSETS | | | | | | |
| Noncurrent assets | | | | | | |
| Net utility plant | \$ - | \$ 44,054 | \$ - | \$ - | \$ - | \$ 136,097 |
| Investments - restricted | 2,918 | 5,019 | 25,253 | 3,327 | 14,491 | 2,335 |
| Investments - unrestricted | 1,210 | - | - | - | - | - |
| Advance to IPA - restricted | - | - | - | - | - | - |
| Advances for capacity and energy, net - restricted | 6,754 | - | - | - | - | - |
| Fair value of derivative instruments | - | - | - | - | - | - |
| Unamortized debt expenses | 58 | 623 | 1,581 | 1,211 | 2,849 | 1,011 |
| Prepaid and other assets | - | - | 186,738 | 157,983 | 480,369 | - |
| Total noncurrent assets | 10,940 | 49,696 | 213,572 | 162,521 | 497,709 | 139,443 |
| Current assets | | | | | | |
| Cash and cash equivalents - restricted | 189 | 2,592 | 12,669 | 8,206 | 25,151 | 7,726 |
| Cash and cash equivalents - unrestricted | 109 | 595 | 7,557 | 8,914 | 3,295 | 3,671 |
| Interest receivable | 1 | 19 | 98 | 13 | 49 | 7 |
| Accounts receivable | - | - | - | 781 | 1,328 | - |
| Due from other project - restricted | - | - | - | - | - | - |
| Materials and supplies | - | - | - | - | - | - |
| Prepaid and other assets | 1,429 | 154 | 11,401 | 8,696 | 32,272 | - |
| Total current assets | 1,728 | 3,360 | 31,725 | 26,610 | 62,095 | 11,404 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | - | - | - | - |
| Total assets and deferred outflows of resources | \$ 12,668 | \$ 53,056 | \$ 245,297 | \$ 189,131 | \$ 559,804 | \$ 150,847 |
| LIABILITIES | | | | | | |
| Noncurrent liabilities | | | | | | |
| Long-term debt | \$ 9,760 | \$ 52,570 | \$ 234,312 | \$ 172,300 | \$ 538,152 | \$ 141,531 |
| Fair value of derivative instruments | - | - | - | - | - | - |
| Notes payable and other liabilities | - | - | - | - | - | - |
| Advances from participants | - | - | - | - | - | - |
| Total noncurrent liabilities | 9,760 | 52,570 | 234,312 | 172,300 | 538,152 | 141,531 |
| Current liabilities | | | | | | |
| Debt due within one year | 1,670 | 775 | 7,860 | 4,235 | 17,240 | 3,360 |
| Notes payable and other liabilities due within one year | - | - | - | - | - | - |
| Advances from participants due within one year | - | 202 | 250 | 250 | 1,000 | 2,004 |
| Accrued interest | 145 | 1,292 | 5,507 | 3,941 | 11,902 | 3,398 |
| Accounts payable and accruals | 62 | 482 | 7,267 | 9,445 | 3,518 | 2,474 |
| Accrued property tax | - | - | - | - | 666 | 260 |
| Due to other projects | - | - | - | - | - | - |
| Total current liabilities | 1,877 | 2,751 | 20,884 | 17,871 | 34,326 | 11,496 |
| Total liabilities | 11,637 | 55,321 | 255,196 | 190,171 | 572,478 | 153,027 |
| NET POSITION | | | | | | |
| Net investment in capital assets | - | (8,668) | - | - | - | (7,783) |
| Restricted | - | 6,337 | - | - | - | 6,669 |
| Unrestricted | 1,031 | 66 | (9,899) | (1,040) | (12,674) | (1,066) |
| Total net position | 1,031 | (2,265) | (9,899) | (1,040) | (12,674) | (2,180) |
| Total liabilities and net position | \$ 12,668 | \$ 53,056 | \$ 245,297 | \$ 189,131 | \$ 559,804 | \$ 150,847 |

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | TRANSMISSION | | |
|---|---------------------------------|------------------|-------------------|
| | Southern Transmission System | Mead- Phoenix | Mead- Adelanto |
| ASSETS | | | |
| Noncurrent assets | | | |
| Net utility plant | \$ 284,521 | \$ 32,746 | \$ 95,748 |
| Investments - restricted | 66,384 | 5,869 | 22,686 |
| Investments - unrestricted | - | - | - |
| Advance to IPA - restricted | 11,550 | - | - |
| Advances for capacity and energy, net - restricted | - | - | - |
| Fair value of derivative instruments | - | - | 625 |
| Unamortized debt expenses | 4,194 | 268 | 670 |
| Prepaid and other assets | - | - | - |
| Total noncurrent assets | 366,649 | 38,883 | 119,729 |
| Current assets | | | |
| Cash and cash equivalents - restricted | 32,744 | 1,469 | 4,425 |
| Cash and cash equivalents - unrestricted | 3,643 | 190 | 41 |
| Interest receivable | 75 | 203 | 834 |
| Accounts receivable | - | 188 | 95 |
| Due from other project - restricted | - | 6,734 | 19,637 |
| Materials and supplies | - | - | - |
| Prepaid and other assets | - | - | - |
| Total current assets | 36,462 | 8,784 | 25,032 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | - |
| Total assets and deferred outflows of resources | \$ 403,111 | \$ 47,667 | \$ 144,761 |
| LIABILITIES | | | |
| Noncurrent liabilities | | | |
| Long-term debt | \$ 667,822 | \$ 35,780 | \$ 121,422 |
| Fair value of derivative instruments | 30,290 | - | - |
| Notes payable and other liabilities | - | - | 2,477 |
| Advances from participants | - | - | - |
| Total noncurrent liabilities | 698,112 | 35,780 | 123,899 |
| Current liabilities | | | |
| Debt due within one year | 49,130 | 6,505 | 17,820 |
| Notes payable and other liabilities due within one year | - | - | 628 |
| Advances from participants due within one year | - | - | - |
| Accrued interest | 13,472 | 1,002 | 3,473 |
| Accounts payable and accruals | 7,000 | 206 | 1,031 |
| Accrued property tax | - | - | - |
| Due to other projects | - | - | - |
| Total current liabilities | 69,602 | 7,713 | 22,952 |
| Total liabilities | 767,714 | 43,493 | 146,851 |
| NET POSITION | | | |
| Net investment in capital assets | (420,103) | (9,271) | (45,928) |
| Restricted | 89,013 | 13,114 | 43,376 |
| Unrestricted | (33,513) | 331 | 462 |
| Total net position | (364,603) | 4,174 | (2,090) |
| Total liabilities and net position | \$ 403,111 | \$ 47,667 | \$ 144,761 |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | TRANSMISSION | | |
|---|---------------------------------|------------------|-------------------|
| | Southern Transmission System | Mead- Phoenix | Mead- Adelanto |
| ASSETS | | | |
| Noncurrent assets | | | |
| Net utility plant | \$ 307,060 | \$ 34,259 | \$ 100,270 |
| Investments - restricted | 52,604 | 9,281 | 33,499 |
| Investments - unrestricted | 3,300 | - | - |
| Advance to IPA - restricted | 11,550 | - | - |
| Advances for capacity and energy, net - restricted | - | - | - |
| Fair value of derivative instruments | 3,500 | - | 3,111 |
| Unamortized debt expenses | 4,784 | 393 | 801 |
| Prepaid and other assets | - | - | - |
| Total noncurrent assets | <u>382,798</u> | <u>43,933</u> | <u>137,681</u> |
| Current assets | | | |
| Cash and cash equivalents - restricted | 51,146 | 4,215 | 11,153 |
| Cash and cash equivalents - unrestricted | 1,240 | 260 | 664 |
| Interest receivable | 114 | 212 | 860 |
| Accounts receivable | 4,924 | - | - |
| Due from other project - restricted | - | 7,744 | 21,297 |
| Materials and supplies | - | - | - |
| Prepaid and other assets | - | 41 | - |
| Total current assets | <u>57,424</u> | <u>12,472</u> | <u>33,974</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | - |
| Total assets and deferred outflows of resources | <u>\$ 440,222</u> | <u>\$ 56,405</u> | <u>\$ 171,655</u> |
| LIABILITIES | | | |
| Noncurrent liabilities | | | |
| Long-term debt | \$ 703,838 | \$ 42,201 | \$ 139,049 |
| Fair value of derivative instruments | 57,878 | 5,498 | 18,374 |
| Notes payable and other liabilities | 1,381 | 426 | 4,521 |
| Advances from participants | - | - | - |
| Total noncurrent liabilities | <u>763,097</u> | <u>48,125</u> | <u>161,944</u> |
| Current liabilities | | | |
| Debt due within one year | 56,970 | 5,530 | 15,230 |
| Notes payable and other liabilities due within one year | 1,267 | 86 | 915 |
| Advances from participants due within one year | - | - | - |
| Accrued interest | 13,683 | 701 | 2,150 |
| Accounts payable and accruals | 12,279 | 708 | 2,191 |
| Accrued property tax | - | - | - |
| Due to other projects | - | - | - |
| Total current liabilities | <u>84,199</u> | <u>7,025</u> | <u>20,486</u> |
| Total liabilities | <u>847,296</u> | <u>55,150</u> | <u>182,430</u> |
| NET POSITION | | | |
| Net investment in capital assets | (439,221) | (13,080) | (58,644) |
| Restricted | 91,982 | 20,699 | 62,936 |
| Unrestricted | <u>(59,835)</u> | <u>(6,364)</u> | <u>(15,067)</u> |
| Total net position | <u>(407,074)</u> | <u>1,255</u> | <u>(10,775)</u> |
| Total liabilities and net position | <u>\$ 440,222</u> | <u>\$ 56,405</u> | <u>\$ 171,655</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | NATURAL GAS | | |
|---|------------------|-------------------|---------------------|
| | Pinedale | Barnett | Prepaid Natural Gas |
| ASSETS | | | |
| Noncurrent assets | | | |
| Net utility plant | \$ 53,724 | \$ 57,944 | \$ - |
| Investments - restricted | 7,600 | 34,395 | 11,510 |
| Investments - unrestricted | 999 | - | - |
| Advance to IPA - restricted | - | - | - |
| Advances for capacity and energy, net - restricted | - | - | - |
| Fair value of derivative instruments | - | - | - |
| Unamortized debt expenses | 494 | 505 | 1,966 |
| Prepaid and other assets | 126 | - | 258,374 |
| Total noncurrent assets | 62,943 | 92,844 | 271,850 |
| Current assets | | | |
| Cash and cash equivalents - restricted | 7,014 | 1,111 | 5,711 |
| Cash and cash equivalents - unrestricted | 8,469 | 7,352 | 239 |
| Interest receivable | - | 55 | 45 |
| Accounts receivable | 2,297 | 1,715 | 1,470 |
| Due from other project - restricted | - | - | - |
| Materials and supplies | - | - | - |
| Prepaid and other assets | 653 | - | 11,316 |
| Total current assets | 18,433 | 10,233 | 18,781 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | 8,136 |
| Total assets and deferred outflows of resources | \$ 81,376 | \$ 103,077 | \$ 298,767 |
| LIABILITIES | | | |
| Noncurrent liabilities | | | |
| Long-term debt | \$ 26,982 | \$ 63,373 | \$ 316,873 |
| Fair value of derivative instruments | - | - | 8,137 |
| Notes payable and other liabilities | - | - | - |
| Advances from participants | 21,038 | 9,775 | - |
| Total noncurrent liabilities | 48,020 | 73,148 | 325,010 |
| Current liabilities | | | |
| Debt due within one year | 2,253 | 5,302 | 4,065 |
| Notes payable and other liabilities due within one year | - | - | - |
| Advances from participants due within one year | 12,022 | 1,279 | - |
| Accrued interest | 794 | 1,867 | 2,693 |
| Accounts payable and accruals | 8,387 | 1,603 | 1,686 |
| Accrued property tax | 3,763 | - | - |
| Due to other projects | - | - | - |
| Total current liabilities | 27,219 | 10,051 | 8,444 |
| Total liabilities | 75,239 | 83,199 | 333,454 |
| NET POSITION | | | |
| Net investment in capital assets | 3,945 | 11,403 | - |
| Restricted | 2,576 | 1,014 | - |
| Unrestricted | (384) | 7,461 | (34,687) |
| Total net position | 6,137 | 19,878 | (34,687) |
| Total liabilities and net position | \$ 81,376 | \$ 103,077 | \$ 298,767 |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | NATURAL GAS | | |
|---|------------------|-------------------|---------------------|
| | Pinedale | Barnett | Prepaid Natural Gas |
| ASSETS | | | |
| Noncurrent assets | | | |
| Net utility plant | \$ 58,532 | \$ 56,965 | \$ - |
| Investments - restricted | - | 22,046 | 13,836 |
| Investments - unrestricted | - | - | - |
| Advance to IPA - restricted | - | - | - |
| Advances for capacity and energy, net - restricted | - | - | - |
| Fair value of derivative instruments | - | - | - |
| Unamortized debt expenses | 588 | 600 | 2,123 |
| Prepaid and other assets | 126 | - | 270,349 |
| Total noncurrent assets | 59,246 | 79,611 | 286,308 |
| Current assets | | | |
| Cash and cash equivalents - restricted | 22,496 | 21,024 | 6,430 |
| Cash and cash equivalents - unrestricted | 10,862 | 4,777 | 50 |
| Interest receivable | 1 | 79 | 57 |
| Accounts receivable | 2,729 | 1,168 | 1,868 |
| Due from other project - restricted | - | - | - |
| Materials and supplies | - | - | - |
| Prepaid and other assets | 752 | - | 12,078 |
| Total current assets | 36,840 | 27,048 | 20,483 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | 13,429 |
| Total assets and deferred outflows of resources | \$ 96,086 | \$ 106,659 | \$ 320,220 |
| LIABILITIES | | | |
| Noncurrent liabilities | | | |
| Long-term debt | \$ 29,235 | \$ 68,675 | \$ 321,225 |
| Fair value of derivative instruments | - | - | 13,429 |
| Notes payable and other liabilities | - | - | - |
| Advances from participants | 23,236 | 9,942 | - |
| Total noncurrent liabilities | 52,471 | 78,617 | 334,654 |
| Current liabilities | | | |
| Debt due within one year | 2,549 | 6,016 | 4,805 |
| Notes payable and other liabilities due within one year | - | - | - |
| Advances from participants due within one year | 15,893 | 1,004 | - |
| Accrued interest | 846 | 1,990 | 2,733 |
| Accounts payable and accruals | 13,065 | 1,694 | 4,435 |
| Accrued property tax | 4,099 | - | - |
| Due to other projects | - | - | - |
| Total current liabilities | 36,452 | 10,704 | 11,973 |
| Total liabilities | 88,923 | 89,321 | 346,627 |
| NET POSITION | | | |
| Net investment in capital assets | 4,204 | (6,083) | - |
| Restricted | 6,422 | 19,170 | - |
| Unrestricted | (3,463) | 4,251 | (26,407) |
| Total net position | 7,163 | 17,338 | (26,407) |
| Total liabilities and net position | \$ 96,086 | \$ 106,659 | \$ 320,220 |

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | POWER PURCHASE AGREEMENTS | | | |
|---|-------------------------------|-----------------|----------------|-----------------------------------|
| | Ormat Geothermal Energy | MWD Small Hydro | Pebble Springs | Ameresco Chiquita Landfill Gas |
| ASSETS | | | | |
| Noncurrent assets | | | | |
| Net utility plant | \$ - | \$ - | \$ - | \$ - |
| Investments - restricted | - | - | - | - |
| Investments - unrestricted | - | - | - | - |
| Advance to IPA - restricted | - | - | - | - |
| Advances for capacity and energy, net - restricted | - | - | - | - |
| Fair value of derivative instruments | - | - | - | - |
| Unamortized debt expenses | - | - | - | - |
| Prepaid and other assets | - | 15 | - | 6 |
| Total noncurrent assets | - | 15 | - | 6 |
| Current assets | | | | |
| Cash and cash equivalents - restricted | - | - | - | - |
| Cash and cash equivalents - unrestricted | 5,386 | 1,993 | 7,713 | 2,284 |
| Interest receivable | - | - | 1 | - |
| Accounts receivable | - | - | - | 188 |
| Due from other project - restricted | - | - | - | - |
| Materials and supplies | - | - | - | - |
| Prepaid and other assets | 9 | - | - | - |
| Total current assets | 5,395 | 1,993 | 7,714 | 2,472 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | - | - |
| Total assets and deferred outflows of resources | \$ 5,395 | \$ 2,008 | \$ 7,714 | \$ 2,478 |
| LIABILITIES | | | | |
| Noncurrent liabilities | | | | |
| Long-term debt | \$ - | \$ - | \$ - | \$ - |
| Fair value of derivative instruments | - | - | - | - |
| Notes payable and other liabilities | - | - | - | - |
| Advances from participants | - | - | - | - |
| Total noncurrent liabilities | - | - | - | - |
| Current liabilities | | | | |
| Debt due within one year | - | - | - | - |
| Notes payable and other liabilities due within one year | - | - | - | - |
| Advances from participants due within one year | 1,045 | 500 | - | 400 |
| Accrued interest | - | - | - | - |
| Accounts payable and accruals | 4,350 | 1,508 | 7,714 | 2,078 |
| Accrued property tax | - | - | - | - |
| Due to other projects | - | - | - | - |
| Total current liabilities | 5,395 | 2,008 | 7,714 | 2,478 |
| Total liabilities | 5,395 | 2,008 | 7,714 | 2,478 |
| NET POSITION | | | | |
| Net investment in capital assets | - | - | - | - |
| Restricted | - | - | - | - |
| Unrestricted | - | - | - | - |
| Total net position | - | - | - | - |
| Total liabilities and net position | \$ 5,395 | \$ 2,008 | \$ 7,714 | \$ 2,478 |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | POWER PURCHASE AGREEMENTS | | | |
|---|---------------------------|-----------------|-----------------|-------------------|
| | Ormat Geothermal | MWD Small Hydro | Pebble Springs | Ameresco Chiquita |
| | Energy | | | Landfill Gas |
| ASSETS | | | | |
| Noncurrent assets | | | | |
| Net utility plant | \$ - | \$ - | \$ - | \$ - |
| Investments - restricted | - | - | - | - |
| Investments - unrestricted | - | - | - | - |
| Advance to IPA - restricted | - | - | - | - |
| Advances for capacity and energy, net - restricted | - | - | - | - |
| Fair value of derivative instruments | - | - | - | - |
| Unamortized debt expenses | - | - | - | - |
| Prepaid and other assets | - | 5 | - | - |
| | <u>-</u> | <u>5</u> | <u>-</u> | <u>-</u> |
| Total noncurrent assets | - | 5 | - | - |
| Current assets | | | | |
| Cash and cash equivalents - restricted | - | - | - | - |
| Cash and cash equivalents - unrestricted | 4,052 | 946 | 5,319 | 3,734 |
| Interest receivable | - | - | - | - |
| Accounts receivable | - | - | - | - |
| Due from other project - restricted | - | - | - | - |
| Materials and supplies | - | - | - | - |
| Prepaid and other assets | 1 | - | - | - |
| | <u>4,053</u> | <u>946</u> | <u>5,319</u> | <u>3,734</u> |
| Total current assets | 4,053 | 946 | 5,319 | 3,734 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>\$ 4,053</u> | <u>\$ 951</u> | <u>\$ 5,319</u> | <u>\$ 3,734</u> |
| LIABILITIES | | | | |
| Noncurrent liabilities | | | | |
| Long-term debt | \$ - | \$ - | \$ - | \$ - |
| Fair value of derivative instruments | - | - | - | - |
| Notes payable and other liabilities | - | - | - | - |
| Advances from participants | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total noncurrent liabilities | - | - | - | - |
| Current liabilities | | | | |
| Debt due within one year | - | - | - | - |
| Notes payable and other liabilities due within one year | - | - | - | - |
| Advances from participants due within one year | 857 | 500 | - | 400 |
| Accrued interest | - | - | - | - |
| Accounts payable and accruals | 3,196 | 451 | 5,318 | 3,334 |
| Accrued property tax | - | - | - | - |
| Due to other projects | - | - | - | - |
| | <u>4,053</u> | <u>951</u> | <u>5,318</u> | <u>3,734</u> |
| Total current liabilities | 4,053 | 951 | 5,318 | 3,734 |
| Total liabilities | <u>4,053</u> | <u>951</u> | <u>5,318</u> | <u>3,734</u> |
| NET POSITION | | | | |
| Net investment in capital assets | - | - | - | - |
| Restricted | - | - | - | - |
| Unrestricted | - | - | 1 | - |
| | <u>-</u> | <u>-</u> | <u>1</u> | <u>-</u> |
| Total net position | - | - | 1 | - |
| Total liabilities and net position | <u>\$ 4,053</u> | <u>\$ 951</u> | <u>\$ 5,319</u> | <u>\$ 3,734</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | MISCELLANEOUS | | | | | | |
|--|--------------------------|--------------------------------|------------------------------------|---------------------------|---------------------|--------------------|---------------------|
| | Multiple Project Fund | Project Development Fund | Projects' Stabilization Fund | SCPPA Building Fund | Total | Eliminations | Total Combined |
| ASSETS | | | | | | | |
| Noncurrent assets | | | | | | | |
| Net utility plant | \$ - | \$ - | \$ - | \$ 4,264 | \$ 1,362,772 | \$ - | \$ 1,362,772 |
| Investments - restricted | 39,197 | - | 117,496 | - | 682,044 | - | 682,044 |
| Investments - unrestricted | - | - | - | - | 48,529 | - | 48,529 |
| Advance to IPA - restricted | - | - | - | - | 11,550 | - | 11,550 |
| Advances for capacity and energy, net - restricted | - | - | - | - | 5,259 | - | 5,259 |
| Fair value of derivative instruments | - | - | - | - | 625 | - | 625 |
| Unamortized debt expenses | - | - | - | - | 43,467 | - | 43,467 |
| Prepaid and other assets | - | - | - | - | 1,032,953 | - | 1,032,953 |
| Total noncurrent assets | 39,197 | - | 117,496 | 4,264 | 3,187,199 | - | 3,187,199 |
| Current assets | | | | | | | |
| Cash and cash equivalents - restricted | - | 154 | 9,813 | 46 | 151,476 | - | 151,476 |
| Cash and cash equivalents - unrestricted | - | - | - | - | 79,453 | - | 79,453 |
| Interest receivable | 1,441 | - | 274 | - | 3,822 | - | 3,822 |
| Accounts receivable | - | - | - | - | 9,692 | - | 9,692 |
| Due from other project - restricted | - | - | - | - | 26,371 | (26,371) | - |
| Materials and supplies | - | - | - | - | 21,272 | - | 21,272 |
| Prepaid and other assets | - | - | - | - | 67,158 | - | 67,158 |
| Total current assets | 1,441 | 154 | 10,087 | 46 | 359,244 | (26,371) | 332,873 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | - | - | 13,541 | - | 13,541 |
| Total assets and deferred outflows of resources | \$ 40,638 | \$ 154 | \$ 127,583 | \$ 4,310 | \$ 3,559,984 | \$ (26,371) | \$ 3,533,613 |
| LIABILITIES | | | | | | | |
| Noncurrent liabilities | | | | | | | |
| Long-term debt | \$ - | \$ - | \$ - | \$ - | \$ 3,091,210 | \$ - | \$ 3,091,210 |
| Fair value of derivative instruments | - | - | - | - | 54,399 | - | 54,399 |
| Notes payable and other liabilities | - | - | - | - | 22,214 | - | 22,214 |
| Advances from participants | - | - | - | - | 30,813 | - | 30,813 |
| Total noncurrent liabilities | - | - | - | - | 3,198,636 | - | 3,198,636 |
| Current liabilities | | | | | | | |
| Debt due within one year | 13,800 | - | - | - | 189,730 | - | 189,730 |
| Notes payable and other liabilities due within one year | - | - | - | - | 11,572 | - | 11,572 |
| Advances from participants due within one year | - | 154 | - | 13 | 46,894 | - | 46,894 |
| Accrued interest | 467 | - | - | - | 64,173 | - | 64,173 |
| Accounts payable and accruals | - | - | - | 33 | 79,658 | - | 79,658 |
| Accrued property tax | - | - | - | - | 6,482 | - | 6,482 |
| Due to other projects | 26,371 | - | - | - | 26,371 | (26,371) | - |
| Total current liabilities | 40,638 | 154 | - | 46 | 424,880 | (26,371) | 398,509 |
| Total liabilities | 40,638 | 154 | - | 46 | 3,623,516 | (26,371) | 3,597,145 |
| NET POSITION | | | | | | | |
| Net investment in capital assets | - | - | - | 4,264 | (585,142) | - | (585,142) |
| Restricted | - | - | 127,583 | - | 565,737 | - | 565,737 |
| Unrestricted | - | - | - | - | (44,127) | - | (44,127) |
| Total net position | - | - | 127,583 | 4,264 | (63,532) | - | (63,532) |
| Total liabilities and net position | \$ 40,638 | \$ 154 | \$ 127,583 | \$ 4,310 | \$ 3,559,984 | \$ (26,371) | \$ 3,533,613 |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | MISCELLANEOUS | | | | Total | Eliminations | Total Combined |
|--|--------------------------|--------------------------------|------------------------------------|---------------------------|---------------------|--------------------|---------------------|
| | Multiple Project Fund | Project Development Fund | Projects' Stabilization Fund | SCPPA Building Fund | | | |
| ASSETS | | | | | | | |
| Noncurrent assets | | | | | | | |
| Net utility plant | \$ - | \$ - | \$ - | \$ 4,369 | \$ 1,431,352 | \$ - | \$ 1,431,352 |
| Investments - restricted | 50,976 | - | 100,587 | - | 624,056 | - | 624,056 |
| Investments - unrestricted | - | - | - | - | 54,302 | - | 54,302 |
| Advance to IPA - restricted | - | - | - | - | 11,550 | - | 11,550 |
| Advances for capacity and energy, net - restricted | - | - | - | - | 6,754 | - | 6,754 |
| Fair value of derivative instruments | - | - | - | - | 6,611 | - | 6,611 |
| Unamortized debt expenses | - | - | - | - | 47,679 | - | 47,679 |
| Prepaid and other assets | - | - | - | - | 1,095,916 | - | 1,095,916 |
| Total noncurrent assets | 50,976 | - | 100,587 | 4,369 | 3,278,220 | - | 3,278,220 |
| Current assets | | | | | | | |
| Cash and cash equivalents - restricted | - | 24 | 11,528 | 231 | 267,022 | - | 267,022 |
| Cash and cash equivalents - unrestricted | - | - | - | - | 81,493 | - | 81,493 |
| Interest receivable | 1,874 | - | 304 | - | 4,434 | - | 4,434 |
| Accounts receivable | - | - | - | - | 16,036 | - | 16,036 |
| Due from other project - restricted | - | - | - | - | 29,041 | (29,041) | - |
| Materials and supplies | - | - | - | - | 21,430 | - | 21,430 |
| Prepaid and other assets | - | - | - | - | 68,242 | - | 68,242 |
| Total current assets | 1,874 | 24 | 11,832 | 231 | 487,698 | (29,041) | 458,657 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Accumulated decrease in fair value of hedging derivatives | - | - | - | - | 30,985 | - | 30,985 |
| Total assets and deferred outflows of resources | \$ 52,850 | \$ 24 | \$ 112,419 | \$ 4,600 | \$ 3,796,903 | \$ (29,041) | \$ 3,767,862 |
| LIABILITIES | | | | | | | |
| Noncurrent liabilities | | | | | | | |
| Long-term debt | \$ 12,525 | \$ - | \$ - | \$ - | \$ 3,278,830 | \$ - | \$ 3,278,830 |
| Fair value of derivative instruments | - | - | - | - | 138,018 | - | 138,018 |
| Notes payable and other liabilities | - | - | - | - | 32,054 | - | 32,054 |
| Advances from participants | - | - | - | - | 33,178 | - | 33,178 |
| Total noncurrent liabilities | 12,525 | - | - | - | 3,482,080 | - | 3,482,080 |
| Current liabilities | | | | | | | |
| Debt due within one year | 12,900 | - | - | - | 172,590 | - | 172,590 |
| Notes payable and other liabilities due within one year | - | - | - | - | 11,239 | - | 11,239 |
| Advances from participants due within one year | - | 24 | - | 21 | 48,525 | - | 48,525 |
| Accrued interest | 900 | - | - | - | 64,492 | - | 64,492 |
| Accounts payable and accruals | - | - | - | 210 | 111,521 | - | 111,521 |
| Accrued property tax | - | - | - | - | 6,723 | - | 6,723 |
| Due to other projects | 29,041 | - | - | - | 29,041 | (29,041) | - |
| Total current liabilities | 42,841 | 24 | - | 231 | 444,131 | (29,041) | 415,090 |
| Total liabilities | 55,366 | 24 | - | 231 | 3,926,211 | (29,041) | 3,897,170 |
| NET POSITION | | | | | | | |
| Net investment in capital assets | - | - | - | 4,369 | (641,171) | - | (641,171) |
| Restricted | - | - | 112,419 | - | 603,201 | - | 603,201 |
| Unrestricted | (2,516) | - | - | - | (91,338) | - | (91,338) |
| Total net position | (2,516) | - | 112,419 | 4,369 | (129,308) | - | (129,308) |
| Total liabilities and net position | \$ 52,850 | \$ 24 | \$ 112,419 | \$ 4,600 | \$ 3,796,903 | \$ (29,041) | \$ 3,767,862 |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | GENERATION | | | |
|--|-------------------|------------------|--------------------|--------------------|
| | Palo Verde | San Juan | Magnolia Power | Canyon Power |
| Operating revenues | | | | |
| Sales of electric energy | \$ 79,386 | \$ 105,300 | \$ 67,354 | \$ 20,809 |
| Sales of transmission services | - | - | - | - |
| Sales of natural gas | - | - | - | - |
| Total operating revenues | <u>79,386</u> | <u>105,300</u> | <u>67,354</u> | <u>20,809</u> |
| Operating expenses | | | | |
| Operations and maintenance | 40,506 | 68,920 | 48,482 | 8,147 |
| Depreciation, depletion and amortization | 20,570 | 6,955 | 10,949 | 9,331 |
| Amortization of nuclear fuel | 16,749 | - | - | - |
| Decommissioning | 2,429 | 4,326 | - | - |
| Total operating expenses | <u>80,254</u> | <u>80,201</u> | <u>59,431</u> | <u>17,478</u> |
| Operating income (loss) | <u>(868)</u> | <u>25,099</u> | <u>7,923</u> | <u>3,331</u> |
| Non operating revenues (expenses) | | | | |
| Investment and other income | (3,062) | 1,153 | (242) | 3,378 |
| Derivative gain | | | 14,715 | |
| Debt expense | <u>(2,258)</u> | <u>(5,032)</u> | <u>(13,974)</u> | <u>(15,814)</u> |
| Net non operating revenues (expenses) | <u>(5,320)</u> | <u>(3,879)</u> | <u>499</u> | <u>(12,436)</u> |
| Change in net position | (6,188) | 21,220 | 8,422 | (9,105) |
| Net position - beginning of year | <u>247,077</u> | <u>6,226</u> | <u>(44,554)</u> | <u>(6,803)</u> |
| Net position - end of year | <u>\$ 240,889</u> | <u>\$ 27,446</u> | <u>\$ (36,132)</u> | <u>\$ (15,908)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | GENERATION | | | |
|--|-------------------|-----------------|--------------------|-------------------|
| | Palo Verde | San Juan | Magnolia Power | Canyon Power |
| Operating revenues | | | | |
| Sales of electric energy | \$ 89,399 | \$ 83,791 | \$ 91,054 | \$ 14,757 |
| Sales of transmission services | - | - | - | - |
| Sales of natural gas | - | - | - | - |
| Total operating revenues | <u>89,399</u> | <u>83,791</u> | <u>91,054</u> | <u>14,757</u> |
| Operating expenses | | | | |
| Operations and maintenance | 41,862 | 60,224 | 66,897 | 4,671 |
| Depreciation, depletion and amortization | 21,403 | 6,791 | 10,944 | 7,720 |
| Amortization of nuclear fuel | 16,272 | - | - | - |
| Decommissioning | 3,694 | 1,543 | - | - |
| Total operating expenses | <u>83,231</u> | <u>68,558</u> | <u>77,841</u> | <u>12,391</u> |
| Operating income (loss) | <u>6,168</u> | <u>15,233</u> | <u>13,213</u> | <u>2,366</u> |
| Non operating revenues (expenses) | | | | |
| Investment and other income | 3,773 | 1,339 | 1,321 | 3,768 |
| Derivative gain | - | - | (21,839) | - |
| Debt expense | (2,408) | (5,632) | (16,022) | (12,937) |
| Net non operating revenues (expenses) | <u>1,365</u> | <u>(4,293)</u> | <u>(36,540)</u> | <u>(9,169)</u> |
| Change in net position | 7,533 | 10,940 | (23,327) | (6,803) |
| Net position - beginning of year | <u>239,544</u> | <u>(4,714)</u> | <u>(21,227)</u> | <u>-</u> |
| Net position - end of year | <u>\$ 247,077</u> | <u>\$ 6,226</u> | <u>\$ (44,554)</u> | <u>\$ (6,803)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | GREEN POWER | | | | | |
|---|---------------------|----------------------|--------------------|--------------------|---------------------------|--------------------------|
| | Hoover Up rating | Tieton Hydropower | Milford I Wind | Milford II Wind | Windy Point Project | Linden Wind Energy |
| Operating revenues | | | | | | |
| Sales of electric energy | \$ 2,575 | \$ 4,663 | \$ 33,546 | \$ 18,403 | \$ 80,724 | \$ 17,761 |
| Sales of transmission services | - | - | - | - | - | - |
| Sales of natural gas | - | - | - | - | - | - |
| Total operating revenues | <u>2,575</u> | <u>4,663</u> | <u>33,546</u> | <u>18,403</u> | <u>80,724</u> | <u>17,761</u> |
| Operating expenses | | | | | | |
| Operations and maintenance | 3,525 | 1,496 | 26,396 | 14,245 | 72,269 | 8,470 |
| Depreciation, depletion and amortization | - | 1,465 | - | - | - | 5,814 |
| Amortization of nuclear fuel | - | - | - | - | - | - |
| Decommissioning | - | - | - | - | - | - |
| Total operating expenses | <u>3,525</u> | <u>2,961</u> | <u>26,396</u> | <u>14,245</u> | <u>72,269</u> | <u>14,284</u> |
| Operating income (loss) | <u>(950)</u> | <u>1,702</u> | <u>7,150</u> | <u>4,158</u> | <u>8,455</u> | <u>3,477</u> |
| Non operating revenues (expenses) | | | | | | |
| Investment and other income | (32) | (27) | (325) | 2 | 736 | 784 |
| Derivative gain (loss) | - | - | - | - | - | - |
| Debt expense | <u>1,262</u> | <u>(2,551)</u> | <u>(9,435)</u> | <u>(5,536)</u> | <u>(16,632)</u> | <u>(5,694)</u> |
| Net non operating revenues (expenses) | <u>1,230</u> | <u>(2,578)</u> | <u>(9,760)</u> | <u>(5,534)</u> | <u>(15,896)</u> | <u>(4,910)</u> |
| Change in net position | 280 | (876) | (2,610) | (1,376) | (7,441) | (1,433) |
| Net position - beginning of year | <u>1,031</u> | <u>(2,265)</u> | <u>(9,899)</u> | <u>(1,040)</u> | <u>(12,674)</u> | <u>(2,180)</u> |
| Net position - end of year | <u>\$ 1,311</u> | <u>\$ (3,141)</u> | <u>\$ (12,509)</u> | <u>\$ (2,416)</u> | <u>\$ (20,115)</u> | <u>\$ (3,613)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | GREEN POWER | | | | | |
|---|--------------------|----------------------|-------------------|--------------------|---------------------------|--------------------------|
| | Hoover Uprating | Tieton Hydropower | Milford I Wind | Milford II Wind | Windy Point Project | Linden Wind Energy |
| Operating revenues | | | | | | |
| Sales of electric energy | \$ 2,445 | \$ 4,497 | \$ 33,893 | \$ 19,858 | \$ 82,340 | \$ 18,463 |
| Sales of transmission services | - | - | - | - | - | - |
| Sales of natural gas | - | - | - | - | - | - |
| Total operating revenues | <u>2,445</u> | <u>4,497</u> | <u>33,893</u> | <u>19,858</u> | <u>82,340</u> | <u>18,463</u> |
| Operating expenses | | | | | | |
| Operations and maintenance | 3,489 | 1,241 | 26,833 | 16,274 | 73,182 | 9,236 |
| Depreciation, depletion and amortization | - | 1,464 | - | - | - | 5,814 |
| Amortization of nuclear fuel | - | - | - | - | - | - |
| Decommissioning | - | - | - | - | - | - |
| Total operating expenses | <u>3,489</u> | <u>2,705</u> | <u>26,833</u> | <u>16,274</u> | <u>73,182</u> | <u>15,050</u> |
| Operating income (loss) | <u>(1,044)</u> | <u>1,792</u> | <u>7,060</u> | <u>3,584</u> | <u>9,158</u> | <u>3,413</u> |
| Non operating revenues (expenses) | | | | | | |
| Investment and other income | 25 | 136 | 585 | 166 | 489 | 932 |
| Derivative gain (loss) | - | - | - | - | - | - |
| Debt expense | <u>1,185</u> | <u>(2,580)</u> | <u>(9,473)</u> | <u>(4,790)</u> | <u>(16,651)</u> | <u>(5,729)</u> |
| Net non operating revenues (expenses) | <u>1,210</u> | <u>(2,444)</u> | <u>(8,888)</u> | <u>(4,624)</u> | <u>(16,162)</u> | <u>(4,797)</u> |
| Change in net position | 166 | (652) | (1,828) | (1,040) | (7,004) | (1,384) |
| Net position - beginning of year | <u>865</u> | <u>(1,613)</u> | <u>(8,071)</u> | <u>-</u> | <u>(5,670)</u> | <u>(796)</u> |
| Net position - end of year | <u>\$ 1,031</u> | <u>\$ (2,265)</u> | <u>\$ (9,899)</u> | <u>\$ (1,040)</u> | <u>\$ (12,674)</u> | <u>\$ (2,180)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | TRANSMISSION | | |
|---|------------------------------------|-----------------|-------------------|
| | Southern Transmission System | Mead- Phoenix | Mead- Adelanto |
| Operating revenues | | | |
| Sales of electric energy | \$ - | \$ - | \$ - |
| Sales of transmission services | 107,797 | 3,150 | 8,375 |
| Sales of natural gas | - | - | - |
| Total operating revenues | <u>107,797</u> | <u>3,150</u> | <u>8,375</u> |
| Operating expenses | | | |
| Operations and maintenance | 25,333 | 1,134 | 2,107 |
| Depreciation, depletion and amortization | 22,750 | 1,523 | 4,522 |
| Amortization of nuclear fuel | - | - | - |
| Decommissioning | - | - | - |
| Total operating expenses | <u>48,083</u> | <u>2,657</u> | <u>6,629</u> |
| Operating income (loss) | <u>59,714</u> | <u>493</u> | <u>1,746</u> |
| Non operating revenues (expenses) | | | |
| Investment and other income | 5,717 | 535 | 2,106 |
| Derivative gain (loss) | 24,088 | 5,498 | 15,888 |
| Debt expense | <u>(47,048)</u> | <u>(3,607)</u> | <u>(11,055)</u> |
| Net non operating revenues (expenses) | <u>(17,243)</u> | <u>2,426</u> | <u>6,939</u> |
| Change in net position | 42,471 | 2,919 | 8,685 |
| Net position - beginning of year | <u>(407,074)</u> | <u>1,255</u> | <u>(10,775)</u> |
| Net position - end of year | <u>\$ (364,603)</u> | <u>\$ 4,174</u> | <u>\$ (2,090)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | TRANSMISSION | | |
|---|------------------------------------|-----------------|--------------------|
| | Southern Transmission System | Mead- Phoenix | Mead- Adelanto |
| Operating revenues | | | |
| Sales of electric energy | \$ - | \$ - | \$ - |
| Sales of transmission services | 118,674 | 8,610 | 23,976 |
| Sales of natural gas | - | - | - |
| Total operating revenues | <u>118,674</u> | <u>8,610</u> | <u>23,976</u> |
| Operating expenses | | | |
| Operations and maintenance | 23,500 | 964 | 1,910 |
| Depreciation, depletion and amortization | 22,747 | 1,516 | 4,514 |
| Amortization of nuclear fuel | - | - | - |
| Decommissioning | - | - | - |
| Total operating expenses | <u>46,247</u> | <u>2,480</u> | <u>6,424</u> |
| Operating income (loss) | <u>72,427</u> | <u>6,130</u> | <u>17,552</u> |
| Non operating revenues (expenses) | | | |
| Investment and other income | 2,346 | 458 | 1,785 |
| Derivative gain (loss) | (15,101) | (1,239) | (4,564) |
| Debt expense | (52,036) | (3,138) | (8,957) |
| Net non operating revenues (expenses) | <u>(64,791)</u> | <u>(3,919)</u> | <u>(11,736)</u> |
| Change in net position | 7,636 | 2,211 | 5,816 |
| Net position - beginning of year | <u>(414,710)</u> | <u>(956)</u> | <u>(16,591)</u> |
| Net position - end of year | <u>\$ (407,074)</u> | <u>\$ 1,255</u> | <u>\$ (10,775)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | NATURAL GAS | | |
|--|-----------------|------------------|---------------------|
| | Pinedale | Barnett | Prepaid Natural Gas |
| Operating revenues | | | |
| Sales of electric energy | \$ - | \$ - | \$ - |
| Sales of transmission services | - | - | - |
| Sales of natural gas | 10,986 | 21,610 | 20,209 |
| Total operating revenues | <u>10,986</u> | <u>21,610</u> | <u>20,209</u> |
| Operating expenses | | | |
| Operations and maintenance | 4,462 | 10,481 | 12,475 |
| Depreciation, depletion and amortization | 5,877 | 4,465 | - |
| Amortization of nuclear fuel | - | - | - |
| Decommissioning | - | - | - |
| Total operating expenses | <u>10,339</u> | <u>14,946</u> | <u>12,475</u> |
| Operating income (loss) | <u>647</u> | <u>6,664</u> | <u>7,734</u> |
| Non operating revenues (expenses) | | | |
| Investment and other income | 8 | (295) | 751 |
| Derivative gain (loss) | | | |
| Debt expense | (1,681) | (3,829) | (16,765) |
| Net non operating revenues (expenses) | <u>(1,673)</u> | <u>(4,124)</u> | <u>(16,014)</u> |
| Change in net position | (1,026) | 2,540 | (8,280) |
| Net position - beginning of year | <u>7,163</u> | <u>17,338</u> | <u>(26,407)</u> |
| Net position - end of year | <u>\$ 6,137</u> | <u>\$ 19,878</u> | <u>\$ (34,687)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | NATURAL GAS | | |
|--|-----------------|------------------|---------------------|
| | Pinedale | Barnett | Prepaid Natural Gas |
| Operating revenues | | | |
| Sales of electric energy | \$ - | \$ - | \$ - |
| Sales of transmission services | - | - | - |
| Sales of natural gas | 11,093 | 18,963 | 21,013 |
| Total operating revenues | <u>11,093</u> | <u>18,963</u> | <u>21,013</u> |
| Operating expenses | | | |
| Operations and maintenance | 4,772 | 9,386 | 13,937 |
| Depreciation, depletion and amortization | 5,598 | 2,475 | - |
| Amortization of nuclear fuel | - | - | - |
| Decommissioning | - | - | - |
| Total operating expenses | <u>10,370</u> | <u>11,861</u> | <u>13,937</u> |
| Operating income (loss) | <u>723</u> | <u>7,102</u> | <u>7,076</u> |
| Non operating revenues (expenses) | | | |
| Investment and other income | 9 | 379 | 794 |
| Derivative gain (loss) | - | - | - |
| Debt expense | (1,805) | (4,096) | (17,004) |
| Net non operating revenues (expenses) | <u>(1,796)</u> | <u>(3,717)</u> | <u>(16,210)</u> |
| Change in net position | (1,073) | 3,385 | (9,134) |
| Net position - beginning of year | <u>8,236</u> | <u>13,953</u> | <u>(17,273)</u> |
| Net position - end of year | <u>\$ 7,163</u> | <u>\$ 17,338</u> | <u>\$ (26,407)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | POWER PURCHASE AGREEMENTS | | | |
|---|---------------------------|--------------------|-------------------|--------------------------------------|
| | Ormat Geothermal | MWD Small Hydro | Pebble Springs | Ameresco Chiquita Landfill Gas |
| Operating revenues | | | | |
| Sales of electric energy | \$ 7,299 | \$ 2,235 | \$ 24,502 | \$ 3,241 |
| Sales of transmission services | - | - | - | - |
| Sales of natural gas | - | - | - | - |
| Total operating revenues | 7,299 | 2,235 | 24,502 | 3,241 |
| Operating expenses | | | | |
| Operations and maintenance | 7,304 | 2,237 | 24,506 | 3,241 |
| Depreciation, depletion and amortization | - | - | - | - |
| Amortization of nuclear fuel | - | - | - | - |
| Decommissioning | - | - | - | - |
| Total operating expenses | 7,304 | 2,237 | 24,506 | 3,241 |
| Operating income (loss) | (5) | (2) | (4) | - |
| Non operating revenues (expenses) | | | | |
| Investment and other income | 5 | 2 | 3 | - |
| Derivative gain (loss) | - | - | - | - |
| Debt expense | - | - | - | - |
| Net non operating revenues (expenses) | 5 | 2 | 3 | - |
| Change in net position | - | - | (1) | - |
| Net position - beginning of year | - | - | 1 | - |
| Net position - end of year | \$ - | \$ - | \$ - | \$ - |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | POWER PURCHASE AGREEMENTS | | | |
|---|---------------------------|--------------------|-------------------|--------------------------------------|
| | Ormat Geothermal | MWD Small Hydro | Pebble Springs | Ameresco Chiquita Landfill Gas |
| Operating revenues | | | | |
| Sales of electric energy | \$ 7,927 | \$ 3,292 | \$ 26,270 | \$ 2,675 |
| Sales of transmission services | - | - | - | - |
| Sales of natural gas | - | - | - | - |
| Total operating revenues | <u>7,927</u> | <u>3,292</u> | <u>26,270</u> | <u>2,675</u> |
| Operating expenses | | | | |
| Operations and maintenance | 7,932 | 3,293 | 26,280 | 2,675 |
| Depreciation, depletion and amortization | - | - | - | - |
| Amortization of nuclear fuel | - | - | - | - |
| Decommissioning | - | - | - | - |
| Total operating expenses | <u>7,932</u> | <u>3,293</u> | <u>26,280</u> | <u>2,675</u> |
| Operating income (loss) | <u>(5)</u> | <u>(1)</u> | <u>(10)</u> | <u>-</u> |
| Non operating revenues (expenses) | | | | |
| Investment and other income | 5 | 1 | 8 | - |
| Derivative gain (loss) | - | - | - | - |
| Debt expense | - | - | - | - |
| Net non operating revenues (expenses) | <u>5</u> | <u>1</u> | <u>8</u> | <u>-</u> |
| Change in net position | - | - | (2) | - |
| Net position - beginning of year | - | - | 3 | - |
| Net position - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1</u> | <u>\$ -</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | MISCELLANEOUS | | | | Total Combined |
|---|--------------------------|--------------------------------|------------------------------------|---------------------------|-------------------|
| | Multiple Project Fund | Project Development Fund | Projects' Stabilization Fund | SCPPA Building Fund | |
| Operating revenues | | | | | |
| Sales of electric energy | \$ - | \$ - | \$ - | \$ - | \$ 467,798 |
| Sales of transmission services | - | - | - | - | 119,322 |
| Sales of natural gas | - | - | - | 263 | 53,068 |
| Total operating revenues | - | - | - | 263 | 640,188 |
| Operating expenses | | | | | |
| Operations and maintenance | - | - | - | 263 | 385,999 |
| Depreciation, depletion and amortization | - | - | - | 113 | 94,334 |
| Amortization of nuclear fuel | - | - | - | - | 16,749 |
| Decommissioning | - | - | - | - | 6,755 |
| Total operating expenses | - | - | - | 376 | 503,837 |
| Operating income (loss) | - | - | - | (113) | 136,351 |
| Non operating revenues (expenses) | | | | | |
| Investment and other income | 4,724 | - | (1,457) | - | 14,464 |
| Derivative gain (loss) | - | - | - | - | 60,189 |
| Debt expense | (2,208) | - | - | - | (161,857) |
| Net non operating revenues (expenses) | 2,516 | - | (1,457) | - | (87,204) |
| Change in net position | 2,516 | - | (1,457) | (113) | 49,147 |
| Net position - beginning of year | (2,516) | - | 112,419 | 4,369 | (129,308) |
| Net contributions by participants | - | - | 16,621 | 8 | 16,629 |
| Net position - end of year | \$ - | \$ - | \$ 127,583 | \$ 4,264 | \$ (63,532) |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | MISCELLANEOUS | | | | Total Combined |
|---|--------------------------|--------------------------------|------------------------------------|---------------------------|---------------------|
| | Multiple Project Fund | Project Development Fund | Projects' Stabilization Fund | SCPPA Building Fund | |
| Operating revenues | | | | | |
| Sales of electric energy | \$ - | \$ - | \$ - | \$ - | \$ 480,661 |
| Sales of transmission services | - | - | - | - | 151,260 |
| Sales of natural gas | - | - | - | - | 51,069 |
| Total operating revenues | - | - | - | - | 682,990 |
| Operating expenses | | | | | |
| Operations and maintenance | - | - | - | - | 398,558 |
| Depreciation, depletion and amortization | - | - | - | 9 | 90,995 |
| Amortization of nuclear fuel | - | - | - | - | 16,272 |
| Decommissioning | - | - | - | - | 5,237 |
| Total operating expenses | - | - | - | 9 | 511,062 |
| Operating income (loss) | - | - | - | (9) | 171,928 |
| Non operating revenues (expenses) | | | | | |
| Investment and other income | 3,714 | - | 1,712 | - | 23,745 |
| Derivative gain (loss) | - | - | - | - | (42,743) |
| Debt expense | (5,057) | - | - | - | (167,130) |
| Net non operating revenues (expenses) | (1,343) | - | 1,712 | - | (186,128) |
| Change in net position | (1,343) | - | 1,712 | (9) | (14,200) |
| Net position - beginning of year | (1,173) | 2,358 | 100,756 | - | (127,079) |
| Transfers from (to) other funds | - | (2,358) | - | 2,358 | - |
| Net contributions by participants | - | - | 9,951 | 2,020 | 11,971 |
| Net position - end of year | <u>\$ (2,516)</u> | <u>\$ -</u> | <u>\$ 112,419</u> | <u>\$ 4,369</u> | <u>\$ (129,308)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | GENERATION | | | |
|---|------------------|------------------|------------------|------------------|
| | Palo Verde | San Juan | Magnolia Power | Canyon Power |
| Cash flows from operating activities | | | | |
| Receipts from participants | \$ 64,723 | \$ 96,475 | \$ 47,246 | \$ 14,427 |
| Receipts from sale of oil and gas | - | - | - | - |
| Payments to operating managers | (44,755) | (70,033) | (26,042) | (2,693) |
| Other disbursements and receipts | 7,634 | - | - | - |
| Net cash flows from operating activities | <u>27,602</u> | <u>26,442</u> | <u>21,204</u> | <u>11,734</u> |
| Cash flows from noncapital financing activities | | | | |
| Advances (withdrawals) by participants, net | - | - | - | - |
| Cash flows from capital financing activities | | | | |
| Additions to plant and prepaid projects, net | (21,835) | (16,931) | (1,687) | (1,216) |
| Debt interest and swap payments | (728) | (5,808) | (12,583) | (12,936) |
| Proceeds from sale of bonds | - | - | - | - |
| Payment for defeasance of revenue bonds | - | - | - | - |
| Transfer of funds from (to) escrow | - | - | - | - |
| Transfer of funds from (to) Mine Reclamation Trust Fund | - | (1,930) | - | - |
| Transfer of funds from (to) other projects | - | - | - | - |
| Principal payments on debt | (10,660) | (13,010) | (9,780) | - |
| Payment for bond issue costs | - | - | (1) | - |
| Net cash used for capital and related financing activities | <u>(33,223)</u> | <u>(37,679)</u> | <u>(24,051)</u> | <u>(14,152)</u> |
| Cash flows from investing activities | | | | |
| Interest received on investments | 270 | 1,214 | 795 | 285 |
| Purchases of investments | (31,895) | (20,215) | (75,006) | (39,122) |
| Proceeds from sale/maturity of investments | 32,580 | 28,780 | 69,246 | 33,599 |
| Net cash provided by (used for) investing activities | <u>955</u> | <u>9,779</u> | <u>(4,965)</u> | <u>(5,238)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(4,666)</u> | <u>(1,458)</u> | <u>(7,812)</u> | <u>(7,656)</u> |
| Cash and cash equivalents, beginning of year | <u>29,001</u> | <u>18,791</u> | <u>42,859</u> | <u>17,039</u> |
| Cash and cash equivalents, end of year | <u>\$ 24,335</u> | <u>\$ 17,333</u> | <u>\$ 35,047</u> | <u>\$ 9,383</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | |
| Operating income (loss) | \$ (868) | \$ 25,099 | \$ 7,923 | \$ 3,331 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | |
| Depreciation, depletion and amortization | 20,570 | 6,955 | 10,949 | 9,331 |
| Decommissioning | 2,429 | 4,326 | - | - |
| Advances for capacity and energy | - | - | - | - |
| Amortization of nuclear fuel | 16,749 | - | - | - |
| Changes in assets and liabilities | | | | |
| Accounts receivable | 427 | (107) | 60 | (934) |
| Accounts payable and accruals | (10,490) | (8,807) | (5,619) | 33 |
| Other | (1,215) | (1,024) | 7,891 | (27) |
| Net cash provided by operating activities | <u>\$ 27,602</u> | <u>\$ 26,442</u> | <u>\$ 21,204</u> | <u>\$ 11,734</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | | |
| Cash and cash equivalents - restricted | \$ 19,371 | \$ 5,878 | \$ 28,701 | \$ 8,757 |
| Cash and cash equivalents - unrestricted | 4,964 | 11,455 | 6,346 | 626 |
| | <u>\$ 24,335</u> | <u>\$ 17,333</u> | <u>\$ 35,047</u> | <u>\$ 9,383</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | GENERATION | | | |
|---|------------------|------------------|------------------|------------------|
| | Palo Verde | San Juan | Magnolia Power | Canyon Power |
| Cash flows from operating activities | | | | |
| Receipts from participants | \$ 86,398 | \$ 91,455 | \$ 51,183 | \$ 11,964 |
| Receipts from sale of oil and gas | - | - | - | - |
| Payments to operating managers | (40,979) | (60,281) | (29,375) | (1,667) |
| Other disbursements and receipts | 7,634 | - | - | - |
| Net cash flows from operating activities | <u>53,053</u> | <u>31,174</u> | <u>21,808</u> | <u>10,297</u> |
| Cash flows from noncapital financing activities | | | | |
| Advances (withdrawals) by participants, net | - | - | - | - |
| Cash flows from capital financing activities | | | | |
| Additions to plant and prepaid projects, net | (38,901) | (6,022) | (1,792) | (33,725) |
| Debt interest and swap payments | (611) | (6,472) | (14,195) | (12,769) |
| Proceeds from sale of bonds | - | - | 70,365 | - |
| Payment for defeasance of revenue bonds | (10,340) | - | - | - |
| Transfer of funds from (to) escrow | - | - | (67,183) | - |
| Principal payments on debt | - | (12,345) | (9,395) | - |
| Payment for bond issue costs | - | - | (652) | - |
| Net cash used for capital and related financing activities | <u>(49,852)</u> | <u>(24,839)</u> | <u>(22,852)</u> | <u>(46,494)</u> |
| Cash flows from investing activities | | | | |
| Interest received on investments | 298 | 1,293 | 1,235 | 628 |
| Purchases of investments | (42,891) | (25,625) | (83,690) | (63,667) |
| Proceeds from sale/maturity of investments | 52,955 | 25,364 | 104,407 | 74,657 |
| Net cash provided by (used for) investing activities | <u>10,362</u> | <u>1,032</u> | <u>21,952</u> | <u>11,618</u> |
| Net increase (decrease) in cash and cash equivalents | 13,563 | 7,367 | 20,908 | (24,579) |
| Cash and cash equivalents, beginning of year | 15,438 | 11,424 | 21,951 | 41,618 |
| Cash and cash equivalents, end of year | <u>\$ 29,001</u> | <u>\$ 18,791</u> | <u>\$ 42,859</u> | <u>\$ 17,039</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | |
| Operating income (loss) | \$ 6,168 | \$ 15,233 | \$ 13,213 | \$ 2,366 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | |
| Depreciation, depletion and amortization | 21,403 | 6,791 | 10,944 | 7,720 |
| Decommissioning | 3,694 | 1,543 | - | - |
| Advances for capacity and energy | - | - | - | - |
| Amortization of nuclear fuel | 16,272 | - | - | - |
| Changes in assets and liabilities | | | | |
| Accounts receivable | (186) | 70 | 40 | (135) |
| Accounts payable and accruals | 6,363 | 8,337 | (162) | 300 |
| Other | (661) | (800) | (2,227) | 46 |
| Net cash provided by operating activities | <u>\$ 53,053</u> | <u>\$ 31,174</u> | <u>\$ 21,808</u> | <u>\$ 10,297</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | | |
| Cash and cash equivalents - restricted | \$ 20,438 | \$ 11,175 | \$ 34,210 | \$ 16,419 |
| Cash and cash equivalents - unrestricted | 8,563 | 7,616 | 8,649 | 620 |
| | <u>\$ 29,001</u> | <u>\$ 18,791</u> | <u>\$ 42,859</u> | <u>\$ 17,039</u> |

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | GREEN POWER | | | | | |
|---|---------------------|----------------------|-------------------|--------------------|------------------------|-----------------------|
| | Hoover Upgrading | Tieton Hydropower | Milford I Wind | Milford II Wind | Windy Point Project | Linden Wind Energy |
| Cash flows from operating activities | | | | | | |
| Receipts from participants | \$ 2,532 | \$ 4,617 | \$ 34,361 | \$ 21,150 | \$ 84,524 | \$ 18,331 |
| Receipts from sale of oil and gas | - | - | - | - | - | - |
| Payments to operating managers | (334) | (1,418) | (15,203) | (9,412) | (39,985) | (8,567) |
| Other disbursements and receipts | - | 111 | - | - | - | - |
| Net cash flows from operating activities | <u>2,198</u> | <u>3,310</u> | <u>19,158</u> | <u>11,738</u> | <u>44,539</u> | <u>9,764</u> |
| Cash flows from noncapital financing activities | | | | | | |
| Advances (withdrawals) by participants, net | - | - | - | - | - | - |
| Cash flows from capital financing activities | | | | | | |
| Additions to plant and prepaid projects, net | - | - | - | - | - | - |
| Debt interest and swap payments | (537) | (2,575) | (10,876) | (7,839) | (23,489) | (5,935) |
| Proceeds from sale of bonds | - | - | - | - | - | - |
| Payment for defeasance of revenue bonds | - | - | - | - | - | - |
| Transfer of funds from (to) escrow | - | - | - | - | - | - |
| Transfer of funds from (to) Mine Reclamation Trust Fund | - | - | - | - | - | - |
| Transfer of funds from (to) other projects | - | - | - | - | - | - |
| Principal payments on debt | (1,670) | (775) | (7,860) | (4,235) | (17,240) | (3,360) |
| Payment for bond issue costs | - | - | - | - | - | - |
| Net cash used for capital and related financing activities | <u>(2,207)</u> | <u>(3,350)</u> | <u>(18,736)</u> | <u>(12,074)</u> | <u>(40,729)</u> | <u>(9,295)</u> |
| Cash flows from investing activities | | | | | | |
| Interest received on investments | 27 | 70 | 371 | 53 | 174 | 39 |
| Purchases of investments | (2,995) | (5,495) | (45,399) | (15,231) | (33,823) | (10,800) |
| Proceeds from sale/maturity of investments | 3,560 | 5,007 | 36,419 | 5,140 | 18,762 | 4,165 |
| Net cash provided by (used for) investing activities | <u>592</u> | <u>(418)</u> | <u>(8,609)</u> | <u>(10,038)</u> | <u>(14,887)</u> | <u>(6,596)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>583</u> | <u>(458)</u> | <u>(8,187)</u> | <u>(10,374)</u> | <u>(11,077)</u> | <u>(6,127)</u> |
| Cash and cash equivalents, beginning of year | <u>298</u> | <u>3,187</u> | <u>20,226</u> | <u>17,120</u> | <u>28,446</u> | <u>11,397</u> |
| Cash and cash equivalents, end of year | <u>\$ 881</u> | <u>\$ 2,729</u> | <u>\$ 12,039</u> | <u>\$ 6,746</u> | <u>\$ 17,369</u> | <u>\$ 5,270</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | | | |
| Operating income (loss) | \$ (950) | \$ 1,702 | \$ 7,150 | \$ 4,158 | \$ 8,455 | \$ 3,477 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | | | |
| Depreciation, depletion and amortization | - | 1,465 | 11,338 | 8,643 | 31,635 | 5,814 |
| Decommissioning | - | - | - | - | - | - |
| Advances for capacity and energy | 3,202 | - | - | - | - | - |
| Amortization of nuclear fuel | - | - | - | - | - | - |
| Changes in assets and liabilities | | | | | | |
| Accounts receivable | (38) | - | - | 781 | 1,328 | - |
| Accounts payable and accruals | (16) | (62) | 670 | (1,844) | 2,340 | 473 |
| Other | - | 205 | - | - | 781 | - |
| Net cash provided by operating activities | <u>\$ 2,198</u> | <u>\$ 3,310</u> | <u>\$ 19,158</u> | <u>\$ 11,738</u> | <u>\$ 44,539</u> | <u>\$ 9,764</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | | | | |
| Cash and cash equivalents - restricted | \$ 742 | \$ 2,111 | \$ 5,316 | \$ 4,369 | \$ 10,381 | \$ 3,363 |
| Cash and cash equivalents - unrestricted | 139 | 618 | 6,723 | 2,377 | 6,988 | 1,907 |
| | <u>\$ 881</u> | <u>\$ 2,729</u> | <u>\$ 12,039</u> | <u>\$ 6,746</u> | <u>\$ 17,369</u> | <u>\$ 5,270</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | GREEN POWER | | | | | |
|---|--------------------|----------------------|-------------------|--------------------|------------------------|-----------------------|
| | Hoover Uprating | Tieton Hydropower | Milford I Wind | Milford II Wind | Windy Point Project | Linden Wind Energy |
| Cash flows from operating activities | | | | | | |
| Receipts from participants | \$ 2,467 | \$ 3,423 | \$ 34,570 | \$ 26,611 | \$ 69,584 | \$ 15,597 |
| Receipts from sale of oil and gas | - | - | - | - | - | - |
| Payments to operating managers | (282) | (1,458) | (15,315) | (10,188) | (41,185) | (9,355) |
| Other disbursements and receipts | - | - | - | 50 | - | - |
| Net cash flows from operating activities | <u>2,185</u> | <u>1,965</u> | <u>19,255</u> | <u>16,473</u> | <u>28,399</u> | <u>6,242</u> |
| Cash flows from noncapital financing activities | | | | | | |
| Advances (withdrawals) by participants, net | - | - | - | - | - | - |
| Cash flows from capital financing activities | | | | | | |
| Additions to plant and prepaid projects, net | - | (13) | - | (174,035) | - | - |
| Debt interest and swap payments | (614) | (2,590) | (11,146) | (2,759) | (23,941) | (5,959) |
| Proceeds from sale of bonds | - | - | - | 178,658 | - | - |
| Payment for defeasance of revenue bonds | - | - | - | - | - | - |
| Transfer of funds from (to) escrow | - | - | - | - | - | - |
| Principal payments on debt | (1,600) | (680) | (7,595) | - | (13,760) | (2,510) |
| Payment for bond issue costs | - | - | - | (1,380) | - | - |
| Net cash used for capital and related financing activities | <u>(2,214)</u> | <u>(3,283)</u> | <u>(18,741)</u> | <u>484</u> | <u>(37,701)</u> | <u>(8,469)</u> |
| Cash flows from investing activities | | | | | | |
| Interest received on investments | 38 | 119 | 457 | 30 | 217 | 52 |
| Purchases of investments | (3,539) | (10,711) | (40,088) | (5,809) | (33,912) | (8,146) |
| Proceeds from sale/maturity of investments | 3,059 | 13,009 | 47,893 | 2,600 | 43,851 | 13,457 |
| Net cash provided by (used for) investing activities | <u>(442)</u> | <u>2,417</u> | <u>8,262</u> | <u>(3,179)</u> | <u>10,156</u> | <u>5,363</u> |
| Net increase (decrease) in cash and cash equivalents | (471) | 1,099 | 8,776 | 13,778 | 854 | 3,136 |
| Cash and cash equivalents, beginning of year | <u>769</u> | <u>2,088</u> | <u>11,450</u> | <u>3,342</u> | <u>27,592</u> | <u>8,261</u> |
| Cash and cash equivalents, end of year | <u>\$ 298</u> | <u>\$ 3,187</u> | <u>\$ 20,226</u> | <u>\$ 17,120</u> | <u>\$ 28,446</u> | <u>\$ 11,397</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | | | |
| Operating income (loss) | \$(1,044) | \$ 1,792 | \$ 7,060 | \$ 3,584 | \$ 9,158 | \$ 3,413 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | | | |
| Depreciation, depletion and amortization | - | 1,464 | 11,338 | 7,365 | 31,635 | 5,814 |
| Decommissioning | - | - | - | - | - | - |
| Advances for capacity and energy | 3,191 | - | - | - | - | - |
| Amortization of nuclear fuel | - | - | - | - | - | - |
| Changes in assets and liabilities | | | | | | |
| Accounts receivable | 18 | - | - | (731) | (11,261) | - |
| Accounts payable and accruals | 20 | (1,136) | 857 | 6,308 | (1,328) | (2,985) |
| Other | - | (155) | - | (53) | 195 | - |
| Net cash provided by operating activities | <u>\$ 2,185</u> | <u>\$ 1,965</u> | <u>\$ 19,255</u> | <u>\$ 16,473</u> | <u>\$ 28,399</u> | <u>\$ 6,242</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | | | | |
| Cash and cash equivalents - restricted | \$ 189 | \$ 2,592 | \$ 12,669 | \$ 8,206 | \$ 25,151 | \$ 7,726 |
| Cash and cash equivalents - unrestricted | 109 | 595 | 7,557 | 8,914 | 3,295 | 3,671 |
| | <u>\$ 298</u> | <u>\$ 3,187</u> | <u>\$ 20,226</u> | <u>\$ 17,120</u> | <u>\$ 28,446</u> | <u>\$ 11,397</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | TRANSMISSION | | |
|---|------------------------------------|-----------------|-----------------|
| | Southern Transmission System | Mead- Phoenix | Mead- Adelanto |
| Cash flows from operating activities | | | |
| Receipts from participants | \$ 104,559 | \$ 3,000 | \$ 8,140 |
| Receipts from sale of oil and gas | - | - | - |
| Payments to operating managers | (20,589) | (1,358) | (2,114) |
| Other disbursements and receipts | - | - | - |
| Net cash flows from operating activities | <u>83,970</u> | <u>1,642</u> | <u>6,026</u> |
| Cash flows from noncapital financing activities | | | |
| Advances (withdrawals) by participants, net | - | - | - |
| Cash flows from capital financing activities | | | |
| Additions to plant and prepaid projects, net | (2,026) | (10) | - |
| Debt interest and swap payments | (30,647) | (6,966) | (23,368) |
| Proceeds from sale of bonds | 96,414 | 33,965 | 112,651 |
| Payment for defeasance of revenue bonds | (96,511) | (29,947) | (99,574) |
| Transfer of funds from (to) escrow | (56,970) | - | - |
| Transfer of funds from (to) Mine Reclamation Trust Fund | - | - | - |
| Transfer of funds from (to) other projects | - | 510 | 285 |
| Principal payments on debt | - | (5,530) | (15,230) |
| Payment for bond issue costs | (301) | (321) | (669) |
| Net cash used for capital and related financing activities | <u>(90,041)</u> | <u>(8,299)</u> | <u>(25,905)</u> |
| Cash flows from investing activities | | | |
| Interest received on investments | 854 | 427 | 1,722 |
| Purchases of investments | (78,552) | (985) | (3,830) |
| Proceeds from sale/maturity of investments | 67,770 | 4,399 | 14,636 |
| Net cash provided by (used for) investing activities | <u>(9,928)</u> | <u>3,841</u> | <u>12,528</u> |
| Net increase (decrease) in cash and cash equivalents | (15,999) | (2,816) | (7,351) |
| Cash and cash equivalents, beginning of year | 52,386 | 4,475 | 11,817 |
| Cash and cash equivalents, end of year | <u>\$ 36,387</u> | <u>\$ 1,659</u> | <u>\$ 4,466</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | |
| Operating income (loss) | \$ 59,714 | \$ 493 | \$ 1,746 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Depreciation, depletion and amortization | 22,750 | 1,523 | 4,522 |
| Decommissioning | - | - | - |
| Advances for capacity and energy | - | - | - |
| Amortization of nuclear fuel | - | - | - |
| Changes in assets and liabilities | | | |
| Accounts receivable | 4,924 | (138) | (96) |
| Accounts payable and accruals | (3,418) | (227) | (146) |
| Other | - | (9) | - |
| Net cash provided by operating activities | <u>\$ 83,970</u> | <u>\$ 1,642</u> | <u>\$ 6,026</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | |
| Cash and cash equivalents - restricted | \$ 32,744 | \$ 1,469 | \$ 4,425 |
| Cash and cash equivalents - unrestricted | 3,643 | 190 | 41 |
| | <u>\$ 36,387</u> | <u>\$ 1,659</u> | <u>\$ 4,466</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | TRANSMISSION | | |
|---|------------------------------------|-----------------|------------------|
| | Southern Transmission System | Mead- Phoenix | Mead- Adelanto |
| Cash flows from operating activities | | | |
| Receipts from participants | \$ 116,365 | \$ 8,999 | \$ 23,682 |
| Receipts from sale of oil and gas | - | - | - |
| Payments to operating managers | (26,117) | (1,246) | (1,927) |
| Other disbursements and receipts | - | - | 5 |
| Net cash flows from operating activities | <u>90,248</u> | <u>7,753</u> | <u>21,760</u> |
| Cash flows from noncapital financing activities | | | |
| Advances (withdrawals) by participants, net | - | - | - |
| Cash flows from capital financing activities | | | |
| Additions to plant and prepaid projects, net | (1,864) | 47 | (303) |
| Debt interest and swap payments | (38,266) | (2,770) | (8,767) |
| Proceeds from sale of bonds | 47,372 | - | - |
| Payment for defeasance of revenue bonds | - | - | - |
| Transfer of funds from (to) escrow | (48,564) | - | - |
| Principal payments on debt | (27,995) | (5,190) | (14,305) |
| Payment for bond issue costs | (480) | - | - |
| Net cash used for capital and related financing activities | <u>(69,797)</u> | <u>(7,913)</u> | <u>(23,375)</u> |
| Cash flows from investing activities | | | |
| Interest received on investments | 1,112 | 457 | 1,785 |
| Purchases of investments | (62,475) | (6,340) | (21,018) |
| Proceeds from sale/maturity of investments | 68,134 | 7,339 | 26,782 |
| Net cash provided by (used for) investing activities | <u>6,771</u> | <u>1,456</u> | <u>7,549</u> |
| Net increase (decrease) in cash and cash equivalents | 27,222 | 1,296 | 5,934 |
| Cash and cash equivalents, beginning of year | <u>25,164</u> | <u>3,179</u> | <u>5,883</u> |
| Cash and cash equivalents, end of year | <u>\$ 52,386</u> | <u>\$ 4,475</u> | <u>\$ 11,817</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | |
| Operating income (loss) | \$ 72,427 | \$ 6,130 | \$ 17,552 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Depreciation, depletion and amortization | 22,747 | 1,516 | 4,514 |
| Decommissioning | - | - | - |
| Advances for capacity and energy | - | - | - |
| Amortization of nuclear fuel | - | - | - |
| Changes in assets and liabilities | | | |
| Accounts receivable | (2,209) | - | - |
| Accounts payable and accruals | (2,724) | 148 | (306) |
| Other | 7 | (41) | - |
| Net cash provided by operating activities | <u>\$ 90,248</u> | <u>\$ 7,753</u> | <u>\$ 21,760</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | |
| Cash and cash equivalents - restricted | \$ 51,146 | \$ 4,215 | \$ 11,153 |
| Cash and cash equivalents - unrestricted | 1,240 | 260 | 664 |
| | <u>\$ 52,386</u> | <u>\$ 4,475</u> | <u>\$ 11,817</u> |

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | NATURAL GAS | | |
|---|------------------|------------------|---------------------|
| | Pinedale | Barnett | Prepaid Natural Gas |
| Cash flows from operating activities | | | |
| Receipts from participants | \$ 4,868 | \$ 10,364 | \$ 5,091 |
| Receipts from sale of oil and gas | 3,491 | 6,318 | - |
| Payments to operating managers | (4,053) | (6,007) | (824) |
| Other disbursements and receipts | - | 1 | 13,200 |
| Net cash flows from operating activities | <u>4,306</u> | <u>10,676</u> | <u>17,467</u> |
| Cash flows from noncapital financing activities | | | |
| Advances (withdrawals) by participants, net | <u>(15,673)</u> | <u>382</u> | <u>-</u> |
| Cash flows from capital financing activities | | | |
| Additions to plant and prepaid projects, net | (1,731) | (5,907) | - |
| Debt interest and swap payments | (1,639) | (3,857) | (16,278) |
| Proceeds from sale of bonds | - | - | - |
| Payment for defeasance of revenue bonds | - | - | - |
| Transfer of funds from (to) escrow | - | - | - |
| Transfer of funds from (to) Mine Reclamation Trust Fund | - | - | - |
| Transfer of funds from (to) other projects | - | - | - |
| Principal payments on debt | (2,549) | (6,016) | (4,805) |
| Payment for bond issue costs | - | - | - |
| Net cash used for capital and related financing activities | <u>(5,919)</u> | <u>(15,780)</u> | <u>(21,083)</u> |
| Cash flows from investing activities | | | |
| Interest received on investments | 10 | 244 | 759 |
| Purchases of investments | (1,298) | (59,609) | (20,195) |
| Proceeds from sale/maturity of investments | 699 | 46,749 | 22,522 |
| Net cash provided by (used for) investing activities | <u>(589)</u> | <u>(12,616)</u> | <u>3,086</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(17,875)</u> | <u>(17,338)</u> | <u>(530)</u> |
| Cash and cash equivalents, beginning of year | <u>33,358</u> | <u>25,801</u> | <u>6,480</u> |
| Cash and cash equivalents, end of year | <u>\$ 15,483</u> | <u>\$ 8,463</u> | <u>\$ 5,950</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | |
| Operating income (loss) | \$ 647 | \$ 6,664 | \$ 7,734 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Depreciation, depletion and amortization | 5,877 | 4,465 | - |
| Decommissioning | - | - | - |
| Advances for capacity and energy | - | - | - |
| Amortization of nuclear fuel | - | - | - |
| Changes in assets and liabilities | | | |
| Accounts receivable | (199) | (289) | 399 |
| Accounts payable and accruals | 479 | 661 | (2,748) |
| Other | (2,498) | (825) | 12,082 |
| Net cash provided by operating activities | <u>\$ 4,306</u> | <u>\$ 10,676</u> | <u>\$ 17,467</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | |
| Cash and cash equivalents - restricted | \$ 7,014 | \$ 1,111 | \$ 5,711 |
| Cash and cash equivalents - unrestricted | <u>8,469</u> | <u>7,352</u> | <u>239</u> |
| | <u>\$ 15,483</u> | <u>\$ 8,463</u> | <u>\$ 5,950</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | NATURAL GAS | | |
|---|------------------|------------------|---------------------|
| | Pinedale | Barnett | Prepaid Natural Gas |
| Cash flows from operating activities | | | |
| Receipts from participants | \$ 5,455 | \$ 11,025 | \$ 8,355 |
| Receipts from sale of oil and gas | 3,513 | 4,962 | - |
| Payments to operating managers | (4,346) | (6,987) | (371) |
| Other disbursements and receipts | - | - | 14,136 |
| Net cash flows from operating activities | <u>4,622</u> | <u>9,000</u> | <u>22,120</u> |
| Cash flows from noncapital financing activities | | | |
| Advances (withdrawals) by participants, net | <u>19,034</u> | <u>232</u> | <u>-</u> |
| Cash flows from capital financing activities | | | |
| Additions to plant and prepaid projects, net | (13,269) | (2,422) | - |
| Debt interest and swap payments | (1,756) | (4,132) | (16,530) |
| Proceeds from sale of bonds | - | - | - |
| Payment for defeasance of revenue bonds | - | - | - |
| Transfer of funds from (to) escrow | - | - | - |
| Principal payments on debt | (3,368) | (7,972) | (5,295) |
| Payment for bond issue costs | - | - | - |
| Net cash used for capital and related financing activities | <u>(18,393)</u> | <u>(14,526)</u> | <u>(21,825)</u> |
| Cash flows from investing activities | | | |
| Interest received on investments | 67 | 327 | 800 |
| Purchases of investments | (5,624) | (47,072) | (20,746) |
| Proceeds from sale/maturity of investments | 18,792 | 71,225 | 20,841 |
| Net cash provided by (used for) investing activities | <u>13,235</u> | <u>24,480</u> | <u>895</u> |
| Net increase (decrease) in cash and cash equivalents | 18,498 | 19,186 | 1,190 |
| Cash and cash equivalents, beginning of year | <u>14,860</u> | <u>6,615</u> | <u>5,290</u> |
| Cash and cash equivalents, end of year | <u>\$ 33,358</u> | <u>\$ 25,801</u> | <u>\$ 6,480</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | |
| Operating income (loss) | \$ 723 | \$ 7,102 | \$ 7,076 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Depreciation, depletion and amortization | 5,598 | 2,475 | - |
| Decommissioning | - | - | - |
| Advances for capacity and energy | - | - | - |
| Amortization of nuclear fuel | - | - | - |
| Changes in assets and liabilities | | | |
| Accounts receivable | 322 | 25 | 118 |
| Accounts payable and accruals | 399 | (74) | 1,342 |
| Other | (2,420) | (528) | 13,584 |
| Net cash provided by operating activities | <u>\$ 4,622</u> | <u>\$ 9,000</u> | <u>\$ 22,120</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | |
| Cash and cash equivalents - restricted | \$ 22,496 | \$ 21,024 | \$ 6,430 |
| Cash and cash equivalents - unrestricted | <u>10,862</u> | <u>4,777</u> | <u>50</u> |
| | <u>\$ 33,358</u> | <u>\$ 25,801</u> | <u>\$ 6,480</u> |

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | POWER PURCHASE AGREEMENTS | | | |
|---|---------------------------|--------------------|-------------------|--------------------------|
| | Ormat | | | Ameresco |
| | Geothermal Energy | MWD Small Hydro | Pebble Springs | Chiquita Landfill Gas |
| Cash flows from operating activities | | | | |
| Receipts from participants | \$ 10,334 | \$ 3,528 | \$ 27,254 | \$ 4,359 |
| Receipts from sale of oil and gas | - | - | - | - |
| Payments to operating managers | (9,006) | (2,483) | (24,863) | (5,809) |
| Other disbursements and receipts | - | - | - | - |
| Net cash flows from operating activities | <u>1,328</u> | <u>1,045</u> | <u>2,391</u> | <u>(1,450)</u> |
| Cash flows from noncapital financing activities | | | | |
| Advances (withdrawals) by participants, net | - | - | - | - |
| Cash flows from capital financing activities | | | | |
| Additions to plant and prepaid projects, net | - | - | - | - |
| Debt interest and swap payments | - | - | - | - |
| Proceeds from sale of bonds | - | - | - | - |
| Payment for defeasance of revenue bonds | - | - | - | - |
| Transfer of funds from (to) escrow | - | - | - | - |
| Transfer of funds from (to) Mine Reclamation Trust Fund | - | - | - | - |
| Transfer of funds from (to) other projects | - | - | - | - |
| Principal payments on debt | - | - | - | - |
| Payment for bond issue costs | - | - | - | - |
| Net cash used for capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash flows from investing activities | | | | |
| Interest received on investments | 6 | 2 | 3 | - |
| Purchases of investments | - | - | - | - |
| Proceeds from sale/maturity of investments | - | - | - | - |
| Net cash provided by (used for) investing activities | <u>6</u> | <u>2</u> | <u>3</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 1,334 | 1,047 | 2,394 | (1,450) |
| Cash and cash equivalents, beginning of year | 4,052 | 946 | 5,319 | 3,734 |
| Cash and cash equivalents, end of year | <u>\$ 5,386</u> | <u>\$ 1,993</u> | <u>\$ 7,713</u> | <u>\$ 2,284</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | |
| Operating income (loss) | \$ (5) | \$ (2) | \$ (4) | \$ - |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | |
| Depreciation, depletion and amortization | - | - | - | - |
| Decommissioning | - | - | - | - |
| Advances for capacity and energy | - | - | - | - |
| Amortization of nuclear fuel | - | - | - | - |
| Changes in assets and liabilities | | | | |
| Accounts receivable | - | - | - | - |
| Accounts payable and accruals | 1,340 | 1,057 | 2,395 | (1,258) |
| Other | (7) | (10) | - | (192) |
| Net cash provided by operating activities | <u>\$ 1,328</u> | <u>\$ 1,045</u> | <u>\$ 2,391</u> | <u>\$ (1,450)</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | | |
| Cash and cash equivalents - restricted | \$ - | \$ - | \$ - | \$ - |
| Cash and cash equivalents - unrestricted | 5,386 | 1,993 | 7,713 | 2,284 |
| | <u>\$ 5,386</u> | <u>\$ 1,993</u> | <u>\$ 7,713</u> | <u>\$ 2,284</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | POWER PURCHASE AGREEMENTS | | | |
|---|-------------------------------|--------------------|-------------------|--------------------------------------|
| | Ormat Geothermal Energy | MWD Small Hydro | Pebble Springs | Ameresco Chiquita Landfill Gas |
| Cash flows from operating activities | | | | |
| Receipts from participants | \$ 7,383 | \$ 3,414 | \$ 23,643 | \$ 4,347 |
| Receipts from sale of oil and gas | - | - | - | - |
| Payments to operating managers | (7,987) | (3,826) | (26,638) | (2,732) |
| Other disbursements and receipts | - | - | - | - |
| Net cash flows from operating activities | <u>(604)</u> | <u>(412)</u> | <u>(2,995)</u> | <u>1,615</u> |
| Cash flows from noncapital financing activities | | | | |
| Advances (withdrawals) by participants, net | - | - | - | - |
| Cash flows from capital financing activities | | | | |
| Additions to plant and prepaid projects, net | - | - | - | - |
| Debt interest and swap payments | - | - | - | - |
| Proceeds from sale of bonds | - | - | - | - |
| Payment for defeasance of revenue bonds | - | - | - | - |
| Transfer of funds from (to) escrow | - | - | - | - |
| Principal payments on debt | - | - | - | - |
| Payment for bond issue costs | - | - | - | - |
| Net cash used for capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash flows from investing activities | | | | |
| Interest received on investments | 5 | - | 9 | - |
| Purchases of investments | - | - | (1,499) | - |
| Proceeds from sale/maturity of investments | - | - | 1,499 | - |
| Net cash provided by (used for) investing activities | <u>5</u> | <u>-</u> | <u>9</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (599) | (412) | (2,986) | 1,615 |
| Cash and cash equivalents, beginning of year | 4,651 | 1,358 | 8,305 | 2,119 |
| Cash and cash equivalents, end of year | <u>\$ 4,052</u> | <u>\$ 946</u> | <u>\$ 5,319</u> | <u>\$ 3,734</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | |
| Operating income (loss) | \$ (5) | \$ (1) | \$ (10) | \$ - |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | |
| Depreciation, depletion and amortization | - | - | - | - |
| Decommissioning | - | - | - | - |
| Advances for capacity and energy | - | - | - | - |
| Amortization of nuclear fuel | - | - | - | - |
| Changes in assets and liabilities | | | | |
| Accounts receivable | - | - | 2 | - |
| Accounts payable and accruals | (597) | (407) | (2,987) | 1,615 |
| Other | (2) | (4) | - | - |
| Net cash provided by operating activities | <u>\$ (604)</u> | <u>\$ (412)</u> | <u>\$ (2,995)</u> | <u>\$ 1,615</u> |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | | |
| Cash and cash equivalents - restricted | \$ - | \$ - | \$ - | \$ - |
| Cash and cash equivalents - unrestricted | 4,052 | 946 | 5,319 | 3,734 |
| | <u>\$ 4,052</u> | <u>\$ 946</u> | <u>\$ 5,319</u> | <u>\$ 3,734</u> |

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | MISCELLANEOUS | | | | Total Combined |
|---|-----------------------------|--------------------------------|------------------------------------|---------------------------|-------------------|
| | Multiple Project Fund | Project Development Fund | Projects' Stabilization Fund | SCPPA Building Fund | |
| Cash flows from operating activities | | | | | |
| Receipts from participants | \$ - | \$ - | \$ - | \$ - | \$ 569,883 |
| Receipts from sale of oil and gas | - | - | - | - | 9,809 |
| Payments to operating managers | - | - | - | - | (295,548) |
| Other disbursements and receipts | - | - | - | - | 20,946 |
| Net cash flows from operating activities | - | - | - | - | 305,090 |
| Cash flows from noncapital financing activities | | | | | |
| Advances (withdrawals) by participants, net | - | 130 | 16,621 | - | 1,460 |
| Cash flows from capital financing activities | | | | | |
| Additions to plant and prepaid projects, net | - | - | - | (185) | (51,528) |
| Debt interest and swap payments | (1,367) | - | - | - | (167,428) |
| Proceeds from sale of bonds | - | - | - | - | 243,030 |
| Payment for defeasance of revenue bonds | - | - | - | - | (226,032) |
| Transfer of funds from (to) escrow | - | - | - | - | (56,970) |
| Transfer of funds from (to) Mine Reclamation Trust Fund | - | - | - | - | (1,930) |
| Transfer of funds from (to) other projects | (795) | - | - | - | - |
| Principal payments on debt | (12,900) | - | - | - | (115,620) |
| Payment for bond issue costs | - | - | - | - | (1,292) |
| Net cash used for capital and related financing activities | (15,062) | - | - | (185) | (377,770) |
| Cash flows from investing activities | | | | | |
| Interest received on investments | 3,283 | - | 1,124 | - | 11,732 |
| Purchases of investments | (16,974) | - | (118,920) | - | (580,344) |
| Proceeds from sale/maturity of investments | 28,753 | - | 99,460 | - | 522,246 |
| Net cash provided by (used for) investing activities | 15,062 | - | (18,336) | - | (46,366) |
| Net increase (decrease) in cash and cash equivalents | - | 130 | (1,715) | (185) | (117,586) |
| Cash and cash equivalents, beginning of year | - | 24 | 11,528 | 231 | 348,515 |
| Cash and cash equivalents, end of year | \$ - | \$ 154 | \$ 9,813 | \$ 46 | \$ 230,929 |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | | |
| Operating income (loss) | \$ - | \$ - | \$ - | \$ (113) | \$ 136,351 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | | |
| Depreciation, depletion and amortization | - | - | - | 113 | 145,950 |
| Decommissioning | - | - | - | - | 6,755 |
| Advances for capacity and energy | - | - | - | - | 3,202 |
| Amortization of nuclear fuel | - | - | - | - | 16,749 |
| Changes in assets and liabilities | | | | | |
| Accounts receivable | - | - | - | - | 6,118 |
| Accounts payable and accruals | - | - | - | - | (25,187) |
| Other | - | - | - | - | 15,152 |
| Net cash provided by operating activities | \$ - | \$ - | \$ - | \$ - | \$ 305,090 |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | | | |
| Cash and cash equivalents - restricted | \$ - | \$ 154 | \$ 9,813 | \$ 46 | \$ 151,476 |
| Cash and cash equivalents - unrestricted | - | - | - | - | 79,453 |
| | \$ - | \$ 154 | \$ 9,813 | \$ 46 | \$ 230,929 |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(AMOUNTS IN THOUSANDS)

| | MISCELLANEOUS | | | | Total Combined |
|---|-----------------------------|--------------------------------|------------------------------------|---------------------------|-------------------|
| | Multiple Project Fund | Project Development Fund | Projects' Stabilization Fund | SCPPA Building Fund | |
| Cash flows from operating activities | | | | | |
| Receipts from participants | \$ - | \$ - | \$ - | \$ - | \$ 605,920 |
| Receipts from sale of oil and gas | - | - | - | - | 8,475 |
| Payments to operating managers | - | - | - | - | (292,262) |
| Other disbursements and receipts | - | - | - | - | 21,825 |
| Net cash flows from operating activities | - | - | - | - | 343,958 |
| Cash flows from noncapital financing activities | | | | | |
| Advances (withdrawals) by participants, net | - | (1,207) | 9,951 | 2,020 | 30,030 |
| Cash flows from capital financing activities | | | | | |
| Additions to plant and prepaid projects, net | - | - | - | (1,789) | (274,088) |
| Debt interest and swap payments | (2,210) | - | - | - | (155,487) |
| Proceeds from sale of bonds | - | - | - | - | 296,395 |
| Payment for defeasance of revenue bonds | - | - | - | - | (10,340) |
| Transfer of funds from (to) escrow | - | - | - | - | (115,747) |
| Principal payments on debt | (12,100) | - | - | - | (124,110) |
| Payment for bond issue costs | - | - | - | - | (2,512) |
| Net cash used for capital and related financing activities | (14,310) | - | - | (1,789) | (385,889) |
| Cash flows from investing activities | | | | | |
| Interest received on investments | 4,088 | - | 1,752 | - | 14,769 |
| Purchases of investments | (938) | - | (167,515) | - | (651,305) |
| Proceeds from sale/maturity of investments | 11,160 | - | 156,385 | - | 763,409 |
| Net cash provided by (used for) investing activities | 14,310 | - | (9,378) | - | 126,873 |
| Net increase (decrease) in cash and cash equivalents | - | (1,207) | 573 | 231 | 114,972 |
| Cash and cash equivalents, beginning of year | - | 1,231 | 10,955 | - | 233,543 |
| Cash and cash equivalents, end of year | \$ - | \$ 24 | \$ 11,528 | \$ 231 | \$ 348,515 |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | | |
| Operating income (loss) | \$ - | \$ - | \$ - | \$ (9) | \$ 171,928 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | | |
| Depreciation, depletion and amortization | - | - | - | 9 | 141,333 |
| Decommissioning | - | - | - | - | 5,237 |
| Advances for capacity and energy | - | - | - | - | 3,191 |
| Amortization of nuclear fuel | - | - | - | - | 16,272 |
| Changes in assets and liabilities | | | | | |
| Accounts receivable | - | - | - | - | (13,927) |
| Accounts payable and accruals | - | - | - | - | 12,983 |
| Other | - | - | - | - | 6,941 |
| Net cash provided by operating activities | \$ - | \$ - | \$ - | \$ - | \$ 343,958 |
| Cash and cash equivalents as stated in the Combined Statements of Net Position | | | | | |
| Cash and cash equivalents - restricted | \$ - | \$ 24 | \$ 11,528 | \$ 231 | \$ 267,022 |
| Cash and cash equivalents - unrestricted | - | - | - | - | 81,493 |
| | \$ - | \$ 24 | \$ 11,528 | \$ 231 | \$ 348,515 |

See accompanying notes.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

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 municipal electric utilities and one irrigation district in the State of California. The Authority was formed for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation, transmission, and procurement of electric energy and natural gas for sale to its participants. The Joint Powers Agreement has a term expiring in 2030 or such later date as all bonds and notes of the Authority and the interest thereon have been paid in full or adequate provision for payments has been made.

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 MW nuclear-fueled generating station near Phoenix, Arizona, a 5.44% ownership interest in the Arizona Nuclear Power Project High Voltage Switchyard (ANPP HVS), 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.

Since inception of the ANPP HVS capital additions, new terminations, and other events have successively changed the respective ownership interests in the ANPP HVS. In FYE 2011, the PVNGS fourth transformer became the 14th termination in the ANPP HVS, and caused the Authority's proportional ownership percentage to change from 5.56% to 5.44%. This change became effective on April 1, 2011.

Units 1, 2, and 3 each operated under a 40-year Full-Power Operating License from the Nuclear Regulatory Commission (NRC), expiring in 2025, 2026, and 2027, respectively. In April 2011, after a detailed, two-year process, the NRC approved the application to extend the operating licenses for all three units for an additional 20 years, allowing Unit 1 to operate through 2045, Unit 2 through 2046, and Unit 3 through 2047. The impact of these extensions is currently under study by the Palo Verde participants. (See Note 11)

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

Magnolia Power Project – The Magnolia Power Project (MAG) consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 MW and was built on a site in 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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

The City of Burbank, a Project participant, managed its construction and also serves as the operating agent for the Project. Commercial operations began on 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 the contract term runs to February 1, 2013, and continues for three additional years thereafter unless canceled by the customer prior to February 1. SoGas provides transportation, storage, and balancing services of natural gas from the Southern California Border to the Magnolia Plant.
- **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.

Canyon Power Project – The Canyon Power Project (the Project) consists of a simple cycle natural gas-fired power generating plant, comprised of four combustion turbines with a combined nominally rated net base capacity of 200 MW, and auxiliary facilities, located in an industrial area of the city of Anaheim, California (Anaheim). The Project is owned by the Authority and constructed, operated, and maintained by Anaheim. The Project achieved full commercial operation in September 2011.

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 Hoover Upgrading 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 agreement expires on September 30, 2017.

On December 20, 2011, the Hoover Power Allocation Act, which extends the availability of Hoover Power to the existing contractors for an additional fifty years and creates a pool for new entrants, was signed into law. The participants will enter into new agreements with the federal government for the capacity and energy, effective from October 1, 2017 through September 30, 2067. Whether the Authority will play a role in the project after 2017 cannot be determined at this time.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

Tieton Hydropower Project – On November 30, 2009, the Authority acquired the Tieton Hydropower Plant pursuant to an Asset Purchase Agreement, dated as of October 19, 2009. The Tieton Hydropower Project (the Project) consists of a 13.6 MW nameplate capacity “run-of-the-reservoir” hydroelectric generation facility, comprised of: a powerhouse located in Yakima County, Washington; a 21-mile 115 kV transmission line; other related assets, property, and contractual rights.

- **Contractor Service Agreement** – SCPPA entered into an agreement with Emanuel Services (Contractor) on January 1, 2013 to direct the operations of the Tieton Hydropower facility and to provide certain technical services with respect to the operation and maintenance of the facility. The term of the contract is for one year and terminates on December 31, 2013, at which time it may be extended by mutual agreement unless sooner terminated by either Party, without cause, upon sixty days written notice to the other Party.
- **Facilities Maintenance Agreement** – SCPPA entered into an agreement with PacifiCorp to provide supervision, labor, materials, and equipment necessary to perform routine non-emergency maintenance of the facilities and routine vegetation management. The agreement started on April 28, 2010 and will continue for as long as the Interconnection agreement is in effect, unless terminated by mutual agreement.
- **Small Generator Interconnection Agreement** – SCPPA entered into an agreement with PacifiCorp to perform certain interconnection requests submitted under the Small Generator Interconnection Procedures. This agreement governs the terms and conditions under which SCPPA’s Small Generating Facility will interconnect with PacifiCorp’s Transmission System. The agreement became effective on November 30, 2009 and will remain in effect for a period of 10 years after which it will automatically renew for successive one-year periods, unless terminated by a 20-day written notice in accordance with this agreement.

Milford I Wind Project – On February 9, 2010, the Authority financed the prepayment of a specified supply of electricity from a wind farm located in Milford, Utah (the Facility). The Facility is a 203.5 MW nameplate capacity wind farm comprised of 97 wind turbines located near Milford, Utah, together with a 90-mile transmission line, and other related facilities. Under the related power purchase agreements by and between SCPPA and Milford Wind Corridor Phase I, LLC (the Seller), SCPPA will receive 6.7 million MW hours over a 20-year delivery term. SCPPA has also agreed to make monthly payments to the Seller for any energy delivered in each year that exceeds the guaranteed annual quantity of 338,215 MW hours. Commercial operation began on November 16, 2009.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

Milford II Wind Energy Project – On August 25, 2011, the Authority financed the prepayment of a specified supply of energy from the Milford Wind Corridor Phase II Project (the Milford II Project), for a delivery term of 20 years (unless terminated earlier) pursuant to a Power Purchase Agreement dated March 1, 2010. The Authority also entered into power sales agreements with LADWP and the city of Glendale (Glendale) to sell 100% of its entitlement to capacity and energy in the Facility on a “take-or-pay basis.” Under a separate contract, the city of Glendale sold its entitlement share of energy to LADWP until Glendale exercises its option to repurchase its share. The Facility is a 102 MW nameplate capacity wind powered electric generating facility comprised of 68 1.5 MW wind turbines and related facilities located near Milford, Utah. The Milford II Project achieved commercial operation on May 2, 2011.

Linden Wind Energy Project – On September 15, 2010, the Authority acquired the Linden Wind Energy Project (the Project) pursuant to the terms of the Asset Purchase Agreement, dated as of June 23, 2009. The Project is an approximately 50 MW nameplate capacity wind farm comprised of 25 wind turbines and related facilities, located in Klickitat County, Washington, developed and constructed by Northwest Wind Partners, LLC. The Authority has also entered into power sales agreements with LADWP and Glendale to sell 100% of its entitlement to capacity and energy in the Project on a “take-or-pay” basis. Through a separate layoff agreement, the Glendale has sold 100% of its entitlement to capacity and energy to LADWP, but remains responsible for all payments associated with its participation in the power sales agreement if LADWP fails to buy the energy pursuant to the layoff agreement.

- **Operation and Maintenance Service Agreement** – SCPPA entered into a three-year agreement with REpower Systems AG in February 2012. This agreement automatically renews for an additional two years unless either party provides written notice to the other party to cancel the contract. REpower performs fixed fee services such as scheduled maintenances, periodic operational checks and tests, and regular preventive maintenance required on the wind turbine generators (WEC) in accordance with the maintenance manual. REpower also performs remote monitoring services, repair services, and services related to the availability of the WEC.
- **Energy Exchange Agreement** – SCPPA entered into a two-year agreement with Powerex Corp. on November 27, 2012 for delivery of energy to Powerex for shaping and moving services. The delivery term may be renewed for up to five additional one-year terms commencing on January 1 of each successive calendar year, if the parties have confirmed in writing their agreement to extend this contract not less than ninety days prior to the commencement of each renewal term.
- **Operation and Maintenance Service Agreement** – SCPPA entered into an agreement with EDF Renewable Energy (formerly EnXco Service Corporation) to operate, maintain, and repair the Wind Plant. This agreement will automatically be extended for successive one year periods unless either party provides written notice to terminate the contract.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

Windy Point/Windy Flats Project – On September 9, 2010, the Authority financed the purchase of a supply of energy from the Windy Point/Windy Flats Project (the Project) for an initial delivery term of 20 years, pursuant to the terms of a power purchase agreement, dated June 24, 2009. The Authority also entered into power sales agreements with LADWP and the city of Glendale to sell 100% of its entitlement to capacity and energy in the Project on a “take-or-pay” basis. Through a separate layoff agreement, Glendale sold 100% of its entitlement to capacity and energy to LADWP, but remains responsible for all payments associated with its participation in the power sales agreement if LADWP fails to buy the energy pursuant to the layoff agreement.

The Project is a facility with a 262.2 MW nameplate capacity wind farm comprised of 114 wind turbines located in the Columbia Hills area of Klickitat County, Washington near the city of Goldendale. The Project is owned by Windy Flats Partners, LLC, a limited liability company organized and existing under the laws of the State of Delaware. The initial delivery term began on the commercial operation date of the first of two phases of the facility. The first phase commenced operations on January 25, 2010 and the second phase on March 1, 2010.

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 between the Southern California and the Rocky Mountain regional markets, including long-term renewable resources such as Milford I Wind and Milford II Wind, from the Intermountain Generating Station located in Utah to Southern California. STS commenced commercial operations in July 1986. Construction to upgrade two AC/DC converter stations and increase their combined rating from 1,920 MW to 2,400 MW was completed in May 2011. The 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 project manager and operating agent of Mead-Adelanto.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

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.
- **Gathering and processing agreements** – SCPPA's purchase of Pinedale included underlying agreements with Jonah Gas Gathering Company, Questar Gas Management Company, and Western 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 were acquired from Collins and Young Holding, L.L.P (C&Y) for a total of \$84 million. 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.

- **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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

Participant ownership interests – The Authority’s participants may elect to participate in the projects. As of June 30, 2013, the members have the following participation percentages in the Authority’s operating projects:

| Participants | GENERATION | | | | TRANSMISSION | | |
|------------------------------|--------------------|------------------|------------------------|----------------------|---------------------------------------|----------------------|-----------------------|
| | Palo Verde Project | San Juan Project | Magnolia Power Project | Canyon Power Project | Southern Trans-mission System Project | Mead-Phoenix Project | Mead-Adelanto Project |
| City of Los Angeles | 67.0% | - | - | - | 59.5% | 24.8% | 35.7% |
| City of Anaheim | - | - | 38.0% | 100% | 17.6% | 24.2% | 13.5% |
| City of Riverside | 5.4% | - | - | - | 10.2% | 4.0% | 13.5% |
| Imperial Irrigation District | 6.5% | 51.0% | - | - | - | - | - |
| City of Vernon | 4.9% | - | - | - | - | - | - |
| City of Azusa | 1.0% | 14.7% | - | - | - | 1.0% | 2.2% |
| City of Banning | 1.0% | 9.8% | - | - | - | 1.0% | 1.3% |
| City of Colton | 1.0% | 14.7% | 4.2% | - | - | 1.0% | 2.6% |
| City of Burbank | 4.4% | - | 31.0% | - | 4.5% | 15.4% | 11.5% |
| City of Glendale | 4.4% | 9.8% | 16.5% | - | 2.3% | 14.8% | 11.1% |
| City of Cerritos | - | - | 4.2% | - | - | - | - |
| City of Pasadena | 4.4% | - | 6.1% | - | 5.9% | 13.8% | 8.6% |
| | <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> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

| Participants | GREEN POWER | | | | | NATURAL GAS | | | |
|------------------------------|--------------------------------|---------------------------|-------------------|--------------------|--------------------------|---------------------------|---------------------|--------------------|--------------------------------------|
| | Hoover Upgrading Project | Tieton Hydro- power | Milford I Wind | Milford II Wind | Linden Wind Energy | Windy Point Project | Pinedale Project | Barnett Project | Prepaid Natural Gas Project |
| City of Los Angeles | - | - | 92.5% | 95.1% | 90.0% | 92.4% | - | - | - |
| City of Anaheim | 42.6% | - | - | - | - | - | 35.7% | 45.4% | 16.5% |
| City of Riverside | 31.9% | - | - | - | - | - | - | - | - |
| Imperial Irrigation District | - | - | - | - | - | - | - | - | - |
| City of Vernon | - | - | - | - | - | - | - | - | - |
| City of Azusa | 4.2% | - | - | - | - | - | - | - | - |
| City of Banning | 2.1% | - | - | - | - | - | - | - | - |
| City of Colton | 3.2% | - | - | - | - | - | 7.1% | 9.1% | 11.0% |
| City of Burbank | 16.0% | 50.0% | 5.0% | - | - | - | 14.3% | 27.3% | 33.0% |
| City of Glendale | - | 50.0% | - | 4.9% | 10.0% | 7.6% | 28.6% | - | 23.0% |
| City of Cerritos | - | - | - | - | - | - | - | - | - |
| City of Pasadena | - | - | 2.5% | - | - | - | 14.3% | 18.2% | 16.5% |
| | <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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

The contracts expire as follows:

| | |
|--------------------------------------|------|
| Palo Verde Project | 2030 |
| San Juan Project | 2030 |
| Magnolia Power Project | 2036 |
| Canyon Power Project | 2030 |
| Hoover Upgrading Project | 2018 |
| Tieton Hydropower Project | 2028 |
| Milford I Wind Project | 2030 |
| Milford II Wind Project | 2031 |
| Prepaid Natural Gas Project | 2035 |
| Windy Point Project | 2030 |
| Linden Wind Energy Project | 2035 |
| Southern Transmission System Project | 2027 |
| Mead-Phoenix Project | 2030 |
| Mead-Adelanto Project | 2030 |
| Natural Gas Pinedale Project | 2030 |
| Natural Gas Barnett Project | 2030 |

The Authority's interests or entitlements in natural gas, generation, and transmission projects are jointly owned with other utilities, except for the Magnolia Power Project, Canyon Power Project, Tieton Hydropower Project, and the Linden Wind Energy Project, which are 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, available transmission capacity, 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 projects 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 position as part of operations and maintenance expenses.

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 (J. Aron) 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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

On October 22, 2009, the Prepaid Natural Gas Sales Agreements and certain other agreements were restructured to reduce risk, provide an acceleration of a portion of the long-term savings, reduce the remaining volumes of gas to be delivered from 135 billion to 90 billion cubic feet, and shorten the term of the agreements from 30 years to 27 years. As a result of the restructuring, the Natural Gas contracts will now expire in 2035 and \$165.5 million principal of the 2007 Natural Gas Project Bonds were terminated (see Note 6).

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

| Project Participant | Average Daily Quantity (1) | | Participant Percentage (%) |
|---------------------|----------------------------|------------------|----------------------------|
| | Revised Volumes | Original Volumes | |
| City of Anaheim | 1,467 | 2,000 | 16.5% |
| City of Burbank | 2,924 | 4,000 | 33.0% |
| City of Colton | 1,007 | 1,375 | 11.0% |
| City of Glendale | 2,015 | 2,750 | 23.0% |
| City of Pasadena | 1,464 | 2,000 | 16.5% |
| Total | 8,877 | 12,125 | 100.0% |

(1) The Average Daily Quantity is in MMBtu and is calculated over the term of the applicable Gas Supply Contracts. The contracts were restructured and volumes revised in October 2009.

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 MW of electric generation. The Project started delivery of approximately 5 MW in January 2006 from geothermal energy facilities located in Heber, California and the agreements were amended to allow for excess capacity in May 2008. The city of Anaheim acts as the scheduling coordinator on behalf of the project participants. The term of the contract is 25 years.

MWD Small Hydro Project – Consists of a power purchase agreement for the output from four small hydroelectric plants on the MWD system in Southern California, having a total nameplate capacity of 17.04 MW, and a historical output of 40,130 MWH per year. Transmission is accomplished through the California Independent System Operator, with the city of Anaheim acting as scheduler. The term of the contract is 15 years and 2 months, expiring December 31, 2023. Operations began on November 1, 2008.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Organization and Purpose (continued)

Pebble Springs Wind Project – In December 2007, the Authority entered into a power purchase agreement for the facility output of a wind project with 98.7 MW, located in Gilliam County, Oregon. SCPPA along with LADWP, Burbank, and Glendale are now scheduling the energy through transmission agreements which bring this renewable energy from the project substation to the project participants. The term of the Project is 18 years with a right of first offer to potentially purchase the entire project after the 10th contract year. Operations formally began on January 31, 2009.

Ameresco Chiquita Energy Project – In March 2004, SCPPA entered into a power purchase agreement with Ameresco Chiquita Energy LLC, subsequently amended in September 2006, for 100% of the electric generation from a landfill gas to energy facility located at the landfill site in Valencia, California (Ameresco Landfill Gas to Energy Project). The SCPPA participants in the project include the cities of Burbank and Pasadena. This project will initially be for 10 MW with the right of first refusal on any increase in output. Operations began in November 2010. The term of the contract is 20 years from the commercial operation date.

The Authority has entered into power purchase agreements with project participants as follows. These agreements are substantially “take-and-pay” contracts where there may be other obligations not associated with the delivery of energy.

Participant Ownership Interests

| Participants | Power Purchase Agreements | | | |
|---------------------|--|--------------------------------|----------------------------|---|
| | Ormat Geothermal Energy Project | Pebble Springs Wind Project | MWD Small Hydro Project | Ameresco Chiquita Landfill Gas Project |
| Capacity | 17.00 MW | 98.7 MW | 17.04 MW | 10.00 MW |
| City of Los Angeles | - | 69.6% | - | - |
| City of Anaheim | 60.0% | - | 56.4% | - |
| City of Azusa | - | - | 21.8% | - |
| City of Banning | 10.0% | - | - | - |
| City of Colton | - | - | 21.8% | - |
| City of Burbank | - | 10.1% | - | 16.7% |
| City of Glendale | 15.0% | 20.3% | - | - |
| City of Pasadena | 15.0% | - | - | 83.3% |
| | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |
| Contract expires | 2031 | 2025 | 2023 | 2030 |

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.

SCPPA Office Building Fund – In June 2011, the Authority acquired an 11,500 sq. ft. building located in the city of Glendora to be used as SCPPA office facilities. Acquisition and construction costs were financed by contributions from SCPPA members and the building was put into service during fiscal year 2012. All costs associated with the management, administration, and ongoing operations of the SCPPA Office Building are deemed to be SCPPA overhead costs and will be budgeted and paid in accordance with the projects annual budgets pursuant to SCPPA's traditional budgetary process.

Project Development Fund – Holds funds related to projects in the development phase. The funds related to the acquisition and renovation of the SCPPA Office Building located in the city of Glendora were transferred to the SCPPA Office Building Fund in 2012.

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

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. Revenues are recognized when earned and expenses are recognized when incurred. The format of the Statement of Net Position follows the inverted approach which is consistent with the Federal Energy Regulatory Commission (FERC).

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

In June 2012, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement for periods beginning after December 15, 2011. The balance sheets, statements of revenues, expenses, and net assets, and statements of cash flows have been revised in the current year to reflect the implementation of this Statement. In addition to assets and liabilities, the combined financial statements will include deferred outflows and deferred inflows or resources, and will report net position instead of net assets (deficit). Other than the change in presentation, there was no impact to the financial statements as a result of this implementation.

Net position: The Authority's net position is classified as follows:

- **Net investment in capital assets** – This component of net position 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** – This component consists of net position 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 position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Utility plant – The Authority's share of construction and betterment costs, natural gas reserves, intangibles, and nuclear fuel associated with PVNGS, STS, Mead-Phoenix, Mead-Adelanto, SJGS, Magnolia Power Project, the Natural Gas Pinedale Project and the Natural Gas Barnett Project (together the Natural Gas Projects) Canyon Power, Tieton Hydropower Project, and Linden Wind Energy Project 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 55 years for PVNGS, STS, Mead-Phoenix and Mead-Adelanto; 30 years for Magnolia and Canyon Power Project; 37 years for SJGS; 50 years for the Tieton Hydropower Project; 25 years for Linden Wind Energy Project; and 35 years for the SCPA Building Fund.

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 28.2 years for the Natural Gas Pinedale Project and 50 years for the Natural Gas Barnett Project. The estimate is based on site specific studies prepared by independent consultants as of December 2012 for both projects. The depletion rate for the Natural Gas Pinedale Project was \$3.28/MMBtu and \$2.27/MMBtu; and the estimated total net revenue volume was 16,043,427 MMBtu and 21,700,159 MMBtu, for fiscal years 2013 and 2012, respectively. The depletion rate for the Natural Gas Barnett Project was \$3.15/MMBtu and \$2.53/MMBtu; and the estimated total net revenue volume was 17,583,585 MMBtu and 22,271,254 MMBtu, for fiscal years ended June 30, 2013 and 2012, respectively.

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 MW hour of nuclear generation. The Authority records this charge as a current year expense. See Note 11 for information about spent nuclear fuel disposal.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

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 \$137.5 million in 2011 dollars (\$262.3 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 2010. 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 \$2.4 million and \$3.7 million in fiscal years 2013 and 2012, respectively. The decommissioning liability is included as a component of accumulated depreciation and was \$240.3 million and \$237.9 million at June 30, 2013 and 2012, 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, 2013, decommissioning funds totaled approximately \$164.0 million, including approximately \$0.5 million of interest receivable.

Asset retirement obligation – Demolition of SJGS is projected to commence subsequent to the year 2030. Based upon the study performed by an independent engineering firm, the Authority's share of the estimated demolition costs is \$47.4 million in 2008 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 \$1.5 million. The demolition liability is included as a component of accumulated depreciation and totaled \$54.4 million and \$52.9 million at June 30, 2013 and 2012, respectively.

As of June 30, 2013, the Authority has not billed participants for the cost of demolition nor has it established a demolition fund.

San Juan reclamation liability– The Authority has certain obligations relating to its ownership interests in the SJGS Unit 3, to participate in the development of plans and arrangements for the eventual reclamation of the San Juan Coal Mine after the expiration in December 2017 of the Underground Coal Sales Agreement dated August 31, 2001. The Authority is providing for its share of the estimated future reclamation costs through annual charges to expense, which initially amounted to \$1.9 million at December 31, 2012. The reclamation liability is included as a component of accumulated reclamation costs and was \$2.8 million at June 30, 2013.

The Authority contributes to a Reclamation Trust Fund set up in accordance with the Mine Reclamation Trust Funds Agreement among the San Juan Participants, dated June 1, 2012. As of June 30, 2013, reclamation funds totaled \$1.9 million.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

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 position 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.

Accounts receivable – Accounts receivable consists primarily of participant receivables. As such no allowance is deemed necessary.

Prepaid and other assets – SCPPA entered into a prepaid gas contract with a 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. The prepaid contracts were subsequently restructured and the term of the agreements were shortened to 27 years. SCPPA has also entered into 20-year term prepaid contracts for all of the energy generated by the Milford I Wind, Milford II Wind, and the Windy Point/Windy Flats Facilities, with corresponding power sales contracts with each project participant (see Note 1).

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 Position.

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

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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

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

Deferred outflow of resources – Consists of the accumulated changes in the fair value of effective hedging derivative instruments. Under hedge accounting, the changes in the fair value of an effective hedging derivative instrument, in asset or liability positions, are reported as a deferred inflow of resources or deferred outflow of resources, respectively, on the Statements of Net Position.

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 \$26.4 million (\$6.7 million payable to the Mead-Phoenix Project and \$19.6 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.

Recorded arbitrage rebate and yield restriction liabilities as of June 30, 2013, were \$160,000 for Mead-Phoenix, and \$730,000 for Mead-Adelanto.

Revenues – Revenues consist of billings to participants for the sales of electric energy, natural gas, and transmission service in accordance with the participation agreements. Generally revenues are fixed at a level to recover all operating and 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 \$27.6 million and \$33.7 million as of June 30, 2013 and 2012, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

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 Pinedale Project. At June 30, 2013 and 2012, transportation costs were approximately \$445,000 and \$225,000, respectively, for the Natural Gas Pinedale Project.

Non-exchange contribution – Each participant of the Magnolia Power Plant is responsible for its 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.

Non-exchange 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 years ended June 30, 2013 and 2012 the participants' contribution in kind was approximately 5.8 million MMBtu and 10.4 million MMBtu and was valued at approximately \$20.9 million and \$36.8 million, respectively.

Build America Bonds (BABs) – These are taxable municipal bonds that were created under the American Recovery and Reinvestment Act of 2009, and carry special tax credits and federal subsidies for either the bond issuer or the bondholder. BABs provide for a subsidy payment from the Department of the Treasury to be paid directly to the issuer (Direct Payment) or the bondholder (Tax Credit BABs) in an amount equal to 35% of the bond's interest. On June 9, 2010, SCPPA issued \$191 million of Canyon Power 2010 Series B, Direct Payment BABs. The Linden Wind 2010 Series B, Direct Payment BABs, were issued on September 28, 2010.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3 – Utility Plant

At June 30, 2013, Utility Plant, net consisted of the following (amounts in thousands):

| | June 30, 2013 | | | | | | |
|---------------------------------|---|-----------------------------|------------------------------|----------------------------|-------------------------------|------------------------|--------------------------|
| | GENERATION | | | | GREEN POWER | | |
| | Palo Verde Project | San Juan Project | Magnolia Power Project | Canyon Power Project | Hoover Uprating Project | Tieton Hydro- power | Linden Wind Energy |
| Utility plant | | | | | | | |
| Production | \$ 707,277 | \$ 250,924 | \$ 284,434 | \$ 245,397 | \$ - | \$ 34,509 | \$ 123,082 |
| Transmission | 16,158 | - | 15,247 | 31,853 | - | 13,290 | 23,431 |
| General | 3,547 | 7,039 | 15,422 | 488 | 21 | 11 | - |
| Natural gas reserves | - | - | - | - | - | - | - |
| | 726,982 | 257,963 | 315,103 | 277,738 | 21 | 47,810 | 146,513 |
| Less accumulated depreciation | 711,118 | 180,414 | 86,710 | 17,051 | 21 | 5,221 | 16,230 |
| | 15,864 | 77,549 | 228,393 | 260,687 | - | 42,589 | 130,283 |
| Construction work in progress | 24,263 | 7,412 | 2,002 | - | - | - | - |
| Nuclear fuel, at amortized cost | 44,783 | - | - | - | - | - | - |
| Net utility plant | <u>\$ 84,910</u> | <u>\$ 84,961</u> | <u>\$ 230,395</u> | <u>\$ 260,687</u> | <u>\$ -</u> | <u>\$ 42,589</u> | <u>\$ 130,283</u> |
| | | | | | | | |
| | TRANSMISSION | | NATURAL GAS | | | OTHERS | |
| | Southern Transmission System Project | Mead- Phoenix Project | Mead- Adelanto Project | Pinedale Project | Barnett Project | SCPPA Building Fund | Total |
| Utility plant | | | | | | | |
| Production | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,645,623 |
| Transmission | 769,578 | 54,825 | 173,101 | - | - | - | 1,097,483 |
| General | 45,319 | 2,730 | 473 | 3,985 | - | 4,386 | 83,421 |
| Natural gas reserves | - | - | - | 72,162 | 78,673 | - | 150,835 |
| | 814,897 | 57,555 | 173,574 | 76,147 | 78,673 | 4,386 | 2,977,362 |
| Less accumulated depreciation | 530,376 | 24,953 | 77,826 | 23,492 | 26,173 | 122 | 1,699,707 |
| | 284,521 | 32,602 | 95,748 | 52,655 | 52,500 | 4,264 | 1,277,655 |
| Construction work in progress | - | 144 | - | 1,069 | 5,444 | - | 40,334 |
| Nuclear fuel, at amortized cost | - | - | - | - | - | - | 44,783 |
| Net utility plant | <u>\$ 284,521</u> | <u>\$ 32,746</u> | <u>\$ 95,748</u> | <u>\$ 53,724</u> | <u>\$ 57,944</u> | <u>\$ 4,264</u> | <u>\$ 1,362,772</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3 – Utility Plant (continued)

In June, 2011, the Authority made a one-time payment to acquire an 11,500 sq. ft. building located in the city of Glendora to be used as SCPPA office facilities. The building was renovated and put into service during fiscal year 2012. Acquisition and construction costs were financed by contributions from SCPPA members (see Note 1).

At June 30, 2012 Utility Plant, net consisted of the following (amounts in thousands):

| | June 30, 2012 | | | | | | |
|---------------------------------|--------------------------------------|----------------------|------------------------|----------------------|-------------------------|---------------------|---------------------|
| | GENERATION | | | | GREEN POWER | | |
| | Palo Verde Project | San Juan Project | Magnolia Power Project | Canyon Power Project | Hoover Uprating Project | Tieton Hydro-Power | Linden Wind Energy |
| Utility plant | | | | | | | |
| Production | \$ 699,648 | \$ 237,863 | \$ 282,971 | \$ 245,095 | \$ - | \$ 47,799 | \$ 123,082 |
| Transmission | 16,145 | - | 15,231 | 31,830 | - | - | 23,431 |
| General | 3,449 | 7,198 | 15,405 | 477 | 21 | 11 | - |
| Natural gas reserves | - | - | - | - | - | - | - |
| | 719,242 | 245,061 | 313,607 | 277,402 | 21 | 47,810 | 146,513 |
| Less accumulated depreciation | 691,629 | 172,740 | 75,761 | 7,720 | 21 | 3,756 | 10,416 |
| | 27,613 | 72,321 | 237,846 | 269,682 | - | 44,054 | 136,097 |
| Construction work in progress | 24,110 | 7,166 | 1,735 | - | - | - | - |
| Nuclear fuel, at amortized cost | 49,273 | - | - | - | - | - | - |
| Net utility plant | <u>\$ 100,996</u> | <u>\$ 79,487</u> | <u>\$ 239,581</u> | <u>\$ 269,682</u> | <u>\$ -</u> | <u>\$ 44,054</u> | <u>\$ 136,097</u> |
| | | | | | | | |
| | TRANSMISSION | | | NATURAL GAS | | OTHERS | |
| | Southern Transmission System Project | Mead-Phoenix Project | Mead-Adelanto Project | Pinedale Project | Barnett Project | SCPPA Building Fund | Total |
| Utility plant | | | | | | | |
| Production | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,636,458 |
| Transmission | 770,330 | 54,825 | 173,101 | - | - | - | 1,084,893 |
| General | 44,356 | 2,730 | 473 | 2,566 | - | 4,378 | 81,064 |
| Natural gas reserves | - | - | - | 60,457 | 75,664 | - | 136,121 |
| | 814,686 | 57,555 | 173,574 | 63,023 | 75,664 | 4,378 | 2,938,536 |
| Less accumulated depreciation | 507,626 | 23,430 | 73,304 | 17,615 | 21,708 | 9 | 1,605,735 |
| | 307,060 | 34,125 | 100,270 | 45,408 | 53,956 | 4,369 | 1,332,801 |
| Construction work in progress | - | 134 | - | 13,124 | 3,009 | - | 49,278 |
| Nuclear fuel, at amortized cost | - | - | - | - | - | - | 49,273 |
| Net utility plant | <u>\$ 307,060</u> | <u>\$ 34,259</u> | <u>\$ 100,270</u> | <u>\$ 58,532</u> | <u>\$ 56,965</u> | <u>\$ 4,369</u> | <u>\$ 1,431,352</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3 – Utility Plant (continued)

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

| | Balance July 1, 2012 | Additions | Disposals | Transfers | Balance June 30, 2013 |
|--|-------------------------|--------------------|--------------------|-----------------|--------------------------|
| Nondepreciable utility plant | | | | | |
| Land | \$ 44,415 | \$ - | \$ - | \$ - | \$ 44,415 |
| Construction work in progress | 33,145 | 30,557 | - | (29,880) | 33,822 |
| Construction work in progress - gas | 16,133 | 6,513 | - | (16,132) | 6,514 |
| Nuclear fuel* | 49,273 | 10,065 | (14,556) | - | 44,782 |
| | <u>142,966</u> | <u>47,135</u> | <u>(14,556)</u> | <u>(46,012)</u> | <u>129,533</u> |
| Depreciable utility plant | | | | | |
| Production | | | | | |
| Nuclear generation (Palo Verde Project) | 698,733 | 250 | (4,162) | 11,541 | 706,362 |
| Coal-fired plant (San Juan Unit 3 Project) | 237,861 | 129 | (3,575) | 16,508 | 250,923 |
| Gas-fired plant | 528,066 | - | - | 1,763 | 529,829 |
| Green power | 156,419 | - | - | - | 156,419 |
| Transmission | 1,056,454 | 223 | - | 40 | 1,056,717 |
| General | 79,155 | 28 | (80) | 28 | 79,131 |
| Natural gas reserves | 137,433 | - | - | 16,132 | 153,565 |
| | <u>2,894,121</u> | <u>630</u> | <u>(7,817)</u> | <u>46,012</u> | <u>2,932,946</u> |
| Less accumulated depreciation | <u>(1,605,735)</u> | <u>(101,089)</u> | <u>7,117</u> | <u>-</u> | <u>(1,699,707)</u> |
| Total utility plant, net | <u>\$ 1,431,352</u> | <u>\$ (53,324)</u> | <u>\$ (15,256)</u> | <u>\$ -</u> | <u>\$ 1,362,772</u> |

*Nuclear fuel disposals represent amortization.

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, and 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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4 – Investments (continued)

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, the Natural Gas Projects Bonds, Prepaid Natural Gas Project No. 1 Bonds, the Canyon Power Project Bonds, the Milford Wind Phase I Project Bonds, the Milford Wind Phase II Project Bonds, the Linden Wind Project Bonds, the Tieton Project Bonds, and the Windy Point/Windy Flats 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;
- Bankers' 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; and
- 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)

As of June 30, 2013, the Authority held the following as cash and cash equivalents and investments:

| Investment Type | Carrying Value (in thousands) | Weighted Average Maturity (Years) | Percent of Portfolio |
|---------------------------------|----------------------------------|--------------------------------------|----------------------|
| U.S. Agency Securities | \$ 466,529 | 0.79 | 48.5% |
| Guaranteed Investment Contracts | 139,526 | 7.76 | 14.5% |
| Money Market Funds | 193,256 | 0.08 | 20.1% |
| Commercial Paper | 81,290 | 0.07 | 8.5% |
| Negotiable CDs | 64,101 | 0.08 | 6.7% |
| U.S. Discount Notes | 16,800 | - | 1.7% |
| Total | \$ 961,502 | 1.54 | 100.0% |

The “weighted average maturity in years” calculation assumes that all investments are held until maturity.

Investments at June 30, 2013 are as follows (amounts in thousands):

| | GENERATION | | | | GREEN POWER | | | | | | TRANSMISSION | | |
|---------------------------|----------------------------------|-----------------------|------------------------------|--------------------------------------|-------------------------------|---------------------------|---------------------------|-----------------------------|---------------------------------|------------------------------------|---|-----------------------------|------------------------------|
| | Palo Verde Project | San Juan Project | Magnolia Power Project | Canyon Power Project | Hoover Uprating Project | Tieton Hydro- power | Milford I Wind | Milford II Wind | Windy Point Project | Linden Wind Energy | Southern Transmission System Project | Mead- Phoenix Project | Mead- Adelanto Project |
| U.S. Agencies | \$ 186,519 | \$ 9,861 | \$ 37,362 | \$ 18,970 | \$ 2,206 | \$ 5,293 | \$ 23,871 | \$ 3,265 | \$ 10,257 | \$ 2,242 | \$ 19,492 | \$ - | \$ - |
| Agency Discount Notes | - | - | - | 1,100 | - | - | 3,900 | 2,500 | 3,400 | - | 5,900 | - | - |
| Negotiable CDs | 5,000 | - | 9,100 | 2,800 | - | - | 4,300 | 2,500 | 6,290 | 1,050 | 17,001 | 360 | - |
| Commercial Paper | - | - | 8,600 | 8,000 | 1,298 | - | 3,598 | 7,197 | 12,900 | 5,597 | 29,801 | - | - |
| GIC's | 27,649 | 21,323 | 3,863 | - | - | - | - | - | - | - | 7,789 | 5,509 | 22,686 |
| Money Market Funds | 20,956 | 17,338 | 28,747 | 9,383 | 881 | 2,729 | 9,939 | 4,646 | 13,869 | 5,270 | 22,788 | 1,659 | 4,466 |
| Total | \$ 240,124 | \$ 48,522 | \$ 87,672 | \$ 40,253 | \$ 4,385 | \$ 8,022 | \$ 45,608 | \$ 20,108 | \$ 46,716 | \$ 14,159 | \$ 102,771 | \$ 7,528 | \$ 27,152 |
| Restricted investments | \$ 178,911 | \$ 31,189 | \$ 52,625 | \$ 30,870 | \$ 2,344 | \$ 5,293 | \$ 32,071 | \$ 7,865 | \$ 29,347 | \$ 6,392 | \$ 66,384 | \$ 5,869 | \$ 22,686 |
| Unrestricted investments | 36,878 | - | - | - | 1,160 | - | 1,498 | 5,497 | - | 2,497 | - | - | - |
| Cash and cash equivalents | 24,335 | 17,333 | 35,047 | 9,383 | 881 | 2,729 | 12,039 | 6,746 | 17,369 | 5,270 | 36,387 | 1,659 | 4,466 |
| Total | \$ 240,124 | \$ 48,522 | \$ 87,672 | \$ 40,253 | \$ 4,385 | \$ 8,022 | \$ 45,608 | \$ 20,108 | \$ 46,716 | \$ 14,159 | \$ 102,771 | \$ 7,528 | \$ 27,152 |
| | POWER PURCHASE AGREEMENTS | | | | NATURAL GAS | | | MISCELLANEOUS | | | | | |
| | Ormat Geo- thermal Project | MWD Small Hydro | Pebble Springs | Ameresco Chiquita Landfill Gas | Pinedale Project | Barnett Project | Prepaid Natural Gas | Multiple Project Fund | Project Developm ent Fund | Projects' Stabilization Fund | SCPPA Building Fund | Total | |
| U.S. Agencies | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 29,695 | \$ - | \$ - | \$ - | \$ 117,496 | \$ - | \$ 466,529 | |
| Agency Discount Notes | - | - | - | - | - | - | - | - | - | - | - | 16,800 | |
| Negotiable CDs | - | - | 3,000 | - | 7,000 | 2,000 | 3,700 | - | - | - | - | 64,101 | |
| Commercial Paper | - | - | - | - | 1,599 | 2,700 | - | - | - | - | - | 81,290 | |
| GIC's | - | - | - | - | - | - | 11,510 | 39,197 | - | - | - | 139,526 | |
| Money Market Funds | 5,386 | 1,993 | 4,713 | 2,284 | 15,483 | 8,463 | 2,250 | - | 154 | 9,813 | 46 | 193,256 | |
| Total | \$ 5,386 | \$ 1,993 | \$ 7,713 | \$ 2,284 | \$ 24,082 | \$ 42,858 | \$ 17,460 | \$ 39,197 | \$ 154 | \$ 127,309 | \$ 46 | \$ 961,502 | |
| Restricted investments | \$ - | \$ - | \$ - | \$ - | \$ 7,600 | \$ 34,395 | \$ 11,510 | \$ 39,197 | \$ - | \$ 117,496 | \$ - | \$ 682,044 | |
| Unrestricted investments | - | - | - | - | 999 | - | - | - | - | - | - | 48,529 | |
| Cash and cash equivalents | 5,386 | 1,993 | 7,713 | 2,284 | 15,483 | 8,463 | 5,950 | - | 154 | 9,813 | 46 | 230,929 | |
| Total | \$ 5,386 | \$ 1,993 | \$ 7,713 | \$ 2,284 | \$ 24,082 | \$ 42,858 | \$ 17,460 | \$ 39,197 | \$ 154 | \$ 127,309 | \$ 46 | \$ 961,502 | |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4 – Investments (continued)

Investments at June 30, 2012 are as follows (amounts in thousands):

| | GENERATION | | | | GREEN POWER | | | | | TRANSMISSION | | | |
|---------------------------|---------------------------|------------------|------------------------|--------------------------------|--------------------------|--------------------|---------------------|-----------------------|--------------------------|------------------------------|--------------------------------------|----------------------|-----------------------|
| | Palo Verde Project | San Juan Project | Magnolia Power Project | Canyon Power Project | Hoover Upgrading Project | Tieton Hydro-power | Milford I Wind | Milford II Wind | Windy Point Project | Linden Wind Energy | Southern Transmission System Project | Mead-Phoenix Project | Mead-Adelanto Project |
| U.S. Agencies | \$ 181,306 | \$ 6,072 | \$ 32,470 | \$ 17,062 | \$ 2,268 | \$ 5,019 | \$ 24,253 | \$ 3,289 | \$ 10,491 | \$ 2,335 | \$ 20,615 | \$ 1,756 | \$ 5,801 |
| Agency Discount Notes | - | 5,000 | - | - | 1,860 | - | - | 2,000 | - | - | - | - | - |
| Negotiable CDs | 8,000 | 5,500 | 5,285 | 2,100 | - | - | 3,700 | - | 2,000 | - | 13,500 | 1,000 | 3,000 |
| Bankers Acceptance | - | - | - | 2,150 | - | - | - | 1,964 | - | - | 1,930 | - | - |
| Commercial Paper | 2,000 | 4,990 | 6,192 | 8,000 | - | 1,000 | 1,600 | 2,537 | 6,900 | - | 32,500 | 830 | 1,500 |
| GIC's | 33,739 | 21,323 | 3,863 | - | - | - | - | - | - | - | 7,789 | 5,695 | 23,198 |
| Money Market Funds | 29,874 | 13,792 | 42,859 | 13,789 | 298 | 2,187 | 15,926 | 10,657 | 23,546 | 11,397 | 31,956 | 4,475 | 11,817 |
| Total | \$ 254,919 | \$ 56,677 | \$ 90,669 | \$ 43,101 | \$ 4,426 | \$ 8,206 | \$ 45,479 | \$ 20,447 | \$ 42,937 | \$ 13,732 | \$ 108,290 | \$ 13,756 | \$ 45,316 |
| Restricted investments | \$ 182,945 | \$ 31,067 | \$ 47,810 | \$ 26,062 | \$ 2,918 | \$ 5,019 | \$ 25,253 | \$ 3,327 | \$ 14,491 | \$ 2,335 | \$ 52,604 | \$ 9,281 | \$ 33,499 |
| Unrestricted investments | 42,973 | 6,819 | - | - | 1,210 | - | - | - | - | - | 3,300 | - | - |
| Cash and cash equivalents | 29,001 | 18,791 | 42,859 | 17,039 | 298 | 3,187 | 20,226 | 17,120 | 28,446 | 11,397 | 52,386 | 4,475 | 11,817 |
| Total | \$ 254,919 | \$ 56,677 | \$ 90,669 | \$ 43,101 | \$ 4,426 | \$ 8,206 | \$ 45,479 | \$ 20,447 | \$ 42,937 | \$ 13,732 | \$ 108,290 | \$ 13,756 | \$ 45,316 |
| | POWER PURCHASE AGREEMENTS | | | | NATURAL GAS | | | MISCELLANEOUS | | | | | |
| | Ormat Geothermal Project | MWD Small Hydro | Pebble Springs | Ameresco Chiquita Landfill Gas | Pinedale Project | Barnett Project | Prepaid Natural Gas | Multiple Project Fund | Project Development Fund | Projects' Stabilization Fund | SCPPA Building Fund | Total | |
| U.S. Agencies | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 15,045 | \$ - | \$ - | \$ - | \$ 100,587 | \$ - | \$ 428,369 | |
| Agency Discount Notes | - | - | - | - | - | 6,000 | - | - | - | - | - | 14,860 | |
| Negotiable CDs | - | - | - | - | - | 7,001 | - | - | - | - | - | 51,086 | |
| Bankers Acceptances | - | - | - | - | - | - | - | - | - | - | - | 6,044 | |
| Commercial Paper | - | - | - | - | - | - | - | - | - | - | - | 68,049 | |
| GIC's | - | - | - | - | - | - | 13,836 | 50,976 | - | - | - | 160,419 | |
| Money Market Funds | 4,052 | 946 | 5,319 | 3,734 | 33,358 | 19,801 | 6,480 | - | 24 | 11,528 | 231 | 298,046 | |
| Total | \$ 4,052 | \$ 946 | \$ 5,319 | \$ 3,734 | \$ 33,358 | \$ 47,847 | \$ 20,316 | \$ 50,976 | \$ 24 | \$ 112,115 | \$ 231 | \$ 1,026,873 | |
| Restricted investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 22,046 | \$ 13,836 | \$ 50,976 | \$ - | \$ 100,587 | \$ - | \$ 624,056 | |
| Unrestricted investments | - | - | - | - | - | - | - | - | - | - | - | 54,302 | |
| Cash and cash equivalents | 4,052 | 946 | 5,319 | 3,734 | 33,358 | 25,801 | 6,480 | - | 24 | 11,528 | 231 | 348,515 | |
| Total | \$ 4,052 | \$ 946 | \$ 5,319 | \$ 3,734 | \$ 33,358 | \$ 47,847 | \$ 20,316 | \$ 50,976 | \$ 24 | \$ 112,115 | \$ 231 | \$ 1,026,873 | |

Interest rate risk – The Authority's investment policy limits the maturity of its investments to a maximum of five 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; five years for medium term corporate notes; 270 days for commercial paper; 180 days for bankers' acceptances; and one year for negotiable certificates of deposits.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

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 \$500 million. As of June 30, 2013, money market funds in the portfolios with Bank of New York Mellon have attained the following ratings: AAAM by Standard and Poor’s, and AAA-mf by Moody’s Investors Service; while money market funds in the portfolios with US Bank have attained ratings of A-1+ by Standard and Poor’s, P-1 by Moody’s Investors Service, and F1+ 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, 2013 and 2012, the U.S. government agency securities in the portfolio carried the highest possible credit ratings by the NRSRO that rated them.

The Guaranteed Investment Contracts in the portfolio with American International Group (AIG) consist of securities issued by corporations and carry a rating of A- by Standard and Poor’s, Baa1 by Moody’s Investors Service and BBB+ by Fitch Rating. The Guaranteed Investment Contracts in the portfolio with PNC carry a rating of A- by Standard and Poor’s, A3 by Moody’s Investors Service, and A+ by Fitch Ratings.

The Investment Agreement Contract with American General Life consists of securities issued by corporations and carries a rating of A+ by Standard and Poor’s, A2 by Moody’s and A+ by Fitch Ratings.

The Investment Agreement Contract in the portfolio with Assured Guaranty (formerly Financial Security Assurance) consists of securities issued by corporations and carries a rating of AA- by Standard and Poor’s, and A2 by Moody’s Investors Service.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4 – Investments (continued)

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 Mead-Adelanto and Mead-Phoenix projects.

Of the Authority’s total investments as of June 30, 2013, \$80 million (8%) was invested in securities issued by the Federal Home Loan Bank; \$59 million (6%) was invested with Farm Credit Bank; \$264 million (27%) was invested in securities issued by the Federal National Mortgage Association; \$75 million (8%) was invested with Federal Home Loan Mortgage; \$64 million (7%) was invested in Certificates of Deposit; \$81 million (9%) was invested in Commercial Paper; and \$67 million (7%) was invested in GICs with PNC Financial Securities Group.

Of the Authority’s total investments as of June 30, 2012, \$54 million (5%) was invested in securities issued by the Federal Home Loan Bank; \$78 million (8%) was invested with Farm Credit Bank; \$43 million (4%) was invested in GICs with AIG; \$212 million (21%) was invested in securities issued by the Federal National Mortgage Association; \$81 million (8%) was invested with Federal Home Loan Mortgage; and \$80 million (8%) was invested in GICs with PNC Financial Securities Group.

Note 5 – Derivative Instruments

Objective of the swaps – SCPPA uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps and also to manage its exposure to fluctuating natural gas prices through the use of natural gas hedge contracts. 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 separate pay-fixed, receive-variable interest rate swaps and four basis swaps to produce savings or to result in lower costs over the life of each transaction than what the Authority would have paid using fixed-rate debt. While these instruments carry additional risks, SCPPA’s swap policy and favorable negotiations have helped to reduce such risks.

The Authority has adopted Statement No. 53 of the GASB, *Accounting and Financial Reporting for Derivative Instruments (GASB 53)*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments. In accordance with GASB 53, SCPPA recognizes the changes in fair values of effective hedging derivative instruments as either deferred inflows or outflows of resources on the Authority’s Statement of Net Position and includes changes in the fair value of an ineffective derivative instrument in earnings.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 – Derivative Instruments (continued)

For fiscal year ended June 30, 2012, the balance for the swaps deemed to qualify for effective hedge accounting under GASB 53 was a liability, and corresponding deferred outflows of resources, of \$31 million. During fiscal year ended June 30, 2013, the liability decreased by \$17.5 million for an ending liability, and corresponding deferred outflows of resources, balance of \$13.5 million. For the swaps that were deemed ineffective derivative instruments under GASB 53, the changes were reported in the statement of operations. The net liability balance for fiscal year ended June 30, 2012 for the ineffective derivative instruments was \$100.4 million, but during fiscal year ended June 30, 2013, the liability decreased by \$60.2 million for an ending liability balance of \$40.2 million.

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, 2013, are included in the table below. In most cases, and with the exclusion of basis swaps, the notional amount of any swap matches the principal amount of the associated debt. Except as discussed under the rollover risk, and when associated with basis swaps, 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 (in thousands) | Swap Termination Date | Counterparty Credit Rating* |
|-----------------------------|--------------------------------|----------------|-----------------|---|----------------------------|-----------------------|-----------------------------|
| MAG 2010-1 Swap (Barclays) | \$ 100,000 | 5/11/2010 | SIFMA | 80.4% of 3-month LIBOR | \$ (2,705) | 7/1/2036 | A+/A2/A |
| MAG 2010-2 Swap (RBC) | 100,000 | 5/12/2010 | SIFMA | 81% of 3-month LIBOR | (2,424) | 7/1/2036 | AA-/Aa3/AA |
| MAG 2009-1 Swap (BNYMellon) | 110,611 | 5/1/2012 | 3.125% | SIFMA | (5,405) | 7/1/2036 | AA-/Aa1/AA- |
| MAG 2009-2 Swap (JPMorgan) | 110,495 | 4/21/2009 | 3.139% | SIFMA | (5,438) | 7/1/2036 | A+/Aa3/A+ |
| STS Swaption/Swap | 125,000 | 11/1/2011 | 4.250% | 60% of LIBOR | (30,290) | 7/1/2022 | AA-/Aa3/AA- |
| MA 2007 Swap | 100,000 | 6/1/2018 | 1-month LIBOR | 100% of 10-yr LIBOR CMS rate less .414% | 625 | 9/15/2030 | A+/Aa3/A+ |
| PNG 2007 Swap | 36,000 | 5/1/2009 | 5.0475% | 67% of 3-Month LIBOR plus 1.47% | (8,137) | 11/1/2035 | A-/A3/A |
| | <u>\$ 682,106</u> | | | | <u>\$ (53,774)</u> | | |

* S&P/Moody’s/Fitch ratings

- MAG 2010-1 Swap** – In May 2010, SCPPA executed \$100 million SIFMA/LIBOR floating-to-floating basis swap related to Magnolia Power Project A Refunding Bonds 2009-1. SCPPA pays the 6-month average of the weekly reset SIFMA Municipal Swap Index semi-annually on an Actual/Actual basis in exchange for receiving 80.4% of average 3-Month LIBOR, reset quarterly and paid semi-annually on an Actual/360 day basis. The swap expires on July 1, 2036.
- MAG 2010-2 Swap** – In May 2010, SCPPA executed \$100,000,000 SIFMA/LIBOR floating-to-floating basis swap related to Magnolia Power Project A Refunding Bonds 2009-2. SCPPA pays the 6-month average of the weekly reset SIFMA Municipal Swap Index semi-annually on an Actual/Actual basis in exchange for receiving 81.0% of average 3-Month LIBOR, reset quarterly and paid semi-annually on an Actual/360 day basis. The swap expires on July 1, 2036.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 – Derivative Instruments (continued)

- **MAG 2009-1 Swap (restated/novated)** – This swap transaction amends the MAG 2007-1 Swap, which had an original trade date of April 30, 2007. The transaction was amended and restated as of April 21, 2009. The Authority pays its counterparty a fixed rate of 3.125% in exchange for receiving 100% of the Securities Industry and Financial Markets Association Swap Index (SIFMA) on a notional amount of \$111.7 million. In order to provide more favorable terms to the participants, SCPPA made a payment of \$15.7 million to the counterparty which has been deferred and is being amortized as an interest yield adjustment over the life of the swap. The amendment allowed the parties to re-coupon the swaps, change the collateral posting requirements, and to move to uninsured swaps. In May 2012, the swap was novated to a new counterparty and the swap documents amended to raise the collateral threshold.
- **MAG 2009-2 Swap (amended/restated)** – This swap transaction amends the MAG 2007-1 Swap. The original transaction was novated from Bear Stearns to JP Morgan on November 6, 2008 and was amended and restated on April 21, 2009. The Authority pays its counterparty a fixed rate of 3.139% in exchange for receiving 100% of the SIFMA Index on a notional amount of \$111.5 million. In order to provide more favorable terms to the participants, SCPPA made a payment of \$15.7 million to the counterparty which has been deferred and is being amortized as an interest yield adjustment over the life of the swap. The amendment allowed the parties to re-coupon the swaps, change the collateral posting requirements, and to move to uninsured swaps. In August 2012, the swap documents were amended to raise the collateral threshold.
- **STS 2006 Swap (terminated)** – In October 2012, the STS 2006 Amended Swap was terminated and SCPPA received a termination payment in the amount of \$4.03 million. In November 2004, the Authority entered into a floating-to-floating fixed-spread basis swap. The STS 2006 Swap was amended and suspended for five years in July 2006 and in March 2011 the suspension was extended for an additional three years.
- **STS Swaption/Swap (restated/novated)** – 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. In November 2011, the swap was novated to a new counterparty. The swap documents were kept substantially the same and the swap insurance was cancelled. The swap expires on July 1, 2022.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 – Derivative Instruments (continued)

- **STS 2001 Swap (terminated)** – In June 2013, the STS 2001 Series A Bonds were refunded and the STS 2001 Swap was terminated. In June 2001, the Authority entered into an interest rate swap agreement with counterparty for the purpose of hedging against interest rate variations arising from the issuance of the Southern Transmission Project 2001 Subordinate Refunding Series A Revenue Bonds. The notional amount of the Swap Agreement equaled the par value of the bonds.
- **MP 2004 Swap (terminated)** In September 2012, the Mead-Phoenix 2008 Series A and B Bonds were refunded and the MP 2004 Amended Swap terminated. In connection with the issuance of the Mead-Phoenix Project 2004 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. The Authority received approximately \$1.8 million in an upfront payment in connection with the execution of the swap, which has been deferred and amortized as an interest yield adjustment over the life of the option. The MP 2004 bonds were refunded on October 2, 2008 and the related interest rate swap transferred to the MP 2008 Refunding Bonds.
- **MA 2007 Swap (amended)** – In January 2007, the Authority entered into a Constant Maturity Swap (CMS) in connection with its outstanding Mead-Adelanto Project bonds. The transaction consisted of a \$100 million basis swap and does not relate to any single series of the Mead-Adelanto bonds. The amended swap terms became effective on February 1, 2008 and the Authority pays the swap counterparty 100% of the one month LIBOR in exchange for receiving 100% of the 10-year LIBOR minus 41.4 basis points. The swap expires on September 15, 2030. On November 5, 2008 the MA 2007 Swap was novated from Bear Stearns to JP Morgan. In addition, the swap was suspended until November 1, 2011. As part of the novation, the credit terms of the existing swap agreements were maintained and SCPPA received \$4.1 million from JP Morgan as compensation for the suspension of the cash flows of the MA 2007 CMS. The \$4.1 million was deferred to be amortized over the suspension term.

In June 2010, the MA 2007 CMS Agreement was amended to extend the suspension period from November 1, 2011 to June 1, 2018. SCPPA received \$5 million as compensation for the suspension of the cash flows of the swap, which was deferred and is being amortized over the suspension term. The credit terms of the existing swap agreements remains unchanged.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 – Derivative Instruments (continued)

- **MA 2004 Swap (terminated)** – In September 2012, the Mead-Adelanto 2008 Series A and B Bonds were refunded and the MA 2004 Amended Swap terminated. 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. The Authority received approximately \$5.9 million in an upfront payment in connection with the execution of the swap, which has been deferred and amortized as an interest yield adjustment over the life of the swap. The MP 2004 bonds were refunded on October 2, 2008 and the related interest rate swap transferred to the MA 2008 Refunding Bonds.
- **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 three-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, 2035.
- **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 30-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 swaps became effective on July 1, 2008 and will all expire on September 30, 2035.

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.

Interest-rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of SCPPA's financial instruments or cash flows. SCPPA is exposed to interest-rate risk on its pay-fixed, receive variable interest rate swaps. As the LIBOR or the Securities Industry and Financial Markets Association (SIFMA) swap index decreases, SCPPA's net payment on swaps increases. In addition, SCPPA is exposed to interest rate risk if the counterparty to the swap defaults or if the swap is terminated.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 – Derivative Instruments (continued)

Market access risk – Market access risk is the risk that SCPPA will not be able to enter credit markets or that credit will become more costly. SCPPA’s financial rating is tied to the credit strength of the major participants of the specific project for which each financial instrument is issued. SCPPA is also exposed to market access risks caused by disruptions in the municipal bond market.

Credit risk – As of June 30, 2013, 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 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 if applicable, the guarantors of the counterparty’s) credit rating fall below AA- as issued by Standard & Poor’s or Aa3 as issued by Moody’s Investors Service for the MA 2007 Swaps; A/A2 for the PNG 2007 Commodity Swap; and A-/A3 for the MAG 2010-1, MAG 2010-2, MAG 2009-1, MAG 2009-2, and the STS Swaption/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 the counterparty, and the risk that both legs of a basis swap are not exactly equal. With the exception of the PNG 2007 Swap, the Authority bears basis risk on each of its swaps. The PNG 2007 Swap is perfectly hedged since the counterparty pays the Authority its actual variable bond rate on the related bonds. All the other swaps have a basis risk since under each of those swaps the Authority received a percentage of LIBOR or a percentage of, or spread to, SIFMA 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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 – Derivative Instruments (continued)

The following is a summary of interest rates paid to and received from the counterparties as of June 30, 2013:

| | Type of Derivative | | | | | |
|---|--------------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| | STS Swaption/ Swap | MAG 2009-1 Swap | MAG 2009-2 Swap | MAG 2010-1 Swap | MAG 2010-2 Swap | PNG 2007 Swap |
| Payments to counterparty | 4.250% | 3.125% | 3.139% | 0.082% | 0.082% | 5.048% |
| Less, variable payments from counterparty | 0.116% | 0.082% | 0.082% | 0.228% | 0.230% | 0.165% |
| Net interest-rate swap payments | 4.134% | 3.043% | 3.057% | -0.146% | -0.148% | 4.883% |
| Add, variable-rate bond coupon payments | N/A | 0.060% | 0.070% | N/A | N/A | 0.165% |
| Synthetic interest rate on bonds | <u>4.134%</u> | <u>3.103%</u> | <u>3.127%</u> | <u>-0.146%</u> | <u>-0.148%</u> | <u>5.048%</u> |

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%. 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 STS Swap/Swaption 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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 – Derivative Instruments (continued)

Swap payments and associated debt – Using rates as of June 30, 2013, debt service requirements of the Authority’s outstanding variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

| Fiscal Year Ending June 30, | (amounts in thousands) | | | |
|-----------------------------|------------------------|-----------------|-----------------------------|-------------------|
| | Variable-Rate Bonds | | Interest-Rate Swaps, Net | Total |
| | Principal | Interest | | |
| 2014 | \$ 53,770 | \$ 183 | \$ 8,588 | \$ 8,771 |
| 2015 | 23,095 | 167 | 7,641 | 7,808 |
| 2016 | 5,125 | 163 | 7,437 | 7,600 |
| 2017 | 750 | 163 | 7,414 | 7,577 |
| 2018 | 785 | 162 | 7,391 | 7,553 |
| 2019-2023 | 4,430 | 802 | 36,558 | 37,360 |
| 2024-2028 | 109,555 | 684 | 31,121 | 31,805 |
| 2029-2033 | 172,695 | 468 | 21,459 | 21,927 |
| 2034-2038 | 201,335 | 454 | 7,937 | 8,391 |
| | <u>\$ 571,540</u> | <u>\$ 3,246</u> | <u>\$ 135,546</u> | <u>\$ 138,792</u> |

The following table shows the changes in fair value of derivative instruments (amounts in thousands):

| Description | June 30, 2012 | Change in Fair Value | June 30, 2013 |
|--|-------------------|-------------------------|------------------|
| Assets | | | |
| STS - Derivative instruments | \$ 3,500 | \$ (3,500) | \$ - |
| Mead Adelanto - Derivative instruments | 3,111 | (2,486) | 625 |
| | <u>\$ 6,611</u> | <u>\$ (5,986)</u> | <u>\$ 625</u> |
| Deferred outflows of resources | | | |
| Magnolia - Deferred outflows | \$ 17,556 | \$ (12,151) | \$ 5,405 |
| Prepaid Natural Gas - Deferred outflows | 13,429 | (5,293) | 8,136 |
| | <u>\$ 30,985</u> | <u>\$ (17,444)</u> | <u>\$ 13,541</u> |
| Liabilities | | | |
| Magnolia - Derivative instruments | \$ 42,839 | \$ (26,867) | \$ 15,972 |
| STS - Derivative instruments | 57,878 | (27,588) | 30,290 |
| Mead Phoenix - Derivative instruments | 5,498 | (5,498) | - |
| Mead Adelanto - Derivative instruments | 18,374 | (18,374) | - |
| Prepaid Natural Gas - Derivative instruments | 13,429 | (5,292) | 8,137 |
| | <u>\$ 138,018</u> | <u>\$ (83,619)</u> | <u>\$ 54,399</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 – Long-Term Debt

Long-term debt outstanding at June 30, 2013 consisted of “new money” bonds, refunding bonds, and subordinate refunding bonds due in varying annual amounts through July 1, 2040. The new money bonds were issued to finance the purchase and construction or acquisition of the Authority’s interest in each of the Projects. The subordinate refunding bonds were issued to refund specified new money bonds.

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

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

The Authority has agreed to certain covenants with respect to bonded indebtedness, including the requirement to enforce the natural gas, power, and transmission sales agreements with the participants. At the option of the Authority, all outstanding new money bonds and refunding bonds are subject to redemption prior to maturity, except for the 2006-1 Magnolia Revenue Bonds; the 2013 Series A and B Subordinate Refunding Bonds, the 2012 Series A Subordinate Refunding Bonds, the 2002 Series B Subordinate Refunding Bonds, the 2011 Series A and B Subordinate Refunding Bonds, and portions of the 1988A Refunding Bonds, the 1992, the 2008A, and the 2009A Subordinate Refunding Bonds issued for the Southern Transmission System; the 2012 Series A Mead-Phoenix and Mead-Adelanto Bonds; the 2002A San Juan Revenue Bonds; a total of \$34.5 million of the Multiple Project Revenue Bonds; the 2007 Series A and B Prepaid Natural Gas Project No. 1 Bonds; portions of the 2010 Series A and B Canyon Power Revenue Bonds; portions of the 2010-1 Milford I Wind Revenue Bonds; portions of the 2010 Series A Linden Wind Revenue Bonds; and portions of the 2010-1 Windy Point/Windy Flats Revenue Bonds.

Variable rate debt includes debt with rates based on daily, weekly, and long-term rates as determined by a Remarketing Agent.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (continued)

A summary of changes in long-term debt follows (amounts in thousands):

| | GENERATION | | | | | GREEN POWER | | | | |
|---|--------------------|------------------|------------------------|----------------------|-------------------------|--------------------|----------------|-----------------|---------------------|--------------------|
| | Palo Verde Project | San Juan Project | Magnolia Power Project | Canyon Power Project | Hoover Uprating Project | Tieton Hydro-power | Milford I Wind | Milford II Wind | Windy Point Project | Linden Wind Energy |
| Total long-term debt at June 30, 2012 | \$ 56,679 | \$100,511 | \$ 345,107 | \$ 311,160 | \$ 9,760 | \$ 52,570 | \$ 234,312 | \$ 172,300 | \$ 538,152 | \$ 141,531 |
| Total debt due within one year at June 30, 2012 | 10,660 | 13,010 | 9,780 | - | 1,670 | 775 | 7,860 | 4,235 | 17,240 | 3,360 |
| Total debt at June 30, 2012 | 67,339 | 113,521 | 354,887 | 311,160 | 11,430 | 53,345 | 242,172 | 176,535 | 555,392 | 144,891 |
| Principal payments | (10,660) | (13,010) | (9,780) | - | (1,670) | (775) | (7,860) | (4,235) | (17,240) | (3,360) |
| Revenue bonds issued | - | - | - | - | - | - | - | - | - | - |
| Bonds refunded/defeased | - | - | - | - | - | - | - | - | - | - |
| Refunding bonds issued | - | - | - | - | - | - | - | - | - | - |
| Change in unamortized debt-related costs, net | 1,761 | (548) | (159) | (1,058) | (22) | (64) | (1,565) | (2,473) | (7,007) | (1,134) |
| Total debt at June 30, 2013 | 58,440 | 99,963 | 344,948 | 310,102 | 9,738 | 52,506 | 232,747 | 169,827 | 531,145 | 140,397 |
| Total debt due within one year at June 30, 2013 | (10,980) | (27,250) | (15,605) | - | (1,755) | (790) | (8,135) | (5,065) | (17,850) | (3,425) |
| Total long-term debt at June 30, 2013 | \$ 47,460 | \$ 72,713 | \$ 329,343 | \$ 310,102 | \$ 7,983 | \$ 51,716 | \$ 224,612 | \$ 164,762 | \$ 513,295 | \$ 136,972 |

| | TRANSMISSION | | | NATURAL GAS | | | MISC. | |
|---|--------------------------------------|----------------------|-----------------------|------------------|-----------------|---------------------|-----------------------|--------------|
| | Southern Transmission System Project | Mead-Phoenix Project | Mead-Adelanto Project | Pinedale Project | Barnett Project | Prepaid Natural Gas | Multiple Project Fund | Total |
| Total long-term debt at June 30, 2012 | \$ 703,838 | \$ 42,201 | \$ 139,049 | \$ 29,235 | \$ 68,675 | \$ 321,225 | \$ 12,525 | \$ 3,278,830 |
| Total debt due within one year at June 30, 2012 | 56,970 | 5,530 | 15,230 | 2,549 | 6,016 | 4,805 | 12,900 | 172,590 |
| Total debt at June 30, 2012 | 760,808 | 47,731 | 154,279 | 31,784 | 74,691 | 326,030 | 25,425 | 3,451,420 |
| Principal payments | (56,970) | (5,530) | (15,230) | (2,549) | (6,016) | (4,805) | (12,900) | (172,590) |
| Revenue bonds issued | - | - | - | - | - | - | - | - |
| Bonds refunded/defeased | (79,795) | (29,905) | (99,435) | - | - | - | - | (209,135) |
| Refunding bonds issued | 81,740 | 29,775 | 96,010 | - | - | - | - | 207,525 |
| Change in unamortized debt-related costs, net | 11,169 | 214 | 3,618 | - | - | (287) | 1,275 | 3,720 |
| Total debt at June 30, 2013 | 716,952 | 42,285 | 139,242 | 29,235 | 68,675 | 320,938 | 13,800 | 3,280,940 |
| Total debt due within one year at June 30, 2013 | (49,130) | (6,505) | (17,820) | (2,253) | (5,302) | (4,065) | (13,800) | (189,730) |
| Total long-term debt at June 30, 2013 | \$ 667,822 | \$ 35,780 | \$ 121,422 | \$ 26,982 | \$ 63,373 | \$ 316,873 | \$ - | \$ 3,091,210 |

Palo Verde Project – Debt consists of subordinate refunding series bonds with variable interest rates and final maturities during 2017.

San Juan Project – Debt consists of refunding series bonds with fixed interest rates between 5.00% and 5.50% and final maturities during 2020.

Magnolia Power Project – Debt consists of revenue and refunding series bonds with variable and fixed interest rates between 3.00% and 5.00% with final maturities occurring in 2036.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (continued)

Magnolia Power Project Refunding Revenue Bonds – On December 7, 2011, SCPPA issued \$62,265,000 Magnolia Power Project A Refunding Revenue Bonds, 2011-1 Refunding Series. These fixed rate bonds were issued to provide funds, together with certain available amounts, to refund a portion of the Magnolia Power Project A, Revenue Bonds 2003-1, to fund a Debt Service Reserve Account, and to pay costs of issuance relating to the 2011 Bonds. The transaction generated present value savings of over \$5.0 million, or 8.25% of refunded par. This transaction resulted in a net loss for accounting purposes of \$3.5 million. The true interest cost of the bonds was 2.48%.

Of the outstanding Magnolia Power Project Revenue Bonds, \$124 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.

Canyon Power Project – As of June 30, 2013, debt consists of revenue bonds with fixed interest rates ranging from 4.00% to 5.94% and final maturity occurring in 2040.

Canyon Power Project Revenue Bonds – On June 9, 2010, SCPPA issued \$301.5 million of the Canyon Power Project Revenue Bonds consisting of \$110.5 million of 2010 Series A Fixed Rate Bonds and \$191.0 million of the Series B, Taxable Build America Bonds (the 2010 Series B Bonds), together the 2010 Bonds.

The 2010 Series B Bonds were issued as Build America Bonds that are “qualified bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. The interest on these bonds will not be excluded from gross income for federal income tax purposes, but will be exempt from the State of California personal income taxes. As such, the Authority may receive a cash subsidy from the United States Treasury up to 35% of the interest payable on the 2010 Series B Bonds which is applied to offset the interest costs of the 2010 Series B Bonds.

Hoover Upgrading Project – Debt consists of refunding series bonds with fixed interest rates between 4.375% and 5.25% and a final maturity occurring in 2017.

Tieton Hydropower Project – As of June 30, 2013, debt consists of revenue bonds with fixed interest rates between 2.876% and 5.798% and a final maturity occurring in 2040.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (continued)

Milford I Wind Project – As of June 30, 2013, debt consists of revenue bonds with fixed interest rates ranging from 2.50% to 5.00% and final maturity occurring in 2030.

Milford II Wind Project – As of June 30, 2013, debt consists of revenue bonds with fixed interest rates ranging from 2.00% to 5.25% and final maturity occurring in 2031.

Milford Wind Corridor Phase II Revenue Bonds – On August 25, 2011, SCPPA issued \$157,465,000 of Milford Wind Corridor Phase II Project Revenue Bonds, 2011-1. These fixed rate bonds were issued for the purpose of financing the prepayment of a specified supply of electricity from a 102 MW nameplate capacity wind powered electric generating facility comprised of 68 wind turbines and related facilities located near Milford, Utah; to pay related development costs of the Project; to fund a deposit to the 2011-1 Debt Service Reserve; and to pay costs of issuance of the 2011-1 Bonds. The true interest cost of the 2011-1 Bonds was 3.75%.

Linden Wind Energy Project – As of June 30, 2013, debt consists of revenue bonds with fixed interest rates between 3.00% and 5.92% and final maturity occurring in 2035.

Linden Wind Energy Project Revenue Bonds – On September 28, 2010, SCPPA issued \$138.3 million of the Linden Wind Energy Project Revenue Bonds, consisting of \$96.8 million of 2010 Series A Tax Exempt Bonds and \$41.5 million of the Series B Taxable Build America Bonds, together the 2010 Bonds.

The 2010 Series B Bonds were issued as Build America Bonds that are “qualified bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. The interest on these bonds will not be excluded from gross income for federal income purposes, but will be exempt from the State of California personal income taxes. As such, the Authority receives a cash subsidy from the United States Treasury up to 35% of the interest payable on the 2010 Series B Bonds which is applied to offset the interest costs of the 2010 Series B Bonds.

Southern Transmission System Project – Debt consists of refunding and subordinate refunding series bonds with fixed interest rates ranging from 0.350% to 6.125% and final maturities occurring in 2027.

STS Project Refunding Bonds - On June 5, 2013, SCPPA issued \$65.1 million 2013 Series A and \$27.6 million 2013 Series B (Taxable) Southern Transmission Project, Subordinate Refunding Bonds, together the 2013 Bonds. These fixed rate bonds were issued for the purpose of refunding the outstanding Transmission Project Subordinate Refunding Bonds, 2001 Series A; to terminate the related interest rate swap; and to pay the related costs of issuance. The 2013 Bonds are not subject to redemption prior to maturity. This transaction generated present value savings of over \$0.9 million or 1.1% of refunded par for SCPPA and its members. This transaction resulted in a net loss for accounting purposes of \$20.4 million. The true interest cost of the 2013 Bonds was 1.21%.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (continued)

STS Project Refunding Bonds – On April 3, 2012, SCPPA issued \$39,935,000 Transmission Project Revenue Bonds, 2012 Subordinate Refunding Series A. These fixed rate bonds were issued for the purpose of refunding the outstanding 2002 Series A Subordinate Refunding Transmission Project Revenue Bonds, maturing on and after July 1, 2013. The transaction generated present value savings of over \$8 million or 18.25% of refunded par for SCPPA and its members. This transaction resulted in a net loss for accounting purposes of \$2.0 million. The true interest cost of the 2012A bonds was 1.30%.

Windy Point/Windy Flats Project – As of June 30, 2013, debt consists of revenue bonds with fixed interest rates between 3.00% and 5.00% and final maturity occurring in 2030.

Mead Phoenix/Mead Adelanto Projects – Debt consists of revenue and refunding series bonds with variable interest and fixed interest rates. Fixed interest rates range from 0.477% and 5.15% with final maturities occurring in 2020.

Mead Phoenix/Mead Adelanto Refunding Bonds – On September 12, 2012, SCPPA issued Mead-Adelanto and Mead-Phoenix 2012 Series A and B Revenue Bonds (the “2012 Bonds”) in the aggregate principal amount of \$127.8 million, consisting of \$79.4 million Mead-Adelanto 2012 Series A, \$16.6 million Mead-Adelanto 2012 Series B (Taxable), \$24.5 million Mead-Phoenix 2012 Series A, and \$5.3 million Mead-Phoenix 2012 Series B (Taxable). These fixed rate bonds were issued to provide moneys, together with other available funds, to refund the outstanding Mead-Adelanto and Mead Phoenix Revenue Bonds, 2008 Series A and B (the “2008 Bonds”); to terminate the related interest rate swap agreement; and to pay the related cost of issuance of the 2012 Bonds. The transaction generated present value savings of over \$1.97 million or 1.5% of refunded par for SCPPA and its members. This transaction resulted in a net loss for accounting purposes of \$31.4 million. The true interest cost of the 2012 Bonds was 1.39%.

Natural Gas Projects – Debt consists of revenue bonds with fixed interest rates ranging from 4.29% to 6.03% and final maturities occurring in 2032.

Prepaid Natural Gas Project No. 1 – Debt consists of revenue bonds with variable and fixed interest rates ranging from 5.00% to 5.25% and final maturity occurring in 2035.

In October 2009, the Series 2007A Fixed Rate Bonds, the Prepaid Natural Gas Agreements, and certain other agreements were restructured to reduce risk, realize savings, provide an acceleration of the long-term savings, reduce the remaining volumes of gas to be delivered from 135 billion to 90 billion cubic feet, and shorten the term of the agreements from 30 to 27 years. As a result of the restructure, \$165.5 million principal amount of the bonds were canceled, leaving \$333.4 million of total bonds outstanding subsequent to the November 1, 2009 principal maturity.

Multiple Project Fund – Debt consists of revenue bonds with a fixed interest rate of 6.75% and final maturity occurring on July 1, 2013.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (continued)

Debt-related costs – Unamortized debt-related costs, net, which are included in the statements of net position as a component of long-term debt, are as follows (amounts in thousands):

| Unamortized Debt-related Costs, Net | June 30, 2013 | | |
|--------------------------------------|-------------------|-----------------------|--------------------|
| | Loss on Refunding | (Premium) Discount | Total |
| Palo Verde Project | \$ - | \$ - | \$ - |
| San Juan Project | 1,370 | (2,203) | (833) |
| Magnolia Power Project | 14,112 | (6,360) | 7,752 |
| Canyon Power Project | - | (8,632) | (8,632) |
| Hoover Uprating Project | - | (53) | (53) |
| Tieton Hydropower Project | - | (1,231) | (1,231) |
| Milford I Wind Project | - | (10,967) | (10,967) |
| Milford II Wind Project | - | (16,597) | (16,597) |
| Windy Point Project | - | (47,985) | (47,985) |
| Linden Wind Energy Project | - | (7,942) | (7,942) |
| Southern Transmission System Project | 69,187 | (28,494) | 40,693 |
| Mead-Phoenix Project | 5,915 | (3,305) | 2,610 |
| Mead-Adelanto Project | 18,620 | (13,871) | 4,749 |
| Prepaid Natural Gas Project No. 1 | - | (3,383) | (3,383) |
| Multiple Project Fund | - | - | - |
| | <u>\$ 109,204</u> | <u>\$ (151,023)</u> | <u>\$ (41,819)</u> |
| Unamortized Debt-related Costs, Net | June 30, 2012 | | |
| | Loss on Refunding | (Premium) Discount | Total |
| Palo Verde Project | \$ 1,761 | \$ - | \$ 1,761 |
| San Juan Project | 1,740 | (3,121) | (1,381) |
| Magnolia Power Project | 15,325 | (7,732) | 7,593 |
| Canyon Power Project | - | (9,690) | (9,690) |
| Hoover Uprating Project | - | (75) | (75) |
| Tieton Hydropower Project | - | (1,295) | (1,295) |
| Milford I Wind Project | - | (12,532) | (12,532) |
| Milford II Wind Project | - | (19,070) | (19,070) |
| Windy Point Project | - | (54,992) | (54,992) |
| Linden Wind Energy Project | - | (9,076) | (9,076) |
| Southern Transmission System Project | 67,189 | (15,327) | 51,862 |
| Mead-Phoenix Project | 2,492 | 332 | 2,824 |
| Mead-Adelanto Project | 7,459 | 908 | 8,367 |
| Prepaid Natural Gas Project No. 1 | - | (3,670) | (3,670) |
| Multiple Project Fund | - | 1,274 | 1,274 |
| | <u>\$ 95,966</u> | <u>\$ (134,066)</u> | <u>\$ (38,100)</u> |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (continued)

Fair value – The fair value of the Authority’s long-term debt (including the current portion) is approximately \$3.63 billion and \$4.01 billion at June 30, 2013 and 2012, respectively. Management has estimated fair value based on the quoted market prices for the same or similar issues or on the current average rates offered to the Authority for debt of approximately the same remaining maturities, excluding the effect of a related interest rate swap agreement.

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

Defeasance of debt – The Authority has defeased specified revenue bonds by placing the proceeds from the issuance of subordinate refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. The trust investments and related liability for bonds that are considered legally defeased are not included in the Authority’s financial statements. At June 30, 2013 and 2012, \$622.5 million and \$736.0 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 on the following page. The variable rates used for the PV 2008 Subordinate Refunding Series A and B Bonds were both 0.06%. The variable rate used for the STS 2000 Subordinate Refunding Series A was 0.07%. The variable rates used for the MAG 2009-1 and MAG 2009-2 were 0.06% and 0.07%, respectively. All of the preceding variable rates were the rates at June 30, 2013. The variable rates are set by the bond-remarketing agent on a weekly basis based on economic conditions and bond ratings.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (continued)

Future principal and interest payments are as follows (amounts in thousands):

| | GENERATION | | | | | GREEN POWER | | | | |
|-----------------------|------------------|------------------|-------------------|----------------------|-----------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| | Palo Verde | San Juan | Magnolia Power | Canyon Power Project | Hoover Uprating | Tieton Hydro-power | Milford I Wind | Milford II Wind | Windy Point | Linden Wind Energy |
| 2014 Principal | \$ 10,980 | \$ 27,250 | \$ 15,605 | \$ - | \$ 1,755 | \$ 790 | \$ 8,135 | \$ 5,065 | \$ 17,850 | \$ 3,425 |
| 2014 Interest | 1,324 | 5,093 | 12,063 | 16,732 | 455 | 2,557 | 10,581 | 7,696 | 22,850 | 6,677 |
| 2015 Principal | 11,330 | 13,200 | 10,565 | - | 1,835 | 815 | 8,450 | 5,270 | 18,535 | 3,530 |
| 2015 Interest | 1,045 | 3,594 | 11,622 | 16,732 | 368 | 2,532 | 10,236 | 7,463 | 22,081 | 6,555 |
| 2016 Principal | 11,690 | 13,855 | 10,985 | - | 1,930 | 840 | 8,820 | 5,530 | 19,390 | 3,670 |
| 2016 Interest | 757 | 2,934 | 11,176 | 16,732 | 270 | 2,503 | 9,874 | 7,201 | 21,277 | 6,411 |
| 2017 Principal | 12,030 | 14,550 | 11,470 | 6,735 | 2,030 | 870 | 9,175 | 5,795 | 20,145 | 3,820 |
| 2017 Interest | 461 | 2,241 | 10,672 | 16,597 | 165 | 2,468 | 9,476 | 6,934 | 20,449 | 6,261 |
| 2018 Principal | 12,410 | 15,285 | 7,230 | 7,005 | 2,135 | 910 | 9,615 | 6,065 | 21,045 | 3,970 |
| 2018 Interest | 155 | 1,514 | 10,242 | 16,287 | 55 | 2,429 | 9,022 | 6,646 | 19,513 | 6,085 |
| 2019 - 2023 Principal | - | 14,990 | 40,005 | 40,190 | - | 5,270 | 55,580 | 35,090 | 120,900 | 22,755 |
| 2019 - 2023 Interest | - | 1,320 | 45,709 | 76,178 | - | 11,395 | 37,417 | 28,351 | 81,432 | 27,503 |
| 2024 - 2028 Principal | - | - | 61,745 | 51,150 | - | 8,665 | 70,610 | 45,070 | 153,520 | 28,780 |
| 2024 - 2028 Interest | - | - | 36,249 | 64,866 | - | 9,490 | 21,995 | 18,061 | 47,871 | 21,277 |
| 2029 - 2033 Principal | - | - | 75,490 | 64,335 | - | 9,280 | 51,395 | 45,345 | 111,775 | 36,640 |
| 2029 - 2033 Interest | - | - | 25,326 | 49,020 | - | 7,164 | 3,937 | 4,914 | 8,564 | 12,986 |
| 2034 - 2038 Principal | - | - | 119,605 | 77,790 | - | 11,845 | - | - | - | 25,865 |
| 2034 - 2038 Interest | - | - | 10,016 | 28,032 | - | 4,536 | - | - | - | 2,336 |
| 2039 - 2040 Principal | - | - | - | 54,265 | - | 11,990 | - | - | - | - |
| 2039 - 2040 Interest | - | - | - | 4,919 | - | 1,082 | - | - | - | - |
| Principal | \$ 58,440 | \$ 99,130 | \$ 352,700 | \$ 301,470 | \$ 9,685 | \$ 51,275 | \$ 221,780 | \$ 153,230 | \$ 483,160 | \$ 132,455 |
| Interest | \$ 3,742 | \$ 16,696 | \$ 173,075 | \$ 306,095 | \$ 1,313 | \$ 46,156 | \$ 112,538 | \$ 87,266 | \$ 244,037 | \$ 96,091 |

| | TRANSMISSION | | | NATURAL GAS | | | MISC. | |
|-----------------------|------------------------------|------------------|-------------------|------------------|------------------|---------------------|-----------------------|---------------------|
| | Southern Transmission System | Mead-Phoenix | Mead-Adelanto | Pinedale | Barnett | Prepaid Natural Gas | Multiple Project Fund | Total |
| 2014 Principal | \$ 49,130 | \$ 6,505 | \$ 17,820 | \$ 2,253 | \$ 5,302 | \$ 4,065 | \$ 13,800 | \$ 189,730 |
| 2014 Interest | 30,604 | 1,816 | 6,427 | 1,539 | 3,619 | 16,056 | 466 | 146,555 |
| 2015 Principal | 50,885 | 5,415 | 17,785 | 2,219 | 5,211 | 3,875 | - | 158,920 |
| 2015 Interest | 30,581 | 1,501 | 5,480 | 1,439 | 3,384 | 15,858 | - | 140,471 |
| 2016 Principal | 52,650 | 5,280 | 17,290 | 2,274 | 5,326 | 4,075 | - | 163,605 |
| 2016 Interest | 29,344 | 1,249 | 4,625 | 1,331 | 3,128 | 15,659 | - | 134,471 |
| 2017 Principal | 52,430 | 5,515 | 17,985 | 2,249 | 5,266 | 4,275 | - | 174,340 |
| 2017 Interest | 27,740 | 1,029 | 3,882 | 1,215 | 2,855 | 15,450 | - | 127,895 |
| 2018 Principal | 53,095 | 5,660 | 18,450 | 1,980 | 4,640 | 4,605 | - | 174,100 |
| 2018 Interest | 25,531 | 795 | 3,105 | 1,104 | 2,596 | 15,228 | - | 120,307 |
| 2019 - 2023 Principal | 307,390 | 16,520 | 54,661 | 7,691 | 18,054 | 38,200 | - | 777,296 |
| 2019 - 2023 Interest | 86,148 | 981 | 3,690 | 4,123 | 9,699 | 71,196 | - | 485,142 |
| 2024 - 2028 Principal | 192,065 | - | - | 5,766 | 13,559 | 72,310 | - | 703,240 |
| 2024 - 2028 Interest | 24,609 | - | - | 2,243 | 5,295 | 56,945 | - | 308,901 |
| 2029 - 2033 Principal | - | - | - | 4,803 | 11,317 | 119,690 | - | 530,070 |
| 2029 - 2033 Interest | - | - | - | 698 | 1,647 | 32,695 | - | 146,951 |
| 2034 - 2038 Principal | - | - | - | - | - | 66,460 | - | 301,565 |
| 2034 - 2038 Interest | - | - | - | - | - | 4,394 | - | 49,314 |
| 2039 - 2040 Principal | - | - | - | - | - | - | - | 66,255 |
| 2039 - 2040 Interest | - | - | - | - | - | - | - | 6,001 |
| Principal | \$ 757,645 | \$ 44,895 | \$ 143,991 | \$ 29,235 | \$ 68,675 | \$ 317,555 | \$ 13,800 | \$ 3,239,121 |
| Interest | \$ 254,557 | \$ 7,371 | \$ 27,209 | \$ 13,692 | \$ 32,223 | \$ 243,481 | \$ 466 | \$ 1,666,008 |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7 – Notes Payable and Other Liabilities

Notes payable and other liabilities consist mainly of Palo Verde Participants' overbillings from prior periods; an allowance for future major maintenance expenses for the Magnolia Power Project; and swap-related transaction fees received in the Mead Adelanto and Mead Phoenix Projects. The notes payable held in the Palo Verde Project are invested in a guaranteed investment contract (GIC) that will mature in June 2017. The GIC is unsecured, bears an interest rate at 4.97%, and is paid out in monthly installments of \$0.6 million. On June 30, 2013, the remaining balance of the GIC is \$27.6 million.

The Authority received approximately \$1.8 million and \$5.9 million in upfront payments in connection with the execution of the Mead Phoenix and Mead Adelanto 2004 Swaps, respectively, to be deferred through 2020. The deferred balance is \$0.43 million and \$1.4 million, respectively, as of June 30, 2013. The three-year suspension of the Mead Adelanto 2007 CMS (the CMS Swap) in November 2008 netted a compensation of \$4.1 million. In June 2010, the suspension was extended to June 2018 for a net compensation of \$5.0 million. The total deferred balance of the CMS Swap is \$3.1 million as of June 30, 2013 (see Note 5).

Notes payable and other liabilities rollforward (amounts in thousands):

| Description | June 30, 2012 | Additions | Payments/ Amortization | Amortization of Surplus Fund | June 30, 2013 |
|--------------------------------------|------------------|-----------------|---------------------------|------------------------------------|------------------|
| PV prior year overbillings | \$ 31,771 | \$ - | \$ (6,090) | \$ 393 | \$ 26,074 |
| MPP major maintenance | 2,926 | 1,681 | - | - | 4,607 |
| STS 2006 Swap suspension | 2,648 | - | (2,648) | - | - |
| Mead Phoenix 2004 Swap upfront fees | 512 | - | (512) | - | - |
| Mead Adelanto 2004 Swap upfront fees | 1,703 | - | (1,703) | - | - |
| Mead Adelanto 2007 Swap suspension | 3,733 | - | (628) | - | 3,105 |
| | <u>\$ 43,293</u> | <u>\$ 1,681</u> | <u>\$ (11,581)</u> | <u>\$ 393</u> | <u>\$ 33,786</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, and are for their share of operating costs and capital expenditures pursuant to their respective Agency Agreements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8 – Advances from Participants (continued)

Advances from participants' rollforward (amounts in thousands):

| Description | June 30, 2012 | Activity | June 30, 2013 |
|---|------------------|-------------------|------------------|
| San Juan advances from participants | \$ 6,000 | \$ (1,929) | \$ 4,071 |
| MAG advances from participants | 17,895 | 3,584 | 21,479 |
| Canyon Power advances from participants | 2,225 | - | 2,225 |
| Tieton advances from participants | 202 | - | 202 |
| Milford I advances from participants | 250 | - | 250 |
| Windy Point advances from participants | 1,000 | - | 1,000 |
| Linden Wind Energy advances from participants | 2,004 | - | 2,004 |
| NG Pinedale advances from participants | 39,129 | (6,069) | 33,060 |
| NG Barnett advances from participants | 10,946 | 108 | 11,054 |
| Ormat advances from participants | 857 | 188 | 1,045 |
| MWD advances from participants | 500 | - | 500 |
| Milford II advances from participants | 250 | - | 250 |
| Ameresco advances from participants | 400 | - | 400 |
| PDF advances from participants | 24 | 130 | 154 |
| SCPPA Building advances from participants | 21 | (8) | 13 |
| | <u>\$ 81,703</u> | <u>\$ (3,996)</u> | <u>\$ 77,707</u> |

Note 9 – Net Position

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 Position. It is intended that this difference will be recovered in the future through billings for repayment of principal on the related bonds.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9 – Net Position (continued)

Net position is comprised of the following (in thousands):

| | Fiscal Year 2012 | | Fiscal Year 2013 | | |
|--|---------------------|-------------------|---------------------|------------------|--------------------|
| | June 30, 2011 | Activity | June 30, 2012 | Activity | June 30, 2013 |
| GAAP items not included in billings to participants | | | | | |
| Depreciation of plant | \$ (1,337,037) | \$ (90,995) | \$ (1,428,032) | \$ (94,334) | \$ (1,522,366) |
| Nuclear fuel amortization | (5,860) | - | (5,860) | - | (5,860) |
| Decommissioning expense | (206,839) | (5,237) | (212,076) | (6,755) | (218,831) |
| Amortization of bond discount, debt issue costs, and loss on refundings | (739,224) | (7,234) | (746,458) | (6,723) | (753,181) |
| Interest expense | (40,853) | (2,262) | (43,115) | (12,666) | (55,781) |
| Loss on defeasance of bonds | (85,827) | - | (85,827) | - | (85,827) |
| Derivatives and related charges | (57,679) | (42,743) | (100,422) | 60,515 | (39,907) |
| Bond requirements included in billings to participants | | | | | |
| Operations and maintenance, net of investment income | 266,165 | (60,316) | 205,849 | (70,378) | 135,471 |
| Costs of acquisition of capacity | 9,269 | (1,361) | 7,908 | (1,429) | 6,479 |
| 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 | 1,458,598 | 159,502 | 1,618,100 | 169,036 | 1,787,136 |
| Other | 218,237 | 40,455 | 258,692 | 10,830 | 269,522 |
| | (229,020) | (10,191) | (239,211) | 48,096 | (191,115) |
| Multiple Project Fund net position | (1,173) | (1,343) | (2,516) | 2,516 | - |
| Project Development Fund net position | 2,358 | (2,358) | - | - | - |
| Projects' Stabilization Fund net position | 100,756 | 11,663 | 112,419 | 15,164 | 127,583 |
| | <u>\$ (127,079)</u> | <u>\$ (2,229)</u> | <u>\$ (129,308)</u> | <u>\$ 65,776</u> | <u>\$ (63,532)</u> |

Note 10 – Retirement Plan

The Authority is a participating public employer in the California Public Employees Retirement System (CalPERS) Miscellaneous 2.5% at 55 Risk Pool Employees' Retirement Plan, which is an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Authority resolution. CalPERS issues a separate comprehensive annual financial report, which is available from the CalPERS' Executive Office, 400 P Street, Sacramento, California 95814.

The Authority makes the plan contributions required of its employees on their behalf and for their account. The Authority is required to contribute at an actuarially determined rate of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by CalPERS.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 10 – Retirement Plan (continued)

Summary of certain plan provisions and benefits in effect for fiscal year ended June 30, 2013:

| | |
|---|--|
| Required service for eligibility | 5 full-time years |
| Benefit payments (% of final annual salary) | Monthly for life |
| Minimum retirement age | 50 |
| Monthly benefit | 2.00% at age 50 to 2.50% at age 55 and up |
| Required employee contribution rate | 8.000% |
| Required employer contribution rates | 17.861% normal services |
| Actuarial annual required contribution (based on estimated payroll) | \$163,619 |

Actual employer portion contributions to the plan totaled \$309,900 and \$256,248 for fiscal years 2013 and 2012, respectively. The Agency’s annual required contribution (based on actuarially established rates) was determined as part of a June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The primary actuarial assumptions included a 7.75% annual investment rate of return (net of administrative expenses); forecasted annual salary increases that vary by age, service and type of employment ranging from 3.30% to 14.30%; a 3.00% overall annual payroll growth; an individual salary growth of 3.00%; an annual production growth of 0.25%; and, an inflation component of 2.75%. A 15-year rate smoothed market approach is used to spread investment returns. At fiscal year-end June 30, 2011 (the date of the actuarial valuation), the Agency had eight eligible active employees and two retirees drawing benefits under this program.

Trend Information for Agency CalPERS Retirement Plan

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|---------------------------------|-------------------------------------|------------------------------|
| June 30, 2010 | \$ 168,308 | 100.0% | - |
| June 30, 2011 | 209,933 | 100.0% | - |
| June 30, 2012 | 256,248 | 100.0% | - |
| June 30, 2013 | 309,900 | 100.0% | - |

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 10 – Retirement Plan (continued)

Funded Status of the CalPERS Miscellaneous 2.5% at 55 Risk Pool (in thousands):

| Actuarial Valuation Date | Actuarial Accrued Liability (a) | Actuarial Value of Assets (b) | Actuarial Accrued Unfunded Liability (a) - (b) | Funded Ratio (b) / (a) | Annual Covered Payroll (c) | Unfunded Actuarial Accrued Liability as % of Payroll [(a) - (b)] / (c) |
|--------------------------------|--|--|--|------------------------------|-------------------------------------|---|
| June 30, 2009 | \$ 1,834,425 | \$ 1,493,431 | \$ 340,994 | 81.4% | \$ 355,150 | 96.0% |
| June 30, 2010 | 1,972,911 | 1,603,482 | 369,429 | 81.3% | 352,637 | 104.8% |
| June 30, 2011 | 2,135,350 | 1,724,201 | 411,149 | 80.8% | 350,122 | 117.4% |

Initial unfunded liabilities are amortized over a closed period that depend on the plan's date of entry into CalPERS. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized over a period of time. The average remaining amortization period at the June 30, 2010 valuation date was approximately 21 years. Operating gains and losses of the plan are amortized over a 30-year rolling period with the exception of gains and losses in fiscal years 2008-2009, 2009-2010, and 2010-2011 in which each year's gains and losses will be isolated and amortized over fixed and declining 30-year periods. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. CalPERS actuarial valuations become available approximately two years after the Agency's fiscal year-end.

Note 11 – Commitments and Contingencies

Public benefits – The members continue to collect the public benefit charge through existing rate structures and have instituted programs to benefit their customers including conservation and energy efficiency programs, public educational programs, research and development, and low income rate subsidies, totaling a combined \$1.6 billion since their inception in 1997. The decisions on how these funds are allocated are made by the local governing authority, in most cases this is the city council.

Executive action and state legislation – The California Legislature approved several bills that affected the electric utility industry. 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:

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued)

Greenhouse gas emissions – Executive Order S-3-05 placed an emphasis on efforts to reduce greenhouse gas emissions by establishing statewide greenhouse gas reduction targets. The targets are: (i) a reduction to 2000 emission levels by 2010; (ii) a reduction to 1990 levels by 2020; and (iii) a reduction to 80% below 1990 levels by 2050.

Assembly Bill 32, the Global Warming Solutions Act of 2006 (the GWSA) became effective as law on January 1, 2007. The GWSA prescribed a statewide cap on global warming pollution with a goal of reaching 1990 greenhouse gas emission levels by 2020. In addition, the GWSA establishes a mandatory reporting program for all investor-owned utilities (IOUs), municipal utilities, and other load-serving utilities to inventory and report greenhouse gas emissions to the California Air Resources Board (CARB) and requires CARB to adopt regulations for significant greenhouse gas emission sources (allowing CARB to design a cap-and-trade system), and gives CARB the authority to enforce such regulations beginning in 2012. CARB adopted a “scoping plan” to reduce greenhouse gas emissions which included a mixed approach of market structures, regulation, fees and voluntary measures. The scoping plan included a cap-and-trade system that covers 85% of all California greenhouse gas emissions. In August 2011, CARB revised the scoping plan in response to litigation. The revised scoping plan continued to include a cap-and-trade system. The scoping plan will be updated in 2013.

On October 20, 2011, CARB adopted a regulation, which was approved on December 13, 2011, implementing a cap-and-trade system. The cap-and-trade regulation became effective on January 1, 2012, and emission compliance obligations under the cap-and-trade regulation began on January 1, 2013. The cap-and-trade program will be implemented in phases.

The cap-and-trade program includes the distribution of carbon allowances. Initially, as part of the transition process, most of the carbon allowances will be distributed for free. Quarterly auctions for additional allowances began in November 2012. IOUs, as well as POUs that sell electricity into the ISO markets (including some Project Participants), will be required to auction their allowances. They will then need to purchase allowances to meet their compliance obligations, and use the remaining from the sale of their allocated allowances for the benefit of their rate payers.

The Authority and the Project Participants are unable to predict at this time the full impact of the cap-and-trade program on the Project Participants’ respective electric utilities or on the electric utility industry in general. However, the Project Participants could be adversely affected if the carbon emissions of their respective resource portfolios are in excess of the allowances administratively allocated to them, and they are required to purchase allowances on the market to cover their emissions.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued)

Senate Bill 1368 (SB 1368) also became effective as law on January 1, 2007. It provides for an emission performance standard, restricting new investments in baseload fossil fuel electric generating resources that exceed the rate of greenhouse gas emissions for existing combined-cycle natural gas baseload generation. SB 1368 allows the California Energy Commission (CEC) to establish a regulatory framework to enforce the greenhouse gas emission performance standard for POUs such as the Project Participants. In December 2011, the CEC decided to undertake a review of these regulations to ensure there is adequate review of investments in facilities that do not meet the emission performance standard. Changes to these regulations pursuant to this review may impact the Project Participants.

In addition, Assembly 1925 signed into law on September 26, 2006, requires the CEC to develop a cost effective strategy for the geologic sequestration and management of industrial carbon dioxide.

Energy procurement and efficiency reporting – Senate Bill 1037, which was signed into law on September 29, 2005, requires that each POU, including each Project Participant, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction, and renewable resources that are cost effective, reliable and feasible, then report annually to its customers and to the CEC its investment in energy efficiency and demand reduction programs. Each Project Participant has complied with such reporting requirements.

Assembly Bill 2021, signed on September 29, 2006, requires that POUs establish, report, and explain the basis of the annual energy efficiency and demand reduction targets every three years for a ten-year horizon since 2007. Each of the Project Participants has complied with this reporting requirement.

Renewable Portfolio Standard (RPS) – Senate Bill 1078 (SB 1078), which became law on September 2002, requires that the IOUs adopt a RPS to meet a minimum of 1% of retail energy sales needs each year from renewable resources and to meet a goal of 20% of their retail energy needs from renewable energy resources by the year 2017. SB 1078 also directed the State’s POUs 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 rates, reliability, financial resources, and the goal of environmental improvement. SB 107, which was signed on September 26, 2006, requires IOUs to have 20% of their electricity produced by renewable sources by 2010 and prescribes that POUs meet the intent of the legislation.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued)

In order to help utilities overcome the challenges associated with meeting the accelerated RPS goals, the CPUC and the CEC supported the implementation of a renewable energy certificate (REC) trading system. SB 107 allows RECs to be used for RPS compliance. In parallel, pursuant to SB 1078, the CEC, collaboratively with the Western Governors Association and the Western Electricity Coordinating Council (WECC), established the Western Renewable Energy Generation Information System (WREGIS) to ensure the integrity of RECs and prevent the double counting of certificates. The Authority has elected to use WREGIS to transfer and account for the RECs associated with the renewable energy procured by the Authority on behalf of certain of its members.

Senate Bill X1 2 (SBX1 2), the “California Renewable Energy Resources Act,” was signed into law on April 12, 2011. SBX1 2 codifies the RPS target for retail electricity sellers to serve 33% of their loads with eligible renewable energy resources by 2020. As enacted, SBX 1 2 makes the requirements of the RPS program applicable to POU. The governing boards of POU are responsible for implementing the requirements and each POU is required to adopt and implement a renewable energy resources procurement plan. The plan must require the utility to procure a minimum quantity of electricity product from eligible renewable energy resources, including RECs, as a specified percentage of total kilowatt hours sold to the utility’s retail end-use customers to achieve specific targets. Certain enforcement authority with respect to POU is given to the CEC and CARB, including authority to impose penalties. SBX1 2 grandfathers any facility approved by the governing board of a POU prior to June 1, 2010 for procurement to satisfy renewable energy procurement obligations adopted under prior law if the facility is a “renewable electrical generation facility” as defined in the bill (subject to certain restrictions). The CEC is in the process of developing detailed rules to implement SBX1 2.

In connection with the implementation of SBX1 2, the CEC is responsible for certifying the electric generation facilities as “eligible renewable energy resources” for purposes of the RPS program and has adopted guidelines for this purpose that identifies the requirements, conditions and process for certification of facilities as eligible renewable energy resources. The current guidelines identify bio-methane as an eligible renewable energy resource.

On March 28, 2012, the CEC suspended its previously adopted guidelines with respect to allowing electric generation facilities to be certified as eligible renewable energy resources if the facilities use bio-methane to generate electricity. However, the suspension does not affect power plants that have been certified as RPS-eligible by the CEC and permitted to use bio-methane as part of the certification, subject to certain limitations. Certain of the Project Participants are currently using bio-methane to generate electricity either in their local generation plants or at the Magnolia Power Plant, and have obtained certification from the CEC to do so. In March 2013, the CEC proposed revised guidelines that would lift the bio-methane suspension and impose various additional requirements in order for bio-methane to be RPS eligible. These changes, if adopted, will affect the Project Participants that have bio-methane fuel contracts.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued)

Solar power – Senate Bill 1 (also known as the California Solar Initiative), which was signed into law on August 21, 2006, requires POUs, including the Project Participants, to establish a program supporting the stated goal of the legislation to install 3,000 MW of photovoltaic energy in California. POUs are also required to establish eligibility criteria in collaboration with the CEC for the funding of solar energy systems receiving ratepayer-funded incentives. Each of the Project Participants has established programs in accordance with the requirements of the California Solar Initiative.

The effect of these developments in the California energy markets on the Project Participants cannot be fully ascertained at this time. Also, volatility in energy price in California may return due to a variety of factors which affect both the supply and demand for electric energy in the western United States. This price volatility may contribute to greater volatility in the revenues of their respective electric systems from the sale (and purchase) of electric energy and, therefore, could materially affect each Project Participant's financial condition. Each Project Participant undertakes resource planning, risk management activities, and manages its resource portfolio to mitigate such price volatility and spot market rate exposure.

Federal energy legislation – Under the federal Energy Policy Act of 2005 (EPAAct 2005), FERC was given refund authority over municipal utilities if they sell into short-term markets, like the ISO markets, and sell eight million MWhs or more of electric energy on an annual basis. In addition, FERC was given authority over the behavior of market participants and the authority to issue permits to construct or modify transmission facilities located in a national interest electric transmission corridor. EPAAct 2005 requires the creation of an electric reliability organization (ERO) to establish and enforce, under FERC supervision, mandatory reliability standards to increase system reliability and minimize blackouts. Failure to comply with such mandatory standards exposes a utility to significant fines and penalties by the ERO.

NERC Reliability Standards – EPAAct 2005 required FERC to certify an ERO to develop mandatory and enforceable reliability standards, subject to FERC review and approval. On February 3, 2006, FERC issued Order 672, which certified the North American Electric Reliability Corporation (NERC) as the ERO. Many reliability standards have since been approved by FERC.

Other legislation – Numerous bills have been under consideration in Congress addressing United States energy policies and various environmental matters, including those related to energy supplies (such as a federal clean energy portfolio standard), global warming, cybersecurity, and water quality. Many of these bills, if enacted into law, could have a material impact on the Authority, the Project Participants, and the electric utility industry in general. The Authority and the Project Participants are unable to predict the outcome or potential impacts of any possible legislation at this time.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued)

Environmental issues – Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. There is no assurance that any Authority or Project Participant facility or project will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations, or will always be able to obtain all required operating permits. The Authority is unable to predict the outcome of these legal and legislative challenges at this time.

Greenhouse Gas Regulations Under the Clean Air Act – The United States Environmental Protection Agency (the EPA) has taken steps to regulate greenhouse gas emissions under existing law. In 2009, the EPA issued a final “endangerment finding,” in which it declared that the weight of scientific evidence requires a finding that six identified greenhouse gases, namely, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride, cause global warming, and that global warming endangers public health and welfare. The final rule for the “endangerment finding” was published in the Federal Register on December 15, 2009. As a result of this finding, the EPA is authorized to issue regulations limiting carbon dioxide emissions from, among other things, stationary sources such as electric generating facilities, under the federal Clean Air Act. The “Tailoring Rule,” published in the Federal Register on June 3, 2010, states that greenhouse gas emissions will be regulated from large stationary sources, including electric generating facilities, if the sources emit more than the specified threshold levels of tons per year of CO₂e. Large sources, with the potential to emit in excess of the applicable threshold, will be subject to the major source permitting requirements under the Clean Air Act. Permits would be required in order to construct, modify, and operate facilities exceeding the emissions threshold. The endangerment finding and the Tailoring Rule have been challenged in court, but were upheld on June 26, 2012. The appealed petition for rehearing was denied on December 2012.

On September 22, 2009, the EPA issued the final rule for mandatory monitoring and annual reporting of greenhouse gas emissions from various categories of facilities, including electric generating facilities. This rule does not require controls or limits on emissions, but required data collection to begin on January 1, 2010. The Project Participants are complying with the data collection and reporting requirement to which they are subject. Such data collection and reporting lays the foundation for controlling and reducing greenhouse gas emission in the future, whether by way of the EPA regulation under existing Clean Air Act authority or under a new climate change federal law.

On December 23, 2010, the EPA announced two settlements with a number of states and environmental groups. The settlements commit the EPA to issuing regulations setting performance standards for greenhouse gas emissions from new, modified, and existing power plants based on the best demonstrated control technology. On March 27, 2012, the EPA issued its proposed regulation setting such performance standards for new power plants.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued)

As proposed, the performance standard will apply only to new power plants; it will not apply to existing, modified or reconstructed power plants. In addition, power plants that have been issued a Prevention of Significant Deterioration permit and commence construction within one year will be exempted from application of the new performance standard.

On September 28, 2011, the EPA's Office of Inspector General issued a report concluding that the EPA should have followed a more rigorous peer review process in relation to the endangered finding. The EPA disagreed with this conclusion. In addition, legislation has been introduced in the United States Congress that would repeal the EPA's endangerment finding or otherwise prevent the EPA from regulating greenhouse gases as air pollutants.

The Authority and the Project Participants are unable to predict the outcome of these challenges to the EPA's endangerment finding and subsequent rulemaking or the effect that any final rules promulgated by the EPA regulating greenhouse gas emissions from electric generating units and other stationary sources would have on the Authority's projects or the Project Participants and their respective electric systems.

National Ambient Air Quality Standards – The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (NAAQS) for certain air pollutants. Once NAAQS have been established, each must identify areas that do not meet the EPA standard (non-attainment areas) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the applicable standard and become an "attainment area". A proposal to lower the NAAQS for ozone was submitted and withdrawn and the EPA will now resume the process of issuing non-attainment designations for the ozone. These developments may result in stringent permitting processes for new sources of emissions and additional state restrictions on existing sources of emissions.

Mercury and Air Toxic Standards – On December 16, 2011, the EPA signed a rule establishing new standards to reduce air pollution from coal- and oil-fired power plants under sections 111 (new source performance standards) and 112 (toxics program) of the Clean Air Act. Power plants have up to four years to meet these standards. While many plants meet some or all of these new standards, some plants will be required to install new equipment to meet the standards. The Project Participants purchase power from coal-fired power stations that may be affected by these new rules, and may be exposed to increased costs.

Other factors – The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. Such factors, including those discussed above, could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued)

The Authority is unable to predict what impact such factors will have on the business operations and financial condition of its members but the impact could be significant. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain.

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. DOE collected a fee of 0.1 cents/kwh of electric generation from the nuclear plant operators to fund the development and operation of the disposal facility.

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, and delays in submitting the construction application to the NRC, the operation date of the repository was pushed back several times.

In June 2008, the DOE submitted to the NRC a license application to construct the repository. In 2009, the federal government, under the new administration, decided to cut off all the appropriated funds for the development of the repository at Yucca Mountain, at the urging of the Congress, except a small budget allocation for the closing of the project. The DOE subsequently submitted a request to the NRC to withdraw the license application. The withdrawal request was denied by the NRC due to a lack of valid reasons. Concurrently, an independent commission was formed by the DOE to find a solution for the nuclear waste disposition that would include Yucca Mountain among the different options. There are questions among utilities, as well as public utility commissions nationwide, about the continued collection of disposal fees by DOE for the Nuclear Waste Fund recognizing that there is a lack of spent fuel disposal policy from the federal government.

The Palo Verde Operating Agent, on behalf of the co-owners, has litigated the DOE to recover the costs of storing spent fuel at Palo Verde because the DOE failed to honor the contract to remove and dispose of spent fuel as scheduled. In 2010, the federal court ruled in favor of Palo Verde and granted a compensation of \$30 million, of which \$1.8 million is the Authority's share of the settlement which covers costs incurred up to 2006. Palo Verde continues to pursue cost recovery through the DOE as additional spent fuel related expenses are accumulated for the continued operation of the plant. In 2012, Palo Verde filed a claim of \$59 million for costs associated with the storage of spent fuel at the plant site for the period 2007-2011.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued)

The spent fuel storage in the wet pool at Palo Verde exhausted its capacity in 2003. A Dry Cask Storage Facility (the Facility), also called the Independent Spent Fuel Storage Installation (ISFSI), 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 include 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 Palo Verde plant until 2027. To date, over 94 casks, each containing 24 spent fuel assemblies, were placed in the Facility. The original plan called for the annual transfer of about 240 fuel assemblies from the wet pool to the Facility. In the aftermath of the nuclear incident at Fukushima Daiichi Nuclear Station in Japan, following the strong earthquake and subsequent tsunami in 2011, Palo Verde decided to accelerate its campaign to transfer spent fuel from the spent fuel pool to the Facility to relieve the congestion within the pool. Currently, the plan is to make an annual transfer of 288 fuel assemblies at a cost of \$21 million (about \$1.2 million for the Authority) in 2013. This cost includes the purchase of new large-capacity casks that were designed to hold 36 assemblies per cask and help to extend the storage capacity of the current Facility possibly until 2047. Storing spent fuel at Palo Verde is now considered indefinite with undetermined costs until spent fuel is removed from the plant site.

Nuclear insurance – The Price-Anderson Act (the Act) requires that all utilities with nuclear generating facilities share in the payment for liability claims resulting from a nuclear incident. The Act limits liability from third-party claims to approximately \$12.6 billion per incident. Participants in the Palo Verde Nuclear Generating Station (PVNGS) currently insure potential claims and liability through commercial insurance with a \$375 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 \$118 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 \$18 million per reactor, per incident, per year to be indexed for inflation every five years. Based on the Authority's 5.91% interest in Palo Verde, the Authority would be responsible for a maximum assessment of \$21 million per incident for all three units, limited to payments of \$3.2 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 \$2.5 million.

Other Commitments – The NRC guidelines require improved security in immediate areas surrounding the reactor buildings. PVNGS has enlarged the protected area with the inclusion of an outage support facility, a new warehouse, a minor vehicle maintenance facility, and a fuel depot to reduce vehicular traffic in and out of the protected area. While some of these facilities have already been constructed and are currently in service, the estimated cost for the remaining facilities is approximately \$1.1 million to the Authority.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued).

Other major capital projects that are currently in progress include the digital upgrade of the Generrex generator excitation system, the life extension of the Water Reclamation Facility's clarifiers, the spray pond concrete replacement, the Nuclear Administrative and Technical Manual replacement, and the construction of the Learning Center-In Processing facility. These, along with other regulatory plant modifications, are currently estimated at \$230 million which translates to approximately \$13.6 million for the Authority. Also anticipated in the long-range plan are \$270 million (\$16 million for the Authority) worth of capital projects which include the cooling tower life extension long-range plan, upgrades to the high-pressure turbines and electro-hydraulic controls, the replacement of the reactor coolant pumps, Control Element Drive Mechanism Control System (CEDMCS), plant cooling water pipelines, and the Site Work Management System (SWMS).

In response to the nuclear event in Fukushima, Japan, the NRC has required PVNGS to increase the redundancy in its power supply to emergency cooling systems, reinforce its spent fuel pool, accelerate the transfer of spent fuel from the pool to the dry cask storage, and add pipelines and associated equipment necessary for supplying additional cooling water to the reactors. To date, the station has purchased additional diesel generators, pumps and fire trucks, and has also accelerated the movement of its spent fuel casks to the ISFSI. In addition to these, Palo Verde has allotted approximately \$57 million (approximately \$3.4 million for the Authority) for Fukushima initiatives which include fuel building modifications, an emergency equipment storage facility, temporary power connections, seismic and flood hazards validation, and corresponding mitigating strategies, among several others. Additional NRC-mandated requirements are anticipated but the costs associated with these future projects are unknown at this time.

Other legal matters – 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. An expert report has since been filed alleging that plaintiffs' damages are \$250 million. 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 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. 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. Trial has been set for September 30, 2013. The ultimate outcome of this litigation cannot be predicted at this time. No provision for this litigation matter has been included in the accompanying financial statements.

Public Service Company of New Mexico, the operating agent of the SJGS, initiated an action to challenge an administrative order issued by the EPA pursuant to the Federal Clean Air Act requiring installation of pollution controls meeting a "Best Available Retrofit Technology" ("BART") standard to address regional haze.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies (continued)

If the order stands, the cost of the retrofit project could reach \$1 billion with approximately \$100 million of that being the responsibility of the Authority members who are participants in the project. However, discussions about less costly alternatives among the owners and operators of SJGS, the State of New Mexico, and the EPA are ongoing, and the number, range, and likelihood of possible alternative outcomes make it impossible to determine whether an unfavorable outcome for the Authority or its members is probable or remote, and no accurate estimate can be given as to the range of potential costs at this time.

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.

Note 12 – Subsequent Events

On September 19, 2013, the credit restructure of the Prepaid Natural Gas Project was completed to reduce risk and exposure to various counterparties, obtain ratings upgrade on the related 2007 Gas Prepay Bonds (the Bonds), and to capture projected savings and gas flows through 2035. As a result of the restructuring, the Bonds received ratings of A3/A from Moody's and Fitch, respectively; Standard & Poor's affirmed its A rating; and the participants received \$3.4 million in upfront savings.

SUPPLEMENTAL INFORMATION

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
PALO VERDE PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | Debt Service Fund | Decom- missioning Trust Fund | Escrow Account | General Reserve Account | Issue Account | Operating Account | Reserve & Contingency | Revenue Fund | Total |
|--|----------------------|------------------------------------|-------------------|-------------------------------|------------------|----------------------|--------------------------|-----------------|----------------|
| Balance at June 30, 2012 | \$ - | \$ 166,025 | \$ 209,271 | \$ 1,305 | \$ 13,244 | \$ 55,204 | \$ 18,190 | \$ - | \$ 463,239 |
| Additions | | | | | | | | | |
| Investment earnings | - | 1,983 | 26,956 | 17 | 11 | 1,639 | 144 | - | 30,750 |
| Discount on investment purchases | - | - | 382 | - | 18 | 3 | 1 | - | 404 |
| Distribution of investment earnings | - | - | - | (17) | (29) | (98) | (145) | 289 | - |
| Revenue from power sales | - | - | - | - | - | - | - | 64,723 | 64,723 |
| Distribution of revenue | - | - | - | - | 11,091 | 42,959 | 10,975 | (65,025) | - |
| Other receipts | - | - | - | - | - | - | - | 13 | 13 |
| Transfer from escrow | 32,595 | - | (49,979) | - | 17,384 | - | - | - | - |
| Total | 32,595 | 1,983 | (22,641) | - | 28,475 | 44,503 | 10,975 | - | 95,890 |
| Deductions | | | | | | | | | |
| Construction expenditures | - | - | - | - | - | - | 9,879 | - | 9,879 |
| Operating expenditures | - | 3 | - | - | - | 44,754 | - | - | 44,757 |
| Fuel costs | - | - | - | - | - | 11,955 | - | - | 11,955 |
| Payment of principal | - | - | - | - | 10,660 | - | - | - | 10,660 |
| Interest paid - non-escrow | - | - | - | - | 729 | - | - | - | 729 |
| Premium and interest on investment purchases | - | - | - | - | - | - | - | - | - |
| Payment of principal and interest - escrow | 32,595 | - | - | - | 17,384 | - | - | - | 49,979 |
| Total | 32,595 | 3 | - | - | 28,773 | 56,709 | 9,879 | - | 127,959 |
| Balance at June 30, 2013 | \$ - | \$ 168,005 | \$ 186,630 | \$ 1,305 | \$ 12,946 | \$ 42,998 | \$ 19,286 | \$ - | \$ 431,170 |

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 \$46 held in the revolving fund at June 30, 2013 and 2012, 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, 2013
(AMOUNTS IN THOUSANDS)

| | Debt Service Fund | Debt Service Reserve Account | Revenue Fund | Operating Fund | Reserve & Contingency Fund | Escrow Account | Total |
|--|----------------------|------------------------------------|--------------|-------------------|----------------------------------|-------------------|----------------|
| Balance at June 30, 2012 | \$ 2,904 | \$ 21,323 | \$ - | \$ 14,713 | \$ 17,686 | \$ - | \$ 56,626 |
| Additions | | | | | | | |
| Investment earnings | 7 | 1,101 | 1 | 36 | 74 | 4 | 1,223 |
| Discount on investments | 1 | - | - | 15 | 4 | - | 20 |
| Distribution of investment earnings | (8) | (1,101) | 1,241 | (51) | (81) | - | - |
| Revenue from power sales | - | - | 96,475 | - | - | - | 96,475 |
| Distribution of revenues | 18,461 | - | (97,717) | 68,684 | 10,572 | - | - |
| Other | - | - | - | (1,929) | - | 1,929 | - |
| Total | 18,461 | - | - | 66,755 | 10,569 | 1,933 | 97,718 |
| Deductions | | | | | | | |
| Operating expenses | - | - | - | 70,033 | - | - | 70,033 |
| Construction expenses | - | - | - | - | 16,931 | - | 16,931 |
| Payment of principal and interest - escrow | - | - | - | - | - | - | - |
| Payment of principal | 13,010 | - | - | - | - | - | 13,010 |
| Interest paid - non-escrow | 5,808 | - | - | - | - | - | 5,808 |
| Total | 18,818 | - | - | 70,033 | 16,931 | - | 105,782 |
| Balance at June 30, 2013 | \$ 2,547 | \$ 21,323 | \$ - | \$ 11,435 | \$ 11,324 | \$ 1,933 | \$ 48,562 |

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, \$19 and \$22 held in the revolving fund at June 30, 2013 and 2012, 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, 2013
(AMOUNTS IN THOUSANDS)

| | Debt Service Account | Debt Service Reserve Account | Project Fund | Operating Reserve Fund | Reserve & Contingency | Operating Fund | Revenue Fund | General Reserve Fund | Escrow Fund | Total |
|---|----------------------------|---------------------------------------|-----------------|------------------------------|--------------------------|-------------------|-----------------|----------------------------|----------------|---------------|
| Balance at June 30, 2012 | \$ 14,233 | \$ 34,337 | \$ 4,571 | \$ 1,516 | \$ 14,356 | \$ 8,241 | \$ - | \$ 9,802 | \$ 278,216 | \$ 365,272 |
| Additions | | | | | | | | | | |
| Investment earnings | 3 | 590 | 1 | 11 | 87 | 6 | 2 | 80 | 4,823 | 5,603 |
| Discount on investment purchases | 6 | 14 | 17 | - | 7 | 9 | - | - | - | 53 |
| Distribution of investment earnings | (9) | (604) | - | (11) | (94) | (15) | 733 | - | - | - |
| Transfer of funds for debt service payment | 13,250 | - | - | - | - | - | - | - | (13,250) | - |
| Receipt from participants | - | - | - | - | - | - | 47,246 | - | - | 47,246 |
| Distribution of revenues | 17,536 | 5 | - | - | 6,596 | 24,120 | (47,987) | (270) | - | - |
| Other | 505 | (119) | (386) | 3,410 | - | 1,080 | 6 | - | - | 4,496 |
| Total | 31,291 | (114) | (368) | 3,410 | 6,596 | 25,200 | - | (190) | (8,427) | 57,398 |
| Deductions | | | | | | | | | | |
| Construction expenses | - | - | - | - | 1,687 | 1 | - | - | - | 1,688 |
| Operating expenses | - | - | - | - | - | 27,122 | - | - | - | 27,122 |
| Payment of principal | 9,780 | - | - | - | - | - | - | - | - | 9,780 |
| Interest paid | 25,838 | - | - | - | - | - | - | - | - | 25,838 |
| Debt issuance costs | - | - | 1 | - | - | - | - | - | - | 1 |
| Premium and interest on investment purchases | - | - | - | - | - | - | - | - | - | - |
| Total | 35,618 | - | 1 | - | 1,687 | 27,123 | - | - | - | 64,429 |
| Balance at June 30, 2013 | \$ 9,906 | \$ 34,223 | \$ 4,202 | \$ 4,926 | \$ 19,265 | \$ 6,318 | \$ - | \$ 9,612 | \$ 269,789 | \$ 358,241 |

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 \$28 and \$19 held in the revolving fund at June 30, 2013 and 2012, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
CANYON POWER PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | Revenue Fund | Operating Fund | Debt Service Fund | Debt Service Reserve Fund | Project Fund | U.S. Treasury Direct Subsidy | Total |
|-------------------------------------|--------------|----------------|-------------------|---------------------------|--------------|------------------------------|-----------|
| Balance at June 30, 2012 | \$ - | \$ 608 | \$ 8,169 | \$ 19,721 | \$ 12,579 | \$ 1,981 | \$ 43,058 |
| Additions | | | | | | | |
| Investment earnings | - | - | 7 | 255 | 16 | - | 278 |
| Discount on investment purchases | - | - | 4 | 7 | - | - | 11 |
| Distribution of investment earnings | 273 | - | (11) | (262) | - | - | - |
| Receipt from participants | 14,427 | - | - | - | - | - | 14,427 |
| Distribution of revenues | (14,706) | 2,691 | 15,977 | - | - | (3,962) | - |
| Other | 6 | - | - | - | - | 3,790 | 3,796 |
| Total | - | 2,691 | 15,977 | - | 16 | (172) | 18,512 |
| Deductions | | | | | | | |
| Construction expenses | - | - | - | - | 1,216 | - | 1,216 |
| Operating expenses | - | 2,693 | - | - | - | - | 2,693 |
| Interest paid | - | - | 16,732 | - | - | - | 16,732 |
| Total | - | 2,693 | 16,732 | - | 1,216 | - | 20,641 |
| Balance at June 30, 2013 | \$ - | \$ 606 | \$ 7,414 | \$ 19,721 | \$ 11,379 | \$ 1,809 | \$ 40,929 |

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 or unrealized gain (loss) on investments, and \$19 and \$12 held in the revolving fund at June 30, 2013 and 2012, 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, 2013
(AMOUNTS IN THOUSANDS)**

| | Debt Service Fund | General Reserve Fund | Operating Fund | Revenue Fund | Total |
|-------------------------------------|-------------------|-------------------------|----------------|--------------|----------|
| Balance at June 30, 2012 | \$ 1,398 | \$ 1,700 | \$ 1,303 | \$ - | \$ 4,401 |
| Additions | | | | | |
| Investment earnings | - | 21 | 7 | - | 28 |
| Discount on investment purchases | 1 | - | - | - | 1 |
| Distribution of investment earnings | (1) | (21) | (7) | 29 | - |
| Revenue from power sales | - | - | - | 2,532 | 2,532 |
| Distribution of revenue | 2,249 | - | 312 | (2,561) | - |
| Other | - | - | - | - | - |
| Total | 2,249 | - | 312 | - | 2,561 |
| Deductions | | | | | |
| Operating expenses | - | - | 334 | - | 334 |
| Payment of principal | 1,670 | - | - | - | 1,670 |
| Interest paid | 537 | - | - | - | 537 |
| Total | 2,207 | - | 334 | - | 2,541 |
| Balance at June 30, 2013 | \$ 1,440 | \$ 1,700 | \$ 1,281 | \$ - | \$ 4,421 |

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 held in the revolving fund at June 30, 2013 and 2012.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
TIETON HYDROPOWER PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | Revenue Fund | Operating Fund | Debt Service Fund | Debt Service Reserve Fund | Reserve & Contingency Fund | General Reserve Fund | Total |
|-------------------------------------|--------------|----------------|-------------------|---------------------------|----------------------------|----------------------|----------|
| Balance at June 30, 2012 | \$ - | \$ 583 | \$ 2,067 | \$ 5,008 | \$ 500 | \$ 24 | \$ 8,182 |
| Additions | | | | | | | |
| Investment earnings | - | 1 | 1 | 68 | 1 | - | 71 |
| Discount on investments | - | - | - | - | - | - | - |
| Distribution of investment earnings | 71 | (1) | (1) | (68) | (1) | - | - |
| Receipt from participants | 4,617 | - | - | - | - | - | 4,617 |
| Distribution of revenues | (4,689) | 1,331 | 3,358 | - | - | - | - |
| Other receipts | 1 | 113 | - | - | - | - | 114 |
| Total | - | 1,444 | 3,358 | - | - | - | 4,802 |
| Deductions | | | | | | | |
| Acquisition costs | - | - | - | - | - | - | - |
| Operating expenses | - | 1,418 | - | - | - | - | 1,418 |
| Payment of principal | - | - | 775 | - | - | - | 775 |
| Interest paid | - | - | 2,576 | - | - | - | 2,576 |
| Total | - | 1,418 | 3,351 | - | - | - | 4,769 |
| Balance at June 30, 2013 | \$ - | \$ 609 | \$ 2,074 | \$ 5,008 | \$ 500 | \$ 24 | \$ 8,215 |

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 \$9 and \$12 held in the revolving fund at June 30, 2013 and 2012, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MILFORD 1 WIND PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | Revenue Fund | Operating Fund | Debt Service Fund | Debt Service Reserve Fund | General Reserve Fund | Operating Reserve Fund | Total |
|--|-----------------|-------------------|----------------------|---------------------------------|----------------------------|------------------------------|---------------|
| Balance at June 30, 2012 | \$ - | \$ 7,542 | \$ 13,367 | \$ 18,877 | \$ 2,520 | \$ 3,000 | \$ 45,306 |
| Additions | | | | | | | |
| Investment earnings | - | 4 | 4 | 301 | 32 | 29 | 370 |
| Discount on investments | - | 6 | 4 | 3 | - | - | 13 |
| Distribution of investment earnings | 386 | (10) | (8) | (307) | (32) | (29) | - |
| Receipt from participants | 34,361 | - | - | - | - | - | 34,361 |
| Distribution of revenues | (34,747) | 15,873 | 18,874 | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total | - | 15,873 | 18,874 | (3) | - | - | 34,744 |
| Deductions | | | | | | | |
| Operating expenses | - | 15,203 | - | - | - | - | 15,203 |
| Payment of principal | - | - | 7,860 | - | - | - | 7,860 |
| Interest paid | - | - | 10,876 | - | - | - | 10,876 |
| Premium and interest on investment purchases | - | - | - | - | - | - | - |
| Total | - | 15,203 | 18,736 | - | - | - | 33,939 |
| Balance at June 30, 2013 | \$ - | \$ 8,212 | \$ 13,505 | \$ 18,874 | \$ 2,520 | \$ 3,000 | \$ 46,111 |

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 \$9 and \$15 held in the revolving fund at June 30, 2013 and 2012, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MILFORD 2 WIND PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | Revenue Fund | Operating Fund | Debt Service Fund | Debt Service Reserve Fund | Cost of Issuance | Total |
|-------------------------------------|--------------|----------------|-------------------|---------------------------|------------------|-----------|
| Balance at June 30, 2012 | \$ - | \$ 8,900 | \$ 8,175 | \$ 3,216 | \$ 26 | \$ 20,317 |
| Additions | | | | | | |
| Investment earnings | - | 7 | 1 | 43 | - | 51 |
| Discount on investments | - | 6 | 4 | - | - | 10 |
| Distribution of investment earnings | 61 | (13) | (5) | (43) | - | - |
| Receipt from participants | 21,150 | - | - | - | - | 21,150 |
| Distribution of revenues | (21,211) | 8,375 | 12,836 | - | - | - |
| Other | - | - | 26 | - | (26) | - |
| Total | - | 8,375 | 12,862 | - | (26) | 21,211 |
| Deductions | | | | | | |
| Operating expenses | - | 9,412 | - | - | - | 9,412 |
| Payment of principal | - | - | 4,235 | - | - | 4,235 |
| Interest paid | - | - | 7,839 | - | - | 7,839 |
| Total | - | 9,412 | 12,074 | - | - | 21,486 |
| Balance at June 30, 2013 | \$ - | \$ 7,863 | \$ 8,963 | \$ 3,216 | \$ - | \$ 20,042 |

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 \$9 and \$12 held in the revolving fund at June 30, 2013 and 2012, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
WINDY POINT PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | <u>Revenue Fund</u> | <u>Operating Fund</u> | <u>Debt Service Fund</u> | <u>Debt Service Reserve Fund</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------|------------------------------|--------------------------------------|------------------|
| Balance at June 30, 2012 | \$ - | \$ 3,280 | \$ 29,143 | \$ 10,262 | \$ 42,685 |
| Additions | | | | | |
| Investment earnings | - | 4 | 6 | 164 | 174 |
| Discount on investments | - | 1 | 17 | - | 18 |
| Distribution of investment earnings | 192 | (5) | (23) | (164) | - |
| Receipt from participants | 84,524 | - | - | - | 84,524 |
| Distribution of revenue | (84,726) | 43,684 | 41,042 | - | - |
| Other | 10 | - | - | - | 10 |
| Total | <u>-</u> | <u>43,684</u> | <u>41,042</u> | <u>-</u> | <u>84,726</u> |
| Deductions | | | | | |
| Operating expenses | - | 39,985 | - | - | 39,985 |
| Payment of principal | - | - | 17,240 | - | 17,240 |
| Interest paid | - | - | 23,499 | - | 23,499 |
| Total | <u>-</u> | <u>39,985</u> | <u>40,739</u> | <u>-</u> | <u>80,724</u> |
| Balance at June 30, 2013 | <u>\$ -</u> | <u>\$ 6,979</u> | <u>\$ 29,446</u> | <u>\$ 10,262</u> | <u>\$ 46,687</u> |

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$9 and \$15 held in the revolving fund at June 30, 2013 and 2012, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
LINDEN WIND ENERGY PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 2013
(AMOUNTS IN THOUSANDS)

| | Revenue Fund | Operating Fund | Debt Service Fund | Debt Service Reserve Fund | General Reserve Fund | Project Fund | U.S. Treasury Direct Subsidy | Total |
|-------------------------------------|--------------|----------------|-------------------|---------------------------|----------------------|--------------|------------------------------|-----------|
| Balance at June 30, 2012 | \$ - | \$ 3,671 | \$ 6,627 | \$ 2,324 | \$ 69 | \$ 583 | \$ 431 | \$ 13,705 |
| Additions | | | | | | | | |
| Investment earnings | - | 3 | 1 | 36 | - | - | - | 40 |
| Discount on investments | - | 1 | 4 | 2 | - | - | - | 7 |
| Distribution of investment earnings | 47 | (4) | (5) | (38) | - | - | - | - |
| Revenue from power sales | 18,331 | - | - | - | - | - | - | 18,331 |
| Distribution of revenue | (18,381) | 9,299 | 9,082 | - | - | - | - | - |
| Other transfers | - | - | 861 | - | - | - | (861) | - |
| Other receipts | 3 | - | - | - | - | - | 824 | 827 |
| Total | - | 9,299 | 9,943 | - | - | - | (37) | 19,205 |
| Deductions | | | | | | | | |
| Operating expenses | - | 8,567 | - | - | - | - | - | 8,567 |
| Payment of principal | - | - | 3,360 | - | - | - | - | 3,360 |
| Interest paid | - | - | 6,762 | - | - | - | - | 6,762 |
| Total | - | 8,567 | 10,122 | - | - | - | - | 18,689 |
| Balance at June 30, 2013 | \$ - | \$ 4,403 | \$ 6,448 | \$ 2,324 | \$ 69 | \$ 583 | \$ 394 | \$ 14,221 |

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 \$12 and \$15 held in the revolving fund at June 30, 2013 and 2012, 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, 2013
(AMOUNTS IN THOUSANDS)

| | Escrow Fund | General Reserve Fund | Issue Fund | Upgrade Construction Fund | Operating Fund | Revenue Fund | Total |
|--|-------------|-------------------------|------------|---------------------------------|----------------|--------------|------------|
| Balance at June 30, 2012 | \$ 48,564 | \$ 3,105 | \$ 89,092 | \$ 10,221 | \$ 4,519 | \$ - | \$ 155,501 |
| Additions | | | | | | | |
| Investment earnings | 9 | 35 | 714 | 69 | 35 | 1 | 863 |
| Discount on investment purchases | - | - | 60 | 3 | - | - | 63 |
| Distribution of investment earnings | - | (35) | (770) | - | (35) | 840 | - |
| Revenue from transmission sales | - | - | - | - | - | 104,559 | 104,559 |
| Distribution of revenue | - | 4,030 | 86,740 | - | 19,837 | (110,607) | - |
| Bond Proceeds 2013A&B | 79,795 | - | 16,619 | - | - | - | 96,414 |
| Transfer (from) / to escrow fund for principal and interest payment | (48,573) | - | 48,573 | - | - | - | - |
| Other receipts | - | - | - | - | - | 5,207 | 5,207 |
| Total | 31,231 | 4,030 | 151,936 | 72 | 19,837 | - | 207,106 |
| Deductions | | | | | | | |
| Construction expenses | - | - | - | 2,026 | - | - | 2,026 |
| Operating expenses | - | - | - | - | 20,589 | - | 20,589 |
| Payment of principal | - | - | 56,970 | - | - | - | 56,970 |
| Interest paid | - | - | 35,706 | - | 147 | - | 35,853 |
| Debt issuance costs | - | - | 300 | - | 1 | - | 301 |
| Premium and interest on investment purchases | - | 5 | - | - | - | - | 5 |
| 2002A bond redemption - escrow | - | - | 48,573 | - | - | - | 48,573 |
| 2001A bond redemption - escrow | 79,795 | - | 16,716 | - | - | - | 96,511 |
| Total | 79,795 | 5 | 158,265 | 2,026 | 20,737 | - | 260,828 |
| Balance at June 30, 2013 | \$ - | \$ 7,130 | \$ 82,763 | \$ 8,267 | \$ 3,619 | \$ - | \$ 101,779 |

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 \$25 and \$22 held in the revolving fund at June 30, 2013 and 2012, 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, 2013
(AMOUNTS IN THOUSANDS)

| | Revenue Fund | Debt Service Account | Debt Service Reserve Account | Operating Fund | Reserve & Contingency Fund | Cost of Issuance Fund | Escrow Fund | Total |
|--|-----------------|-------------------------|------------------------------------|-------------------|----------------------------------|-----------------------------|---------------|---------------|
| Balance at June 30, 2012 | \$ - | \$ 5,523 | \$ 7,706 | \$ 247 | \$ 247 | \$ 16 | \$ - | \$ 13,739 |
| Additions | | | | | | | | |
| Investment earnings | - | 10 | 404 | - | 13 | - | - | 427 |
| Discount on investment earnings | - | - | - | - | - | - | - | - |
| Distribution of investment earnings | 209 | (4) | (197) | - | (8) | - | - | - |
| Transmission revenue | 3,000 | - | - | - | - | - | - | 3,000 |
| Distribution of revenues | (3,407) | 2,572 | (445) | 1,296 | (66) | 50 | - | - |
| Bond proceeds 2012A&B | - | - | - | - | - | 4,230 | 29,735 | 33,965 |
| Transfer (from) / to escrow fund for principal and interest payment | 42 | (23) | (189) | - | - | - | 170 | - |
| Other | 156 | 501 | (1,604) | - | - | 1,533 | - | 586 |
| Total | - | 3,056 | (2,031) | 1,296 | (61) | 5,813 | 29,905 | 37,978 |
| Deductions | | | | | | | | |
| Operating expenses | - | - | - | 1,358 | - | - | - | 1,358 |
| Construction expenses | - | - | - | - | 10 | - | - | 10 |
| Principal payment | - | 5,530 | - | - | - | - | - | 5,530 |
| Debt issue cost | - | - | - | - | - | 321 | - | 321 |
| 2008A&B bond redemption | - | - | - | - | - | - | 29,905 | 29,905 |
| Interest and SWAP paid | - | 1,576 | - | - | - | 5,508 | - | 7,084 |
| Total | - | 7,106 | - | 1,358 | 10 | 5,829 | 29,905 | 44,208 |
| Balance at June 30, 2013 | \$ - | \$ 1,473 | \$ 5,675 | \$ 185 | \$ 176 | \$ - | \$ - | \$ 7,509 |

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 \$15 and \$12 held in the revolving fund at June 30, 2013 and 2012, 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, 2013
(AMOUNTS IN THOUSANDS)

| | Debt Service Account | Debt Service Reserve Fund | Operating Fund | Reserve & Contingency | Revenue Fund | Surplus Fund | Cost of Issuance Fund | Escrow Fund | Total |
|--|-------------------------|---------------------------------|-------------------|--------------------------|-----------------|-----------------|-----------------------------|---------------|----------------|
| Balance at June 30, 2012 | \$ 16,330 | \$ 22,146 | \$ 651 | \$ 6,131 | \$ - | \$ 1 | \$ 33 | \$ - | \$ 45,292 |
| Additions | | | | | | | | | |
| Investment earnings | 44 | 1,212 | 1 | 451 | 13 | - | 1 | - | 1,722 |
| Discount on investment earnings | - | - | - | - | 2 | - | - | - | 2 |
| Distribution of investment earnings | (13) | (1,194) | - | (451) | 1,659 | - | (1) | - | - |
| Transmission revenue | - | - | - | - | 8,140 | - | - | - | 8,140 |
| Distribution of revenues | 8,705 | - | 1,467 | - | (10,473) | - | 301 | - | - |
| Bond proceeds 2012A&B | - | - | - | - | - | - | 13,701 | 98,950 | 112,651 |
| Transfer (from) / to escrow fund for principal and interest payment | (73) | (551) | - | - | - | - | - | 624 | - |
| Transfers | (225) | (5,346) | - | - | 257 | - | 5,314 | - | - |
| Other | 285 | - | - | - | - | - | - | - | 285 |
| Total | 8,723 | (5,879) | 1,468 | - | (402) | - | 19,316 | 99,574 | 122,800 |
| Deductions | | | | | | | | | |
| Principal payment | 15,230 | - | - | - | - | - | - | - | 15,230 |
| Interest & SWAP paid | 5,110 | - | (20) | - | (402) | - | 18,680 | - | 23,368 |
| Operating expenses | - | - | 2,114 | - | - | - | - | - | 2,114 |
| 2008A&B bond redemption | - | - | - | - | - | - | - | 99,574 | 99,574 |
| Debt issue cost | - | - | - | - | - | - | 669 | - | 669 |
| Total | 20,340 | - | 2,094 | - | (402) | - | 19,349 | 99,574 | 140,955 |
| Balance at June 30, 2013 | \$ 4,713 | \$ 16,267 | \$ 25 | \$ 6,131 | \$ - | \$ 1 | \$ - | \$ - | \$ 27,137 |

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 \$12 held in the revolving fund at June 30, 2013 and 2012, 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, 2013
(AMOUNTS IN THOUSANDS)

| | <u>Revenue Fund</u> | <u>Operating Fund</u> | <u>Debt Service Fund</u> | <u>General Reserve Fund</u> | <u>Project Fund</u> | <u>Capital Fund</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------|--------------------------|-----------------------------|---------------------|---------------------|--------------|
| Balance at June 30, 2012 | \$ - | \$ 9,015 | \$ 3,399 | \$ 38 | \$ 4,000 | \$ 16,876 | \$ 33,328 |
| Additions | | | | | | | |
| Investment earnings | - | 7 | 1 | - | 2 | 15 | 25 |
| Discount on investment purchases | - | 2 | 1 | - | - | 4 | 7 |
| Distribution of investment earnings | 2 | - | (2) | - | - | - | - |
| Receipt from participants | 4,572 | 10,749 | - | - | - | - | 15,321 |
| Sales of natural gas | 1,563 | 15,609 | - | - | - | - | 17,172 |
| Distribution of revenues | (6,137) | (51) | 3,841 | - | - | 2,347 | - |
| Other receipts | - | - | - | - | - | - | - |
| Other transfer | - | (228) | - | - | (971) | 1,199 | - |
| Total | - | 26,088 | 3,841 | - | (969) | 3,565 | 32,525 |
| Deductions | | | | | | | |
| Construction expenses | - | - | - | - | - | 10,425 | 10,425 |
| Operating expenses | - | 27,198 | - | - | - | - | 27,198 |
| Payment of principal | - | - | 2,549 | - | - | - | 2,549 |
| Interest paid | - | - | 1,640 | - | - | - | 1,640 |
| Total | - | 27,198 | 4,189 | - | - | 10,425 | 41,812 |
| Balance at June 30, 2013 | \$ - | \$ 7,905 | \$ 3,051 | \$ 38 | \$ 3,031 | \$ 10,016 | \$ 24,041 |

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 \$37 and \$28 held in the revolving fund at June 30, 2013 and 2012, respectively.

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, 2013
(AMOUNTS IN THOUSANDS)

| | Revenue Fund | Operating Fund | Debt Service Fund | General Reserve Fund | Project Fund | Capital Fund | Total |
|-------------------------------------|--------------|----------------|----------------------|-------------------------|--------------|--------------|-----------|
| Balance at June 30, 2012 | \$ - | \$ 718 | \$ 8,004 | \$ 22 | \$ 44,428 | \$ (5,402) | \$ 47,770 |
| Additions | | | | | | | |
| Investment earnings | - | 1 | 1 | - | 240 | 1 | 243 |
| Discount on investment purchases | - | - | 2 | - | 40 | - | 42 |
| Distribution of investment earnings | 3 | - | (3) | - | - | - | - |
| Receipt from participants | 10,588 | 388 | - | - | - | - | 10,976 |
| Sales of natural gas | 5,170 | 1,149 | - | - | - | - | 6,319 |
| Distribution of revenues | (15,761) | 6,164 | 9,037 | - | (4,828) | 5,389 | 1 |
| Other transfer | - | - | - | - | - | - | - |
| Total | - | 7,702 | 9,037 | - | (4,548) | 5,390 | 17,581 |
| Deductions | | | | | | | |
| Construction expenses | - | - | - | - | - | 5,902 | 5,902 |
| Operating expenses | - | 6,238 | - | - | 5 | - | 6,243 |
| Payment of principal | - | - | 6,015 | - | - | - | 6,015 |
| Interest paid | - | - | 3,857 | - | - | - | 3,857 |
| Total | - | 6,238 | 9,872 | - | 5 | 5,902 | 22,017 |
| Balance at June 30, 2013 | \$ - | \$ 2,182 | \$ 7,169 | \$ 22 | \$ 39,875 | \$ (5,914) | \$ 43,334 |

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 \$19 and \$15 held in the revolving fund at June 30, 2013 and 2012, 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, 2013
(AMOUNTS IN THOUSANDS)

| | <u>Revenue Fund</u> | <u>Operating Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------|--------------------------|------------------|
| Balance at June 30, 2012 | \$ - | \$ 14,444 | \$ 5,854 | \$ 20,298 |
| Additions | | | | |
| Investment earnings | - | 490 | 269 | 759 |
| Distribution of investment earnings | 487 | (487) | - | - |
| Receipt from gas sales | 5,091 | - | - | 5,091 |
| Distribution of revenues | (18,778) | (3,355) | 22,133 | - |
| Commodity swap settlement | 13,196 | - | - | 13,196 |
| Other receipts | 4 | - | 620 | 624 |
| Total | - | (3,352) | 23,022 | 19,670 |
| Deductions | | | | |
| A & G expenses | - | 824 | - | 824 |
| Payment of principal | - | - | 4,805 | 4,805 |
| Payment of interest | - | - | 16,898 | 16,898 |
| Total | - | 824 | 21,703 | 22,527 |
| Balance at June 30, 2013 | <u>\$ -</u> | <u>\$ 10,268</u> | <u>\$ 7,173</u> | <u>\$ 17,441</u> |

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and have been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable, unrealized gain (loss) on investments, and \$19 held in the revolving fund at June 30, 2013 and 2012.

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, 2013
(AMOUNTS IN THOUSANDS)

| | <u>Proceeds Account</u> | <u>Debt Service Account</u> | <u>Earnings Account</u> | <u>Total</u> |
|-------------------------------------|-------------------------|---------------------------------|-------------------------|------------------|
| Balance at June 30, 2012 | \$ 35,889 | \$ 15,087 | \$ - | \$ 50,976 |
| Additions | | | | |
| Investment earnings | 2,174 | 1,109 | - | 3,283 |
| Distribution of investment earnings | 1,134 | (16,030) | 14,896 | - |
| Transfer for debt service payment | - | 14,896 | (14,896) | - |
| Transfer fund to other projects | - | (795) | - | (795) |
| Total | <u>3,308</u> | <u>(820)</u> | <u>-</u> | <u>2,488</u> |
| Deductions | | | | |
| Interest paid | - | 1,367 | - | 1,367 |
| Payment of principal | - | 12,900 | - | 12,900 |
| Total | <u>-</u> | <u>14,267</u> | <u>-</u> | <u>14,267</u> |
| Balance at June 30, 2013 | <u>\$ 39,197</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 39,197</u> |

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