



Palo Verde Nuclear
Generating Station

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102-04911-GRO/SAB/TNW/DWG
March 27, 2003

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Mail Station P1-37
Washington, DC 20555

Dear Sirs:

**Subject: Palo Verde Nuclear Generating Station (PVNGS)
Units 1, 2, and 3
Docket Nos. STN 50-528/529/530
Status of Decommissioning Funding**

In accordance with the requirements of 10 CFR 50.75(f)(1), Arizona Public Service Company (APS) is submitting the status of the decommissioning funding for PVNGS Units 1, 2, and 3. APS is relying upon the 2002 Annual Funding Status Report from each Participant Owner in providing the information in this report with respect to each Participant's current funds, as well as future funding plans and assumptions.

The report and its appendices, provided in Enclosure 1, contain the status of decommissioning funding for each PVNGS unit and for each of the owners.

This letter does not make any commitments to the NRC.

If you have any questions, please contact Thomas N. Weber at (623) 393-5764.

Sincerely,

GRO/SAB/TNW/DWG/kg

Enclosures:

1. 2002 Decommissioning Funding Status Report for Palo Verde Nuclear Generating Station Units 1, 2 & 3

cc:	E. W. Merschoff	w/ Enclosures
	J. N. Donohew	w/o Enclosures
	N. L. Salgado	w/o Enclosures
	A. V. Godwin [ARRA]	w/o Enclosures
	M. A. Dusaniwskyj	w/ Enclosures

A member of the STARS (Strategic Teaming and Resource Sharing) Alliance

Callaway • Comanche Peak • Diablo Canyon • Palo Verde • South Texas Project • Wolf Creek

A001
Add Michael A. Dusaniwskyj
1 Paper Copy

Enclosure 1

**2002 Decommissioning Funding Status Report for
Palo Verde Nuclear Generating Station Units 1, 2 & 3**

2002 DECOMMISSIONING FUNDING STATUS REPORT

10 CFR 50.75(f)(1)

(For The Year Ending December 31, 2002)

PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2 & 3

Submitted on Behalf of

Arizona Public Service Company
Salt River Project Agricultural Improvement and Power District
El Paso Electric Company
Southern California Edison Company
Public Service Company of New Mexico
Southern California Public Power Authority
Los Angeles Department of Water and Power

OVERVIEW

This Decommissioning Funding Status Report is being submitted pursuant to 10 CFR 50.75(f)(1) by Arizona Public Service Company (APS) as the operator of Palo Verde Nuclear Generating Station (PVNGS), Units 1, 2 & 3. APS is submitting this report on behalf of the seven Participants in PVNGS:

	Participant	% Share of Each Unit
1.	Arizona Public Service Company (APS)	29.10
2.	Salt River Project Agricultural Improvement and Power District (SRP)	17.49
3.	El Paso Electric Company (EPE)	15.80
4.	Southern California Edison Company (SCE)	15.80
5.	Public Service Company of New Mexico (PNM)	10.20
6.	Southern California Public Power Authority (SCPPA)	5.91
7.	Los Angeles Department of Water and Power (LADWP)	5.70

Pursuant to Sections 8A.4 and 8A.7.2.4 of the PVNGS Participation Agreement, as amended through Amendment 14, each Participant provides an annual decommissioning funding status report for review by the Termination Funding Committee established pursuant to the PVNGS Participation Agreement. APS is relying upon the 2002 Annual Funding Status Report from each Participant in providing the information in this report with respect to each Participant's current funds, as well as future funding plans and assumptions.

(1) DECOMMISSIONING FUNDS ESTIMATED TO BE REQUIRED

In a report dated February 2002, TLG Services, Inc. (TLG) prepared a site-specific Decommissioning Cost Study for PVNGS. This study includes cost estimates for basic NRC radiological decommissioning within the meaning of 10 CFR 50.75(b) & (c) (hereafter, Basic Radiological Decommissioning), as well as for spent fuel management and for non-radiological decommissioning activities. The 2001 Total Decommissioning Costs for each unit and the Basic Radiological Decommissioning costs can be broken down as follows (in millions of dollars):

PVNGS Unit	Total Decommissioning Cost Estimate	Basic Radiological Decommissioning
Unit 1	\$615.8	\$481.3
Unit 2	\$673.3	\$539.8
Unit 3	\$683.0	\$537.7

Each participant is entitled to exercise its own judgment regarding additional contingency factors and scope of work beyond the scope of work assumed in TLG's site specific study. In addition, assumptions regarding decommissioning cost escalation and trust fund earnings may affect funding levels. Therefore, Participants may accumulate funds based upon a Basic Radiological

Decommissioning Cost Estimate and Total Decommissioning Cost Estimate that exceed the amounts noted above. Regardless of such independent judgments, each Participant meets NRC requirements for purposes of estimating the decommissioning funds to be required, because the site specific estimates of costs noted above for the Basic Radiological Decommissioning of each PVNGS unit exceed the NRC minimum formula amount calculated in accordance with 10 CFR 50.75(c), NUREG-1307, Rev. 10, Report on Waste Burial Charges: Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities, and Regulatory Guide 1.159, Assuring the Availability of Funds for Decommissioning Nuclear Reactors, as of December, 2000.

(2) AMOUNT OF FUNDS ACCUMULATED AS OF DECEMBER 31, 2002

The total amounts of funds accumulated by each Participant in their respective Nuclear Decommissioning Trusts for each unit as of December 31, 2002 are provided in Appendix A, Tab 1 (Unit 1), Tab 2 (Unit 2), & Tab 3 (Unit 3). These values reflect the fair market value as reported by the respective Trustees at the end of calendar year 2002. In addition, in order to put the current levels of funding in perspective, the charts for each unit provided in Appendix A include: (1) a breakdown for each unit of each Participant's percentage share of the 2001 Total Decommissioning Cost Estimate and (2) the years remaining on the unit's operating license. Note that the cost estimates are in 2001 dollars and do not take into account the individual assumptions made by each Participant, which may result in the accumulation of funds based upon higher cost estimates (e.g., site-specific estimates that may include removal and disposal of spent nuclear fuel and non-radioactive structures).

(3) SCHEDULE OF ANNUAL AMOUNTS REMAINING TO BE COLLECTED AND ASSUMPTIONS

Pursuant to the Participation Agreement, as amended and reformed, the Participants agreed that each Participant would commit to minimum levels of accumulation of funds, regardless of fund investment performance, pursuant to a pre-established percentage funded commitment or "Funding Curve" for each year through the end of plant life. Each Participant's percentage funding commitment was based upon an analysis which incorporated the Participant's individual business judgments (subject to regulatory approvals, as applicable) with respect to expected rates of fund investment earnings and escalation in total decommissioning costs. Every three years a site-specific decommissioning cost estimate is performed, and each participant applies the new cost estimate to its pre-established Funding Curve. A new Decommissioning Cost Estimate will be prepared in 2004. Each Participant is committed to minimum levels of accumulations, which cannot drop below a Funding Floor (which is never less than eighty percent of the Participant's Funding Curve and was established to take into account market fluctuations in the early years of fund accumulation). These minimum commitment levels are based upon the liquidated, after-tax value of the funds. As such, the unliquidated values relied upon for purposes of

NRC's decommissioning financial assurance requirements currently exceed these minimum commitment levels with respect to funds held by the investor-owned utility Participants in PVNGS. For the non-investor-owned Participants, the liquidated and unliquidated values are the same.

The current accumulation and funding schedules submitted in the 2002 Annual Funding Status Reports are based upon a 2001 site specific decommissioning cost estimate, that is escalated by each Participant. The tables and charts submitted by each Participant in the 2002 Annual Funding Status Reports are provided in Appendix B, Tabs 1, 2, 3, 4, 5, 6 & 7. (These Tabs correlate with the numbers assigned to Participants in the "Overview" above, which were assigned in descending order based upon the percentage share size of each Participant.)

The assumptions underlying each Participant's analysis are provided in Section 2.1.7 of the 2002 Annual Funding Status Reports. These assumptions reported by each Participant are restated, respectively, in Appendix B, Tabs 1, 2, 3, 4, 5, 6 & 7.

Actual annual contributions of each Participant may vary from the annual contributions reflected in the tables provided in Appendix B, based upon actual fund performance and other factors. Each Participant is committed to maintaining the accumulation of funds established by the funding percentage curves, rather than any pre-established annual contribution.

(4) CONTRACTUAL OBLIGATIONS PURSUANT TO (e)(1)(v)

No PVNGS Participant is relying upon a contract for purposes of providing decommissioning funding within the meaning of 10 CFR 50.75(e)(1)(v).

(5) MODIFICATIONS TO LICENSEES' METHODS OF PROVIDING FINANCIAL ASSURANCE SINCE PREVIOUS REPORT

There have been no modifications to the licensees' methods of providing financial assurance.

(6) MATERIAL CHANGES TO TRUST AGREEMENT

The APS Master Trust Agreement has been amended on March 18, 2002. The amendment is provided at Appendix C, Tab 1. The SCE Master Trust Agreement has been amended on November 1, 2002. The amendment is provided at Appendix C, Tab 2.

There have been no other amendments to the Trust Agreements of the various Participants since the last status report to the NRC.

The following Table provides the names of the current Trustees and Investment Managers as reported by each Participant in Section 1.1 of their 2002 Annual Funding Status Reports to the Termination Funding Committee.

Participant	Trustee(s)	Investment Manager(s)
APS	Mellon Bank, N.A.	NISA Investment Advisors Mellon Capital Delaware Investment Advisers
SRP	Marshall & Ilsley Trust Company of Arizona	Vanguard Group PIMCO
EPE	Bank of America, N.A.	Duff & Phelps Investment Management Rorer Asset Management
SCE	Mellon Bank, N.A.	STW Fixed Income Management Deutsche Asset Management PanAgora Asset Management BlackRock Financial Management, Inc. Alliance Bernstein PIMCO
PNM	Mellon Bank, N.A.	T. Rowe Price Associates, Inc. Strong Capital Management
SCPPA	US Bank Trust, N.A.	None
LADWP	US Bank Trust, N.A.	None

Palo Verde Nuclear Generating Station Unit 1

(\$M)

<u>Participants</u>	<u>% Ownership</u>	<u>Total (1) Site Specific Estimate</u>	<u>NRC (1) Basic Radiological Estimate</u>	<u>Total Nuclear Decommissioning Trust (as of 12/31/2002)</u>	<u>Years to end of Operating License (12/31/2024)</u>
Arizona Public Service Company	29.10 %	179.2	140.0	65.7 (2)	22
Salt River Project Agricultural Improvement and Power District	17.49 %	107.7	84.2	37.2 (3)	22
El Paso Electric Company	15.80 %	97.3	76.0	22.0 (4)	22
Southern California Edison Company	15.89 %	97.3	76.0	142.7 (5)	22
Public Service Company of New Mexico	10.20 %	62.8	49.1	20.5 (6)	22
Southern California Public Power Authority	5.91 %	36.4	28.4	35.8 (7)	22
Los Angeles Department of Water and Power	5.70 %	35.1	27.4	29.9 (8)	22
TOTAL	100.00%	615.8	481.3	353.7	

(1) - Decommissioning Cost Study for PVNGS in 2001 Dollars, prepared by TLG Services, Inc. (February, 2002)

(2) - Section 2.2.2 of APS 2002 Annual Funding Status Report

(3) - Section 2.2.2 of PNM 2002 Annual Funding Status Report

(4) - Section 2.2 of EPE 2002 Annual Funding Status Report

(5) - Section 2.2.2 of SCE 2002 Annual Funding Status Report -- Note: SCE accumulates funds based upon cost estimates that exceed the amounts noted above due to SCE judgments with respect to contingency factors also affected by assumptions regarding decommissioning cost escalation and trust fund earnings

(6) - Section 2.2.1 of PNM 2002 Annual Funding Status Report

(7) - Section 2.2.1 of SCPPA 2002 Annual Funding Status Report

(8) - Section 2.2.1 of LADWP 2002 Annual Funding Status Report

Palo Verde Nuclear Generating Station Unit 2

(\$M)

<u>Participants</u>	<u>% Ownership</u>	<u>Total (1) Site Specific Estimate</u>	<u>NRC (1) Basic Radiological Estimate</u>	<u>Total Nuclear Decommissioning Trust</u> (as of 12/31/2002)	<u>Years to end of Operating License</u> (12/09/2025)
Arizona Public Service Company	29.10 %	195.9	157.1	72.8 (2)	23
Salt River Project Agricultural Improvement and Power District	17.49 %	117.8	94.4	35.8 (3)	23
El Paso Electric Company	15.80 %	106.4	85.3	23.4 (4)	23
Southern California Edison Company	15.89 %	106.4	85.3	143.4 (5)	23
Public Service Company of New Mexico	10.20 %	68.7	55.1	21.8 (6)	23
Southern California Public Power Authority	5.91 %	39.8	31.9	36.5 (7)	23
Los Angeles Department of Water and Power	5.70 %	38.4	30.8	30.1 (8)	23
TOTAL	100.00%	673.3	539.8	363.8	

(1) - Decommissioning Cost Study for PVNGS in 2001 Dollars, prepared by TLG Services, Inc. (February, 2002)

(2) - Section 2.2.2 of APS 2002 Annual Funding Status Report

(3) - Section 2.2.2 of PNM 2002 Annual Funding Status Report

(4) - Section 2.2 of EPE 2002 Annual Funding Status Report

(5) - Section 2.2.2 of SCE 2002 Annual Funding Status Report -- Note: SCE accumulates funds based upon cost estimates that exceed the amounts noted above due to SCE judgments with respect to contingency factors also affected by assumptions regarding decommissioning cost escalation and trust fund earnings

(6) - Section 2.2.1 of PNM 2002 Annual Funding Status Report

(7) - Section 2.2.1 of SCPPA 2002 Annual Funding Status Report

(8) - Section 2.2.1 of LADWP 2002 Annual Funding Status Report

Palo Verde Nuclear Generating Station Unit 3

(\$M)

<u>Participants</u>	<u>% Ownership</u>	<u>Total (1) Site Specific Estimate</u>	<u>NRC (1) Basic Radiological Estimate</u>	<u>Total Nuclear Decommissioning Trust</u> (as of 12/31/2002)	<u>Years to end of Operating License</u> (3/25/2027)
Arizona Public Service Company	29.10 %	198.8	156.5	63.2 (2)	24
Salt River Project Agricultural Improvement and Power District	17.49 %	119.5	94.0	37.6 (3)	24
El Paso Electric Company	15.80 %	107.9	85.0	19.6 (4)	24
Southern California Edison Company	15.89 %	107.9	85.0	156.2 (5)	24
Public Service Company of New Mexico	10.20 %	69.7	54.8	21.0 (6)	24
Southern California Public Power Authority	5.91 %	40.4	31.8	40.0 (7)	24
Los Angeles Department of Water and Power	5.70 %	38.9	30.6	29.9 (8)	24
TOTAL	100.00%	683.0	537.7	367.6	

(1) - Decommissioning Cost Study for PVNGS in 2001 Dollars, prepared by TLG Services, Inc (February, 2002)

(2) - Section 2.2.2 of APS 2002 Annual Funding Status Report

(3) - Section 2.2.2 of PNM 2002 Annual Funding Status Report

(4) - Section 2.2 of EPE 2002 Annual Funding Status Report

(5) - Section 2.2.2 of SCE 2002 Annual Funding Status Report -- Note: SCE accumulates funds based upon cost estimates that exceed the amounts noted above due to SCE judgments with respect to contingency factors also affected by assumptions regarding decommissioning cost escalation and trust fund earnings

(6) - Section 2.2.1 of PNM 2002 Annual Funding Status Report

(7) - Section 2.2.1 of SCPPA 2002 Annual Funding Status Report

(8) - Section 2.2.1 of LADWP 2002 Annual Funding Status Report

Palo Verde Nuclear Generating Station

Appendix B, Tab 1

Units 1, 2, & 3

APS 2002 Annual Funding Status Report

Section 2.1.7 [Restated]

Assumptions used in developing committed Accumulations: (See Exhibit E)

(from Exhibit E)

Assumptions used by APS in Decommissioning Funding Tables and Curves:

Decommissioning Costs:

Funding Curve applied to Official 2001 TLG Study Costs

Escalation Factor and Future Value of Decommissioning Costs.

Escalation factor of 5.00% Annually

After Tax Rate of Return for Assets in Trust:

Annual Rate of Return is 6.75%

Contribution Assumptions:

All contributions made quarterly

ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
UNIT ONE

Based on 2001 Cost Study

Rate of Return 6.7500% Annual Period Rate of Return
1.6875% Quarter Period Rate of Return
5.0000% Annual Estalaction

Year	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			ANNUAL CONTRIBS
	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	
2001													68,910,604 3,801,365
2002	986,780	1,162,866	71,060,250	986,780	1,199,142	73,246,171	986,780	1,236,029	75,468,980	986,780	1,273,539	77,729,299	3,947,118
2003	986,780	1,311,682	80,027,760	986,780	1,350,468	82,365,008	986,780	1,389,910	84,741,697	986,780	1,430,016	87,158,493	3,947,118
2004	986,780	1,470,800	89,616,072	986,780	1,512,271	92,115,123	986,780	1,554,443	94,656,345	986,780	1,597,326	97,240,451	3,947,118
2005	986,780	1,640,933	99,868,163	986,780	1,685,275	102,540,218	986,780	1,730,366	105,257,364	986,780	1,776,218	108,020,361	3,947,118
2006	986,780	1,822,844	110,829,985	986,780	1,870,256	113,687,020	986,780	1,918,468	116,592,268	986,780	1,967,495	119,546,542	3,947,118
2007	986,780	2,017,348	122,550,670	986,780	2,068,043	125,605,492	986,780	2,119,593	128,711,864	986,780	2,172,013	131,870,657	3,947,118
2008	986,780	2,225,317	135,082,754	986,780	2,279,521	138,349,055	986,780	2,334,640	141,670,475	986,780	2,390,689	145,047,943	3,947,118
2009	986,780	2,447,684	148,482,407	986,780	2,505,641	151,974,827	986,780	2,564,575	155,526,182	986,780	2,624,504	159,137,466	3,947,118
2010	986,780	2,685,445	162,809,690	986,780	2,747,414	166,543,883	986,780	2,810,428	170,341,091	986,780	2,874,506	174,202,377	3,947,118
2011	986,780	2,939,665	178,128,821	986,780	3,005,924	182,121,525	986,780	3,073,301	186,181,605	986,780	3,141,815	190,310,199	3,947,118
2012	986,780	3,211,485	194,508,464	986,780	3,282,330	198,777,573	986,780	3,354,372	203,118,725	986,780	3,427,628	207,533,133	3,947,118
2013	986,780	3,502,122	212,022,034	986,780	3,577,872	216,586,685	986,780	3,654,900	221,228,365	986,780	3,733,229	225,948,374	3,947,118
2014	986,780	3,812,879	230,748,032	986,780	3,893,873	235,628,685	986,780	3,976,234	240,591,698	986,780	4,059,985	245,638,463	3,947,118
2015	986,780	4,145,149	250,770,391	986,780	4,231,750	255,988,921	986,780	4,319,813	261,295,514	986,780	4,409,362	266,691,655	3,947,118
2016	986,780	4,500,422	272,178,857	986,780	4,593,018	277,758,655	986,780	4,687,177	283,432,611	986,779	4,782,925	289,202,315	3,947,118
2017	986,780	4,880,289	295,069,384	986,780	4,979,296	301,035,459	986,780	5,079,973	307,102,212	986,780	5,182,350	313,271,342	3,947,118
2018	986,780	5,286,454	319,544,575	986,780	5,392,315	325,923,670	986,780	5,499,962	332,410,411	986,780	5,609,426	339,006,616	3,947,118
2019	986,780	5,720,737	345,714,133	986,780	5,833,926	352,534,838	986,780	5,949,025	359,470,643	984,679	6,066,067	366,521,389	3,947,118
2020	986,780	6,185,048	373,693,217	986,780	6,306,073	380,986,070	986,780	6,429,140	388,401,989	643,375	6,554,284	395,599,647	3,947,118
2021	986,780	6,675,744	403,262,171	986,780	6,805,049	411,054,000	986,780	6,936,536	418,977,316	626,977	7,070,242	426,674,534	3,947,118
2022	986,780	7,200,133	434,861,447	986,780	7,338,287	443,186,513	986,780	7,478,772	451,652,065	584,665	7,621,629	459,858,359	3,947,118
2023	986,780	7,760,110	468,605,248	986,780	7,907,714	477,499,741	986,780	8,057,808	486,544,329	(4,143,709)	8,210,436	490,611,055	3,947,118
2024	986,780	8,279,062	499,876,896	986,780	8,435,423	509,299,099	986,780	8,594,422	518,880,301	(4,638,882)	8,756,105	522,997,524	3,947,118
2025	0	0	0	0	0	0	0	0	0	(57,073,249)	35,302,333	501,226,608	0
2026	0	0	0	0	0	0	0	0	0	(99,672,231)	33,832,796	435,387,173	0
2027	0	0	0	0	0	0	0	0	0	(82,218,356)	29,388,634	382,557,451	0
2028	0	0	0	0	0	0	0	0	0	(85,629,610)	25,822,628	322,750,469	0
2029	0	0	0	0	0	0	0	0	0	(89,068,070)	21,785,657	255,468,055	0
2030	0	0	0	0	0	0	0	0	0	(61,490,028)	17,244,094	211,222,121	0
2031	0	0	0	0	0	0	0	0	0	(22,289,955)	14,257,493	203,189,659	0
2032	0	0	0	0	0	0	0	0	0	(16,825,376)	0	186,364,283	0
2033	0	0	0	0	0	0	0	0	0	(25,832,320)	0	160,531,963	0
2034	0	0	0	0	0	0	0	0	0	(38,203,547)	0	122,328,416	0
2035	0	0	0	0	0	0	0	0	0	(44,920,034)	0	77,408,382	0
2036	0	0	0	0	0	0	0	0	0	(63,935,147)	0	13,473,236	0
2037	0	0	0	0	0	0	0	0	0	(13,473,235)	0	0	0

ESTIMATED ANNUAL COSTS UNIT ONE

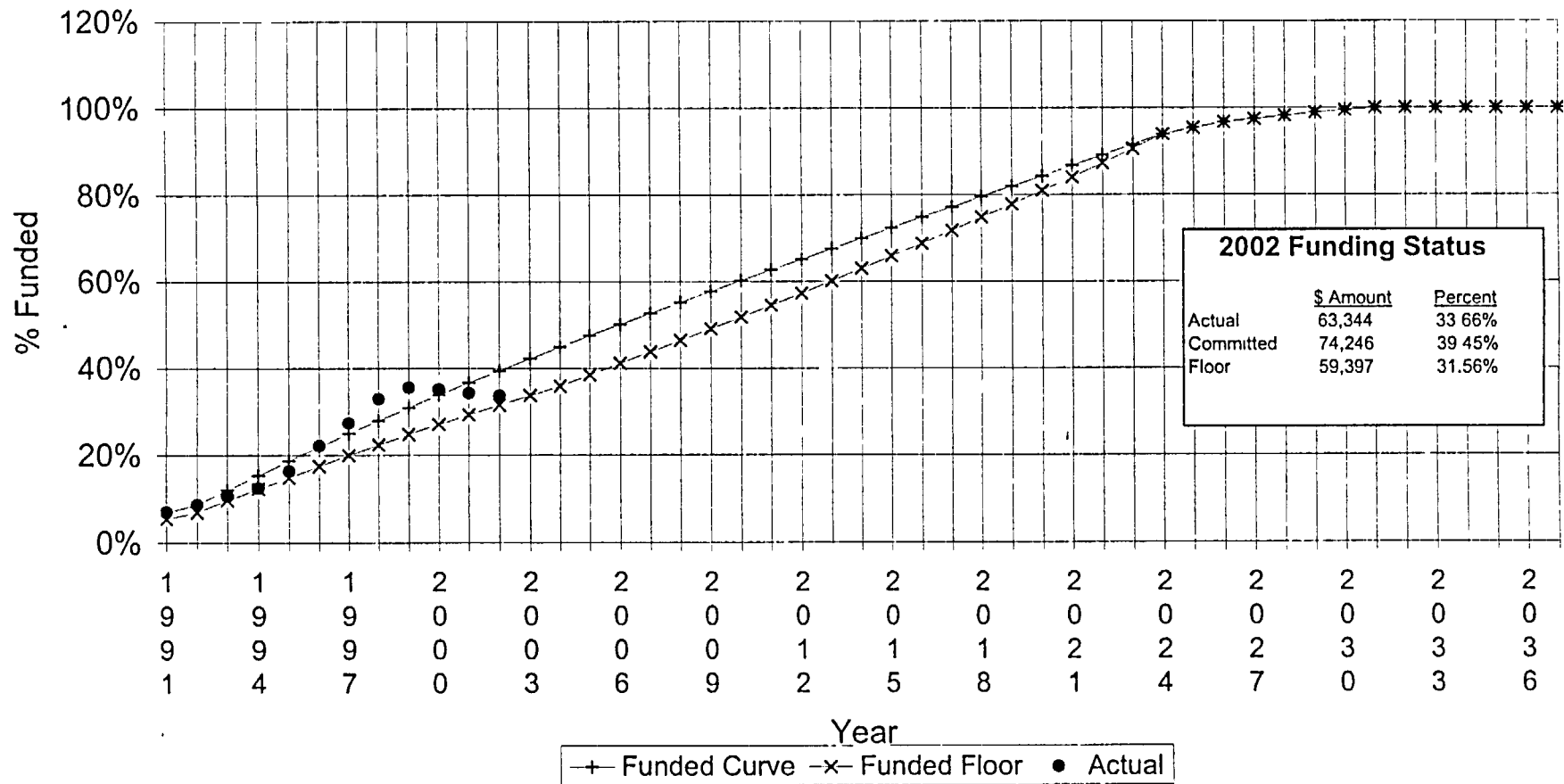
2024	1 05																							
Target \$s	PV Dollars	Year	FV Dollars	Sum PV Lmb	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
		2001	0	179,240,577	873	135,897	135,808	144,336	1,753,857	1,831,554	17,696,583	26,433,486	23,123,151	22,935,747	22,720,686	14,836,776	9,197,393	3,707,831	5,421,330	7,635,840	8,550,744	11,590,821	2,326,254	
		2002	1	186,202,606	917	142,662	142,366	151,553	1,841,550	1,923,132	18,581,412	30,905,160	24,279,309	24,082,534	23,658,733	15,685,715	8,415,263	3,893,013	5,692,398	8,017,632	8,978,281	12,170,362	2,442,967	
		2003	2	197,612,736	962	149,626	149,506	159,130	1,933,627	2,016,288	19,510,483	32,450,418	25,493,274	25,266,661	25,049,570	16,470,001	9,886,026	4,087,663	5,977,016	8,418,514	9,427,185	12,778,860	2,564,695	
		2004	3	207,493,373	1,011	157,318	156,981	167,087	2,030,309	2,120,253	20,486,007	34,072,939	26,767,938	26,550,994	26,302,048	17,263,501	9,970,327	4,292,046	6,279,667	8,839,439	9,896,555	13,417,824	2,692,930	
		2005	4	217,866,042	1,061	165,184	164,830	175,441	2,131,624	2,226,265	21,510,307	35,778,586	28,106,335	27,878,544	27,617,150	18,158,178	6,268,843	4,506,649	6,569,660	9,281,411	10,393,483	14,068,715	2,827,576	
		2006	5	228,761,444	1,114	173,443	173,071	184,213	2,236,415	2,337,879	22,585,823	37,565,416	29,511,851	29,272,471	28,998,008	18,066,084	6,562,266	4,731,981	6,919,144	8,745,482	10,819,157	14,793,151	2,968,955	
		2007	6	240,196,516	1,170	182,115	181,725	193,424	2,350,336	2,454,458	23,715,114	38,443,686	30,987,234	30,736,093	30,447,908	20,019,389	6,911,400	4,968,560	7,265,101	10,232,756	11,458,815	15,532,809	3,117,403	
		2008	7	252,209,492	1,228	191,221	190,811	203,068	2,467,653	2,577,180	24,900,869	41,415,871	32,536,596	32,272,899	31,970,304	21,020,358	7,256,970	5,217,008	7,628,356	10,744,394	12,031,755	16,309,449	3,279,273	
		2009	8	264,818,966	1,290	200,782	200,352	213,250	2,591,248	2,706,039	26,145,913	43,486,664	34,163,425	33,886,544	33,568,819	22,071,376	7,818,818	5,477,860	8,009,774	11,281,613	12,833,343	17,124,922	3,436,937	
		2010	9	278,060,965	1,354	210,621	210,369	223,913	2,720,808	2,841,341	27,453,206	45,660,997	35,871,587	35,580,871	35,247,260	23,174,945	8,000,809	5,751,753	8,410,262	11,845,694	13,265,010	17,981,168	3,606,783	
		2011	10	291,964,013	1,422	221,362	220,868	235,108	2,856,848	2,983,408	28,829,869	47,844,047	37,685,176	37,359,915	37,009,623	24,333,692	8,400,850	6,036,340	8,830,775	12,437,979	13,928,261	18,860,226	3,789,223	
		2012	11	306,562,213	1,493	232,430	231,932	248,864	2,999,691	3,132,576	30,267,162	50,341,250	39,548,435	39,227,911	38,860,104	25,550,377	8,820,892	6,341,307	9,272,314	13,059,878	14,624,674	19,824,237	3,978,684	
		2013	12	321,890,324	1,568	244,051	243,529	259,207	3,149,875	3,289,208	31,780,521	52,858,312	41,525,857	41,188,308	40,803,109	26,827,895	9,281,937	6,858,373	9,735,830	13,712,872	15,355,908	20,815,448	4,177,618	
		2014	13	337,964,840	1,646	256,254	255,705	272,167	3,307,159	3,453,868	33,369,547	55,501,228	43,802,150	43,248,772	42,843,265	28,169,290	9,728,034	6,991,291	10,222,726	14,968,519	16,123,703	21,856,222	4,396,499	
		2015	14	354,684,082	1,728	266,067	266,491	285,775	3,472,517	3,626,352	35,038,024	58,278,289	45,782,257	45,111,210	44,585,428	29,577,755	10,211,265	7,340,856	10,733,863	15,118,441	16,629,688	22,949,033	4,605,824	
1 0675		2016	15	372,628,286	1,815	282,520	281,915	300,064	3,646,143	3,807,869	36,789,825	61,190,103	48,071,370	47,681,771	47,234,699	31,056,642	10,721,850	7,707,898	11,270,556	15,874,363	17,776,383	24,096,484	4,836,115	
		2017	16	391,259,701	1,906	296,646	296,011	315,067	3,828,450	3,996,053	38,829,421	64,249,609	50,474,939	50,065,859	49,586,434	32,809,475	11,257,942	8,093,293	11,834,083	16,668,081	18,665,202	25,301,309	5,077,821	
		2018	17	410,822,886	2,001	311,478	310,811	330,821	4,019,872	4,197,955	40,560,892	67,482,086	52,988,886	52,569,152	52,078,256	34,229,946	11,820,836	8,497,058	12,425,788	17,501,485	19,598,462	26,566,374	5,331,817	
2 912	873	2019	18	431,363,820	2,101	327,052	326,352	347,362	4,220,866	4,407,853	42,588,937	70,835,194	55,648,620	55,197,810	54,680,069	35,951,946	12,411,881	8,922,858	13,047,077	18,378,559	20,578,385	27,894,693	5,598,408	
443,942	135,897	2020	19	343,405	452,928,806	343,406	342,670	364,730	4,431,909	4,628,246	44,718,384	74,378,853	58,431,051	57,957,490	57,414,072	37,749,543	13,032,478	9,368,999	13,699,431	19,295,387	21,607,304	29,289,427	5,878,328	
437,662	135,808	2021	20	359,803	475,215,720		358,803	362,966	4,653,505	4,858,868	46,964,303	78,095,801	61,352,603	60,855,365	60,284,778	39,637,020	13,684,099	9,837,449	14,384,402	20,260,157	22,687,669	30,753,989	6,172,244	
458,232	144,336	2022	21	402,115	498,598,713			402,115	4,886,180	5,102,841	49,302,018	82,000,591	64,420,234	63,868,133	63,299,015	41,618,871	14,368,304	10,329,521	15,103,623	21,273,165	23,822,053	32,291,594	6,480,857	
5,476,797	1,753,857	2023	22	5,130,489	523,106,428				5,130,489	5,357,773	51,767,119	86,100,820	67,641,245	67,083,040	66,483,965	43,899,815	15,086,719	10,845,787	15,858,804	22,336,823	25,013,156	33,908,173	6,804,896	
5,625,662	1,831,554	2024	23	5,625,662	543,874,736					5,625,662	54,355,475	90,405,651	71,023,308	70,447,682	69,787,164	45,884,805	15,841,055	11,368,077	16,851,744	23,453,664	26,263,813	35,801,482	7,145,144	
53,464,402	17,696,583	2025	24	57,073,249	565,161,528						57,073,249	94,925,934	74,574,473	73,970,078	73,276,522	48,179,046	16,833,108	11,957,481	17,484,331	24,626,347	27,577,004	37,381,556	7,502,402	
87,465,828	29,433,486	2026	25	86,672,231	533,482,883							99,872,231	78,303,197	77,668,580	76,940,348	50,587,998	17,464,783	12,558,355	18,358,548	25,857,685	29,955,854	38,250,634	7,877,522	
67,587,307	23,123,151	2027	26	82,218,356	455,511,496								82,218,356	81,552,009	80,787,365	53,117,398	18,338,001	13,183,122	19,276,475	27,150,548	30,403,647	41,213,166	8,271,398	
85,940,529	22,935,747	2028	27	85,629,610	391,957,786									85,629,610	84,826,734	55,773,268	19,254,902	13,842,278	20,240,299	28,506,075	31,923,829	43,273,824	8,664,968	
64,251,404	22,720,698	2029	28	89,068,070	321,844,585										89,068,070	58,561,931	20,217,647	14,534,392	21,252,314	29,833,479	33,520,021	45,437,515	9,119,716	
41,552,522	14,938,776	2030	29	61,490,028	244,205,340											61,490,028	21,228,526	15,261,112	22,314,929	31,430,153	35,196,022	47,709,391	9,575,177	
14,110,227	5,157,363	2031	30	22,289,955	191,851,078												22,289,955	16,024,168	23,430,678	33,001,660	36,955,823	50,094,860	10,053,936	
10,950,981	3,707,831	2032	31	16,825,376	178,039,179													16,825,376	24,602,210	34,651,743	38,803,614	52,599,803	10,556,633	
16,352,653	5,421,330	2033	32	25,832,320	169,274,493															25,832,320	36,384,331	40,743,795	55,229,584	11,084,484
24,184,021	7,635,840	2034	33	36,203,547	150,614,282																36,203,547	42,780,984	57,991,063	11,636,687
28,435,783	8,550,744	2035	34	44,920,034	118,031,271																	44,920,034	60,890,616	12,220,622
40,472,915	11,590,821	2036	35	63,935,147	76,766,800																		63,935,147	12,831,653
8,526,972	2,326,254	2037	36	13,473,235	13,473,235																			11,473,235
535,444,761	179,240,577			712,494,732																				
	29.1% of																							
	615,947,000																							

**ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
UNIT ONE**

Based on 2001 Cost Study	
Rate of Return	6.7500%
Escalation Factor	5.0000%

Funding Plan				Funding Floor			Actual Funding Data		
Year	Fund \$	Est. Cost	% Funded	% Band	% Floor	\$ Floor	\$ In Fund	Est. Cost	% Funded
1991	8,358,799	122,538,465	6.82%	80%	5.46%	6,687,023	8,531,336	122,538,465	6.96%
1992	11,132,220	128,655,388	8.65%	80%	6.92%	8,905,776	11,159,326	128,655,388	8.67%
1993	16,329,125	135,098,658	12.09%	80%	9.67%	13,063,300	14,474,516	135,098,658	10.71%
1994	21,885,801	141,853,590	15.43%	80%	12.34%	17,508,641	17,781,769	141,853,590	12.54%
1995	27,827,153	148,946,270	18.68%	80%	14.95%	22,261,723	24,469,181	148,946,270	16.43%
1996	30,081,526	137,672,886	21.85%	80%	17.48%	24,065,220	30,491,630	137,672,886	22.15%
1997	36,066,854	144,556,530	24.95%	80%	19.96%	28,853,483	39,491,919	144,556,530	27.32%
1998	42,454,084	151,784,356	27.97%	80%	22.38%	33,963,267	49,972,041	151,784,356	32.92%
1999	52,694,980	170,368,508	30.93%	80%	24.75%	42,166,206	60,615,123	170,368,508	35.58%
2000	60,517,449	178,886,933	33.83%	80%	27.06%	48,413,960	62,792,455	178,886,933	35.10%
2001	68,858,947	187,831,280	36.66%	80%	29.33%	55,087,158	64,409,937	187,831,280	34.29%
2002	74,245,928	188,202,606	39.45%	80%	31.56%	59,396,742	63,343,559	188,202,606	33.66%
2003	83,353,052	197,612,736	42.18%	80%	33.74%	66,682,442			
2004	93,102,276	207,493,373	44.87%	80%	35.89%	74,469,372			
2005	103,509,107	217,868,042	47.51%	81%	38.49%	83,857,409			
2006	114,655,236	228,761,444	50.12%	82%	41.10%	94,017,293			
2007	126,561,125	240,199,516	52.69%	83%	43.74%	105,063,268			
2008	139,320,523	252,209,492	55.24%	84%	46.40%	117,029,239			
2009	152,933,531	264,819,966	57.75%	85%	49.09%	129,993,501			
2010	167,503,925	278,060,965	60.24%	86%	51.80%	144,035,580			
2011	183,061,436	291,964,013	62.70%	87%	54.55%	159,263,449			
2012	199,694,626	306,562,213	65.14%	88%	57.33%	175,752,117			
2013	217,501,292	321,890,324	67.57%	89%	60.14%	193,576,150			
2014	236,555,590	337,984,840	69.99%	90%	62.99%	212,900,031			
2015	256,900,587	354,884,082	72.39%	91%	65.87%	233,779,534			
2016	278,651,433	372,628,286	74.78%	92%	68.80%	256,359,318			
2017	301,895,985	391,259,701	77.16%	93%	71.76%	280,763,266			
2018	326,809,447	410,822,686	79.55%	94%	74.77%	307,172,122			
2019	353,373,241	431,363,820	81.92%	95%	77.83%	335,730,461			
2020	381,819,826	452,929,805	84.30%	96%	80.93%	366,547,033			
2021	411,916,986	475,215,720	86.68%	97%	84.08%	399,559,477			
2022	444,052,014	498,598,713	89.06%	98%	87.28%	435,170,973			
2023	478,380,828	523,106,428	91.45%	99%	90.54%	473,597,020			
2024	510,317,665	543,874,736	93.83%	100%	93.83%	510,317,665			
2025	538,938,033	565,161,528	95.36%	100%	95.36%	538,938,033			
2026	515,620,688	533,492,693	96.65%	100%	96.65%	515,620,688			
2027	443,713,738	455,511,486	97.41%	100%	97.41%	443,713,738			
2028	384,784,958	391,957,786	98.17%	100%	98.17%	384,784,958			
2029	318,074,330	321,644,585	98.89%	100%	98.89%	318,074,330			
2030	242,813,370	244,205,340	99.43%	100%	99.43%	242,813,370			
2031	191,851,078	191,851,078	100.00%	100%	100.00%	191,851,078			
2032	178,039,179	178,039,179	100.00%	100%	100.00%	178,039,179			
2033	169,274,493	169,274,493	100.00%	100%	100.00%	169,274,493			
2034	150,614,282	150,614,282	100.00%	100%	100.00%	150,614,282			
2035	118,031,271	118,031,271	100.00%	100%	100.00%	118,031,271			
2036	76,766,800	76,766,800	100.00%	100%	100.00%	76,766,800			
2037	13,473,235	13,473,235	100.00%	100%	100.00%	13,473,235			

Arizona Public Service Decommissioning Funding Plan PV Unit #1



ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
UNIT TWO

Based on 2001 Cost Study
Rate of Return 6 7500% Annual Period Rate of Return
1 6875% Quarter Period Rate of Return
5 0000% Annual Estalaction

Year	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			ANNUAL CONTRIBS
	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	
2001												70,677,974	4,068,818
2002	1,068,064	1,192,691	72,938,729	1,068,064	1,230,841	75,237,634	1,068,064	1,269,635	77,575,334	1,068,064	1,309,084	79,952,482	4,272,257
2003	1,068,064	1,349,198	82,369,744	1,068,064	1,389,989	84,827,798	1,068,064	1,431,469	87,327,331	1,068,064	1,473,649	89,869,044	4,272,257
2004	1,068,064	1,516,540	92,453,649	1,068,064	1,560,155	95,081,868	1,068,064	1,604,507	97,754,439	1,068,064	1,649,606	100,472,110	4,272,257
2005	1,068,064	1,695,467	103,235,641	1,068,064	1,742,101	106,045,807	1,068,064	1,789,523	108,903,394	1,068,064	1,837,745	111,809,203	4,272,257
2006	1,068,064	1,886,780	114,764,047	1,068,064	1,936,643	117,768,755	1,068,064	1,987,348	120,824,167	1,068,064	2,038,908	123,931,139	4,272,257
2007	1,068,064	2,091,338	127,090,541	1,068,064	2,144,653	130,303,259	1,068,064	2,198,867	133,570,190	1,068,064	2,253,997	136,892,252	4,272,257
2008	1,068,064	2,310,057	140,270,373	1,068,064	2,367,063	143,705,500	1,068,064	2,425,030	147,198,594	1,068,064	2,483,976	150,750,635	4,272,257
2009	1,068,064	2,543,917	154,362,616	1,068,064	2,604,869	158,035,549	1,068,064	2,666,850	161,770,464	1,068,064	2,729,877	165,568,404	4,272,257
2010	1,068,064	2,793,967	169,430,436	1,068,064	2,859,139	173,357,638	1,068,064	2,925,410	177,351,113	1,068,064	2,992,800	181,411,977	4,272,257
2011	1,068,064	3,061,327	185,541,369	1,068,064	3,131,011	189,740,443	1,068,064	3,201,870	194,010,378	1,068,064	3,273,925	198,352,367	4,272,257
2012	1,068,064	3,347,196	202,767,628	1,068,064	3,421,704	207,257,396	1,068,064	3,497,469	211,822,928	1,068,064	3,574,512	216,465,505	4,272,257
2013	1,068,064	3,652,855	221,186,424	1,068,064	3,732,521	225,987,010	1,068,064	3,813,531	230,868,605	1,068,064	3,895,908	235,832,577	4,272,257
2014	1,068,064	3,979,675	240,880,316	1,068,064	4,064,855	246,013,235	1,068,064	4,151,473	251,232,773	1,068,064	4,239,553	256,540,390	4,272,257
2015	1,068,064	4,329,119	261,937,574	1,068,064	4,420,197	267,425,834	1,068,064	4,512,811	273,006,710	1,068,064	4,606,988	278,681,762	4,272,257
2016	1,068,064	4,702,755	284,452,581	1,068,064	4,800,137	290,320,783	1,068,064	4,899,163	296,288,010	1,068,064	4,999,860	302,355,935	4,272,257
2017	1,068,064	5,102,256	308,526,255	1,068,064	5,206,381	314,800,700	1,068,064	5,312,262	321,181,026	1,068,064	5,419,930	327,669,021	4,272,257
2018	1,068,064	5,529,415	334,266,500	1,068,064	5,640,747	340,975,311	1,068,064	5,753,958	347,797,334	1,068,064	5,869,080	354,734,478	4,272,257
2019	1,068,064	5,986,144	361,788,687	1,068,064	6,105,184	368,961,935	1,068,064	6,226,233	376,256,232	1,068,064	6,349,324	383,673,620	4,272,257
2020	1,068,064	6,474,492	391,216,177	1,068,064	6,601,773	398,886,014	1,068,064	6,731,201	406,685,280	1,068,064	6,862,814	414,616,158	4,272,257
2021	1,068,064	6,996,648	422,680,870	1,068,064	7,132,740	430,881,674	1,068,064	7,271,128	439,220,867	1,068,064	7,411,852	447,700,783	4,272,257
2022	1,068,064	7,554,951	456,323,798	1,068,064	7,700,464	465,092,326	1,068,064	7,848,433	474,008,824	1,068,064	7,998,899	483,075,787	4,272,257
2023	1,068,064	8,151,904	492,295,755	1,068,064	8,307,491	501,671,310	1,068,064	8,465,703	511,205,078	1,068,064	8,626,586	520,899,728	4,272,257
2024	1,068,064	8,790,183	530,757,975	1,068,064	8,956,541	540,782,580	1,068,064	9,125,706	550,976,351	1,068,064	9,297,726	561,342,141	4,272,257
2025	1,068,064	9,472,649	571,882,854	1,068,064	9,650,523	582,601,441	1,068,064	9,831,399	593,500,905	(31,577,800)	10,015,328	571,938,432	0
2026	0	0	0	0	0	0	0	0	0	(151,327,449)	38,605,844	459,216,828	0
2027	0	0	0	0	0	0	0	0	0	(91,371,319)	30,997,136	398,842,644	0
2028	0	0	0	0	0	0	0	0	0	(79,678,114)	26,921,878	346,086,408	0
2029	0	0	0	0	0	0	0	0	0	(80,008,174)	23,360,833	289,439,067	0
2030	0	0	0	0	0	0	0	0	0	(67,887,453)	19,537,137	241,088,751	0
2031	0	0	0	0	0	0	0	0	0	(41,009,342)	16,273,491	216,352,900	0
2032	0	0	0	0	0	0	0	0	0	(21,456,613)	14,603,821	209,500,107	0
2033	0	0	0	0	0	0	0	0	0	(25,866,985)	14,141,257	197,774,379	0
2034	0	0	0	0	0	0	0	0	0	(72,729,421)	0	125,044,959	0
2035	0	0	0	0	0	0	0	0	0	(47,636,577)	0	77,408,382	0
2036	0	0	0	0	0	0	0	0	0	(63,935,147)	0	13,473,235	0
2037	0	0	0	0	0	0	0	0	0	(13,473,235)	0	0	0

ESTIMATED ANNUAL COSTS UNIT TWO

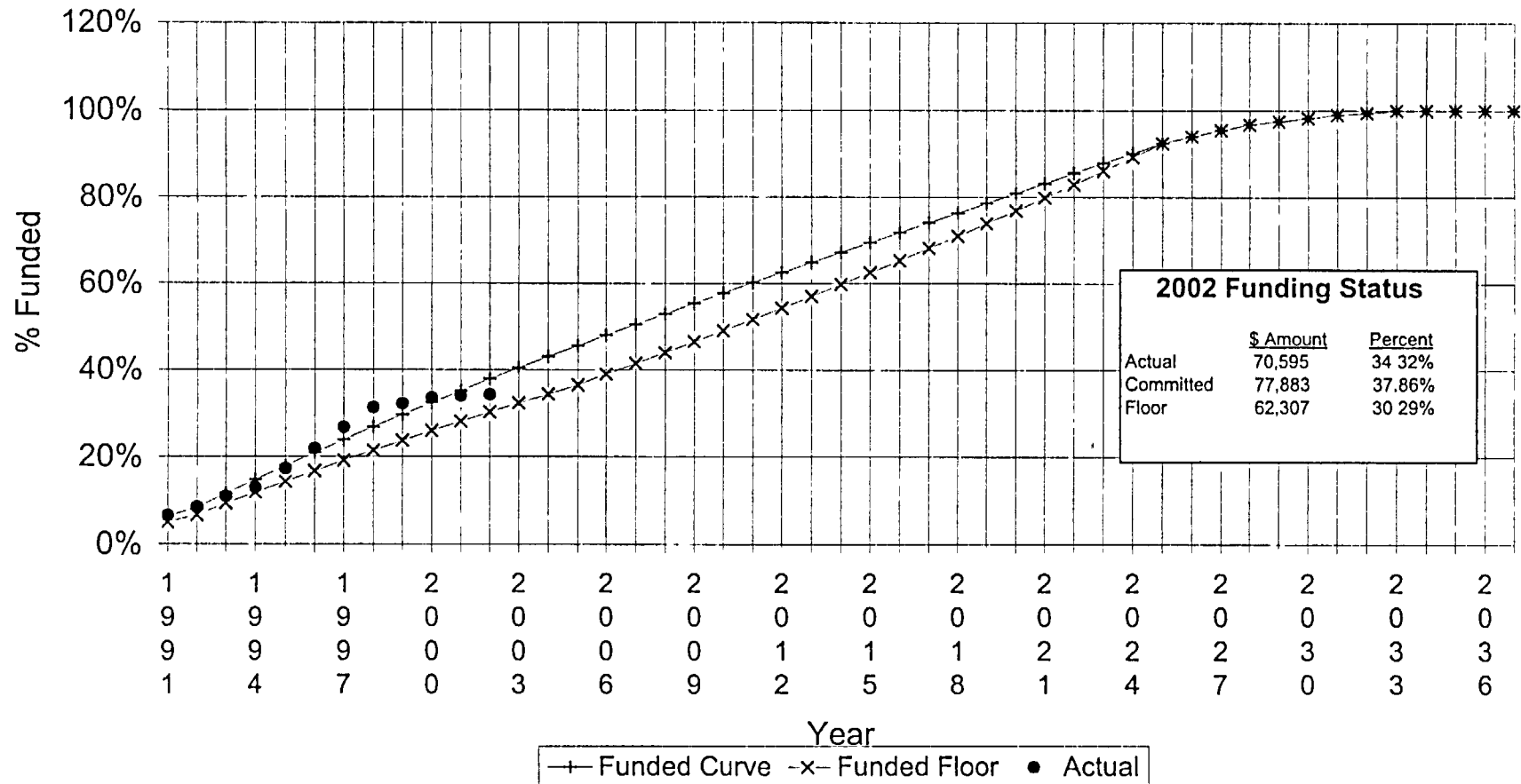
2024		105																	
Target \$'s	PV Dollars	Year	FV Dollars	Sum PV Liab	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
		2001	0	195 918 369	0	10 122 435	44 687,415	25 697,337	21 341 649	20 409 576	16 493 007	9 488 637	4 728 168	5 428 605	14 536 614	9 067 851	11 590 821	2 326 254	
		2002	1	205 714 287	0	10,628 557	46 921 786	26 982 204	22 408 731	21,430 055	17 317 657	9 963 069	4 964 576	5 700 035	15 263 445	9 521 244	12 170 362	2 442 567	
		2003	2	218 000 002	0	11 159 985	49 267 875	28 331 314	23 529 168	22 501 558	18 183 540	10 461 222	5 212 805	5 985 037	16 028 617	9 997 306	12 778 880	2 564 695	
		2004	3	226 800 002	0	11,717,984	51 731 269	29 747 880	24 705 626	23 626 635	19 092 717	10 984 283	5 473 445	6 284 289	16 827 948	10 497 171	13 417 824	2 692 930	
		2005	4	238,140 002	0	12 303 883	54 317 832	31 235 274	25 940 908	24 807,967	20 047,353	11,533 498	5 747 118	6 598 503	17 669 345	11 022 030	14 088 715	2 827 576	
		2006	5	250 047 002	0	12 919 077	57 033 724	32,797,037	27,237 953	26 048 366	21 049 721	12 110 172	6 034,474	6 928 428	18 552 812	11 573 131	14,793,151	2,968 955	
		2007	6	262 549 352	0	13 565 031	59 885 410	34 436 889	28 589 851	27 350 784	22,102,207	12 715 681	6 336 197	7 274 850	19 480 453	12 151 788	15 532 809	3 117 403	
		2008	7	275 678 820	0	14 243 283	62 879 881	38 158 734	30 029 843	28 718 323	23 207,317	13,351 465	6 653 007	7 638,592	20 454 478	12 759 377	16 309 449	3 273 273	
		2009	8	289 460 681	0	14 955,447	66 023 665	37 968 870	31 531 335	30 154 239	24 367 683	14 019 038	6 985 658	8 020 522	21 477 199	13 397 346	17 124 922	3 438 937	
		2010	9	303 933 694	0	15 703 219	69 324 848	39 865 004	33 107 902	31 661 951	25 586 067	14 719 990	7 334 940	8 421 548	22 551 059	14,067 213	17 981 168	3 608 783	
		2011	10	319 130 379	0	16 488 380	72 791 090	41 858 254	34 763 297	33 245 049	26 865 370	15 455 990	7 701 687	8 842 626	23 678 612	14 770 574	18 880 228	3 789 223	
		2012	11	335 086 897	0	17 312 799	78 430 645	43 951 167	36 501 462	34 907,301	28 208 639	16 228 789	8 086 772	9 284 757	24,862 543	15 509 102	19 824 237	3 978 684	
		2013	12	351 841 242	0	18 178 439	80 252 177	46 148 725	38 326,535	36 652 666	29 619 071	17 040 229	8,491,110	9 748 995	26 105 670	16 284 558	20 815 449	4 177 618	
		2014	13	369 433 304	0	19 087,361	84 264 786	48 458 161	40 242 862	38 485 299	31 100 025	17 892 240	8 915 666	10 236 444	27 410 954	17 096 785	21 856 222	4 386 499	
		2015	14	387,904 970	0	20 041 729	88 478 025	50 878 970	42 255 005	40 409 564	32 655 026	18 786 852	9 361 449	10 748 267	28 781 501	17,953 725	22 949 033	4 605 824	
		2016	15	407,300 218	0	21,043 815	92 901 926	53 422 918	44 367 756	42 430 043	34 287 777	19 726 195	9 829 522	11 285 680	30 220 576	18 651 411	24 096 484	4 836,115	
		2017	16	427 665 229	0	22 096,006	97 547,023	56 094 064	48 586 143	44 551 545	36 002,166	20 712 505	10 320 998	11 849 964	31,731 605	19 793 982	25 301 309	5 077 921	
		2018	17	449 048 491	0	23 200 806	102 424 374	58 898 767	48 915 450	46 779 122	37 802 274	21,748,130	10 837 048	12 442 462	33 318 186	20 783 681	26 566 374	5 331 817	
		2019	18	471 500 915	0	24 360 847	107 545 592	61 843 705	51,361 223	49 118 078	39 692 388	22 835 538	11,378,900	13 064 585	34 984 095	21 822 865	27,894 693	5 598 408	
		2020	19	495 075 961	0	25 578 889	112 922 872	64 935 891	53 929 284	51 573 982	41 677,007	23 977 313	11 947 845	13 717 814	36 733 300	22 914 008	29 289 427	5 878 328	
1 0675		2021	20	519 829 759	0	26 857 834	118 569 016	68 182 685	56 625 748	54 152 681	43 780 858	25 176 179	12 545,237	14 403 705	36 569 965	24 059 708	30 753 899	6 172 244	
		2022	21	545 821 247	0	28 200 725	124 497,466	71,591 820	59 457 036	56 860 315	45 948,901	26 434 988	13 172 499	15,123 890	40 498 463	25 262 694	32 291 594	6 480 857	
		2023	22	573,112,309	0	29 610 761	130 722 340	75,171,411	62 429 888	59 703 331	48 246 346	27 756 737	13 831 124	15 880 085	42 523,386	26 525 828	33 906 173	6 804 899	
		2024	23	601 787 925	0	31,091,300	137 258 457	78 929 981	65 551 382	62 688 498	50 658 683	29 144 574	14 522 680	16 674 089	44 849 555	27 852 120	35 601 482	7,145,144	
32 645 865	10 122 435	2025	24	32 645 865	631,856 321	32 645 865	144,121,380	82 876 480	68 828 951	65 822 922	53,191,596	30 601 803	15 248 814	17 507,794	46 882 033	29 244 726	37 381 556	7 502 402	
141 758 734	44 687 415	2026	25	151 327 449	629 170 979		151,327 449	87 020 304	72 270 399	69,114 069	55 851 176	32 131 893	16 011,255	18 383 183	49 226 135	30 708 962	39 250 634	7 877 522	
80,181,491	25 697 337	2027	26	91 371 319	501 735 707			91,371 319	75 883 918	72 569 772	58 643 735	33 738 487	16 811 818	19 302,343	51 687 441	32 242 310	41 213 166	8 271,398	
65 499 110	21 341 649	2028	27	79 878 114	430 882 607				79 678 114	76 198 261	61 575 921	35 425 412	17,652 409	20 267 460	54 271 813	33 854 426	43 273 824	8 684 968	
61 611 647	20 409 576	2029	28	80 008,174	368 784 717					80 008,174	64 654 717	37 196 662	18 535 029	21 280 833	56 985 404	35 547 147	45 437 515	9,119 216	
48 972 255	16 493 007	2030	29	67 887 453	303 194 371						67 887 453	39 056 517	19 461 781	22 344 874	59 834 674	37,324 504	47,709 391	9 575,177	
27 712 487	9 488 637	2031	30	41 009 342	247,072,264							41 009 342		20 434 670	62 826 408	39 190 729	50 094 860	10 053 936	
13 582 696	4 728,168	2032	31	21 456 613	216 368 067									21 456 613	24 635 224	65 967,728	41,150 266	52 599 603	
15 339 201	5 428 605	2033	32	25 866 985	204 654 927										25 866 985	69 266 115	43 207 779	55 229 584	
43 128 769	14 536 614	2034	33	72 729 421	187 727 339											72 729 421	45 368,168	57 991 063	
28 248 635	9 067 851	2035	34	47 638 577	120 747 814												47 636 577	60 890 616	
37 913 737	11 590 821	2036	35	63 935 147	76 768 800													63 935 147	
7 989 670	2 326 254	2037	36	13 473 235	13 473 235													13 473 235	
604 584 297	195 918 369			789 025 694															
	29.1% of																		
	873 259 000																		

**ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
UNIT TWO**

Based on 2001 Cost Study	
Rate of Return	6.7500%
Escalation Factor	5.0000%

Funding Plan				Funding Floor			Actual Funding Data		
Year	Fund \$	Est Cost	% Funded	% Band	% Floor	\$ Floor	\$ In Fund	Est Cost	% Funded
1991	7,589,283	120,570,113	6.29%	80%	5.04%	6,071,426	7,786,931	120,570,113	6.46%
1992	10,494,062	126,598,619	8.29%	80%	6.63%	8,395,249	10,625,997	126,598,619	8.39%
1993	15,402,712	132,928,550	11.59%	80%	9.27%	12,322,170	14,545,580	132,928,550	10.94%
1994	20,651,178	139,574,977	14.80%	80%	11.84%	16,520,943	18,150,013	139,574,977	13.00%
1995	26,262,984	146,553,726	17.92%	80%	14.34%	21,010,388	25,307,510	146,553,726	17.27%
1996	29,965,846	142,898,646	20.97%	80%	16.77%	23,964,103	31,299,677	142,898,646	21.90%
1997	35,920,433	150,043,579	23.94%	80%	19.15%	28,736,346	40,007,265	150,043,579	26.66%
1998	42,285,281	157,545,757	26.84%	80%	21.47%	33,828,225	49,309,948	157,545,757	31.30%
1999	53,228,685	179,341,931	29.68%	80%	23.75%	42,593,709	57,744,504	179,341,931	32.20%
2000	61,125,110	188,309,027	32.46%	80%	25.97%	48,900,088	63,153,205	188,309,027	33.54%
2001	69,559,472	197,724,479	35.18%	80%	28.15%	55,659,441	67,204,619	197,724,479	33.99%
2002	77,883,429	205,714,287	37.86%	80%	30.29%	62,306,743	70,594,925	205,714,287	34.32%
2003	87,436,801	216,000,002	40.48%	80%	32.39%	69,962,401			
2004	97,660,081	226,800,002	43.06%	80%	34.45%	78,128,065			
2005	108,591,841	238,140,002	45.60%	80%	36.48%	86,873,473			
2006	120,297,613	250,047,002	48.11%	81%	38.97%	97,441,066			
2007	132,797,462	262,549,352	50.58%	82%	41.47%	108,879,216			
2008	146,163,850	275,676,820	53.02%	83%	44.00%	121,297,801			
2009	160,448,044	289,460,661	55.43%	84%	46.56%	134,776,357			
2010	175,734,462	303,933,694	57.82%	85%	49.14%	149,353,017			
2011	192,052,662	319,130,379	60.18%	86%	51.76%	165,181,884			
2012	209,529,837	335,086,897	62.53%	87%	54.40%	182,290,958			
2013	228,204,230	351,841,242	64.86%	88%	57.08%	200,819,722			
2014	248,185,294	369,433,304	67.18%	89%	59.79%	220,884,912			
2015	269,516,373	387,904,970	69.48%	90%	62.53%	242,564,736			
2016	292,360,097	407,300,218	71.78%	91%	65.32%	266,047,688			
2017	316,771,635	427,665,229	74.07%	92%	68.14%	291,429,904			
2018	342,848,523	449,048,491	76.35%	93%	71.01%	318,849,126			
2019	370,788,320	471,500,915	78.64%	94%	73.92%	348,541,020			
2020	400,615,467	495,075,961	80.92%	95%	76.87%	380,584,694			
2021	432,550,342	519,829,759	83.21%	96%	79.88%	415,248,329			
2022	466,622,584	545,821,247	85.49%	97%	82.93%	452,623,906			
2023	503,135,296	573,112,309	87.79%	98%	86.03%	493,072,590			
2024	542,132,723	601,767,925	90.09%	99%	89.19%	536,711,396			
2025	583,835,240	631,856,321	92.40%	100%	92.40%	583,835,240			
2026	590,980,301	629,170,979	93.93%	100%	93.93%	590,980,301			
2027	478,906,732	501,735,707	95.45%	100%	95.45%	478,906,732			
2028	416,749,658	430,882,607	96.72%	100%	96.72%	416,749,658			
2029	359,545,599	368,764,717	97.50%	100%	97.50%	359,545,599			
2030	297,888,469	303,194,371	98.25%	100%	98.25%	297,888,469			
2031	244,502,712	247,072,264	98.96%	100%	98.96%	244,502,712			
2032	215,154,417	216,366,067	99.44%	100%	99.44%	215,154,417			
2033	204,654,927	204,654,927	100.00%	100%	100.00%	204,654,927			
2034	187,727,339	187,727,339	100.00%	100%	100.00%	187,727,339			
2035	120,747,814	120,747,814	100.00%	100%	100.00%	120,747,814			
2036	76,766,800	76,766,800	100.00%	100%	100.00%	76,766,800			
2037	13,473,235	13,473,235	100.00%	100%	100.00%	13,473,235			

Arizona Public Service Decommissioning Funding Plan PV Unit #2



ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
UNIT THREE

Based on 2001 Cost Study

Rate of Return 6 7500% Annual Period Rate of Return
1 6875% Quarter Period Rate of Return
5 0000% Annual Estalaction

Year	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			ANNUAL CONTRIBS
	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	
2001												62,447,199	3,573,692
2002	1,181,335	1,053,796	64,682,331	1,181,335	1,091,514	66,955,180	1,181,335	1,129,869	69,266,384	1,181,335	1,168,870	71,616,590	4,725,341
2003	1,181,335	1,208,530	74,006,455	1,181,335	1,248,859	76,436,649	1,181,335	1,289,868	78,907,853	1,181,335	1,331,570	81,420,758	4,725,341
2004	1,181,335	1,373,975	83,976,069	1,181,335	1,417,096	86,574,500	1,181,335	1,460,945	89,216,780	1,181,335	1,505,533	91,903,649	4,725,341
2005	1,181,335	1,550,874	94,635,858	1,181,335	1,596,980	97,414,173	1,181,335	1,643,864	100,239,373	1,181,335	1,691,539	103,112,247	4,725,341
2006	1,181,335	1,740,019	106,033,602	1,181,335	1,789,317	109,004,254	1,181,335	1,839,447	112,025,036	1,181,335	1,890,422	115,096,794	4,725,341
2007	1,181,335	1,942,258	118,220,388	1,181,335	1,994,969	121,396,692	1,181,335	2,048,569	124,626,596	1,181,335	2,103,074	127,911,006	4,725,341
2008	1,181,335	2,158,498	131,250,839	1,181,335	2,214,858	134,647,032	1,181,335	2,272,169	138,100,536	1,181,335	2,330,447	141,612,318	4,725,341
2009	1,181,335	2,389,708	145,183,361	1,181,335	2,449,969	148,814,666	1,181,335	2,511,247	152,507,248	1,181,335	2,573,560	156,262,143	4,725,341
2010	1,181,335	2,636,924	160,080,402	1,181,335	2,701,357	163,963,094	1,181,335	2,766,877	167,911,307	1,181,335	2,833,503	171,926,145	4,725,341
2011	1,181,335	2,901,254	176,008,734	1,181,335	2,970,147	180,160,217	1,181,335	3,040,204	184,381,756	1,181,335	3,111,442	188,674,533	4,725,341
2012	1,181,335	3,183,883	193,039,751	1,181,335	3,257,546	197,478,632	1,181,335	3,332,452	201,992,420	1,181,335	3,408,622	206,582,377	4,725,341
2013	1,181,335	3,486,078	211,249,790	1,181,335	3,564,840	215,995,965	1,181,335	3,644,932	220,822,233	1,181,335	3,726,375	225,729,943	4,725,341
2014	1,181,335	3,809,193	230,720,471	1,181,335	3,893,408	235,795,214	1,181,335	3,979,044	240,955,594	1,181,335	4,066,126	246,203,055	4,725,341
2015	1,181,335	4,154,677	251,539,067	1,181,335	4,244,722	256,965,124	1,181,335	4,336,286	262,482,745	1,181,335	4,429,396	268,093,477	4,725,341
2016	1,181,335	4,524,077	273,798,890	1,181,335	4,620,356	279,600,581	1,181,335	4,718,260	285,500,176	1,181,335	4,817,815	291,499,327	4,725,341
2017	1,181,335	4,919,051	297,599,713	1,181,335	5,021,995	303,803,044	1,181,335	5,126,676	310,111,055	1,181,335	5,233,124	316,525,515	4,725,341
2018	1,181,335	5,341,368	323,048,218	1,181,335	5,451,439	329,680,992	1,181,335	5,563,367	336,425,694	1,181,335	5,677,184	343,284,213	4,725,341
2019	1,181,335	5,792,921	350,258,469	1,181,335	5,910,612	357,350,416	1,181,335	6,030,288	364,562,040	1,181,335	6,151,984	371,895,359	4,725,341
2020	1,181,335	6,275,734	379,352,429	1,181,335	6,401,572	386,935,336	1,181,335	6,529,534	394,646,205	1,181,335	6,659,655	402,487,195	4,725,341
2021	1,181,335	6,791,971	410,460,502	1,181,335	6,926,521	418,568,358	1,181,335	7,063,341	426,813,035	1,181,335	7,202,470	435,196,840	4,725,341
2022	1,181,335	7,343,947	443,722,122	1,181,335	7,487,811	452,391,268	1,181,335	7,634,103	461,206,706	1,181,335	7,782,863	470,170,904	4,725,341
2023	1,181,335	7,934,134	479,286,374	1,181,335	8,087,958	488,555,666	1,181,335	8,244,377	497,981,378	1,181,335	8,403,436	507,566,149	4,725,341
2024	1,181,335	8,565,179	517,312,664	1,181,335	8,729,651	527,223,650	1,181,335	8,896,899	537,301,884	1,181,335	9,066,969	547,550,189	4,725,341
2025	1,181,335	9,239,909	557,971,434	1,181,335	9,415,768	568,568,537	1,181,335	9,594,594	579,344,466	(16,193,191)	9,776,438	572,927,713	4,725,341
2026	1,181,335	9,668,155	583,777,204	1,181,335	9,851,240	594,809,779	1,181,335	10,037,415	606,028,530	(21,308,132)	10,226,731	594,947,129	4,725,341
2027	0	0	0	0	0	0	0	0	0	(78,264,765)	40,158,931	556,841,295	0
2028	0	0	0	0	0	0	0	0	0	(108,331,772)	37,586,787	486,096,311	0
2029	0	0	0	0	0	0	0	0	0	(121,370,903)	32,811,501	397,536,909	0
2030	0	0	0	0	0	0	0	0	0	(94,002,988)	26,833,741	330,367,663	0
2031	0	0	0	0	0	0	0	0	0	(85,115,106)	22,299,817	267,552,375	0
2032	0	0	0	0	0	0	0	0	0	(77,183,325)	18,059,785	208,428,835	0
2033	0	0	0	0	0	0	0	0	0	(45,373,645)	14,068,946	177,124,136	0
2034	0	0	0	0	0	0	0	0	0	(51,368,047)	11,955,879	137,711,968	0
2035	0	0	0	0	0	0	0	0	0	(60,303,586)	0	77,408,382	0
2036	0	0	0	0	0	0	0	0	0	(63,935,147)	0	13,473,235	0
2037	0	0	0	0	0	0	0	0	0	(13,473,235)	0	(0)	0

ESTIMATED ANNUAL COSTS UNIT THREE

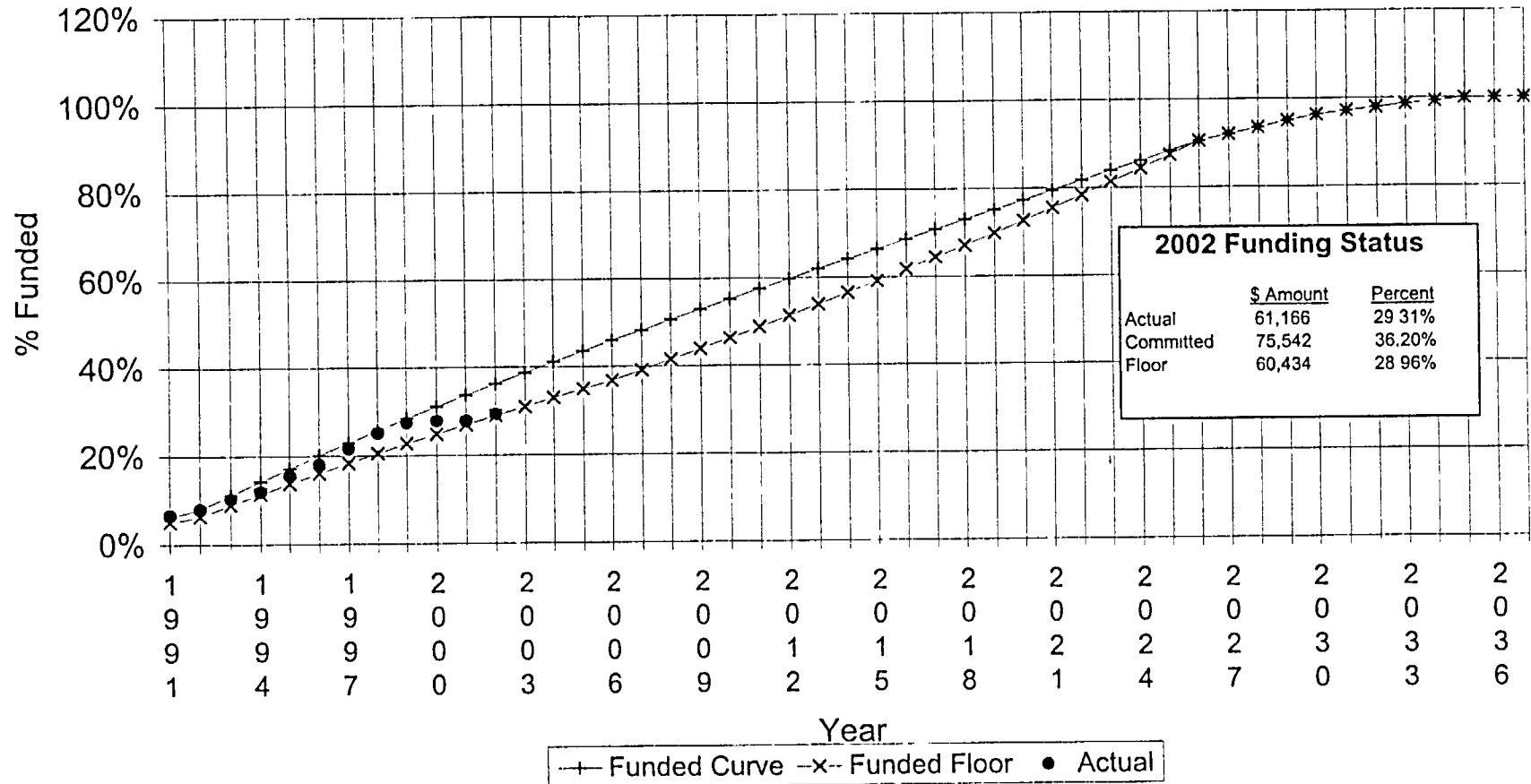
2024		105															
Target \$s	PV Dollars	Year	FV Dollars	Sum PV Lab	2	3	4	5	6	7	8	9	10	11	12	13	14
		2001	0	198 742 233	5 387 283	6 841 202	22 011 240	29 016 483	30 960 945	22 837 680	19 693 716	17,008 077	9 522 393	10 267 062	11 479 077	11 590 821	2 326 254
		2002	1	208 679 345	5 656 847	6 973 262	23 111 802	30 467,307	32 506 992	23 979 564	20,676 402	17 856 481	9 998 513	10,780 415	12 053 031	12 170 382	2,442 567
		2003	2	219 113 312	5 939 480	7,321 925	24,267 392	31 990 673	34 134 442	25,178 542	21 712 322	18 751 405	10 498 438	11 319 436	12 655 682	12 778 880	2 564 695
		2004	3	230 068 977	6 236 453	7 688 021	25 480 762	33 590,206	35 841 164	26 437 469	22 797,938	19 688 975	11 023 360	11 885 408	13 288 467	13 417 824	2 692 930
		2005	4	241 572 426	6 548 278	8 072,423	26 754 800	35 269 716	37 633 222	27 759 343	23 937 835	20 673 424	11 574 528	12 479 878	13 952 890	14 088,715	2 827 576
		2006	5	253,651 048	6 875 690	8 476 044	28 092 540	37 033 202	39 514 883	29 147 310	25,134,727	21 707 095	12 153 255	13,103 662	14 650 534	14 793 151	2 968 955
		2007	6	266 333 600	7 219 474	8 899 846	29 497,167	38 864 882	41 490 627	30 604 675	26 391 463	22 792 450	12 760,917	13 758 645	15 383 061	15 532 809	3,117 403
		2008	7	279 650 280	7 560 448	9 344 838	30 972 025	40 829 105	43 565 159	32 134 909	27 711 036	23 932 072	13 398 963	14 446 767	16 152 214	16 309 449	3 273 273
		2009	8	293 632 794	7 959 471	9 812 080	32 520 626	42 870 561	45 743 417	33 741 655	29 096 588	25,128 676	14 068 911	15 169 127	16 959 825	17 124 922	3 436 937
		2010	9	308 314 434	8 357 444	10 302 664	34 146 658	45 014 089	48 030 588	35 428 737	30 551 417	28 385,110	14,772,357	15 927 583	17 807 816	17,981 168	3 608 783
		2011	10	323 730 155	8 775 316	10 817 818	35 853 991	47,264,793	50 432 117	37 200 174	32 078 988	27 704 365	15 510 975	16 723 962	18 698,207	18 880 226	3 789 223
		2012	11	339 916 663	9 214 082	11 358,709	37 646 690	49 628 033	52 953 723	39 060,183	33 682 938	29 089 583	16,286 524	17 560 160	19 833 117	19 824 237	3 978 684
		2013	12	356 912,496	9 674 766	11 826 645	39 529 025	52,109 435	55 601 409	41 013 192	35 367,084	30 544 063	17,100 850	18 438,168	20 614 773	20 815 449	4 177 618
		2014	13	374 758 121	10,158 526	12 522 977	41 505 476	54,714 908	58 381 479	43 063 852	37,135,439	32,071 286	17 955 892	19 360 077	21 645 512	21 856 222	4 368 499
		2015	14	393 496 027	10 666 452	13 149 126	43 580 750	57 450 652	61 300 553	45 217 044	38 992 211	33 674 829	18 853 687	20 328 080	22 727 787	22 949 033	4 605 824
		2016	15	413,170 829	11 199 774	13 806 582	45 759 787	60,323,184	64 365 581	47,477,897	40,941 821	35 358 571	19 796 371	21,344 485	23 864 177	24 096 484	4 836 115
		2017	16	433 829 370	11 759,763	14,496 911	48 047 776	63 339 343	67,583 860	49 851 791	42 988 912	37,126 499	20 786 190	22 411 709	25 057 385	25 301 309	5 077 921
		2018	17	455 520 839	12 347 751	15 221 757	50 450,165	66 506 311	70 963 053	52 344,381	45 138 358	38 982 824	21 825 499	23 532 294	26 310 255	26 566 374	5 331 817
		2019	18	478 296 880	12 965 139	15 982 844	52 972 674	69 831 626	74 511 206	54 961 600	47 395 276	40 931 965	22 916 774	24 708 909	27 625 767	27 894 693	5 598 408
		2020	19	502 211 725	13 613 396	16 781,987	55 621 307	73 323 207	78 236 766	57 709 680	49 765 039	42 978 563	24 062 613	25 944 354	29 007 056	29 289 427	5 878 328
1 0675		2021	20	527 322 311	14 294 066	17 821 086	58 402 373	76 989 368	82,148 604	60 595 164	52 253 291	45,127 492	25 265 743	27,241 572	30,457 409	30 753 899	6 172 244
		2022	21	553 686 426	15 008 769	18 502,140	61 322 491	80 836 836	86 256 035	63 624 922	54 865 956	47 383 866	26 529 031	28 603 651	31 980 279	32 291 594	6 480 857
		2023	22	581,372 648	15 759 207	19 427 247	64 388 616	84 880 778	90 568 836	66 806 168	57,609 254	49 753 060	27 855 482	30 033 833	33 579 293	33 906 173	6 804 899
		2024	23	610 441 490	16 547,168	20 398 610	67 608 047	89 124 817	95 097 278	70 146 477	60 489 717	52,240 713	29 248 256	31 535 525	35 258 258	35 601 482	7 145 144
18 547 307	5 387 283	2025	24	17 374 526	840 963 564	17 374 526	21 418 540	70 988 449	93 581 058	99 852 142	73 653 800	63 514 202	54 852 748	30 710 669	33,112 301	37 021 171	7 502 402
22 489 467	6 841 202	2026	25	22 489 467	654 768 490		22 489 467	74 537 871	98 260 111	104 844 749	77 336 491	66 689 912	57,595 386	32 246 203	34 767 916	38 872 229	7 877 522
73 315 939	22,011 240	2027	26	76 264 765	663 892 974			78 264 765	103 173 116	110 086 987	81 203 315	70 024 408	60 475 155	33 858,513	36 506 312	40 815 841	8 271,398
95 064 875	29 016 483	2028	27	108 331 772	614 909 620				108 331 772	115 591 336	85 263 481	73 525 629	63 498 913	35 551 438	38 331,628	42 856 633	8 684 968
99 772 518	30 960 945	2029	28	121 370 903	531,906 740					121 370 903	89 526 655	77 201 910	66 673 858	37,329 010	40 248 209	44 999 484	9 119 216
72,388,591	22 837 680	2030	29	94,002 988	431 062 630						94 002 988	81 062 005	70 007,551	39 195 461	42 260 619	47,249 437	9 575 177
61 399 838	19 693 716	2031	30	65 115 106	353 912 624							85 115 106	73 507 929	41,155 234	44 373 650	49 611 909	10 053 936
52 157,430	17 008 077	2032	31	77,183,325	262 237 394								77,183 325	43 212 996	46 592 333	52 092 505	10 556 633
28 722 913	9 522 393	2033	32	45 373 645	215 306 773									45 373 645	48 921 949	54 697 130	11 084 464
30 461 409	10 267 062	2034	33	51 368 047	178 429 784										51 368 047	57 431,987	11 638 687
35,760 211	11 479 077	2035	34	60 303 586	133 414 824											60 303 586	12 220 622
37 913 737	11 590 821	2036	35	63 935,147	76 766 800											63 935,147	12 831 653
7 989 670	2 326 254	2037	36	13 473 235	13 473 235												13 473 235
635 983 903	198 742 233			836 586 511													
	29 1% of																
	682 963 000																

**ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
UNIT THREE**

Based on 2001 Cost Study	
Rate of Return	6.7500%
Escalation Factor	5.0000%

Funding Plan				Funding Floor			Actual Funding Data		
Year	Fund \$	Est Cost	% Funded	% Band	% Floor	\$ Floor	\$ In Fund	Est Cost	% Funded
1991	8,006,475	127,342,404	6.29%	80.00%	5.03%	6,405,180	8,425,913	127,342,404	6.62%
1992	10,665,274	133,709,524	7.98%	80.00%	6.38%	8,532,219	10,625,686	133,709,524	7.95%
1993	15,618,562	140,395,000	11.12%	80.00%	8.90%	12,494,850	14,358,300	140,395,000	10.23%
1994	20,914,756	147,414,750	14.19%	80.00%	11.35%	16,731,805	17,548,946	147,414,750	11.90%
1995	26,577,594	154,785,488	17.17%	80.00%	13.74%	21,262,075	23,923,294	154,785,488	15.46%
1996	32,399,151	161,350,352	20.08%	80.00%	16.06%	25,919,321	29,189,706	161,350,352	18.09%
1997	38,830,576	169,417,870	22.92%	80.00%	18.33%	31,054,296	36,502,075	169,417,870	21.55%
1998	45,699,623	177,888,764	25.69%	80.00%	20.55%	36,559,699	44,699,986	177,888,764	25.13%
1999	54,764,199	192,831,688	28.40%	80.00%	22.72%	43,811,360	52,706,435	192,831,688	27.33%
2000	62,867,951	202,473,273	31.05%	80.00%	24.84%	50,294,361	56,260,185	202,473,273	27.79%
2001	71,538,869	212,596,936	33.65%	80.00%	26.92%	57,231,095	59,074,016	212,596,936	27.79%
2002	75,541,923	208,679,345	36.20%	80.00%	28.96%	60,433,538	61,165,704	208,679,345	29.31%
2003	84,818,763	219,113,312	38.71%	80.00%	30.97%	67,855,010			
2004	94,719,398	230,068,977	41.17%	80.00%	32.94%	75,775,518			
2005	105,325,578	241,572,426	43.60%	80.00%	34.88%	84,260,462			
2006	116,654,117	253,651,048	45.99%	80.00%	36.79%	93,323,293			
2007	128,772,296	266,333,600	48.35%	81.00%	39.16%	104,305,559			
2008	141,726,762	279,650,280	50.68%	82.00%	41.56%	116,215,945			
2009	155,566,654	293,632,794	52.98%	83.00%	43.98%	129,139,703			
2010	170,374,556	308,314,434	55.26%	84.00%	46.42%	143,114,627			
2011	186,209,585	323,730,155	57.52%	85.00%	48.89%	158,278,148			
2012	203,134,198	339,916,663	59.76%	86.00%	51.40%	174,717,165			
2013	221,250,057	356,912,496	61.99%	87.00%	53.93%	192,487,549			
2014	240,594,714	374,758,121	64.20%	88.00%	56.50%	211,723,348			
2015	261,281,362	393,496,027	66.40%	89.00%	59.10%	232,540,412			
2016	283,435,188	413,170,829	68.60%	90.00%	61.74%	255,091,670			
2017	307,064,428	433,829,370	70.78%	91.00%	64.41%	279,428,630			
2018	332,393,556	455,520,839	72.97%	92.00%	67.13%	305,802,071			
2019	359,440,106	478,296,880	75.15%	93.00%	69.89%	334,279,298			
2020	388,360,327	502,211,725	77.33%	94.00%	72.69%	365,058,707			
2021	419,273,969	527,322,311	79.51%	95.00%	75.53%	398,310,271			
2022	452,363,444	553,688,426	81.70%	96.00%	78.43%	434,268,906			
2023	487,713,682	581,372,848	83.89%	97.00%	81.37%	473,082,271			
2024	525,468,035	610,441,490	86.08%	98.00%	84.36%	514,958,674			
2025	565,906,731	640,963,564	88.29%	99.00%	87.41%	560,247,664			
2026	592,630,961	654,768,490	90.51%	100.00%	90.51%	592,630,961			
2027	610,914,315	663,892,974	92.02%	100.00%	92.02%	610,914,315			
2028	574,940,495	614,909,620	93.50%	100.00%	93.50%	574,940,495			
2029	505,417,785	531,906,740	95.02%	100.00%	95.02%	505,417,785			
2030	415,242,631	431,062,630	96.33%	100.00%	96.33%	415,242,631			
2031	344,073,853	353,912,624	97.22%	100.00%	97.22%	344,073,853			
2032	276,536,199	282,237,394	97.98%	100.00%	97.98%	276,536,199			
2033	212,550,846	215,306,773	98.72%	100.00%	98.72%	212,550,846			
2034	177,287,833	178,429,784	99.36%	100.00%	99.36%	177,287,833			
2035	133,414,824	133,414,824	100.00%	100.00%	100.00%	133,414,824			
2036	76,766,800	76,766,800	100.00%	100.00%	100.00%	76,766,800			
2037	13,473,235	13,473,235	100.00%	100.00%	100.00%	13,473,235			

Arizona Public Service Decommissioning Funding Plan PV Unit #3

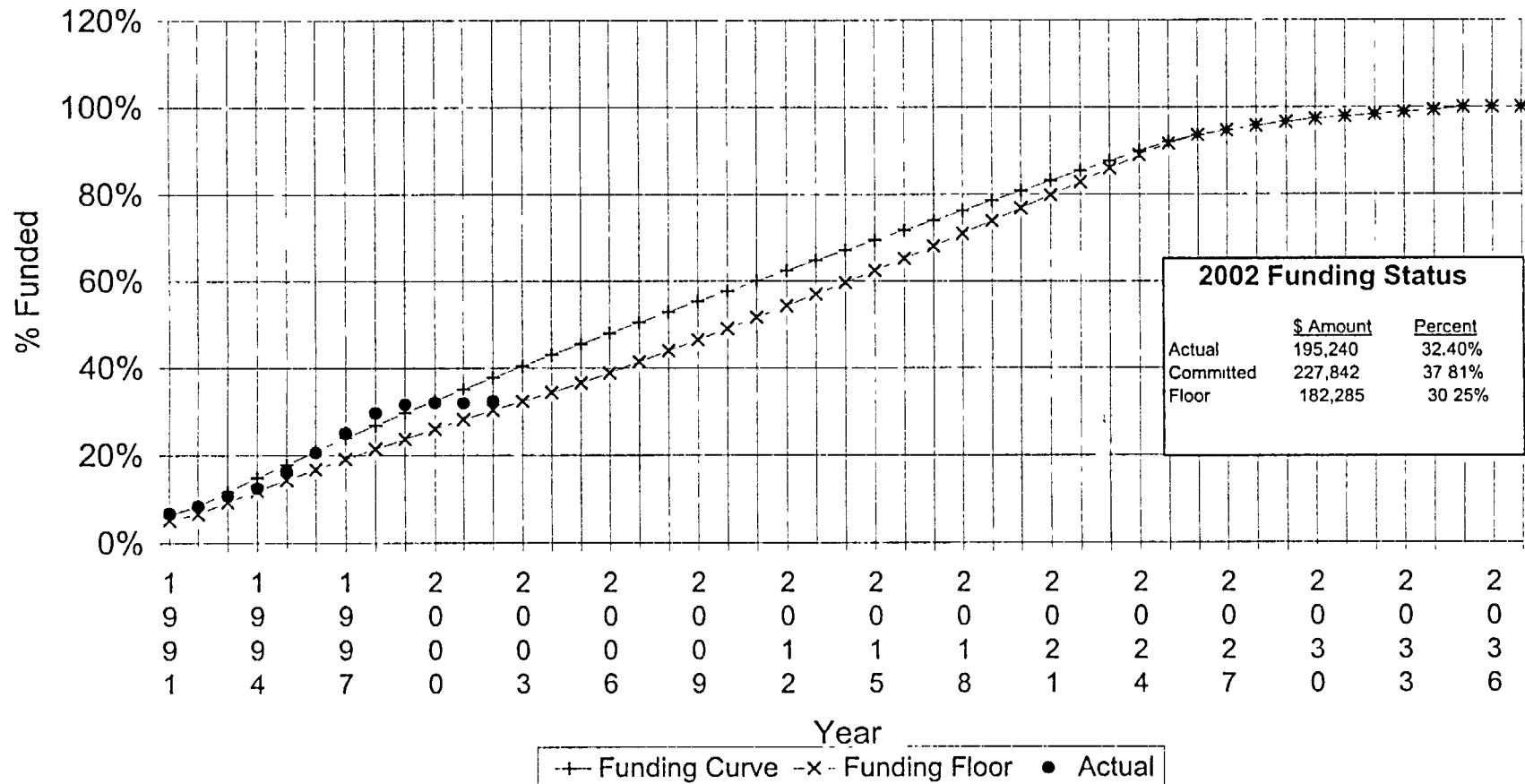


**ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
COMBINED PLAN FOR UNITS 1, 2 & 3**

Based on 2001 Cost Study	
Rate of Return	6.7500%
Escalation Factor	5.0000%

Funding Plan				Funding Floor			Actual Funding Data		
Year	Fund \$	Est. Cost	% Funded	% Band	% Floor	\$ Floor	\$ In Fund	Est. Cost	% Funded
1991	23,954,537	370,450,982	6.47%	80.00%	5.17%	19,152,316	24,744,180	370,450,982	6.68%
1992	32,291,611	388,973,531	8.30%	80.00%	6.64%	25,827,842	32,411,009	388,973,531	8.33%
1993	47,350,454	408,422,208	11.59%	80.00%	9.27%	37,860,739	43,378,396	408,422,208	10.62%
1994	63,451,790	428,843,317	14.80%	80.00%	11.84%	50,775,049	53,480,729	428,843,317	12.47%
1995	80,667,785	450,285,484	17.91%	80.00%	14.33%	64,534,299	73,699,985	450,285,484	16.37%
1996	92,626,827	441,921,884	20.96%	80.00%	16.76%	74,066,108	90,981,013	441,921,884	20.59%
1997	110,993,101	464,017,979	23.92%	80.00%	19.14%	88,813,041	116,001,259	464,017,979	25.00%
1998	130,438,981	487,218,877	26.77%	80.00%	21.42%	104,351,185	143,981,975	487,218,877	29.55%
1999	160,863,741	542,542,127	29.65%	80.00%	23.72%	128,690,993	171,066,062	542,542,127	31.53%
2000	184,743,732	569,669,233	32.43%	80.00%	25.94%	147,772,199	182,205,845	569,669,233	31.98%
2001	210,250,672	598,152,695	35.15%	80.00%	28.12%	168,200,538	190,688,572	598,152,695	31.88%
2002	227,841,638	602,596,238	37.81%	80.00%	30.25%	182,285,362	195,240,375	602,596,238	32.40%
2003	255,811,142	632,726,050	40.43%	80.00%	32.35%	204,686,877			
2004	285,742,248	664,362,352	43.01%	80.00%	34.41%	228,607,085			
2005	317,747,904	697,580,470	45.55%	80.35%	36.59%	255,244,694			
2006	351,873,541	732,459,493	48.04%	81.02%	38.92%	285,073,235			
2007	388,463,555	769,082,468	50.51%	82.02%	41.43%	318,630,867			
2008	427,590,625	807,536,592	52.95%	83.02%	43.95%	354,912,332			
2009	469,320,079	847,913,421	55.35%	84.02%	46.51%	394,364,532			
2010	514,064,470	890,309,092	57.74%	85.02%	49.09%	437,052,733			
2011	561,829,553	934,824,547	60.10%	86.02%	51.70%	483,304,291			
2012	612,889,669	981,565,774	62.44%	87.02%	54.34%	533,382,842			
2013	667,548,159	1,030,644,063	64.77%	88.02%	57.01%	587,570,180			
2014	725,923,839	1,082,176,266	67.08%	89.02%	59.72%	646,275,666			
2015	788,468,216	1,136,285,079	69.39%	90.02%	62.46%	709,723,661			
2016	855,213,602	1,193,099,333	71.68%	91.02%	65.24%	778,378,005			
2017	926,537,080	1,252,754,300	73.96%	92.02%	68.06%	852,624,576			
2018	1,002,986,411	1,315,392,015	76.25%	93.02%	70.92%	932,876,017			
2019	1,084,626,217	1,381,161,616	78.53%	94.02%	73.83%	1,019,711,621			
2020	1,171,777,515	1,450,219,696	80.80%	95.02%	76.78%	1,113,478,683			
2021	1,265,084,650	1,522,730,681	83.08%	96.02%	79.77%	1,214,682,264			
2022	1,364,305,129	1,598,108,386	85.37%	97.02%	82.82%	1,323,553,365			
2023	1,470,576,783	1,677,591,585	87.66%	98.02%	85.92%	1,441,386,690			
2024	1,579,597,693	1,756,084,151	89.95%	99.02%	89.06%	1,563,968,545			
2025	1,690,207,708	1,837,981,413	91.96%	99.67%	91.65%	1,684,509,965			
2026	1,700,753,018	1,817,432,163	93.58%	100.00%	93.58%	1,700,753,018			
2027	1,535,057,624	1,621,140,167	94.69%	100.00%	94.69%	1,535,057,624			
2028	1,376,214,312	1,437,750,013	95.72%	100.00%	95.72%	1,376,214,312			
2029	1,180,146,139	1,222,316,042	96.55%	100.00%	96.55%	1,180,146,139			
2030	951,946,011	978,462,341	97.29%	100.00%	97.29%	951,946,011			
2031	775,948,560	792,835,966	97.87%	100.00%	97.87%	775,948,560			
2032	665,072,052	676,642,641	98.29%	100.00%	98.29%	665,072,052			
2033	582,577,824	589,236,193	98.87%	100.00%	98.87%	582,577,824			
2034	513,464,067	516,771,404	99.36%	100.00%	99.36%	513,464,067			
2035	372,193,909	372,193,909	100.00%	100.00%	100.00%	372,193,909			
2036	230,300,399	230,300,399	100.00%	100.00%	100.00%	230,300,399			
2037	40,419,706	40,419,706	100.00%	100.00%	100.00%	40,419,706			

Arizona Public Service Decommissioning Funding Plan Palo Verde Units 1, 2, & 3



(2001 TLG Study)

Palo Verde Nuclear Generating Station

Appendix B, Tab 2

Units 1, 2, & 3

SRP 2002 Annual Funding Status Report

Section 2.1.7 [Restated]

Summary of Assumptions

>Investment Return Assumption:	7.65%
>Inflation/Escalation Assumption:	5.92%
>2001 Cost Study, Including 25% Contingency	

**SALT RIVER PROJECT
NUCLEAR DECOMMISSIONING TRUST**

UNIT 1

All Participants Decom Costs in 2001\$ \$615,841
 SRP Share in 2001\$ \$107,711
 Plan Balance as of 12/31/01 in 2001\$ \$40,624

SRP Share 17.49%
 Projected return on investments 7.65%
 Projected inflation 5.92%
 Years To Start of Decom (Funding Yrs Left) 22

FV of Total Decom Charges Discounted to 2024 \$403,976
 FV of 12/31/01 Plan Balance in 22 years \$143,979
 FV of Balance Owed to be Funded by Contributions and Earnings \$259,998

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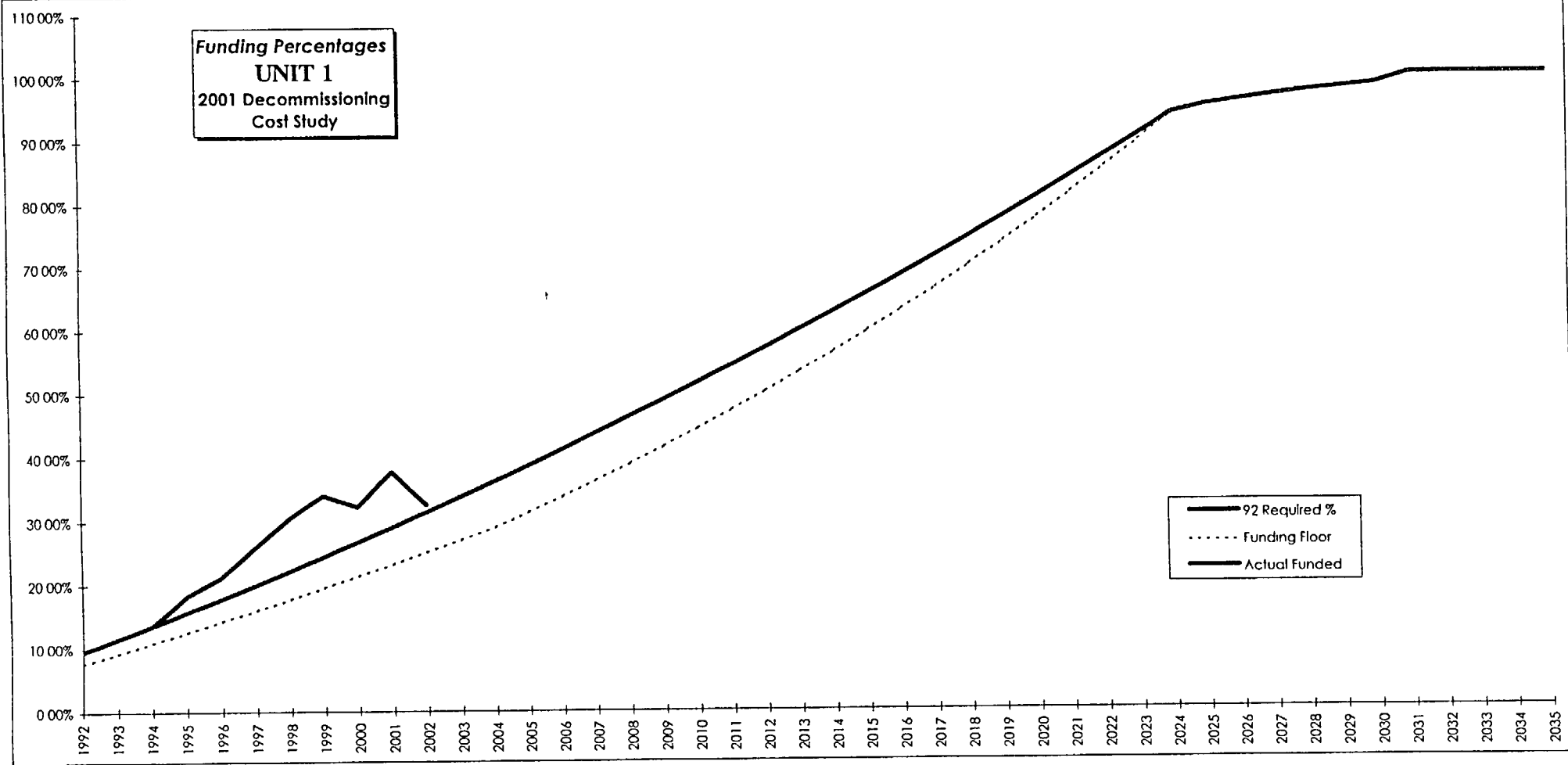
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Years Since Study	Calendar Year End	Current Annual Payment (Inflat Adj.)	Earnings (Inflat Adj.)	Balance Before Decom Charges	Decom Charges (Inflat Adj.)	Termination Ending Balance (Inflat Adj.)	Costs (Inflat Adj.)	Funded Ratio
	1987	721	26	747	0.00	747		
	1988	960	31	1,738	0.00	1,738		
	1989	805	135	2,678	0.00	2,678	43,630	6.14%
	1990	841	499	4,018	0.00	4,018	44,983	8.93%
	1991	1,746	280	6,044	0.00	6,044	47,646	12.68%
	1992	1,107	462	7,617	0.00	7,617	79,718	9.56%
	1993	1842	313	9,772	0.00	9,772	84,438	11.57%
	1994	2,360	69	12,201	0.00	12,201	89,436	13.64%
	1995	1,775	3,317	17,292	0.00	17,292	94,731	18.25%
	1996	1,292	2,752	21,336	0.00	21,336	100,339	21.26%
	1997	1,369	4,881	27,586	0.00	27,586	106,279	25.96%
	1998	1,450	5,318	34,354	0.00	34,354	112,571	30.52%
	1999	1,267	4,915	40,536	0.00	40,536	119,235	34.00%
	2000	1,223	(1,019)	40,740	0.00	40,740	126,294	32.26%
0	2001	1,517	(1,633)	40,624	0.00	40,624	107,711	37.72%
1	2002	309	(3,759)	37,174	0.00	37,174	114,087	32.58%
2	2003	2,163	2,844	42,181	0.00	42,181	120,841	34.91%
3	2004	2,291	3,227	47,699	0.00	47,699	127,995	37.27%
4	2005	2,427	3,649	53,775	0.00	53,775	135,572	39.67%
5	2006	2,571	4,114	60,459	0.00	60,459	143,598	42.10%
6	2007	2,723	4,625	67,807	0.00	67,807	152,099	44.58%
7	2008	2,884	5,187	75,878	0.00	75,878	161,103	47.10%
8	2009	3,055	5,805	84,738	0.00	84,738	170,641	49.66%
9	2010	3,235	6,482	94,456	0.00	94,456	180,742	52.26%
10	2011	3,427	7,226	105,108	0.00	105,108	191,442	54.90%
11	2012	3,630	8,041	116,779	0.00	116,779	202,776	57.59%
12	2013	3,845	8,934	129,558	0.00	129,558	214,780	60.32%
13	2014	4,072	9,911	143,541	0.00	143,541	227,495	63.10%
14	2015	4,313	10,981	158,835	0.00	158,835	240,963	65.92%
15	2016	4,569	12,151	175,555	0.00	175,555	255,228	68.78%
16	2017	4,839	13,430	193,825	0.00	193,825	270,337	71.70%
17	2018	5,126	14,828	213,778	0.00	213,778	286,341	74.66%
18	2019	5,429	16,354	235,561	1	235,560	303,293	77.67%
19	2020	5,751	18,020	259,332	244	259,089	321,248	80.65%
20	2021	6,091	19,820	285,244	257	284,986	340,265	83.75%
21	2022	6,452	21,801	313,497	290	313,206	360,409	86.90%
22	2023	6,834	23,960	344,291	3,736	340,555	381,745	89.21%
23	2024	7,238	26,052	373,845	4,066	369,779	400,279	92.38%
24	2025	0.00	28,288	398,067	42,291	355,776	381,684	93.21%
	2026	0.00	27,217	382,993	74,504	308,489	329,775	93.55%
	2027	0.00	23,599	332,088	61,997	270,091	287,301	94.01%
	2028	0.00	20,662	290,753	65,135	225,618	239,174	94.33%
	2029	0.00	17,260	242,877	68,344	174,533	184,988	94.35%
	2030	0.00	13,352	187,885	47,595	140,290	148,345	94.57%
	2031	0.00	10,732	151,022	17,404	133,618	139,723	95.63%
	2032	0.00	10,222	143,840	13,253	130,587	134,742	96.92%
	2033	0.00	9,990	140,577	20,626	119,951	122,093	98.25%
	2034	0.00	9,176	129,127	30,617	98,511	98,704	99.80%
	2035	0.00	7,536	106,047	104,547	0.00	0.00	100.00%
		113,548	442,064	555,612	550,376	0.00	0.00	

FUNDING FLOOR ANALYSIS FOR UNIT 1 (\$000's)

ESTIMATED FUNDING				FUNDING FLOOR CURVE			ACTUAL		
Ending Fund				Minimum	Minimum	Minimum	Floor		
Year	Balance	Est. Costs	% Funded	Band	Percentage	\$ AMT	Percentage	\$AMT	Satisfied?
Year					Funding Floor		Actual Funded		
1991	6,071	47,646	12.74%	80.00%	10.19%	4,857	12.68%	6,044	YES
1992	7,617	79,718	9.56%	80.00%	7.64%	6,090	9.56%	7,617	YES
1993	9,772	84,438	11.59%	80.00%	9.26%	7,822	11.58%	9,772	YES
1994	12,201	89,436	13.64%	80.00%	10.91%	9,761	13.64%	12,201	YES
1995	14,909	94,731	15.74%	80.00%	12.59%	11,927	18.25%	17,292	YES
1996	21,336	100,339	21.26%	80.00%	14.30%	14,344	21.26%	21,336	YES
1997	27,586	106,279	25.96%	80.00%	16.03%	17,034	25.96%	27,586	YES
1998	34,354	112,571	30.52%	80.00%	17.79%	20,024	30.52%	34,354	YES
1999	40,536	119,235	34.00%	80.00%	19.58%	23,343	34.00%	40,536	YES
2000	40,740	126,294	32.26%	80.00%	21.40%	27,022	32.26%	40,740	YES
2001	40,624	107,711	37.72%	80.00%	23.24%	25,036	37.72%	40,624	YES
1 2002	37,174	114,087	32.58%	80.00%	25.12%	28,662	32.58%	37,174	YES
2 2003	42,181	120,841	34.91%	80.00%	27.03%	32,665	34.91%	42,181	YES
3 2004	47,699	127,995	37.27%	80.00%	28.97%	37,083			
4 2005	53,775	135,572	39.67%	81.00%	31.33%	42,476			
5 2006	60,459	143,598	42.10%	82.00%	33.77%	48,496			
6 2007	67,807	152,099	44.58%	83.00%	36.30%	55,207			
7 2008	75,878	161,103	47.10%	84.00%	38.91%	62,682			
8 2009	84,738	170,641	49.66%	85.00%	41.61%	70,998			
9 2010	94,456	180,742	52.26%	86.00%	44.40%	80,241			
10 2011	105,108	191,442	54.90%	87.00%	47.27%	90,504			
11 2012	116,779	202,776	57.59%	88.00%	50.25%	101,891			
12 2013	129,558	214,780	60.32%	89.00%	53.32%	114,513			
13 2014	143,541	227,495	63.10%	90.00%	56.48%	128,494			
14 2015	158,835	240,963	65.92%	91.00%	59.75%	143,969			
15 2016	175,555	255,228	68.78%	92.00%	63.11%	161,085			
16 2017	193,825	270,337	71.70%	93.00%	66.58%	180,003			
17 2018	213,778	286,341	74.66%	94.00%	70.16%	200,900			
18 2019	235,560	303,293	77.74%	95.00%	73.85%	223,967			
19 2020	259,089	321,248	80.88%	96.00%	77.64%	249,416			
20 2021	284,986	340,265	84.08%	97.00%	81.55%	277,477			
21 2022	313,206	360,409	87.38%	98.00%	85.57%	308,401			
22 2023	340,555	381,745	90.62%	99.00%	89.69%	342,377			
23 2024	369,779	400,279	93.98%	100.00%	93.93%	375,990			
24 2025	355,776	381,684	95.20%	100.00%	95.17%	363,257			
25 2026	308,489	329,775	95.95%	100.00%	95.91%	316,288			
26 2027	270,091	287,301	96.68%	100.00%	96.64%	277,643			
27 2028	225,618	239,174	97.40%	100.00%	97.33%	232,787			
28 2029	174,533	184,988	97.89%	100.00%	97.85%	181,011			
29 2030	140,290	148,345	98.40%	100.00%	98.38%	145,941			
30 2031	133,618	139,723	100.00%	100.00%	100.00%	139,723			
31 2032	130,587	134,742	100.00%	100.00%	100.00%	134,742			
32 2033	119,951	122,093	100.00%	100.00%	100.00%	122,093			
33 2034	98,511	98,704	100.00%	100.00%	100.00%	98,704			
34 2035	0.00	0.00	100.00%	100.00%	100.00%	0.00			

Funding Percentages
UNIT 1
2001 Decommissioning
Cost Study



**SALT RIVER PROJECT
NUCLEAR DECOMMISSIONING TRUST**

UNIT 2

All Participants Decom Costs in 2001\$ \$673,314.9
 SRP Share in 2001\$ \$117,762.8
 Plan Balance as of 12/31/01 in 2001\$ \$39,105.0

SRP Share 17.49%
 Projected return on investments 7.65%
 Projected Inflation 5.92%
 Years To Start of Decom (Funding Yrs Left) 23

FV of Total Decom Charges Discounted to 2025 \$468,249.7
 FV of 12/31/01 Plan Balance in 23 years \$146,799.9
 FV of Balance Owed to be Funded by Contributions and Earnings \$321,449.9

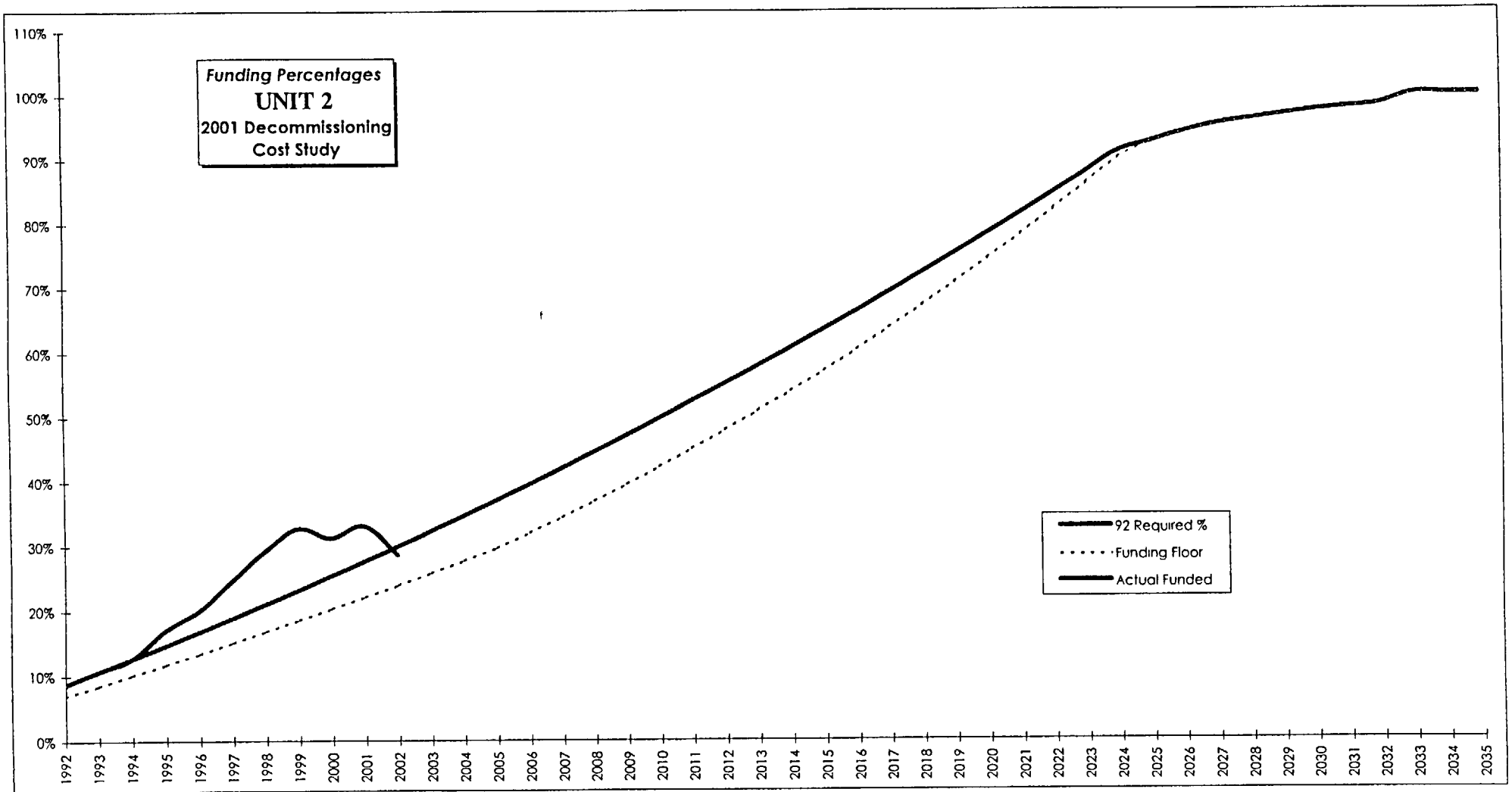
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Years Since Study	Calendar Year End 31-Dec	Current Annual Payment (Inflat Adj.)	Earnings (Inflat Adj.)	Balance Before Decom Charges	Decom Charges (Inflat Adj.)	Ending Balance	Termination Costs (Inflat Adj.)	Funded Ratio
	1988	960	0.00	960	0.00	960		
	1989	805	74	1,839	0.00	1,839	43,256	4.25%
	1990	841	343	3,023	0.00	3,023	44,597	6.78%
	1991	1,909	218	5,150	0.00	5,150	47,237	10.90%
	1992	1,292	394	6,839	0.00	6,839	78,467	8.72%
	1993	1,761	281	8,881	0.00	8,881	83,112	10.69%
	1994	2,241	63	11,185	0.00	11,185	88,032	12.71%
	1995	1,714	3,042	15,940	0.00	15,940	93,244	17.10%
	1996	1,379	2,537	19,856	0.00	19,856	98,764	20.10%
	1997	1,460	4,545	25,860	0.00	25,860	104,611	24.72%
	1998	1,546	4,991	32,398	0.00	32,398	110,804	29.24%
	1999	1,452	4,635	38,485	0.00	38,485	117,363	32.79%
	2000	1,430	(966)	38,949	0.00	38,949	124,311	31.33%
0	2001	1,717	(1,561)	39,105	0.00	39,105	117,763	33.21%
1	2002	350	(3,620)	35,835	0.00	35,835	124,734	28.73%
2	2003	2,487	2,741	41,063	0.00	41,063	132,119	31.08%
3	2004	2,634	3,141	46,838	0.00	46,838	139,940	33.47%
4	2005	2,790	3,583	53,211	0.00	53,211	148,224	35.90%
5	2006	2,955	4,071	60,236	0.00	60,236	156,999	38.37%
6	2007	3,130	4,608	67,974	0.00	67,974	166,294	40.88%
7	2008	3,315	5,200	76,489	0.00	76,489	176,138	43.43%
8	2009	3,511	5,851	85,852	0.00	85,852	186,566	46.02%
9	2010	3,719	6,568	96,139	0.00	96,139	197,610	48.65%
10	2011	3,939	7,355	107,433	0.00	107,433	209,309	51.33%
11	2012	4,173	8,219	119,824	0.00	119,824	221,700	54.05%
12	2013	4,420	9,167	133,410	0.00	133,410	234,825	56.81%
13	2014	4,681	10,206	148,297	0.00	148,297	248,726	59.62%
14	2015	4,958	11,345	164,601	0.00	164,601	263,451	62.48%
15	2016	5,252	12,592	182,444	0.00	182,444	279,047	65.38%
16	2017	5,563	13,957	201,964	0.00	201,964	295,567	68.33%
17	2018	5,892	15,450	223,307	0.00	223,307	313,064	71.33%
18	2019	6,241	17,083	246,631	0.00	246,631	331,598	74.38%
19	2020	6,610	18,867	272,108	0.00	272,108	351,228	77.47%
20	2021	7,002	20,816	299,926	0.00	299,926	372,021	80.62%
21	2022	7,416	22,944	330,287	0.00	330,287	394,045	83.82%
22	2023	7,855	25,267	363,409	0.00	363,409	417,372	87.07%
23	2024	8,320	27,801	399,530	33	399,497	442,047	90.37%
24	2025	8,813	30,562	438,871	19,493	419,378	448,723	93.46%
25	2026	0.00	32,082	451,461	93,341	358,120	381,947	93.76%
26	2027	0.00	27,396	385,516	72,637	312,879	331,921	94.26%
27	2028	0.00	23,935	336,814	79,801	257,013	271,770	94.57%
28	2029	0.00	19,662	276,675	63,439	213,236	224,420	95.02%
29	2030	0.00	16,313	229,548	61,134	168,414	176,571	95.38%
30	2031	0.00	12,884	181,298	41,340	139,958	145,685	96.07%
31	2032	0.00	10,707	150,665	20,229	130,436	134,080	97.28%
32	2033	0.00	9,978	140,414	23,228	117,187	118,790	98.65%
33	2034	0.00	8,965	126,152	33,239	92,913	92,584	100.36%
34	2035	0.00	7,108	100,021	98,065	0.00	0.00	100.00%
		136,533	471,398	607,931	605,975	0.00	0.00	

FUNDING FLOOR ANALYSIS FOR UNIT 2 (\$000's)

ESTIMATED FUNDING				FUNDING FLOOR CURVE			ACTUAL		
Year	Ending Fund		% Funded	Minimum	Minimum	Minimum	Percentage	\$ AMT	Floor
	Balance	Est. Costs		Band	Percentage	\$ AMT			Satisfied?
Year					Funding Floor		Actual Funded		
1991	5,163	47,646	10.93%	80.00%	8.74%	4,166	10.81%	5,150	YES
1992	6,836	78,467	8.71%	80.00%	6.97%	5,469	8.72%	6,839	YES
1993	8,887	83,112	10.69%	80.00%	8.55%	7,109	10.69%	8,881	YES
1994	11,185	88,032	12.71%	80.00%	10.16%	8,948	12.71%	11,185	YES
1995	13,755	93,244	14.75%	80.00%	11.80%	11,004	17.10%	15,940	YES
1996	19,856	98,764	20.10%	80.00%	13.46%	13,298	20.10%	19,856	YES
1997	25,860	104,611	24.72%	80.00%	15.15%	15,853	24.72%	25,860	YES
1998	32,398	110,804	29.24%	80.00%	16.87%	18,696	29.24%	32,398	YES
1999	38,485	117,363	32.79%	80.00%	18.62%	21,852	32.79%	38,485	YES
2000	38,949	124,311	31.33%	80.00%	20.39%	25,352	31.33%	38,949	YES
2001	39,105	117,763	33.21%	80.00%	22.20%	26,140	33.21%	39,105	YES
1 2002	35,835	124,734	28.73%	80.00%	24.03%	29,974	28.73%	35,835	YES
2 2003	41,063	132,119	32.38%	80.00%	25.89%	34,210	31.08%	41,063	YES
3 2004	46,838	139,940	34.74%	80.00%	27.79%	38,885			
4 2005	53,211	148,224	37.15%	80.00%	29.71%	44,040			
5 2006	60,236	156,999	39.59%	81.00%	32.06%	50,339			
6 2007	67,974	166,294	42.08%	82.00%	34.50%	57,366			
7 2008	76,489	176,138	44.60%	83.00%	37.01%	65,195			
8 2009	85,852	186,566	47.18%	84.00%	39.62%	73,909			
9 2010	96,139	197,610	49.79%	85.00%	42.30%	83,598			
10 2011	107,433	209,309	52.45%	86.00%	45.08%	94,360			
11 2012	119,824	221,700	55.15%	87.00%	47.95%	106,306			
12 2013	133,410	234,825	57.86%	88.00%	50.91%	119,552			
13 2014	148,297	248,726	60.65%	89.00%	53.97%	134,230			
14 2015	164,601	263,451	63.49%	90.00%	57.12%	150,480			
15 2016	182,444	279,047	66.35%	91.00%	60.37%	168,460			
16 2017	201,964	295,567	69.28%	92.00%	63.72%	188,339			
17 2018	223,307	313,064	72.25%	93.00%	67.18%	210,302			
18 2019	246,631	331,598	75.26%	94.00%	70.73%	234,554			
19 2020	272,108	351,228	78.33%	95.00%	74.40%	261,318			
20 2021	299,926	372,021	81.44%	96.00%	78.18%	290,835			
21 2022	330,287	394,045	84.61%	97.00%	82.06%	323,371			
22 2023	363,409	417,372	87.89%	98.00%	86.07%	359,217			
23 2024	399,497	442,047	91.17%	99.00%	90.16%	398,534			
24 2025	419,378	448,723	93.46%	100.00%	92.55%	415,299			
25 2026	358,120	381,947	94.02%	100.00%	94.02%	359,104			
26 2027	312,879	331,921	95.30%	100.00%	95.24%	316,124			
27 2028	257,013	271,770	96.05%	100.00%	96.00%	260,898			
28 2029	213,236	224,420	96.75%	100.00%	96.72%	217,068			
29 2030	168,414	176,571	97.50%	100.00%	97.40%	171,987			
30 2031	139,958	145,685	100.00%	100.00%	97.86%	142,563			
31 2032	130,436	134,080	100.00%	100.00%	98.40%	131,929			
32 2033	117,187	118,790	100.00%	100.00%	100.00%	118,790			
33 2034	92,913	92,584	100.00%	100.00%	100.00%	92,584			
34 2035	0.00	0.00	100.00%	100.00%	100.00%	0.00			



**SALT RIVER PROJECT
NUCLEAR DECOMMISSIONING TRUST**

UNIT 3

All Participants Decom Costs in 2001\$ \$683,014.0
 SRP Share in 2001\$ \$119,459.1
 Plan Balance as of 12/31/01 in 2001\$ \$41,111.0

SRP Share 17.49%
 Projected return on investments 7.65%
 Projected Inflation 5.92%
 Years To Start of Decom (Funding Yrs Left) 25

FV of Total Decom. Charges Discounted to 2027 \$530,330.2
 FV of 12/31/01 Plan Balance in 25 years \$173,144.0
 FV of Balance Owed to be Funded by Contributions and Earnings \$357,186.3

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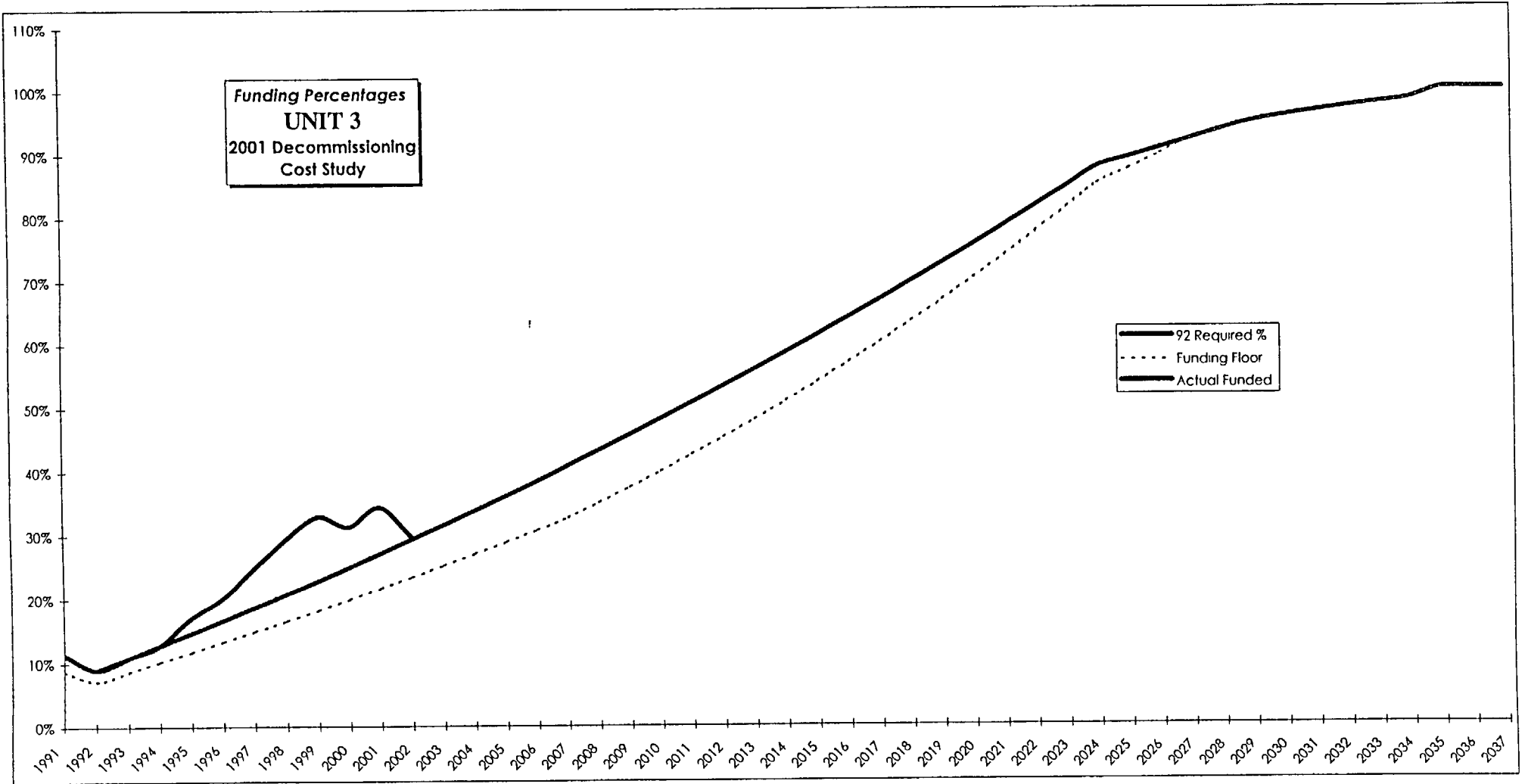
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Years Since Study	Calendar Year End 31-Dec	Current Annual Payment (Inflat Adj.)	Earnings (Inflat Adj.)	Balance Before Decom Charges	Decom Charges (Inflat Adj.)	Ending Balance	Termination Costs (Inflat Adj.)	Funded Ratio
	1988	960	0.00	960	0.00	960		
	1989	805	74	1,839	0.00	1,839	45,998	4.00%
	1990	841	343	3,023	0.00	3,023	47,424	6.37%
	1991	2,154	218	5,395	0.00	5,395	50,232	10.74%
	1992	1,590	413	7,401	0.00	7,401	82,736	8.95%
	1993	1,787	304	9,493	0.00	9,493	87,634	10.83%
	1994	2,290	67	11,849	0.00	11,849	92,822	12.77%
	1995	1,721	3,221	16,791	0.00	16,791	98,317	17.08%
	1996	1,517	2,672	20,980	0.00	20,980	104,138	20.15%
	1997	1,606	4,802	27,388	0.00	27,388	110,303	24.83%
	1998	1,702	5,289	34,380	0.00	34,380	116,833	29.43%
	1999	1,416	4,918	40,714	0.00	40,714	123,749	32.90%
	2000	1,391	(1,022)	41,083	0.00	41,083	131,075	31.34%
0	2001	1,675	(1,647)	41,111	0.00	41,111	119,459	34.41%
1	2002	341	(3,805)	37,647	0.00	37,647	126,531	29.75%
2	2003	2,162	2,880	42,689	0.00	42,689	134,022	31.85%
3	2004	2,290	3,266	48,244	0.00	48,244	141,956	33.99%
4	2005	2,425	3,691	54,360	0.00	54,360	150,360	36.15%
5	2006	2,569	4,159	61,088	0.00	61,088	159,261	38.36%
6	2007	2,721	4,673	68,482	0.00	68,482	168,689	40.60%
7	2008	2,882	5,239	76,603	0.00	76,603	178,676	42.87%
8	2009	3,053	5,860	85,515	0.00	85,515	189,253	45.19%
9	2010	3,233	6,542	95,291	0.00	95,291	200,457	47.54%
10	2011	3,425	7,290	106,005	0.00	106,005	212,324	49.93%
11	2012	3,628	8,109	117,742	0.00	117,742	224,894	52.35%
12	2013	3,842	9,007	130,592	0.00	130,592	238,207	54.82%
13	2014	4,070	9,990	144,652	0.00	144,652	252,309	57.33%
14	2015	4,311	11,066	160,028	0.00	160,028	267,246	59.88%
15	2016	4,566	12,242	176,836	0.00	176,836	283,067	62.47%
16	2017	4,836	13,528	195,200	0.00	195,200	299,824	65.10%
17	2018	5,122	14,933	215,256	0.00	215,256	317,574	67.78%
18	2019	5,426	16,467	237,148	0.00	237,148	336,374	70.50%
19	2020	5,747	18,142	261,037	0.00	261,037	356,288	73.27%
20	2021	6,087	19,969	287,094	0.00	287,094	377,380	76.08%
21	2022	6,447	21,963	315,504	0.00	315,504	399,721	78.93%
22	2023	6,829	24,136	346,469	0.00	346,469	423,384	81.83%
23	2024	7,233	26,505	380,207	0.00	380,207	448,449	84.78%
24	2025	7,662	29,086	416,955	0.00	416,955	474,997	87.78%
25	2026	8,115	31,897	456,967	0.00	456,967	503,117	90.83%
26	2027	8,596	34,958	500,521	59,016	441,505	473,885	93.17%
27	2028	0.00	33,775	475,280	82,405	392,875	419,535	93.65%
28	2029	0.00	30,055	422,930	93,131	329,799	351,240	93.90%
29	2030	0.00	25,230	355,029	72,763	282,266	299,270	94.32%
30	2031	0.00	21,593	303,859	66,461	237,398	250,526	94.76%
31	2032	0.00	18,161	255,559	60,795	194,764	204,562	95.21%
32	2033	0.00	14,899	209,663	36,153	173,510	180,519	96.12%
33	2034	0.00	13,274	186,784	41,168	145,616	150,038	97.05%
34	2035	0.00	11,140	156,756	48,651	108,105	110,269	98.04%
35	2036	0.00	8,270	116,375	52,148	64,227	64,649	99.35%
36	2037	<u>0.00</u>	<u>4,913</u>	<u>69,140</u>	<u>68,477</u>	<u>0.00</u>	<u>0.00</u>	100.00%
		<u>139,072</u>	<u>542,754</u>	<u>681,826</u>	<u>681,164</u>	<u>0.00</u>	<u>0.00</u>	

FUNDING FLOOR ANALYSIS FOR UNIT 3 (\$000's)

ESTIMATED FUNDING				FUNDING FLOOR CURVE			ACTUAL			
Ending Fund				Minimum	Minimum	Minimum	Floor			
Year	Balance	Est. Costs	% Funded	Band	Percentage	\$ AMT	Percentage	\$AMT	Satisfied?	
Year	Funding Floor						Actual Funded			
1991	5,408	47,646	10.93%	80.00%	8.74%	4,166	11.32%	5,395	YES	
1992	7,398	82,736	8.94%	80.00%	7.15%	5,918	8.95%	7,401	YES	
1993	9,498	87,634	10.84%	80.00%	8.67%	7,598	10.83%	9,493	YES	
1994	11,849	92,822	12.77%	80.00%	10.21%	9,479	12.77%	11,849	YES	
1995	14,477	98,317	14.72%	80.00%	11.78%	11,581	17.08%	16,791	YES	
1996	20,980	104,138	20.15%	80.00%	13.37%	13,926	20.15%	20,980	YES	
1997	27,388	110,303	24.83%	80.00%	14.99%	16,535	24.83%	27,388	YES	
1998	34,380	116,833	29.43%	80.00%	16.64%	19,436	29.43%	34,380	YES	
1999	40,714	123,749	32.90%	80.00%	18.31%	22,656	32.90%	40,714	YES	
2000	41,083	131,075	31.34%	80.00%	20.01%	26,225	31.34%	41,083	YES	
2001	41,111	119,459	34.41%	80.00%	21.73%	25,964	34.41%	41,111	YES	
1	2002	37,647	126,531	29.75%	80.00%	23.49%	29,722	29.75%	37,647	YES
2	2003	42,689	134,022	31.85%	80.00%	25.27%	33,873	31.85%	42,689	YES
3	2004	48,244	141,956	33.99%	80.00%	27.09%	38,452			
4	2005	54,360	150,360	36.16%	80.00%	28.93%	43,499			
5	2006	61,088	159,261	38.51%	80.00%	30.80%	49,057			
6	2007	68,482	168,689	40.89%	80.00%	32.71%	55,172			
7	2008	76,603	178,676	43.31%	81.00%	35.07%	62,668			
8	2009	85,515	189,253	45.77%	82.00%	37.52%	71,011			
9	2010	95,291	200,457	48.27%	83.00%	40.05%	80,288			
10	2011	106,005	212,324	50.79%	84.00%	42.67%	90,594			
11	2012	117,742	224,894	53.38%	85.00%	45.37%	102,031			
12	2013	130,592	238,207	56.01%	86.00%	48.16%	114,715			
13	2014	144,652	252,309	58.67%	87.00%	51.04%	128,769			
14	2015	160,028	267,246	61.38%	88.00%	54.01%	144,329			
15	2016	176,836	283,067	64.13%	89.00%	57.07%	161,546			
16	2017	195,200	299,824	66.95%	90.00%	60.23%	180,581			
17	2018	215,256	317,574	69.79%	91.00%	63.49%	201,614			
18	2019	237,148	336,374	72.69%	92.00%	66.84%	224,840			
19	2020	261,037	356,288	75.62%	93.00%	70.30%	250,471			
20	2021	287,094	377,380	78.60%	94.00%	73.86%	278,740			
21	2022	315,504	399,721	81.72%	95.00%	77.53%	309,903			
22	2023	346,469	423,384	84.72%	96.00%	81.31%	344,237			
23	2024	380,207	448,449	87.85%	97.00%	85.18%	381,971			
24	2025	416,955	474,997	89.30%	98.00%	87.46%	415,431			
25	2026	456,967	503,117	90.83%	99.00%	89.80%	451,775			
26	2027	441,505	473,885	93.17%	100.00%	92.14%	436,647			
27	2028	392,875	419,535	93.65%	100.00%	93.60%	392,695			
28	2029	329,799	351,240	94.89%	100.00%	94.87%	333,229			
29	2030	282,266	299,270	95.75%	100.00%	95.73%	286,490			
30	2031	237,398	250,526	100.00%	100.00%	96.46%	241,669			
31	2032	194,764	204,562	100.00%	100.00%	97.18%	198,786			
32	2033	173,510	180,519	100.00%	100.00%	97.79%	176,529			
33	2034	145,616	150,038	100.00%	100.00%	98.40%	147,640			
34	2035	108,105	110,269	100.00%	100.00%	100.00%	110,269			
35	2036	64,227	64,649	100.00%	100.00%	100.00%	64,649			
36	2037	0.00	0.00	100.00%	100.00%	0.00				

Funding Percentages
UNIT 3
2001 Decommissioning
Cost Study



SALT RIVER PROJECT
NUCLEAR DECOMMISSIONING TRUST (000's)

ALL UNITS

Aggregate Decom Costs in 2001\$ \$1 972,170
 SRP Share in 2001\$ \$344 933
 Ending Balance as of 12/31/98 in 2001\$ \$120,840

SRP Share 17 49%
 Projected return on investments 7 65%
 Projected Inflation 5 92%

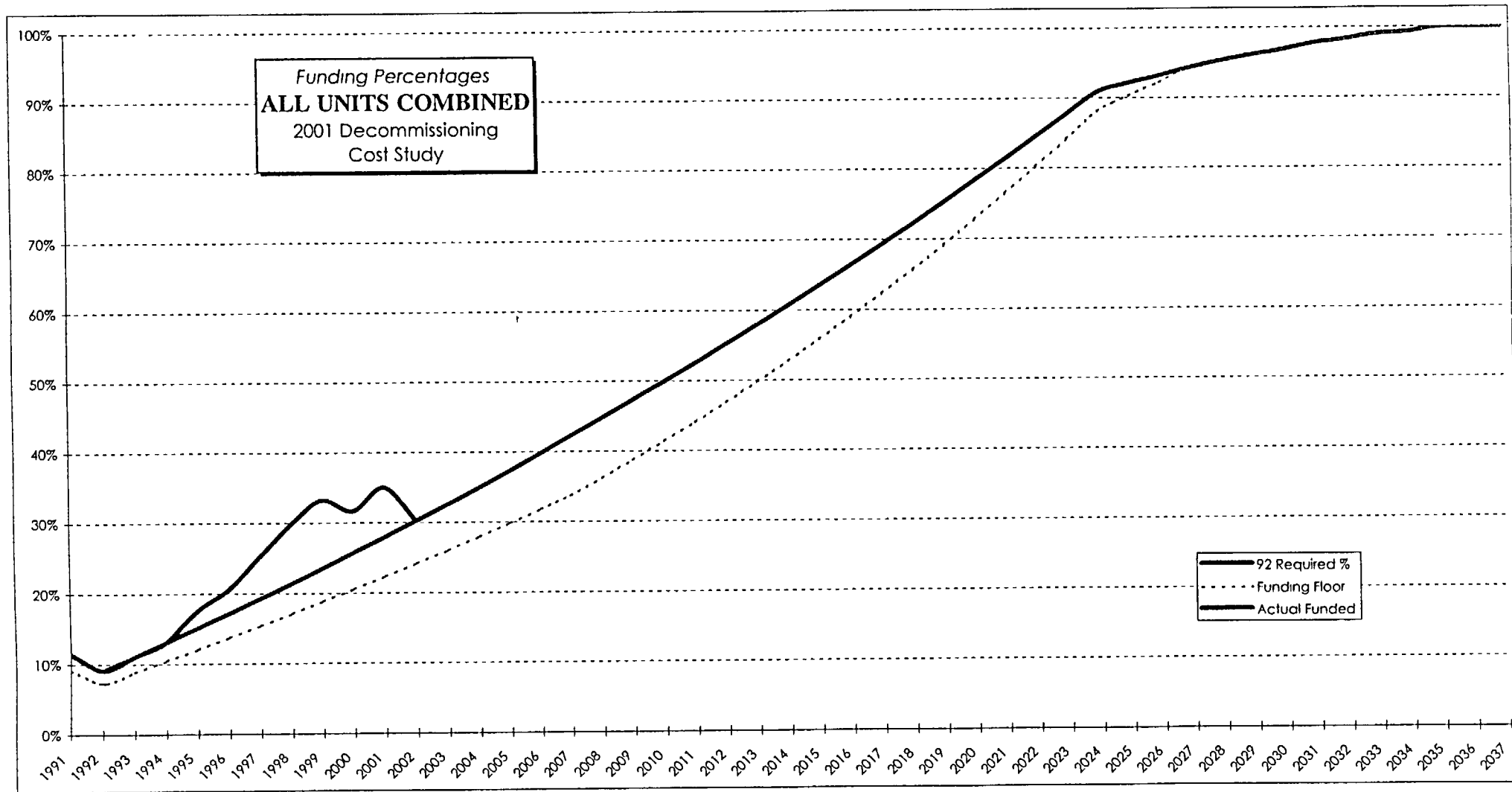
FV of Total Decom. Charges Discounted to Start of Decom \$1,402 556
 FV of 12/31/01 Fund Balance value at Start of Decom \$463,922
 FV of Balance Owed to be Funded by Contributions and Earnings \$938,634

Years To Start of Decom (Funding Yrs Left)		
Unit 1	Unit 2	Unit 3
22	23	25

	Year(s) Since Study	Calendar Year End 31-Dec	Current		Balance		Termination Costs (Inflat Adj.)	Funded Ratio	
			Annual Payment (Inflat Adj.)	Earnings (Inflat Adj.)	Before Decom Charges	Decom Charges (Inflat Adj.)			Ending Balance
A C T U A L		1987	721	26	747	0 00	747		
		1988	2,880	31	3,658	0.00	3,658		
		1989	2 415	283	6,356	0 00	6 356	132,884	4 78%
		1990	2,523	1,185	10 064	0 00	10 064	137 004	7.35%
		1991	5,809	716	16 589	0 00	16,589	145 115	11 43%
		1992	3 989	1 269	21 857	0 00	21,857	240 921	9 07%
		1993	5 390	899	28 147	0 00	28 147	255,184	11 03%
		1994	6,890	198	35,234	0 00	35,234	270,291	13 04%
		1995	5,210	9,579	50 024	0 00	50 024	286,292	17 47%
		1996	4 188	7,961	62,172	0 00	62 172	303,241	20.50%
F O R E C A S T		1997	4 435	14 228	80,834	0 00	80 834	321,193	25 17%
		1998	4,698	15,598	101,132	0 00	101 132	340,207	29 73%
		1999	4 135	14 468	119,735	0 00	119 735	360,347	33 23%
		2000	4 044	[3,007]	120,772	0.00	120,772	381,680	31 64%
	0	2001	4,909	[4,841]	120,840	0.00	120,840	344,933	35 03%
	1	2002	1,000	-11,184	110 656	0 00	110 656	365 353	30 29%
	2	2003	6,812	8,465	125 933	0 00	125,933	386 981	32 54%
	3	2004	7,215	9,634	142,781	0 00	142 781	409 891	34 83%
	4	2005	7,642	10,923	161,346	0 00	161,346	434,156	37 16%
	5	2006	8,094	12,343	181,783	0 00	181,783	459,858	39.53%
	6	2007	8 573	13,906	204,263	0 00	204,263	487,082	41.94%
	7	2008	9 081	15,626	228 970	0 00	228,970	515,917	44.38%
	8	2009	9,619	17,516	256,105	0 00	256 105	546,459	46.87%
	9	2010	10 188	19,592	285,885	0 00	285,885	578,810	49 39%
	10	2011	10 791	21 870	318 547	0 00	318,547	613 075	51 96%
	11	2012	11,430	24 369	354,345	0 00	354,345	649,369	54 57%
	12	2013	12 107	27,107	393 560	0 00	393,560	687 812	57 22%
	13	2014	12 823	30 107	436 490	0 00	436,490	728 531	59 91%
	14	2015	13 583	33 392	483 464	0.00	483,464	771 660	62 65%
	15	2016	14,387	36,985	534 836	0.00	534,836	817 342	65 44%
	16	2017	15,238	40,915	590,989	0 00	590,989	865 728	68 26%
	17	2018	16,140	45 211	652,340	0.00	652,340	916 980	71 14%
	18	2019	17,096	49,904	719,340	1 48	719,339	971,265	74 06%
	19	2020	18,108	55 029	792,478	243 61	792,234	1,028 764	77.01%
	20	2021	19,180	60,606	872 263	257 48	872 006	1 089,666	80.03%
	21	2022	20 315	66,708	959,287	290 27	958 997	1,154 175	83 09%
	22	2023	21,518	73,363	1 054,169	3 736 00	1 050 433	1,222,502	85 92%
	23	2024	22 792	80,358	1,153,583	4,099	1,149 484	1,290,775	89 05%
	24	2025	16,475	87,935	1,253,894	61,784	1,192 109	1,305 404	91 32%
	25	2026	8,115	91 196	1,291,421	167 845	1,123 576	1,214 839	92 49%
	26	2027	8,596	85 954	1,218,125	193,650	1,024 475	1,093,107	93 72%
	27	2028	0 00	78,372	1,102,847	227 341	875,506	930 478	94 09%
	28	2029	0 00	66 976	942 482	224 915	717,568	760 648	94 34%
	29	2030	0 00	54 894	772 462	181,492	590,970	624,187	94 68%
	30	2031	0 00	45 209	636 179	125 205	510 974	535 934	95 34%
	31	2032	0 00	39 090	550 064	94 277	455,787	473,384	96 28%
32	2033	0 00	34,868	490 654	80,006	410 648	421,402	97.45%	
33	2034	0 00	31 415	442 063	105 023	337,040	341,326	98 74%	
34	2035	0 00	25 784	362,824	251,263	108 105	110 269	98 04%	
35	2036	0 00	8 270	116 375	52,148	64,227	64,649	99 35%	
36	2037	0 00	4,913	69,140	68,477	0 00	0 00	100 00%	
			389,153	1,456,216	1,845,370	1,837,515	0 00	0 00	

FUNDING FLOOR ANALYSIS FOR ALL UNITS (\$000's)

ESTIMATED FUNDING				FUNDING FLOOR CURVE			ACTUAL		
Ending Fund				Minimum	Minimum	Minimum	Floor		
Year	Balance	Est. Costs	% Funded	Band	Percentage	\$ AMT	Percentage	\$AMT	Satisfied?
Year					Funding Floor		Actual Funded		
1991	16,642	145,115	11.47%	80.00%	9.17%	13,314	11.43%	16,589	YES
1992	21,851	240,921	9.07%	80.00%	7.25%	17,478	9.07%	21,857	YES
1993	28,157	255,184	11.05%	80.00%	8.83%	22,530	11.03%	28,147	YES
1994	35,235	270,291	13.04%	80.00%	10.43%	28,188	13.04%	35,234	YES
1995	43,140	286,292	15.07%	80.00%	12.05%	34,512	17.47%	50,024	YES
1996	62,172	303,241	20.50%	80.00%	13.71%	41,567	20.50%	62,172	YES
1997	80,834	321,193	25.17%	80.00%	15.39%	49,423	25.17%	80,834	YES
1998	101,132	340,207	29.73%	80.00%	17.09%	58,156	29.73%	101,132	YES
1999	119,735	360,347	33.23%	80.00%	18.83%	67,851	33.23%	119,735	YES
2000	120,772	381,680	31.64%	80.00%	20.59%	78,598	31.64%	120,772	YES
2001	120,840	344,933	35.03%	80.00%	22.36%	77,141	35.03%	120,840	YES
1 2002	110,656	365,353	30.29%	80.00%	24.18%	88,358	30.29%	110,656	YES
2 2003	125,933	386,981	32.54%	80.00%	26.03%	100,748	32.54%	125,933	YES
3 2004	142,781	409,891	34.89%	80.00%	27.91%	114,420			
4 2005	161,346	434,156	37.29%	80.00%	29.83%	129,490			
5 2006	181,783	459,858	39.72%	80.00%	31.77%	146,087			
6 2007	204,263	487,082	42.19%	80.00%	33.74%	164,350			
7 2008	228,970	515,917	44.70%	81.00%	36.19%	186,736			
8 2009	256,105	546,459	47.25%	82.00%	38.73%	211,653			
9 2010	285,885	578,810	49.83%	83.00%	41.35%	239,361			
10 2011	318,547	613,075	52.48%	84.00%	44.06%	270,143			
11 2012	354,345	649,369	55.15%	85.00%	46.86%	304,310			
12 2013	393,560	687,812	57.86%	86.00%	49.75%	342,203			
13 2014	436,490	728,531	60.63%	87.00%	52.74%	384,193			
14 2015	483,464	771,660	63.45%	88.00%	55.81%	430,688			
15 2016	534,836	817,342	66.29%	89.00%	58.99%	482,135			
16 2017	590,989	865,728	69.19%	90.00%	62.26%	539,022			
17 2018	652,340	916,980	72.14%	91.00%	65.64%	601,882			
18 2019	719,339	971,265	75.14%	92.00%	69.12%	671,298			
19 2020	792,234	1,028,764	78.17%	93.00%	72.70%	747,909			
20 2021	872,006	1,089,666	81.28%	94.00%	76.39%	832,411			
21 2022	958,997	1,154,175	84.42%	95.00%	80.19%	925,567			
22 2023	1,050,433	1,222,502	87.60%	96.00%	84.10%	1,028,125			
23 2024	1,149,484	1,290,775	90.83%	97.00%	88.10%	1,137,164			
24 2025	1,192,109	1,305,404	92.12%	98.00%	90.27%	1,178,415			
25 2026	1,123,576	1,214,839	93.20%	99.00%	92.23%	1,120,413			
26 2027	1,024,475	1,093,107	93.72%	100.00%	94.26%	1,030,414			
27 2028	875,506	930,478	95.28%	100.00%	95.26%	886,380			
28 2029	717,568	760,648	96.15%	100.00%	96.14%	731,307			
29 2030	590,970	624,187	96.84%	100.00%	96.83%	604,418			
30 2031	510,974	535,934	97.78%	100.00%	97.76%	523,955			
31 2032	455,787	473,384	98.34%	100.00%	98.33%	465,456			
32 2033	410,648	421,402	99.06%	100.00%	99.05%	417,412			
33 2034	337,040	341,326	99.31%	100.00%	99.30%	338,928			
34 2035	108,105	110,269	100.00%	100.00%	100.00%	110,269			
35 2036	64,227	64,649	100.00%	100.00%	100.00%	64,649			
36 2037	0.00	0.00	100.00%	100.00%	100.00%	0.00			



Palo Verde Nuclear Generating Station

Appendix B, Tab 3

Units 1, 2, & 3

EPE 2002 Annual Funding Status Report

Section 2.1.7 [Restated]

Summary of Model Assumptions:

Assumed Rate of Earnings	7.3310%
Assumed Rate of Cost Escalation	5.2925%
Assumed Rate of Inflation	3.9031%
Treatment of Water Reclamation Facility	Included
Contingency Factor	25.0000%

EL PASO ELECTRIC COMPANY

Annual Funding Status Report
For the Year Ended December 31, 2002

Part 3. Tables and Curves

3.1 Table of Estimated Deposits, Income And Committed Accumulations to End of Funding Period for Each Unit:

(Curves presented are those most recently approved by the Termination Funding Committee)

3.1.1 Table For Unit 1 (In Thousands):

Year	Estimated Deposits	Estimated Income	Estimated Accumulation	Estimated Costs	Percent Funded	Funding Floor
1991			3,065.044	43,696.922	7.01%	5.61%
1992	1,274.596	266.134	4,605.774	72,015.436	6.40%	5.12%
1993	1,284.594	327.887	6,135.622	73,556.865	8.34%	6.67%
1994	1,335.472	499.183	7,970.276	77,449.852	10.29%	8.23%
1995	1,388.364	638.884	9,997.525	81,548.874	12.26%	9.81%
1996	1,443.352	793.156	12,234.033	85,864.837	14.25%	11.40%
1997	1,500.517	963.255	14,697.806	90,409.222	16.26%	13.01%
1998	1,559.947	1,150.542	17,408.294	95,194.117	18.29%	14.63%
1999	1,621.730	1,356.483	20,386.507	100,232.252	20.34%	16.27%
2000	1,685.960	1,582.665	23,655.133	105,537.030	22.41%	17.93%
2001	1,752.734	1,830.800	27,238.667	111,122.563	24.51%	19.61%
2002	1,822.153	2,102.737	31,163.557	117,003.709	26.63%	21.31%
2003	1,971.475	2,402.600	35,537.632	123,196.114	28.85%	23.08%
2004	2,049.557	2,734.343	40,321.532	129,716.251	31.08%	24.87%
2005	2,130.732	3,097.052	45,549.315	136,581.465	33.35%	27.01%
2006	2,321.329	3,496.227	51,366.871	143,810.020	35.72%	29.29%
2007	2,413.268	3,937.120	57,717.259	151,421.146	38.12%	31.64%
2008	2,508.848	4,418.261	64,644.367	159,435.089	40.55%	34.06%
2009	2,758.042	4,947.099	72,349.508	167,873.168	43.10%	36.63%
2010	2,867.277	5,530.699	80,747.484	176,757.832	45.68%	39.29%

EL PASO ELECTRIC COMPANY

Annual Funding Status Report
For the Year Ended December 31, 2002

3.1.1 Table For Unit 1 (In Thousands) - continued:

Year	Estimated Deposits	Estimated Income	Estimated Accumulation	Estimated Costs	Percent Funded	Funding Floor
2011	2,980.838	6,166.623	89,894.946	186,112.716	48.30%	42.02%
2012	3,317.760	6,865.187	100,077.893	195,962.705	51.07%	44.94%
2013	3,449.163	7,636.102	111,163.158	206,334.004	53.88%	47.95%
2014	3,585.771	8,475.150	123,224.079	217,254.202	56.72%	51.05%
2015	4,065.222	9,397.178	136,686.478	228,752.350	59.75%	54.38%
2016	4,226.229	10,416.018	151,328.725	240,859.036	62.83%	57.80%
2017	4,393.613	11,523.935	167,246.272	253,606.467	65.95%	61.33%
2018	5,138.776	12,743.895	185,128.943	267,028.554	69.33%	65.17%
2019	5,342.302	14,096.977	204,568.222	281,161.003	72.76%	69.12%
2020	5,553.889	15,567.572	225,689.683	296,041.410	76.24%	73.19%
2021	6,957.220	17,197.815	249,844.719	311,709.360	80.15%	77.75%
2022	7,232.768	19,025.510	276,102.996	328,206.534	84.12%	82.44%
2023	7,519.229	21,011.985	304,634.210	345,576.819	88.15%	87.27%
2024	7,817.036	23,106.171	334,709.788	362,973.935	92.21%	92.21%
2025		25,087.342	358,030.257	380,323.895	94.14%	94.14%
2026		25,233.305	360,113.346	376,077.046	95.76%	95.76%
2027		21,501.537	306,855.984	317,265.368	96.72%	96.72%
2028		17,190.449	245,330.930	251,175.083	97.67%	97.67%
2029		12,240.609	174,690.029	177,200.486	98.58%	98.58%
2030		6,587.274	94,009.301	94,692.148	99.28%	99.28%
2031		2,415.824	34,477.067	34,477.067	100.00%	100.00%

EL PASO ELECTRIC COMPANY

Annual Funding Status Report

For the Year Ended December 31, 2002

3.1.2 Table for Unit 2 (In Thousands):

Year	Estimated Deposits	Estimated Income	Estimated Accumulation	Estimated Costs	Percent Funded	Funding Floor
1991			3,619.007	43,321.662	8.35%	6.68%
1992	1,148.211	304.386	5,071.604	70,884.836	7.15%	5.72%
1993	1,156.671	403.387	6,489.839	72,375.311	8.97%	7.17%
1994	1,202.482	522.202	8,214.523	76,205.765	10.78%	8.62%
1995	1,250.107	653.472	10,118.102	80,238.944	12.61%	10.09%
1996	1,299.619	798.274	12,215.996	84,485.579	14.46%	11.57%
1997	1,351.092	957.772	14,524.859	88,956.966	16.33%	13.06%
1998	1,404.603	1,133.222	17,062.684	93,665.001	18.22%	14.57%
1999	1,460.234	1,325.984	19,848.902	98,622.208	20.13%	16.10%
2000	1,518.068	1,537.522	22,904.492	103,841.775	22.06%	17.65%
2001	1,578.192	1,769.421	26,252.106	109,337.586	24.01%	19.21%
2002	1,640.698	2,023.390	29,916.194	115,124.263	25.99%	20.79%
2003	1,767.574	2,302.983	33,986.751	121,217.198	28.04%	22.43%
2004	1,837.581	2,611.632	38,435.964	127,632.602	30.11%	24.09%
2005	1,910.360	2,948.891	43,295.215	134,387.539	32.22%	25.77%
2006	2,070.670	3,319.462	48,685.347	141,499.981	34.41%	27.87%
2007	2,152.681	3,727.873	54,565.901	148,988.848	36.62%	30.03%
2008	2,237.940	4,173.328	60,977.170	156,874.061	38.87%	32.26%
2009	2,444.911	4,662.132	68,084.212	165,176.599	41.22%	34.62%
2010	2,541.744	5,200.322	75,826.278	173,918.548	43.60%	37.06%
2011	2,642.412	5,786.468	84,255.157	183,123.162	46.01%	39.57%
2012	2,917.665	6,429.184	93,602.006	192,814.930	48.54%	42.23%
2013	3,033.222	7,136.661	103,771.890	203,019.633	51.11%	44.98%
2014	3,153.356	7,906.280	114,831.526	213,764.419	53.72%	47.81%

EL PASO ELECTRIC COMPANY

Annual Funding Status Report For the Year Ended December 31, 2002

3.1.2 Table for Unit 2 (In Thousands) - continued:

Year	Estimated Deposits	Estimated Income	Estimated Accumulation	Estimated Costs	Percent Funded	Funding Floor
2015	3,535.811	8,750.184	127,117.521	225,077.871	56.48%	50.83%
2016	3,675.850	9,679.802	140,473.173	236,990.086	59.27%	53.94%
2017	3,821.436	10,690.173	154,984.782	249,532.753	62.11%	57.14%
2018	4,392.538	11,799.390	171,176.710	262,739.239	65.15%	60.59%
2019	4,566.509	13,024.259	188,767.478	276,644.676	68.23%	64.14%
2020	4,747.370	14,354.720	207,869.568	291,286.057	71.36%	67.79%
2021	5,730.719	15,821.210	229,421.497	306,702.331	74.80%	71.81%
2022	5,957.690	17,451.419	252,830.607	322,934.509	78.29%	75.94%
2023	6,193.650	19,221.815	278,246.072	340,025.772	81.83%	80.19%
2024	8,791.549	21,208.585	308,246.207	358,021.589	86.10%	85.24%
2025	9,139.748	23,478.715	340,864.670	376,969.831	90.42%	90.42%
2026		25,671.399	366,365.540	396,741.353	92.34%	92.34%
2027		27,381.115	390,765.507	414,599.909	94.25%	94.25%
2028		27,376.844	390,704.542	407,652.600	95.84%	95.84%
2029		23,348.142	333,209.534	344,105.794	96.83%	96.83%
2030		18,467.306	263,553.410	269,530.194	97.78%	97.78%
2031		12,867.270	183,633.329	186,096.933	98.68%	98.68%
2032		6,475.243	92,410.462	93,077.319	99.28%	99.28%
2033		2,359.251	33,669.696	33,669.696	100.00%	100.00%

EL PASO ELECTRIC COMPANY

Annual Funding Status Report
For the Year Ended December 31, 2002

3.1.3 Table for Unit 3 (In Thousands):

Year	Estimated Deposits	Estimated Income	Estimated Accumulation	Estimated Costs	Percent Funded	Funding Floor
1991			652.302	46,068.418	1.42%	1.13%
1992	1,282.171	84.542	2,019.015	74,741.789	2.70%	2.16%
1993	1,294.243	183.753	3,442.544	76,440.553	4.50%	3.60%
1994	1,345.503	296.535	5,084.582	80,486.159	6.32%	5.05%
1995	1,398.793	421.734	6,905.110	84,745.877	8.15%	6.52%
1996	1,454.194	560.441	8,919.745	89,231.041	10.00%	8.00%
1997	1,511.789	713.834	11,145.367	93,953.581	11.86%	9.49%
1998	1,571.665	883.188	13,600.220	98,926.061	13.75%	11.00%
1999	1,633.912	1,069.880	16,304.012	104,161.709	15.65%	12.52%
2000	1,698.625	1,275.398	19,278.034	109,674.453	17.58%	14.06%
2001	1,765.900	1,501.348	22,545.282	115,478.958	19.52%	15.62%
2002	1,835.841	1,749.467	26,130.589	121,590.666	21.49%	17.19%
2003	1,968.776	2,023.290	30,122.655	128,025.835	23.53%	18.82%
2004	2,046.751	2,326.245	34,495.652	134,801.584	25.59%	20.47%
2005	2,127.815	2,657.989	39,281.456	141,935.939	27.68%	22.14%
2006	2,293.851	3,023.184	44,598.491	149,447.879	29.84%	23.87%
2007	2,384.702	3,426.332	50,409.524	157,357.387	32.04%	25.63%
2008	2,479.150	3,866.802	56,755.476	165,685.505	34.25%	27.75%
2009	2,690.503	4,350.805	63,796.785	174,454.387	36.57%	29.99%
2010	2,797.064	4,884.311	71,478.159	183,687.361	38.91%	32.30%
2011	2,907.844	5,466.162	79,852.165	193,408.989	41.29%	34.68%
2012	3,183.853	6,104.764	89,140.783	203,645.132	43.77%	37.21%
2013	3,309.953	6,808.145	99,258.881	214,423.023	46.29%	39.81%
2014	3,441.047	7,574.165	110,274.093	225,771.331	48.84%	42.49%

EL PASO ELECTRIC COMPANY

Annual Funding Status Report
For the Year Ended December 31, 2002

3.1.3 Table for Unit 3 (In Thousands) - continued:

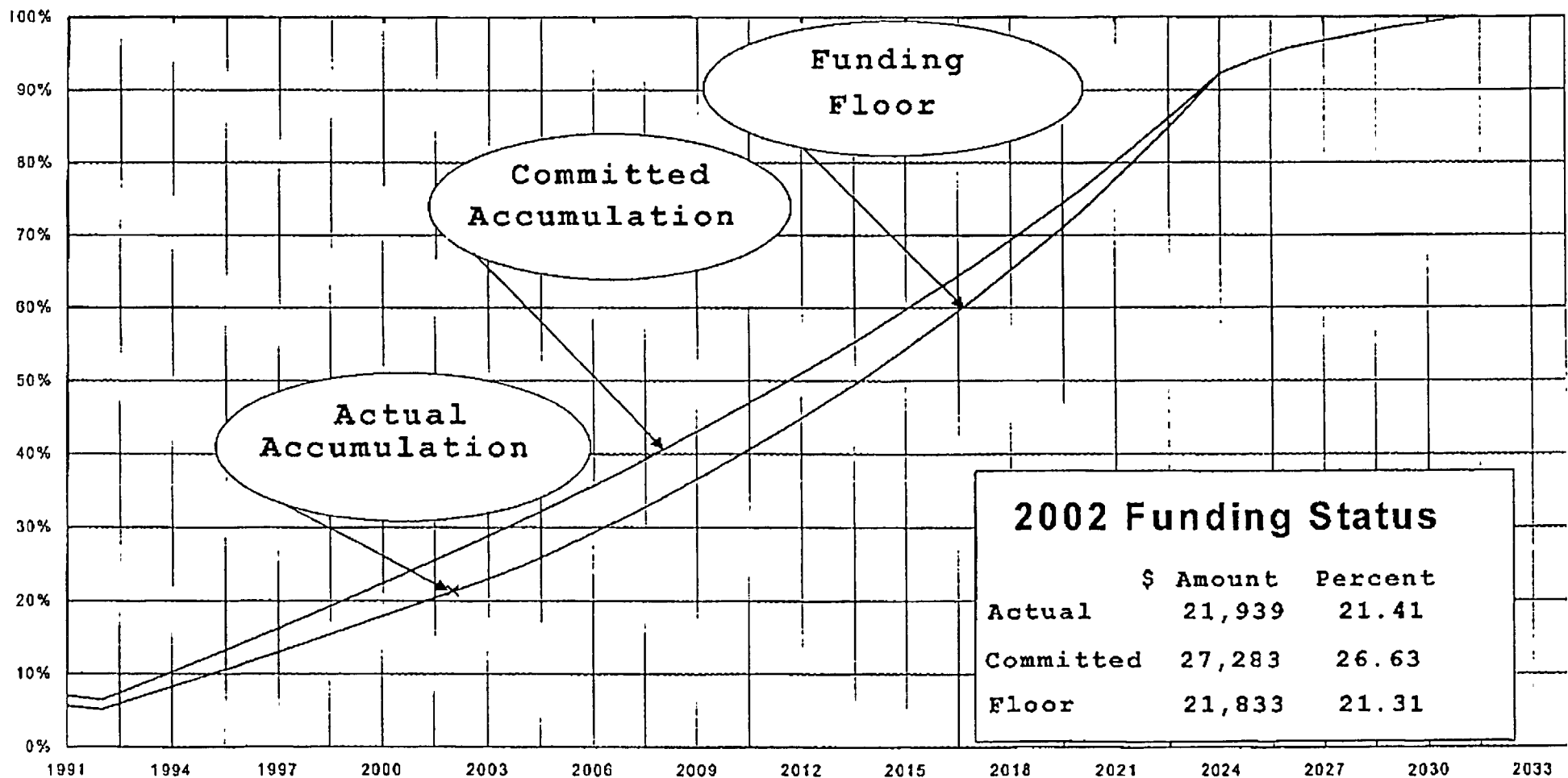
Year	Estimated Deposits	Estimated Income	Estimated Accumulation	Estimated Costs	Percent Funded	Funding Floor
2015	3,814.940	8,414.484	122,503.517	237,720.247	51.53%	45.35%
2016	3,966.035	9,340.145	135,809.697	250,301.558	54.26%	48.29%
2017	4,123.113	10,347.106	150,279.916	263,548.733	57.02%	51.32%
2018	4,659.502	11,452.246	166,391.665	277,497.013	59.96%	54.57%
2019	4,844.046	12,671.365	183,907.075	292,183.503	62.94%	57.91%
2020	5,035.900	13,996.451	202,939.426	307,647.274	65.96%	61.35%
2021	5,889.479	15,454.105	224,283.010	323,929.463	69.24%	65.08%
2022	6,122.738	17,068.788	247,474.536	341,073.385	72.56%	68.93%
2023	6,365.235	18,822.970	272,662.741	359,124.646	75.92%	72.89%
2024	8,106.273	20,768.965	301,537.978	378,131.267	79.74%	77.35%
2025	8,427.330	22,953.584	332,918.891	398,143.812	83.62%	81.95%
2026	8,761.103	25,327.357	367,007.351	419,215.517	87.55%	86.67%
2027	2,243.965	27,779.761	397,031.077	441,402.440	89.95%	89.95%
2028		29,734.433	424,350.531	462,220.811	91.81%	91.81%
2029		31,725.894	452,771.373	483,203.810	93.70%	93.70%
2030		32,272.786	460,576.256	483,014.441	95.35%	95.35%
2031		28,835.010	411,514.545	426,558.518	96.47%	96.47%
2032		23,533.147	335,849.805	344,686.147	97.44%	97.44%
2033		17,436.197	248,838.081	252,952.800	98.37%	98.37%
2034		10,463.311	149,325.578	150,544.024	99.19%	99.19%
2035		4,310.701	61,519.522	61,519.522	100.00%	100.00%

EL PASO ELECTRIC COMPANY

Annual Funding Status Report
For the Year Ended December 31, 2002

3.2 Percent Funded Curve and Funding Floor Curve for Each Unit:

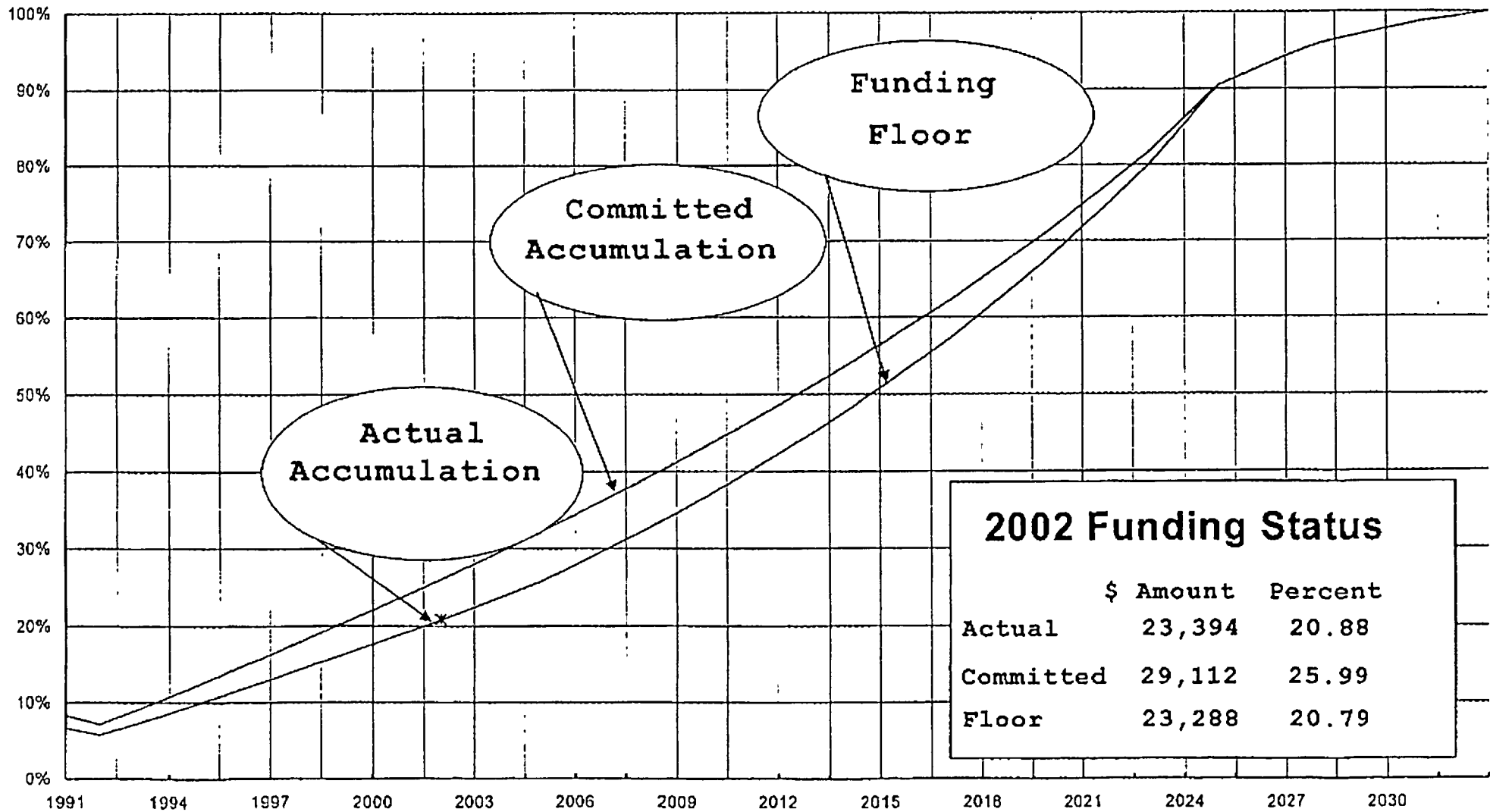
3.2.1 Unit 1 Curve:



EL PASO ELECTRIC COMPANY

Annual Funding Status Report
For the Year Ended December 31, 2002

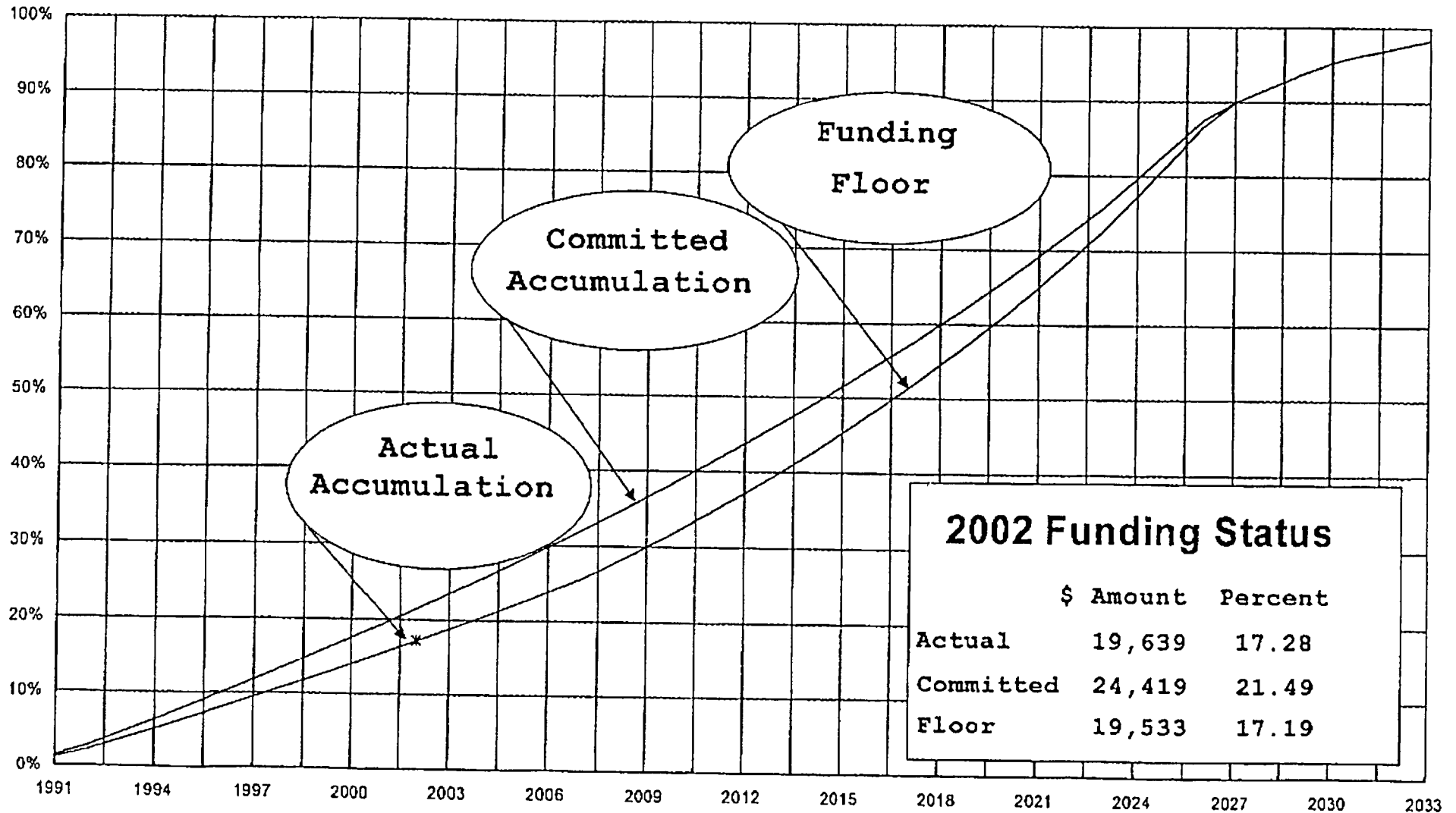
3.2.2 Unit 2 Curve:



EL PASO ELECTRIC COMPANY

Annual Funding Status Report
For the Year Ended December 31, 2002

3.2.3 Unit 3 Curve:



Units 1, 2, & 3

SCE 2002 Annual Funding Status Report

Section 2.1.7 [Restated]

Assumptions Used in Developing Committed Accumulations

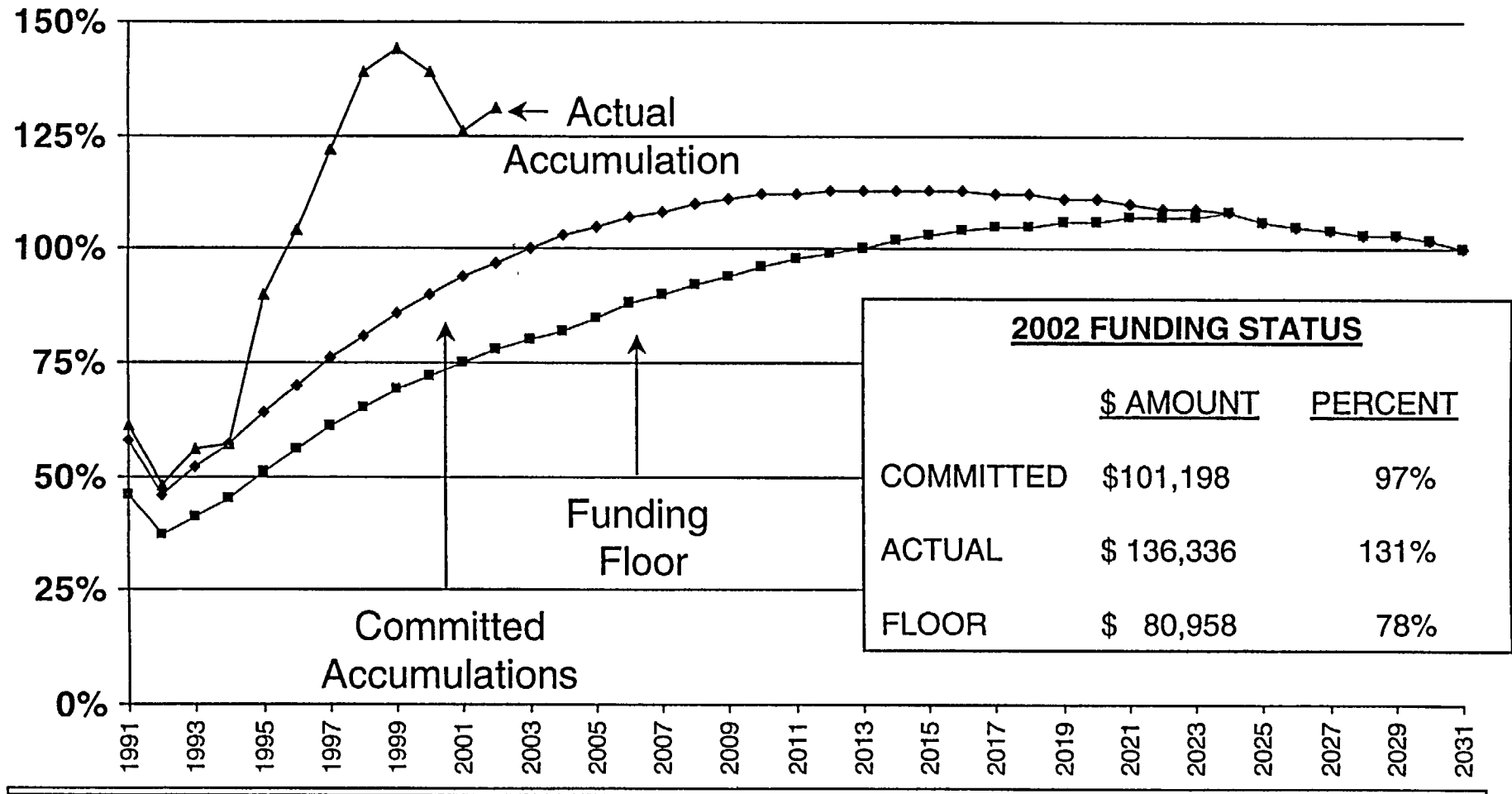
Cost Study	2001 TLG study, including all Summary Table Costs (page xiii of xix) (all non-unit specific costs are allocated equally among all three units except Stored Steam Generator & Storage Facility allocated to Unit 2 only)
Contingency Factors	2001 TLG Study
Annual Escalation Assumption:	Approximately 7.3% over the funding period.
Rate of Return Assumption:	5.25% per year (after tax)

6

[illegible]

Southern California Edison Company

Palo Verde Unit 1 Funding Plan

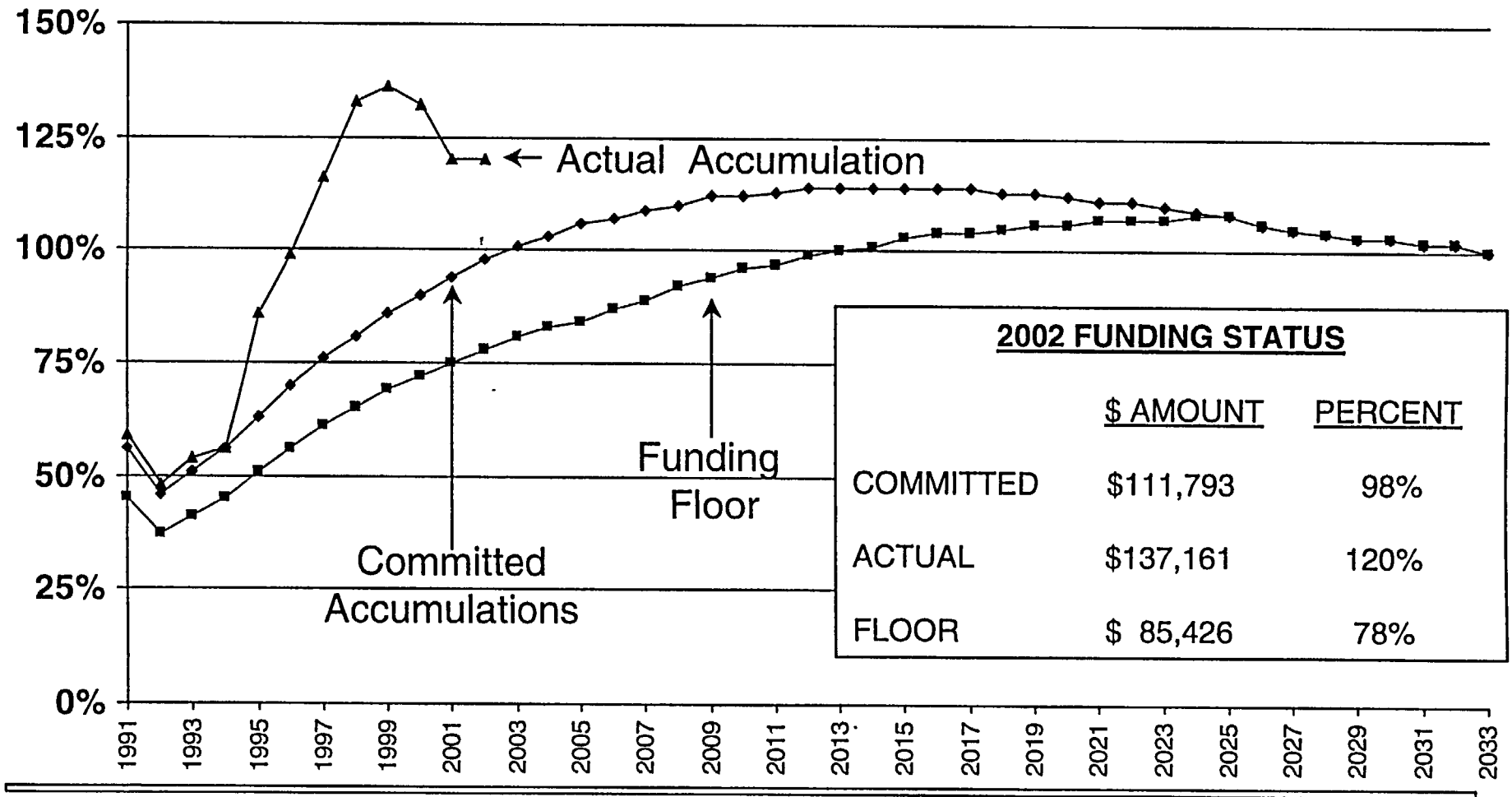


SOUTHERN CALIFORNIA EDISON COMPANY
2002 PALO VERDE UNIT 2 FUNDING STATUS
(\$ THOUSANDS)

[illegible]

Southern California Edison Company

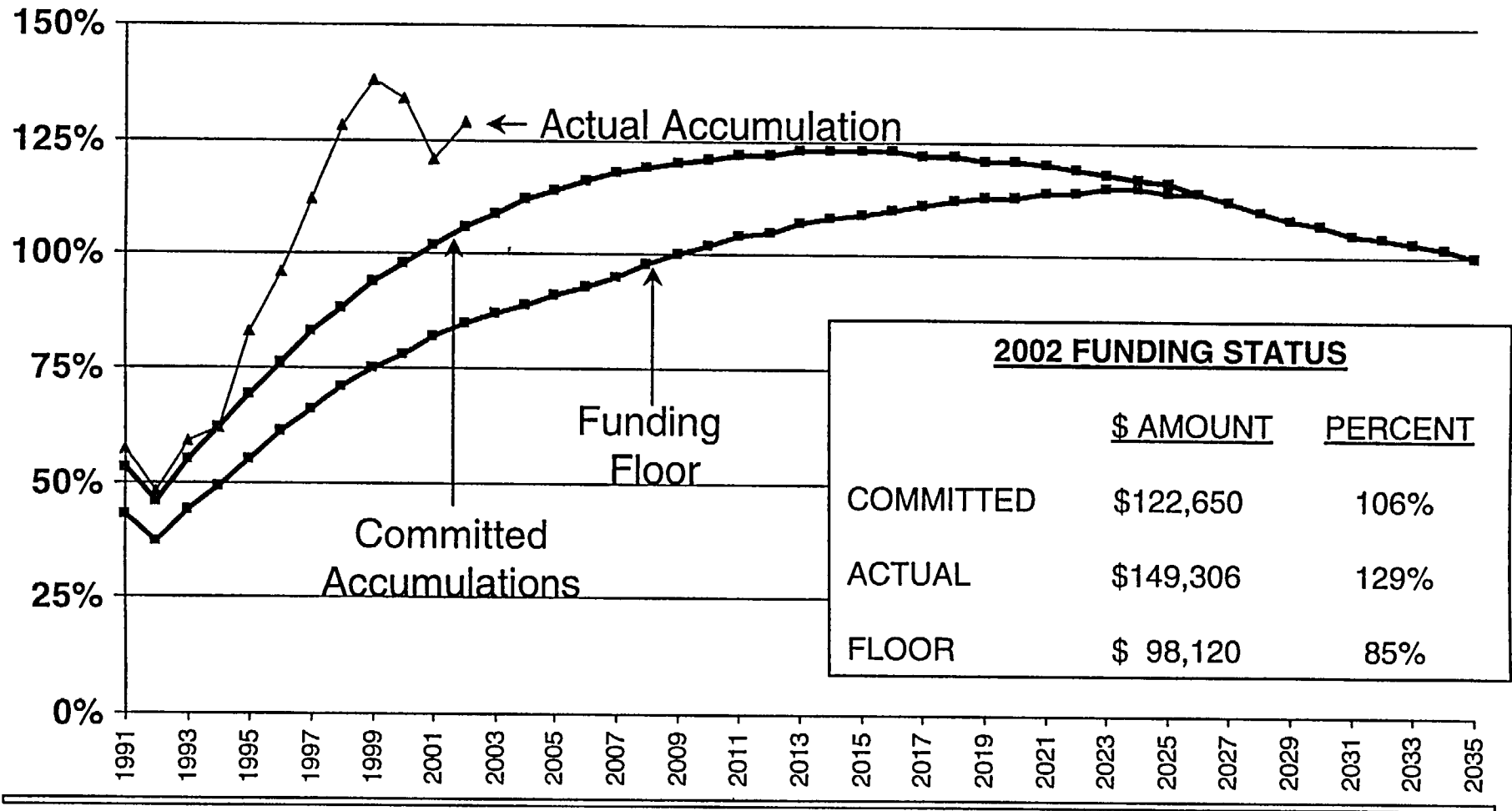
Palo Verde Unit 2 Funding Plan



SOUTHERN CALIFORNIA EDISON COMPANY
2002 PALO VERDE UNIT 3 FUNDING STATUS
(\$ THOUSANDS)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FUNDING PLAN			FUNDING FLOOR CURVE			ACTUAL FUNDING		
YEAR	FUND.\$	EST. COST	% FUNDED	CRITERIA	PERCENT	\$ AMOUNT	FUND.\$	EST. COST	% FUNDED
1991	26,087	48,798	53%	80%	43%	20,870	27,730	48,798	57%
1992	34,110	73,450	46%	80%	37%	27,288	35,578	73,450	48%
1993	41,562	74,905	55%	80%	44%	33,250	44,473	74,905	59%
1994	49,405	80,314	62%	80%	49%	39,524	49,825	80,314	62%
1995	59,673	86,114	69%	80%	55%	46,253	69,421	83,434	83%
1996	70,480	92,333	76%	80%	61%	54,390	85,640	89,458	96%
1997	81,854	99,000	83%	80%	66%	58,318	107,775	95,917	112%
1998	93,826	106,150	88%	80%	71%	72,401	131,789	102,842	128%
1999	106,426	113,815	94%	80%	75%	80,398	147,469	106,913	138%
2000	119,688	122,034	98%	80%	78%	89,871	153,445	114,632	134%
2001	133,646	130,847	102%	80%	82%	100,293	149,226	122,908	121%
2002	148,336	140,296	106%	80%	85%	98,120	149,306	115,708	129%
2003	163,798	150,427	109%	80%	87%				
2004	180,072	161,290	112%	80%	89%				
2005	197,200	172,937	114%	80%	91%				
2006	215,227	185,426	116%	80%	93%				
2007	234,201	198,816	118%	81%	95%				
2008	254,171	213,174	119%	82%	98%				
2009	275,189	228,568	120%	83%	100%				
2010	297,311	245,074	121%	84%	102%				
2011	320,594	262,772	122%	85%	104%				
2012	345,099	281,747	122%	86%	105%				
2013	370,891	302,094	123%	87%	107%				
2014	398,037	323,909	123%	88%	108%				
2015	426,609	347,300	123%	89%	109%				
2016	456,680	372,380	123%	90%	110%				
2017	488,330	399,271	122%	91%	111%				
2018	521,641	428,104	122%	92%	112%				
2019	556,702	459,019	121%	93%	113%				
2020	593,603	492,167	121%	94%	113%				
2021	632,442	527,709	120%	95%	114%				
2022	673,319	565,817	119%	96%	114%				
2023	716,343	606,677	118%	97%	115%				
2024	761,625	650,487	117%	98%	115%				
2025	809,284	700,291	116%	99%	114%				
2026	859,446	753,907	114%	100%	114%				
2027	912,241	811,628	112%	100%	112%				
2028	960,134	873,769	110%	100%	110%				
2029	951,127	881,253	108%	100%	108%				
2030	845,825	793,489	107%	100%	107%				
2031	700,015	664,025	105%	100%	105%				
2032	532,660	510,759	104%	100%	104%				
2033	341,615	330,855	103%	100%	103%				
2034	150,456	147,093	102%	100%	102%				
2035	0	(0)	100%	100%	100%				

Southern California Edison Company Palo Verde Unit 3 Funding Plan

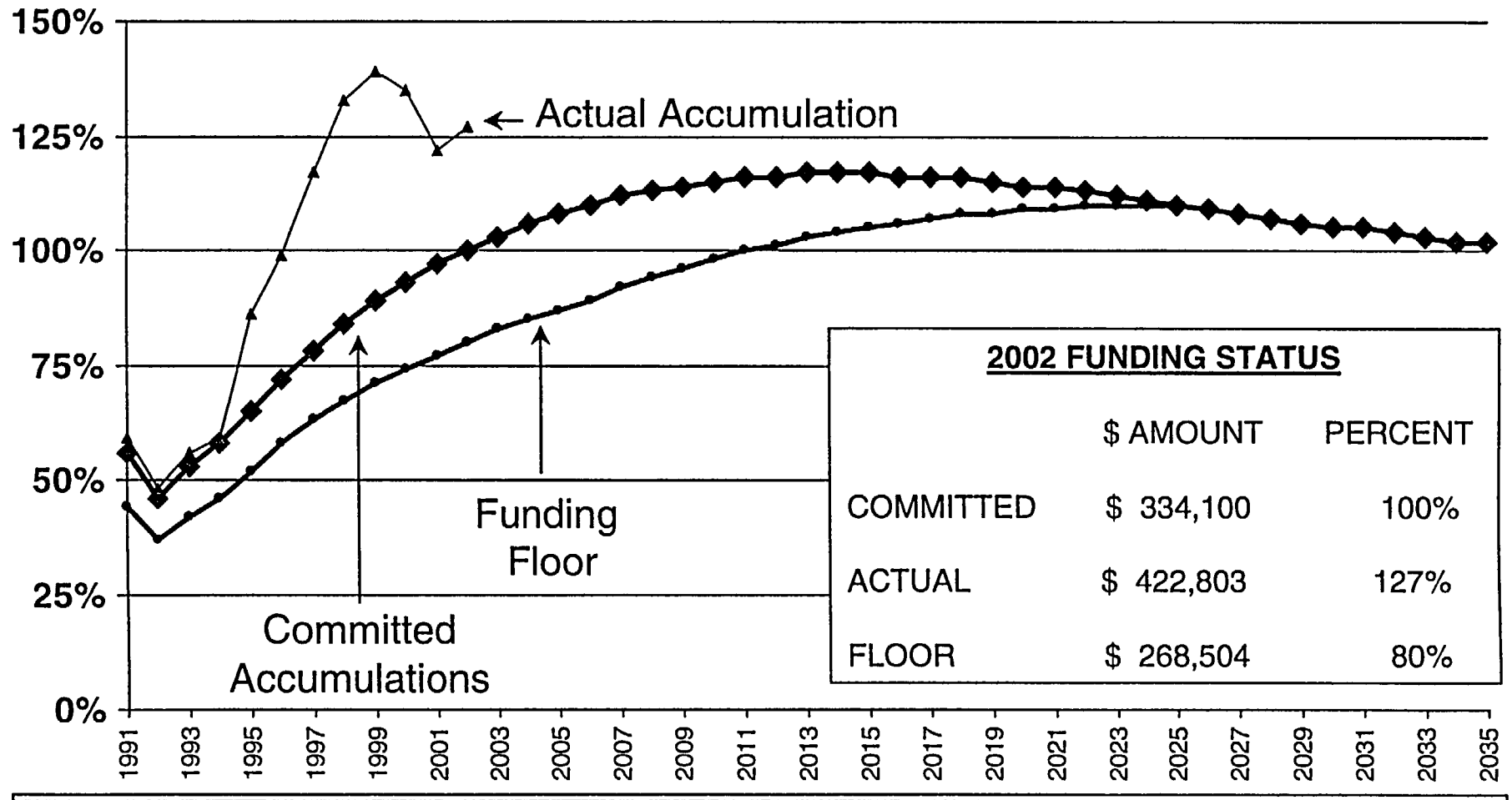


SOUTHERN CALIFORNIA EDISON COMPANY
2002 ANPP FUNDING PLAN—ALL UNITS
(\$ THOUSANDS)

YEAR	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FUNDING PLAN			FUNDING FLOOR CURVE			ACTUAL FUNDING		
	FUND \$	EST. COST	% FUNDED	CRITERIA	PERCENT	\$ AMOUNT	FUND \$	EST. COST	% FUNDED
1991	76,082	136,843	56%	80%	44%	60,866	80,674	136,843	59%
1992	98,049	212,047	46%	80%	37%	78,439	102,234	212,047	48%
1993	118,451	224,715	53%	80%	42%	94,761	126,875	224,715	56%
1994	139,923	240,942	58%	80%	46%	111,938	141,113	240,942	59%
1995	169,179	258,342	65%	80%	52%	120,045	197,024	228,518	86%
1996	199,972	276,998	72%	80%	58%	141,504	243,378	245,017	99%
1997	232,381	297,001	78%	80%	63%	159,726	306,343	262,707	117%
1998	266,493	318,449	84%	80%	67%	188,284	374,776	281,675	133%
1999	302,395	341,445	89%	80%	71%	214,173	419,061	300,804	139%
2000	340,182	366,102	93%	80%	74%	239,957	435,605	322,522	135%
2001	379,953	392,540	97%	80%	77%	268,347	423,138	345,808	122%
2002	421,811	420,887	100%	80%	80%	268,504	422,803	334,100	127%
2003	465,867	451,281	103%	80%	83%	0			
2004	512,236	483,870	106%	80%	85%	0			
2005	561,039	518,812	108%	80%	87%	0			
2006	612,405	556,278	110%	81%	89%	0			
2007	666,467	596,449	112%	82%	92%	0			
2008	723,368	639,521	113%	83%	94%	0			
2009	783,256	685,704	114%	84%	96%	0			
2010	846,288	735,221	115%	85%	98%	0			
2011	912,629	788,315	116%	86%	100%	0			
2012	982,453	845,242	116%	87%	101%	0			
2013	1,055,943	906,281	117%	88%	103%	0			
2014	1,133,290	971,727	117%	89%	104%	0			
2015	1,214,699	1,041,900	117%	90%	105%	0			
2016	1,300,382	1,117,140	116%	91%	106%	0			
2017	1,390,564	1,197,813	116%	92%	107%	0			
2018	1,485,478	1,284,312	116%	93%	108%	0			
2019	1,585,378	1,377,058	115%	94%	108%	0			
2020	1,690,521	1,476,501	114%	95%	109%	0			
2021	1,801,185	1,583,126	114%	96%	109%	0			
2022	1,917,658	1,697,450	113%	97%	110%	0			
2023	2,040,246	1,820,030	112%	98%	110%	0			
2024	2,169,270	1,951,462	111%	99%	110%	0			
2025	2,257,424	2,052,870	110%	100%	110%	0			
2026	2,244,391	2,063,070	109%	100%	109%	0			
2027	2,167,156	2,010,597	108%	100%	108%	0			
2028	1,962,316	1,838,717	107%	100%	107%	0			
2029	1,664,149	1,572,415	106%	100%	106%	0			
2030	1,280,103	1,217,033	105%	100%	105%	0			
2031	886,227	846,336	105%	100%	105%	0			
2032	595,600	572,698	104%	100%	104%	0			
2033	341,615	330,855	103%	100%	103%	0			
2034	150,456	147,093	102%	100%	102%	0			
2035	0	(0)	0%	100%	0%	0			

Southern California Edison Company

ANPP Funding Plan - All Units



Units 1, 2, & 3

PNM 2002 Annual Funding Status Report

Section 2.1.7 [Restated]

**Summary of Major Assumptions in
Developing Accumulation Curves**

Portfolio Yield	9.50%
Mortality	1983 Group Annuity Mortality
Policy Loan Interest Rate	8.50%
Inflation Rate	5.00%
Side Fund Interest Rate	5% After Tax

Section 2.1.8 [Restated]

Decommissioning Cost Assumptions Used in the Annual Funding Status Report

Cost Study	2001TLG
Water Reclamation Facility	Included
Water Treatment and Ponds	Included
Reservoir	Included
ISFSI	Included
Unit 2 Steam Generator Storage	Included

In addition:

After Tax Rate of Return Assumption	6.31%
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PUBLIC SERVICE COMPANY OF NEW MEXICO
PALO VERDE UNIT I
(5000)

Year	Funding Plan			Funding Floor Curve			Actual Funding		
	Fund \$	Est. Costs	% Funded	Criteria	Percent	\$ Amount	Fund \$	Est Cost	% Funded
1991	1,095	28,746	3.81%	80%	3.05%	876	1,096	28,746	3.81%
1992	3,450	45,099	7.65%	80%	6.12%	2,760	2,334	45,099	5.18%
1993	5,981	47,354	12.63%	80%	10.10%	4,785	3,691	47,354	7.79%
1994	6,807	49,722	13.69%	80%	10.95%	5,446	4,117	49,722	8.28%
1995	7,018	45,959	15.27%	80%	12.22%	5,614	4,235	45,959	9.21%
1996	8,107	48,257	16.80%	80%	13.44%	6,486	8,094	48,257	16.77%
1997	9,212	50,670	18.18%	80%	14.54%	7,369	9,999	50,670	19.73%
1998	11,170	56,873	19.64%	80%	15.71%	8,936	14,095	56,873	24.78%
1999	12,953	59,717	21.69%	80%	17.35%	10,362	16,354	59,717	27.39%
2000	15,193	62,703	24.23%	80%	19.38%	12,154	17,447	62,703	27.82%
2001	16,828	62,816	26.79%	80%	21.43%	13,463	17,673	62,816	28.13%
2002	19,371	65,956	29.37%	80%	23.50%	15,497	20,057	65,956	30.41%
2003	22,147	69,254	31.98%	80%	25.58%	17,718			
2004	25,153	72,717	34.59%	80%	27.67%	20,122			
2005	28,426	76,353	37.23%	80%	29.78%	22,741			
2006	31,980	80,170	39.89%	81%	32.31%	25,904			
2007	35,818	84,179	42.55%	82%	34.89%	29,371			
2008	39,960	88,388	45.21%	83%	37.52%	33,167			
2009	44,538	92,807	47.99%	84%	40.31%	37,412			
2010	49,396	97,448	50.69%	85%	43.09%	41,987			
2011	54,588	102,320	53.35%	86%	45.88%	46,945			
2012	60,390	107,436	56.21%	87%	48.90%	52,539			
2013	66,602	112,808	59.04%	88%	51.96%	58,609			
2014	73,260	118,448	61.85%	89%	55.05%	65,202			
2015	80,381	124,371	64.63%	90%	58.17%	72,343			
2016	87,991	130,589	67.38%	91%	61.32%	80,072			
2017	96,490	137,119	70.37%	92%	64.74%	88,771			
2018	105,562	143,974	73.32%	93%	68.19%	98,173			
2019	115,239	151,173	76.23%	94%	71.66%	108,325			
2020	125,557	158,732	79.10%	95%	75.15%	119,279			
2021	136,551	166,668	81.93%	96%	78.65%	131,089			
2022	148,524	175,002	84.87%	97%	82.32%	144,068			
2023	161,665	183,752	87.98%	98%	86.22%	158,432			
2024	176,057	192,897	91.27%	99%	90.36%	174,297			
2025	168,443	182,061	92.52%	100%	92.52%	168,443			
2026	152,831	163,003	93.76%	100%	93.76%	152,831			
2027	127,837	134,551	95.01%	100%	95.01%	127,837			
2028	100,556	104,462	96.26%	100%	96.26%	100,556			
2029	69,994	71,781	97.51%	100%	97.51%	69,994			
2030	35,125	35,570	98.75%	100%	98.75%	35,125			
2031	17,594	17,594	100.00%	100%	100.00%	17,594			
2032	13,665	13,665	100.00%	100%	100.00%	13,665			
2033	8,948	8,948	100.00%	100%	100.00%	8,948			
2034	855	855	100.00%	100%	100.00%	855			
2035	-8,395	-8,395	100.00%	100%	100.00%	-8,395			
2036	-9,843	-9,843	100.00%	100%	100.00%	-9,843			
2037	-3,166	-3,166	100.00%	100%	100.00%	-3,166			

**Public Service Company Of New Mexico
Palo Verde Unit 1**

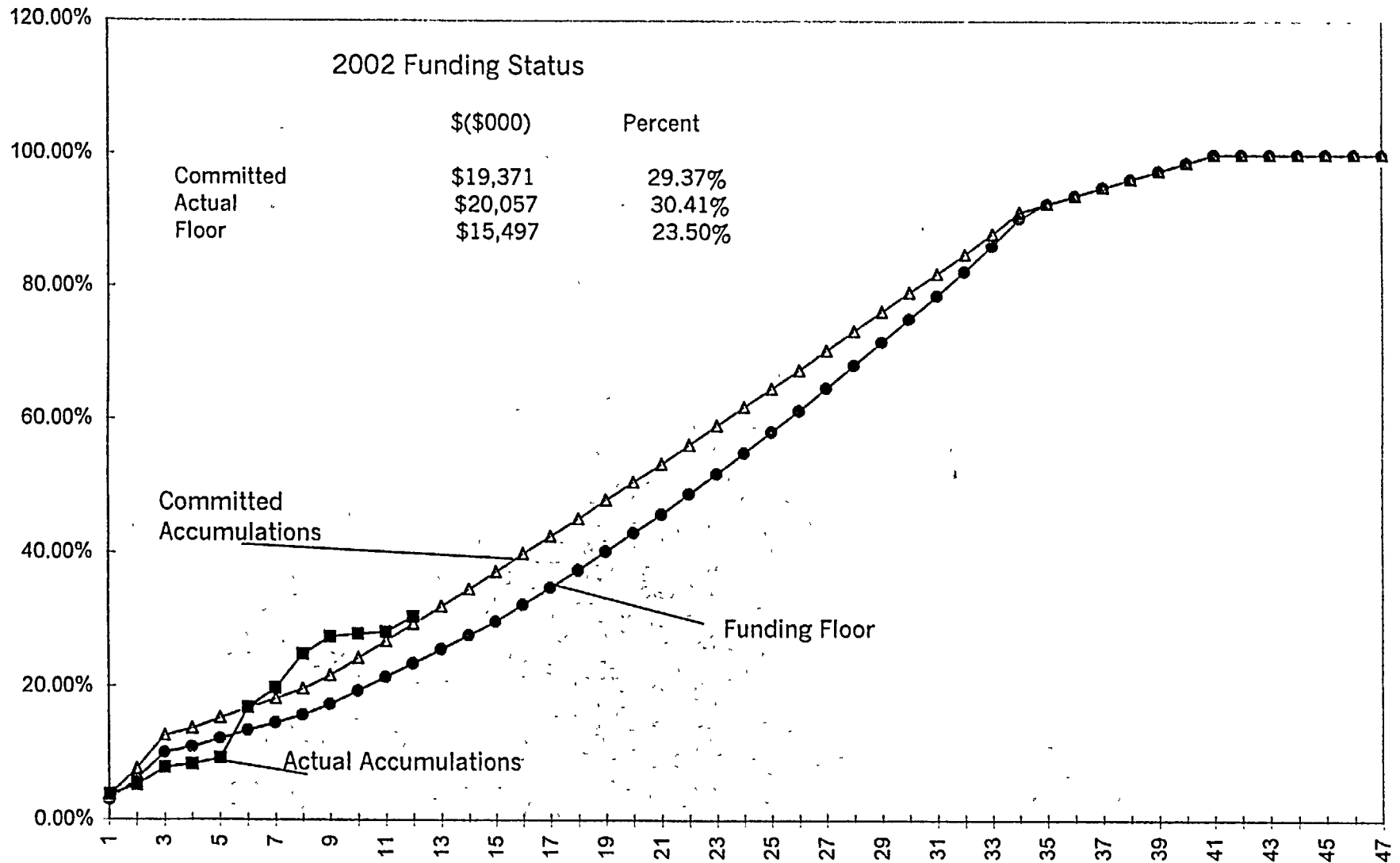


Exhibit 3.4

PUBLIC SERVICE COMPANY OF NEW MEXICO
PALO VERDE UNIT 2
(\$000)

Year	Funding Plan			Funding Floor Curve			Actual Funding		
	Fund \$	Est Costs	% Funded	Criteria	Percent	\$ Amount	Fund \$	Est Cost	% Funded
1991	1,096	28,499	3.85%	80%	3.08%	877	1,096	28,499	3.85%
1992	3,426	44,375	7.72%	80%	6.18%	2,741	2,334	44,375	5.26%
1993	5,936	46,594	12.74%	80%	10.19%	4,749	3,691	46,594	7.92%
1994	6,756	48,923	13.81%	80%	11.05%	5,405	4,117	48,923	8.42%
1995	7,346	47,703	15.40%	80%	12.32%	5,877	4,235	47,703	8.88%
1996	8,485	50,088	16.94%	80%	13.55%	6,788	8,479	50,088	16.93%
1997	9,645	52,593	18.34%	80%	14.67%	7,716	10,368	52,593	19.71%
1998	11,860	59,869	19.81%	80%	15.85%	9,488	14,528	59,869	24.27%
1999	13,754	62,862	21.88%	80%	17.50%	11,003	16,931	62,862	26.93%
2000	16,132	66,005	24.44%	80%	19.55%	12,905	18,040	66,005	27.33%
2001	18,557	68,678	27.02%	80%	21.62%	14,845	18,765	68,678	27.32%
2002	21,359	72,112	29.62%	80%	23.70%	17,088	21,329	72,112	29.58%
2003	24,419	75,717	32.25%	80%	25.80%	19,535			
2004	27,739	79,503	34.89%	80%	27.91%	22,191			
2005	31,346	83,478	37.55%	80%	30.04%	25,077			
2006	35,271	87,652	40.24%	81%	32.59%	28,570			
2007	39,501	92,035	42.92%	82%	35.19%	32,391			
2008	44,066	96,637	45.60%	83%	37.85%	36,575			
2009	49,111	101,468	48.40%	84%	40.66%	41,253			
2010	54,475	106,542	51.13%	85%	43.46%	46,304			
2011	60,197	111,869	53.81%	86%	46.28%	51,769			
2012	66,589	117,462	56.69%	87%	49.32%	57,933			
2013	73,446	123,336	59.55%	88%	52.40%	64,633			
2014	80,784	129,502	62.38%	89%	55.52%	71,897			
2015	88,644	135,977	65.19%	90%	58.67%	79,779			
2016	97,045	142,776	67.97%	91%	61.85%	88,311			
2017	106,410	149,915	70.98%	92%	65.30%	97,897			
2018	116,421	157,411	73.96%	93%	68.78%	108,272			
2019	127,085	165,281	76.89%	94%	72.28%	119,460			
2020	138,455	173,545	79.78%	95%	75.79%	131,532			
2021	150,589	182,223	82.64%	96%	79.33%	144,565			
2022	163,782	191,334	85.60%	97%	83.03%	158,868			
2023	177,616	200,901	88.41%	98%	86.64%	174,064			
2024	192,024	210,946	91.03%	99%	90.12%	190,104			
2025	197,852	215,525	91.80%	100%	91.80%	197,852			
2026	179,170	193,029	92.82%	100%	92.82%	179,170			
2027	158,101	168,461	93.85%	100%	93.85%	158,101			
2028	133,761	140,994	94.87%	100%	94.87%	133,761			
2029	106,161	110,700	95.90%	100%	95.90%	106,161			
2030	74,650	77,023	96.92%	100%	96.92%	74,650			
2031	44,441	45,371	97.95%	100%	97.95%	44,441			
2032	27,905	28,195	98.97%	100%	98.97%	27,905			
2033	22,830	22,830	100.00%	100%	100.00%	22,830			
2034	13,988	13,988	100.00%	100%	100.00%	13,988			
2035	4,804	4,804	100.00%	100%	100.00%	4,804			
2036	4,017	4,017	100.00%	100%	100.00%	4,017			
2037	11,386	11,386	100.00%	100%	100.00%	11,386			

Public Service Company of New Mexico
Palo Verde Unit 2

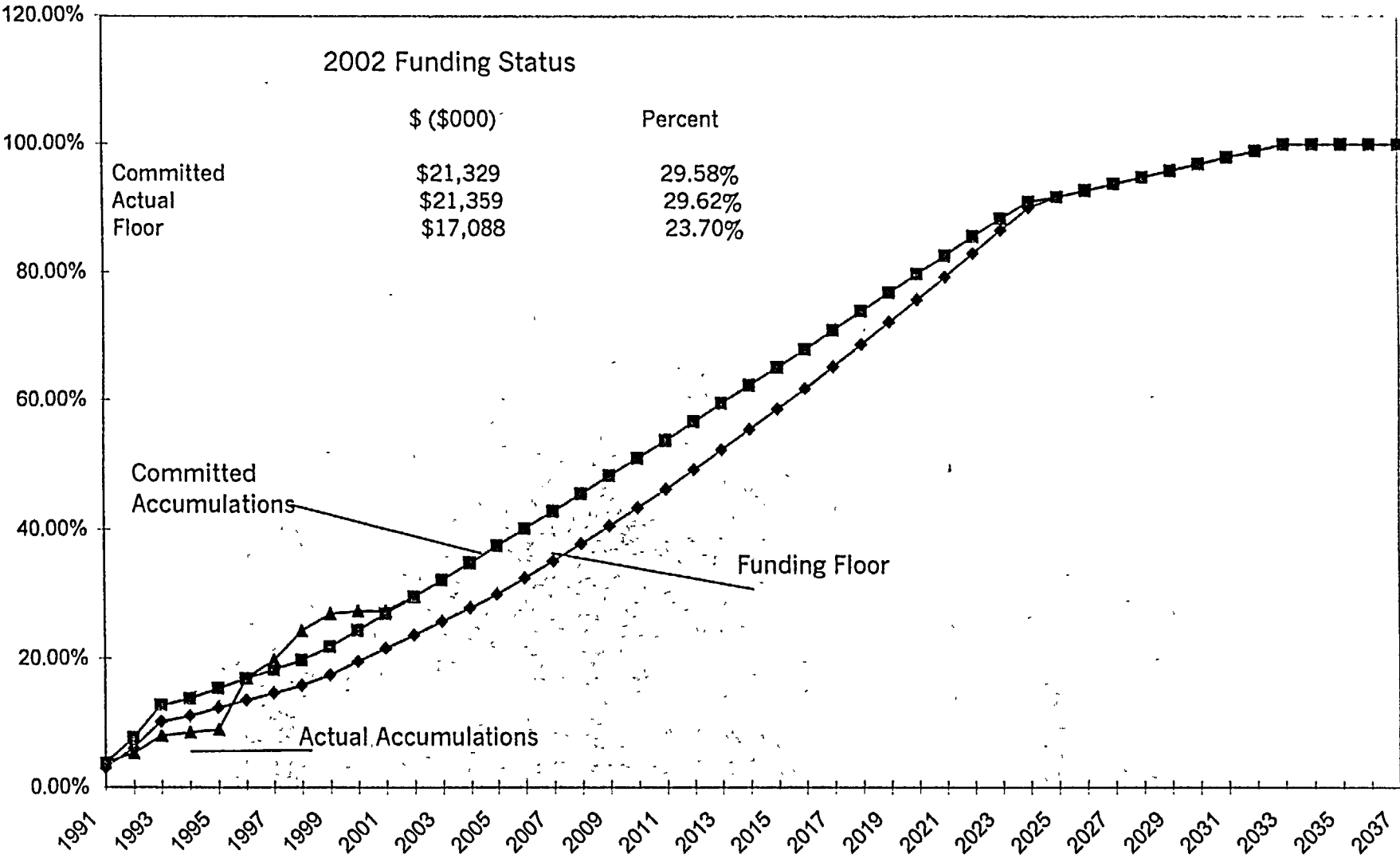


Exhibit 3.4

PUBLIC SERVICE COMPANY OF NEW MEXICO
PALO VERDE UNIT 3
(\$000)

Year	Funding Plan			Funding Floor Curve			Actual Funding		
	Fund \$	Est. Costs	% Funded	Criteria	Percent	\$ Amount	Fund \$	Est. Cost	% Funded
1991	1,097	30,306	3.62%	80%	2.90%	878	1,097	30,306	3.62%
1992	3,403	46,867	7.62%	80%	6.10%	2,722	2,335	46,867	4.98%
1993	5,895	49,211	11.98%	80%	9.58%	4,716	3,692	49,211	7.50%
1994	6,712	51,671	12.99%	80%	10.39%	5,370	4,117	51,671	7.97%
1995	7,799	53,863	14.48%	80%	11.58%	6,239	4,235	53,863	7.86%
1996	9,009	56,556	15.93%	80%	12.74%	7,208	9,007	56,556	15.93%
1997	10,238	59,384	17.24%	80%	13.79%	8,190	10,228	59,384	17.22%
1998	11,992	64,372	18.63%	80%	14.90%	9,594	11,689	64,372	18.16%
1999	13,903	67,590	20.57%	80%	16.46%	11,123	16,377	67,590	24.23%
2000	16,309	70,970	22.98%	80%	18.38%	13,047	18,332	70,970	25.83%
2001	17,703	69,668	25.41%	80%	20.33%	14,162	18,985	69,668	27.25%
2002	20,380	73,151	27.86%	80%	22.29%	16,304	20,579	73,151	28.13%
2003	23,296	76,808	30.33%	80%	24.26%	18,637			
2004	26,461	80,649	32.81%	80%	26.25%	21,169			
2005	29,909	84,681	35.32%	80%	28.26%	23,928			
2006	33,646	88,915	37.84%	81%	30.65%	27,253			
2007	37,681	93,361	40.36%	82%	33.10%	30,898			
2008	42,035	98,029	42.88%	83%	35.59%	34,889			
2009	46,854	102,931	45.52%	84%	38.24%	39,357			
2010	51,964	108,077	48.08%	85%	40.87%	44,169			
2011	57,421	113,481	50.60%	86%	43.52%	49,382			
2012	63,522	119,155	53.31%	87%	46.38%	55,264			
2013	70,063	125,113	56.00%	88%	49.28%	61,656			
2014	77,061	131,369	58.66%	89%	52.21%	68,584			
2015	84,555	137,937	61.30%	90%	55.17%	76,100			
2016	92,563	144,834	63.91%	91%	58.16%	84,233			
2017	101,510	152,075	66.75%	92%	61.41%	93,390			
2018	111,057	159,679	69.55%	93%	64.68%	103,283			
2019	121,237	167,663	72.31%	94%	67.97%	113,963			
2020	132,088	176,046	75.03%	95%	71.28%	125,483			
2021	143,646	184,849	77.71%	96%	74.60%	137,900			
2022	156,243	194,091	80.50%	97%	78.09%	151,556			
2023	169,415	203,796	83.13%	98%	81.47%	166,027			
2024	183,193	213,985	85.61%	99%	84.75%	181,361			
2025	190,182	220,450	86.27%	100%	86.27%	190,182			
2026	198,965	227,026	87.64%	100%	87.64%	198,965			
2027	186,419	209,415	89.01%	100%	89.01%	186,419			
2028	166,187	183,855	90.39%	100%	90.39%	166,187			
2029	143,167	156,023	91.76%	100%	91.76%	143,167			
2030	116,397	124,984	93.13%	100%	93.13%	116,397			
2031	90,377	95,627	94.51%	100%	94.51%	90,377			
2032	60,329	62,922	95.88%	100%	95.88%	60,329			
2033	25,862	26,594	97.25%	100%	97.25%	25,862			
2034	559	567	98.63%	100%	98.63%	559			
2035	-18,003	-18,003	100.00%	100%	100.00%	-18,003			
2036	-19,930	-19,930	100.00%	100%	100.00%	-19,930			
2037	-13,758	-13,758	100.00%	100%	100.00%	-13,758			

Public Service Company of New Mexico Palo Verde Unit 3

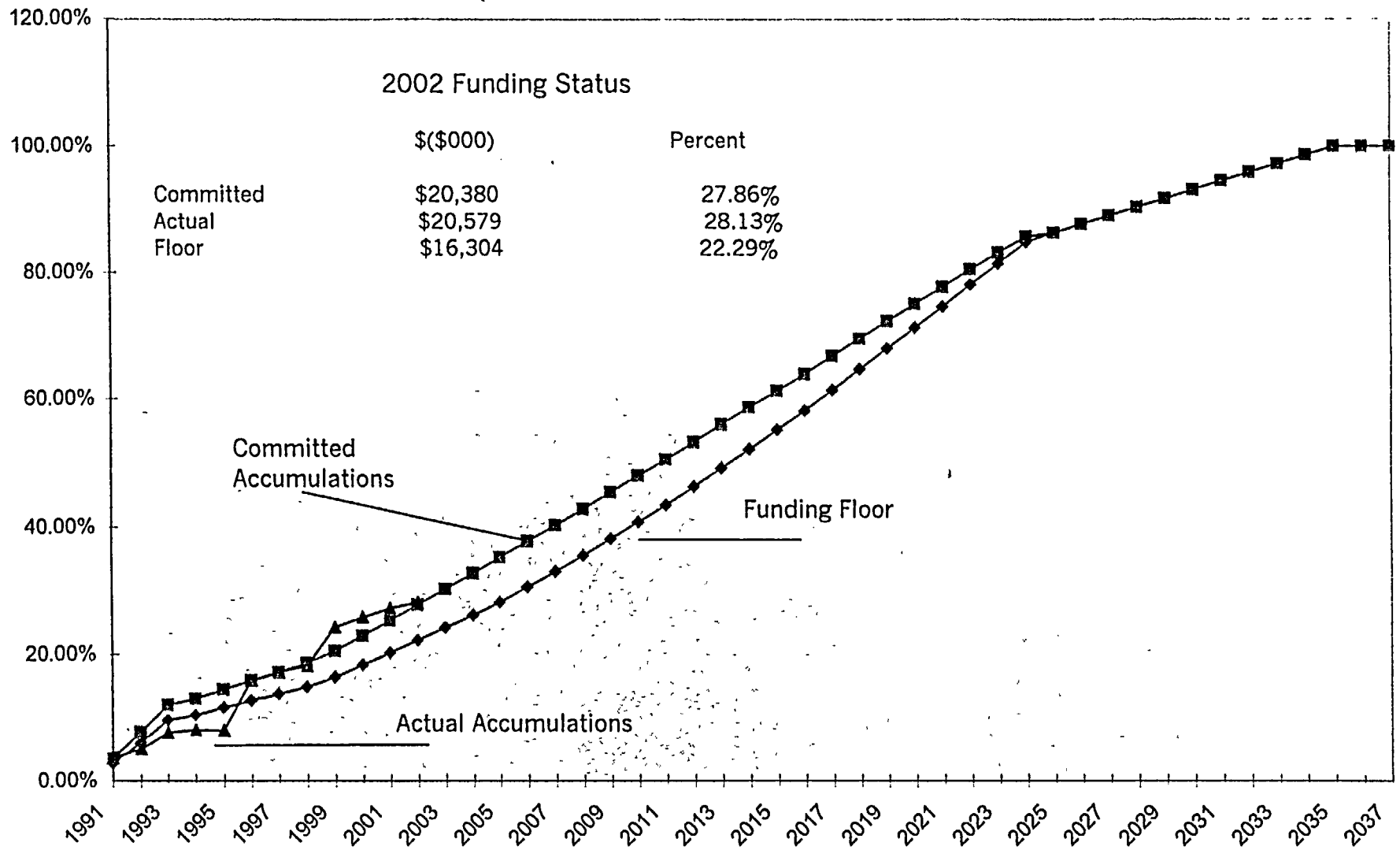


Exhibit 3.4

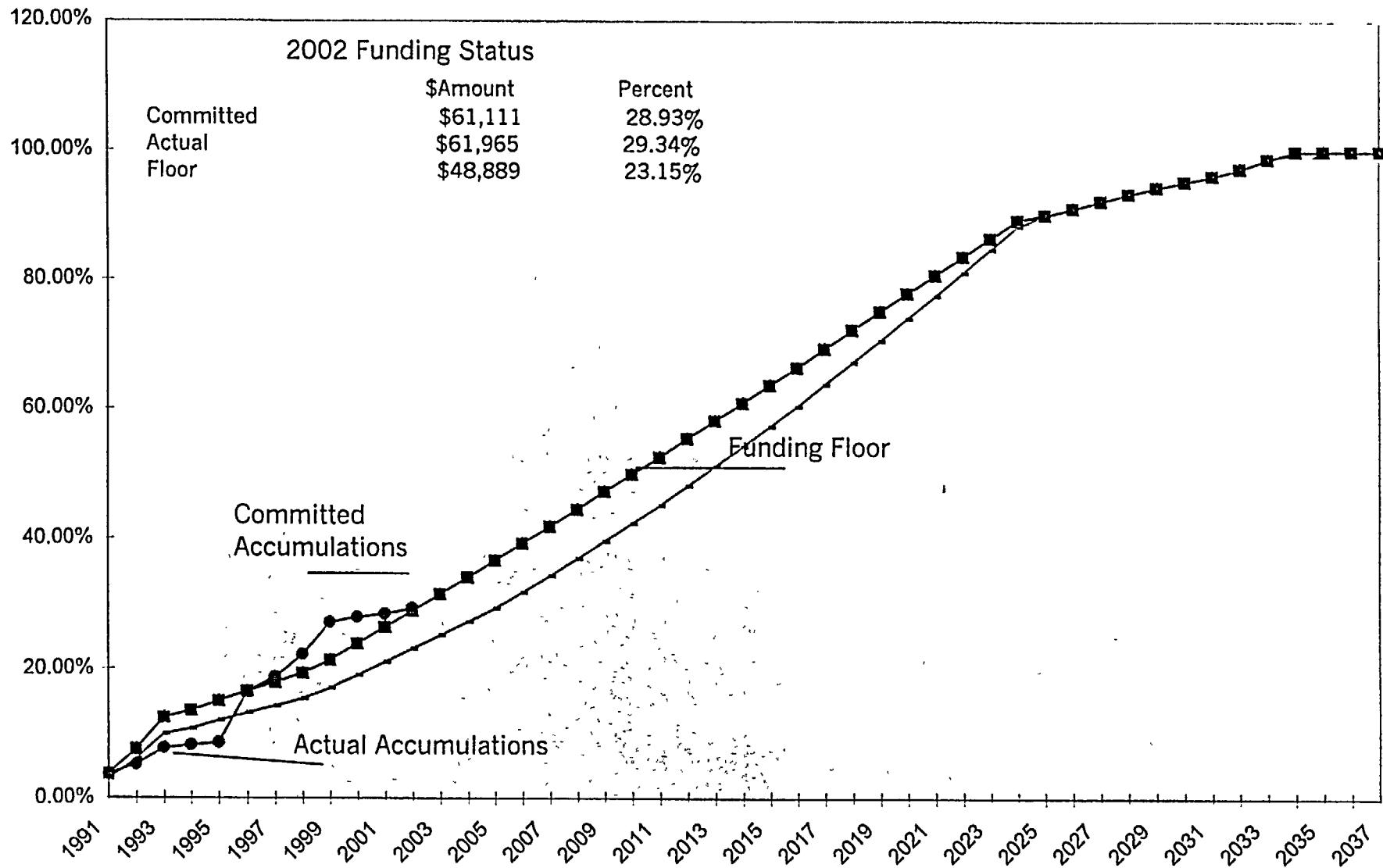
PUBLIC SERVICE COMPANY OF NEW MEXICO
PALO VERDE UNITS 1, 2, 3
(\$Thousands)

001 TLG Cost study

Funding Plan				Funding Floor Curve			Actual Funding		
Year	Fund \$	Est. Costs	% Funded	Criteria	Percent	\$ Amount	Fund \$	Est. Cost	% Funded
1991	3,288	87,551	3.76%	80%	3.00%	2,630	3,289	87,551	3.76%
1992	10,279	136,341	7.54%	80%	6.03%	8,223	7,003	136,341	5.14%
1993	17,812	143,159	12.44%	80%	9.95%	14,250	11,074	143,159	7.74%
1994	20,275	150,316	13.49%	80%	10.79%	16,220	12,351	150,316	8.22%
1995	22,164	147,525	15.02%	80%	12.02%	17,731	12,705	147,525	8.61%
1996	25,601	154,901	16.53%	80%	13.22%	20,481	25,581	154,901	16.51%
1997	29,095	162,646	17.89%	80%	14.31%	23,276	30,594	162,646	18.81%
1998	35,022	181,114	19.34%	80%	15.47%	28,018	40,312	181,114	22.26%
1999	40,610	190,169	21.35%	80%	17.08%	32,488	51,773	190,169	27.22%
2000	47,633	199,678	23.86%	80%	19.08%	38,107	55,901	199,678	28.00%
2001	53,088	201,161	26.39%	80%	21.11%	42,470	57,284	201,161	28.48%
2002	61,111	211,219	28.93%	80%	23.15%	48,889	61,965	211,219	29.34%
2003	69,862	221,780	31.50%	80%	25.20%	55,890			
2004	79,352	232,869	34.08%	80%	27.26%	63,482			
2005	89,682	244,512	36.68%	80%	29.34%	71,745			
2006	100,897	256,738	39.30%	81%	31.83%	81,726			
2007	113,000	269,575	41.92%	82%	34.37%	92,660			
2008	126,061	283,054	44.54%	83%	36.97%	104,631			
2009	140,503	297,206	47.27%	84%	39.71%	118,022			
2010	155,835	312,067	49.94%	85%	42.45%	132,459			
2011	172,206	327,670	52.55%	86%	45.20%	148,097			
2012	190,501	344,053	55.37%	87%	48.17%	165,736			
2013	210,111	361,256	58.16%	88%	51.18%	184,898			
2014	231,104	379,319	60.93%	89%	54.22%	205,683			
2015	253,580	398,285	63.67%	90%	57.30%	228,222			
2016	277,599	418,199	66.38%	91%	60.41%	252,615			
2017	304,410	439,109	69.32%	92%	63.78%	280,058			
2018	333,040	461,065	72.23%	93%	67.18%	309,727			
2019	363,561	484,118	75.10%	94%	70.59%	341,748			
2020	396,099	508,324	77.92%	95%	74.03%	376,294			
2021	430,786	533,740	80.71%	96%	77.48%	413,555			
2022	468,549	560,427	83.61%	97%	81.10%	454,493			
2023	508,696	588,448	86.45%	98%	84.72%	498,523			

2024	551,274	617,828	89.23%	99%	88.34%	545,761
2025	556,477	618,036	90.04%	100%	90.04%	556,477
2026	530,966	583,058	91.07%	100%	91.07%	530,966
2027	472,356	512,448	92.18%	100%	92.18%	472,356
2028	400,504	429,312	93.29%	100%	93.29%	400,504
2029	319,321	338,503	94.33%	100%	94.33%	319,321
2030	226,173	237,576	95.20%	100%	95.20%	226,173
2031	152,412	158,592	96.10%	100%	96.10%	152,412
2032	101,899	104,782	97.25%	100%	97.25%	101,899
2033	57,640	58,372	98.75%	100%	98.75%	57,640
2034	15,403	15,411	99.95%	100%	99.95%	15,403
2035	-21,594	-21,594	100.00%	100%	100.00%	(21,594)
2036	-25,756	-25,756	100.00%	100%	100.00%	(25,756)
2037	-5,539	-5,539	100.00%	100%	100.00%	(5,539)

**Public Service Company of New Mexico
Palo Verde Units 1, 2, and 3**



Units 1, 2, & 3

SCPPA 2002 Annual Funding Status Report

Section 2.1.7 [Restated]

Summary of Major Assumptions

Escalation Factor	6.00%
Rate of Return	6.83%
Participation Ratio	5.91%
Funding Period	35 years for each unit
Funding Level	Includes Independent Spent Fuel Storage Installation and Non-Nuclear Demolition Costs.

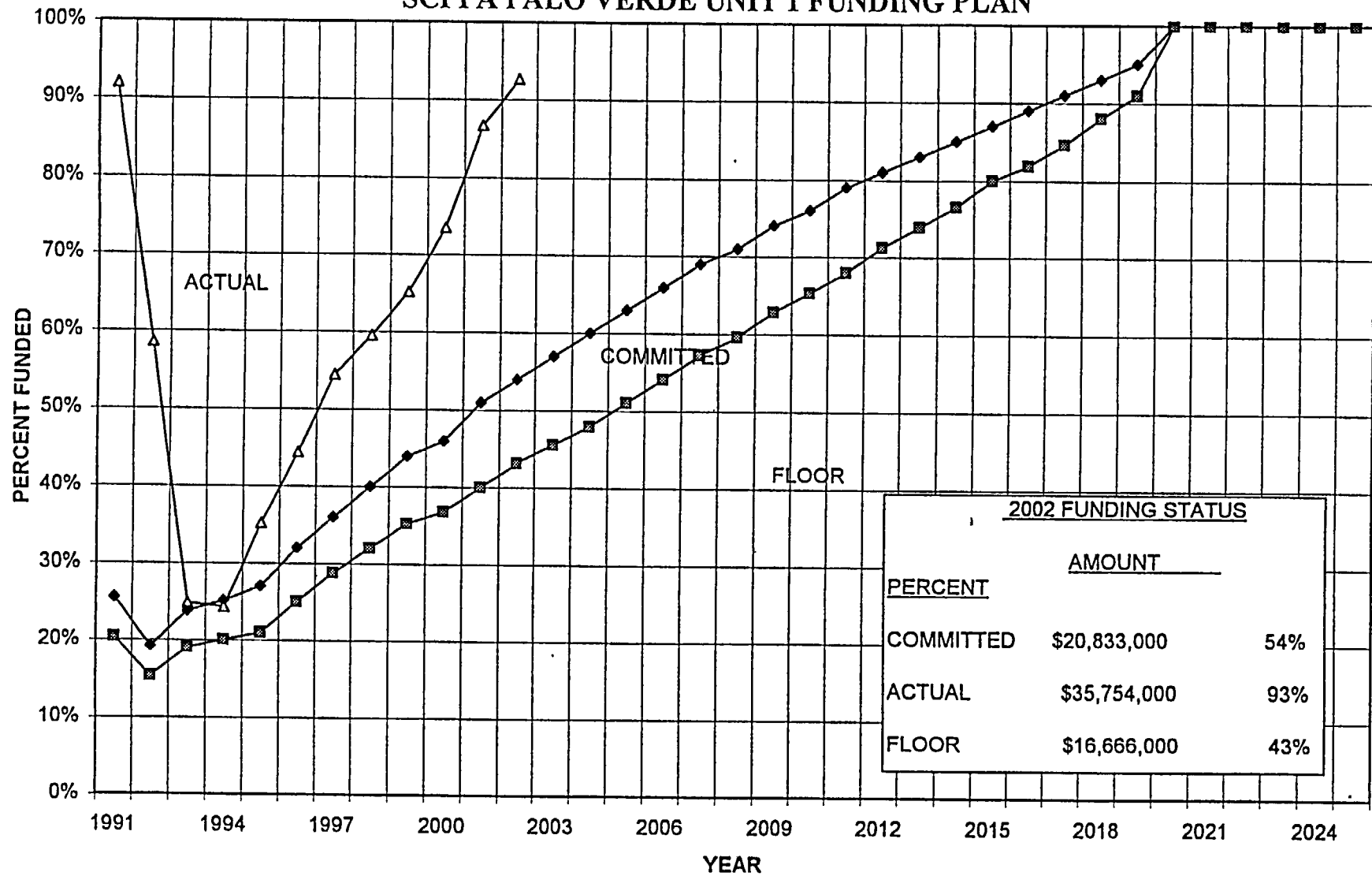
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
Palo Verde Project - Termination Cost Funding

UNIT 1				UNIT 2				UNIT 3				GRAND TOTAL		
PERIOD	CONTRIBUTION	INTEREST	BALANCE	PERIOD	CONTRIBUTION	INTEREST	BALANCE	PERIOD	CONTRIBUTION	INTEREST	BALANCE	CONTRIBUTION	INTEREST	TOTAL
DEC 31, 1990	10		\$14,237,604	8			\$14,387,900	6			\$15,396,791			\$44,022,295
JUN 30, 1991	11	\$0	\$625,326	9	\$0	\$1,117,240	15,505,140	7	\$0	\$1,440,621	16,837,412	\$0	\$3,183,187	47,205,482
DEC 31, 1991	12	0	363,880	10	0	443,094	15,948,234	8	0	385,474	17,222,886	0	1,192,448	48,397,930
JUN 30, 1992	13	0	-29,039	11	0	147,301	16,095,535	9	0	297,481	17,520,367	0	415,743	48,813,673
DEC 31, 1992	14	0	563,854	12	0	623,452	16,718,987	10	0	933,298	18,453,665	0	2,120,604	50,934,277
JUN 30, 1993	15	0	791,974	13	0	711,934	17,430,921	11	0	1,081,178	19,534,843	0	2,585,086	53,519,363
DEC 31, 1993	16	0	264,949	14	0	593,006	7,962,403	12	0	168,679	7,830,305	0	1,026,634	22,896,055
JUN 30, 1994	17	0	229,682	15	0	-345,413	7,616,990	13	0	-153,556	7,676,749	0	-269,287	22,626,768
DEC 31, 1994	18	0	16,871	16	0	9,010	7,626,000	14	0	-12,449	7,664,300	0	13,432	22,640,200
JUN 30, 1995	19	0	486,265	17	0	609,810	8,235,810	15	0	578,102	8,242,402	0	1,674,177	24,314,377
DEC 31, 1995	20	1,240,620	302,795	18	1,280,640	233,314	9,749,764	16	1,480,740	261,846	9,984,988	4,002,000	797,955	29,114,332
JUN 30, 1996	21	1,240,620	244,149	19	1,280,640	132,669	11,163,073	17	1,480,740	-19,451	11,446,277	4,002,000	357,367	33,473,699
DEC 31, 1996	22	1,239,380	440,971	20	1,279,360	453,967	12,896,400	18	1,479,260	411,663	13,337,200	3,998,000	1,306,601	38,778,300
JUN 30, 1997	23	1,240,620	670,975	21	1,276,640	686,710	14,859,750	19	1,480,740	682,114	15,500,054	3,998,000	2,039,799	44,816,099
DEC 31, 1997	24	1,654,160	206,445	22	1,703,520	191,930	16,755,200	20	1,974,320	142,126	17,616,500	5,332,000	540,501	50,688,600
JUN 30, 1998	25	827,080	587,713	23	853,760	540,181	18,149,141	21	987,160	726,204	19,329,864	2,668,000	1,854,098	55,210,698
DEC 31, 1998	26	1,240,620	657,875	24	1,276,640	594,163	20,019,944	22	1,480,740	593,888	21,404,492	3,998,000	1,845,926	61,054,624
JUN 30, 1999	27	1,239,380	216,183	25	1,283,360	390,702	21,694,006	23	1,479,260	366,650	23,250,402	4,002,000	973,535	66,030,159
DEC 31, 1999	28	1,239,380	475,616	26	1,319,340	264,784	23,278,130	24	1,439,280	471,854	25,161,536	3,998,000	1,212,254	71,240,413
JUN 30, 2000	29	1,241,860	663,212	27	1,321,980	689,334	25,289,444	25	1,442,160	731,960	27,335,656	4,006,000	2,084,506	77,330,919
DEC 31, 2000	30	1,240,620	1,274,719	28	1,320,660	1,173,453	27,783,557	26	1,440,720	1,340,511	30,116,887	4,002,000	3,788,683	85,121,602
JUN 30, 2001	31	1,240,620	693,350	29	1,320,660	872,649	29,976,866	27	1,440,720	800,274	32,357,881	4,002,000	2,366,273	91,489,875
DEC 31, 2001	32	1,240,620	1,156,378	30	1,320,660	1,103,203	32,400,729	28	1,440,720	1,419,469	35,218,070	4,002,000	3,679,051	99,170,925
JUN 30, 2002	33	1,240,620	713,427	31	1,320,660	580,967	34,302,356	29	1,440,720	821,429	37,480,219	4,002,000	2,115,822	105,288,748
DEC 31, 2002	34	1,240,620	1,006,809	32	1,320,660	892,072	36,515,088	30	1,440,720	1,110,978	40,031,917	4,002,000	3,009,859	112,300,607
JUN 30, 2003	35	-140,170	1,220,986	33	-42,188	1,246,990	37,719,891	31	-194,747	1,367,090	41,204,259	-377,105	3,835,066	115,758,567
DEC 31, 2003	36	-140,170	1,257,895	34	-42,188	1,288,134	38,965,837	32	-194,747	1,407,125	42,416,637	-377,105	3,953,155	119,334,616
JUN 30, 2004	37	-140,170	1,296,066	35	-42,188	1,330,683	40,254,333	33	-194,747	1,448,528	43,670,418	-377,105	4,075,277	123,032,788
DEC 31, 2004	38	-140,170	1,335,539	36	-42,188	1,374,685	41,586,831	34	-194,747	1,491,345	44,967,015	-377,105	4,201,570	126,857,253
JUN 30, 2005	39	-140,170	1,376,361	37	-42,188	1,420,190	42,964,834	35	-194,747	1,535,624	46,307,891	-377,105	4,332,175	130,812,322
DEC 31, 2005	40	-140,170	1,418,577	38	-42,188	1,467,249	44,389,895	36	-194,747	1,581,414	47,694,558	-377,105	4,467,241	134,902,458
JUN 30, 2006	41	-140,170	1,462,235	39	-42,188	1,515,915	45,863,622	37	-194,747	1,628,769	49,128,580	-377,105	4,606,919	139,132,271
DEC 31, 2006	42	-140,170	1,507,383	40	-42,188	1,566,243	47,387,678	38	-194,747	1,677,741	50,611,574	-377,105	4,751,367	143,506,533
JUN 30, 2007	43	-140,170	1,554,074	41	-42,188	1,618,289	48,963,779	39	-194,747	1,728,385	52,145,212	-377,105	4,900,748	148,030,176
DEC 31, 2007	44	-140,170	1,602,358	42	-42,188	1,672,113	50,593,705	40	-194,747	1,780,759	53,731,223	-377,105	5,055,230	152,708,301
JUN 30, 2008	45	-140,170	1,652,292	43	-42,188	1,727,775	52,279,292	41	-194,747	1,834,921	55,371,397	-377,105	5,214,988	157,546,184
DEC 31, 2008	46	-140,170	1,703,931	44	-42,188	1,785,338	54,022,442	42	-194,747	1,890,933	57,067,583	-377,105	5,380,202	162,549,280
JUN 30, 2009	47	-140,170	1,757,334	45	-42,188	1,844,866	55,825,121	43	-194,747	1,948,858	58,821,693	-377,105	5,551,058	167,723,233
DEC 31, 2009	48	-140,170	1,812,560	46	-42,188	1,906,428	57,689,361	44	-194,747	2,008,761	60,635,707	-377,105	5,727,748	173,073,876

Palo Verde Project - Termination Cost Funding

UNIT 1					UNIT2					UNIT 3					GRAND TOTAL					
		PERIOD	CONTRIBUTION	INTEREST	BALANCE			PERIOD	CONTRIBUTION	INTEREST	BALANCE			PERIOD	CONTRIBUTION	INTEREST	BALANCE	CONTRIBUTION	INTEREST	TOTAL
JUN 30,	2010	49	-140,170	1,869,672	56,478,309	47	-42,188	1,970,092	59,617,265	45	-194,747	2,070,709	62,511,669	-377,105	5,910,473					178,607,243
DEC 31,	2010	50	-140,170	1,928,734	58,266,873	48	-42,188	2,035,930	61,611,008	46	-194,747	2,134,773	64,451,695	-377,105	6,099,437					184,329,575
JUN 30,	2011	51	-140,170	1,989,814	60,116,517	49	-42,188	2,104,016	63,672,836	47	-194,747	2,201,025	66,457,973	-377,105	6,294,855					190,247,325
DEC 31,	2011	52	-140,170	2,052,979	62,029,325	50	-42,188	2,174,427	65,805,076	48	-194,747	2,269,540	68,532,765	-377,105	6,496,946					196,367,166
JUN 30,	2012	53	-140,170	2,118,301	64,007,456	51	-42,188	2,247,243	68,010,131	49	-194,747	2,340,394	70,678,411	-377,105	6,705,939					202,695,999
DEC 31,	2012	54	-140,170	2,185,855	66,053,141	52	-42,188	2,322,546	70,290,490	50	-194,747	2,413,668	72,897,332	-377,105	6,922,068					209,240,962
JUN 30,	2013	55	-140,170	2,255,715	68,168,685	53	-42,188	2,400,420	72,648,722	51	-194,747	2,489,444	75,192,028	-377,105	7,145,579					216,009,435
DEC 31,	2013	56	-140,170	2,327,961	70,356,475	54	-42,188	2,480,954	75,087,489	52	-194,747	2,567,808	77,565,088	-377,105	7,376,722					223,009,052
JUN 30,	2014	57	-140,170	2,402,674	72,618,978	55	-42,188	2,564,238	77,609,539	53	-194,747	2,648,848	80,019,189	-377,105	7,615,759					230,247,706
DEC 31,	2014	58	-140,170	2,479,938	74,958,746	56	-42,188	2,650,366	80,217,717	54	-194,747	2,732,655	82,557,097	-377,105	7,862,959					237,733,560
JUN 30,	2015	59	-140,170	2,559,841	77,378,417	57	-42,188	2,739,435	82,914,964	55	-194,747	2,819,325	85,181,674	-377,105	8,118,601					245,475,055
DEC 31,	2015	60	-140,170	2,642,473	79,880,719	58	-42,188	2,831,546	85,704,323	56	-194,747	2,908,954	87,895,881	-377,105	8,382,973					253,480,923
JUN 30,	2016	61	-140,170	2,727,927	82,468,476	59	-42,188	2,926,803	88,588,938	57	-194,747	3,001,644	90,702,778	-377,105	8,656,374					261,760,191
DEC 31,	2016	62	-140,170	2,816,298	85,144,604	60	-42,188	3,025,312	91,572,062	58	-194,747	3,097,500	93,605,530	-377,105	8,939,111					270,322,196
JUN 30,	2017	63	-140,170	2,907,688	87,912,122	61	-42,188	3,127,186	94,657,061	59	-194,747	3,196,629	96,607,412	-377,105	9,231,503					279,176,594
DEC 31,	2017	64	-140,170	3,002,199	90,774,150	62	-42,188	3,232,539	97,847,412	60	-194,747	3,299,143	99,711,807	-377,105	9,533,881					288,333,369
JUN 30,	2018	65	-140,170	3,099,937	93,733,917	63	-42,188	3,341,489	101,146,713	61	-194,747	3,405,158	102,922,218	-377,105	9,846,585					297,802,848
DEC 31,	2018	66	-140,170	3,201,013	96,794,760	64	-42,188	3,454,160	104,558,686	62	-194,747	3,514,794	106,242,264	-377,105	10,169,967					307,595,710
JUN 30,	2019	67	-140,170	3,305,541	99,960,131	65	-42,188	3,570,679	108,087,177	63	-194,747	3,628,173	109,675,690	-377,105	10,504,394					317,722,998
DEC 31,	2019	68	-140,170	3,413,638	103,233,599	66	-42,188	3,691,177	111,736,167	64	-194,747	3,745,425	113,226,368	-377,105	10,850,240					328,196,133
JUN 30,	2020	69	-140,170	3,525,427	106,618,856	67	-42,188	3,815,790	115,509,770	65	-194,747	3,866,680	116,898,301	-377,105	11,207,898					339,026,926
DEC 31,	2020	70	-140,170	3,641,034	110,119,719	68	-42,188	3,944,659	119,412,241	66	-194,747	3,992,077	120,695,630	-377,105	11,577,770					350,227,590
JUN 30,	2021					69	-42,188	4,077,928	123,447,981	67	-194,747	4,121,756	124,622,639	-236,935	8,199,684					248,070,619
DEC 31,	2021					70	-42,188	4,215,749	127,621,542	68	-194,747	4,255,863	128,683,754	-236,935	8,471,612					256,305,296
JUN 30,	2022									69	-194,747	4,394,550	132,883,557	-194,747	4,394,550					132,883,557
DEC 31,	2022									70	-194,747	4,537,973	137,226,783	-194,747	4,537,973					137,226,783

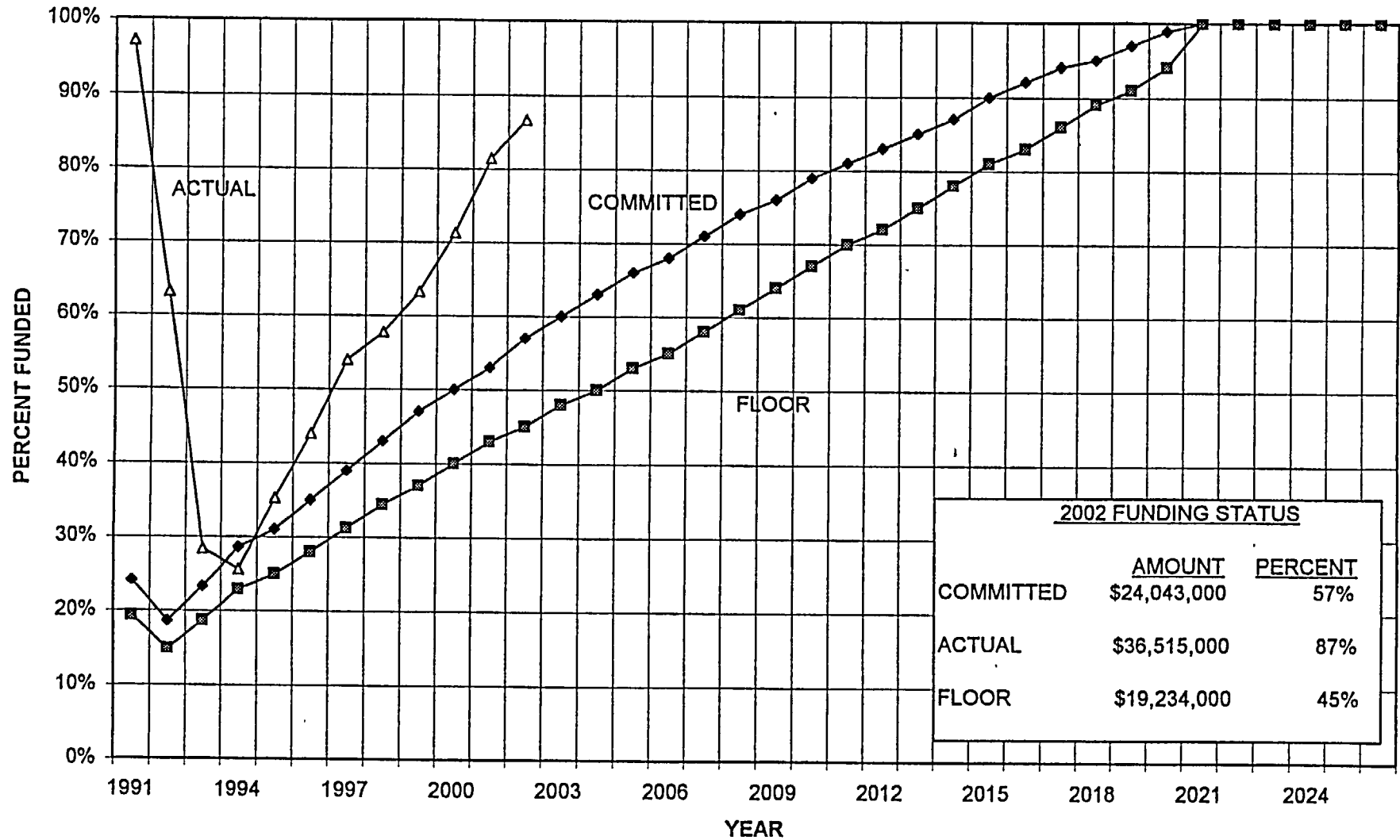
SCPPA PALO VERDE UNIT 1 FUNDING PLAN



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
2002 PALO VERDE UNIT - 1 FUNDING STATUS
TERMINATION COST FUNDING
(\$ THOUSAND)

YEAR	(1) = (2 x 3)	(2)	(3)	(4)	(5) = (3 x 4)	(6) = (1 x 4)	(7)	(8) = (2)	(9) = (7 / 8)
	AUTHORIZED FUNDING PLAN			FUNDING FLOOR CURVE			ACTUAL FUNDING		
	FUND	EST. COST	%FUNDED	CRITERIA	PERCENT	AMOUNT	FUND	EST. COST	%FUNDED
DEC 1991	\$4,225	\$16,565	26%	80%	20%	\$3,380	\$15,227	\$16,565	92%
DEC 1992	5,176	26,915	19%	80%	15%	4,141	15,762	26,915	59%
DEC 1993	6,782	28,530	24%	80%	19%	5,426	7,103	28,530	25%
DEC 1994	7,597	30,242	25%	80%	20%	6,078	7,350	30,242	24%
DEC 1995	7,190	26,629	27%	80%	21%	5,752	9,380	26,629	35%
DEC 1996	9,033	28,227	32%	80%	25%	7,226	12,545	28,227	44%
DEC 1997	10,771	29,920	36%	80%	29%	8,617	16,317	29,920	55%
DEC 1998	13,181	32,953	40%	80%	32%	10,545	19,630	32,953	60%
DEC 1999	15,369	34,930	44%	80%	35%	12,295	22,801	34,930	65%
DEC 2000	17,032	37,026	46%	80%	37%	13,626	27,221	37,026	74%
DEC 2001	18,562	36,396	51%	80%	40%	14,850	31,552	36,396	87%
DEC 2002	20,833	38,580	54%	80%	43%	16,666	35,754	38,580	93%
DEC 2003	23,310	40,895	57%	80%	46%	18,648			
DEC 2004	26,009	43,348	60%	80%	48%	20,807			
DEC 2005	28,948	45,949	63%	81%	51%	23,448			
DEC 2006	32,146	48,706	66%	82%	54%	26,360			
DEC 2007	35,624	51,629	69%	83%	57%	29,568			
DEC 2008	38,856	54,726	71%	84%	60%	32,639			
DEC 2009	42,927	58,010	74%	85%	63%	36,488			
DEC 2010	46,733	61,490	76%	86%	65%	40,190			
DEC 2011	51,492	65,180	79%	87%	68%	44,798			
DEC 2012	55,963	69,091	81%	88%	71%	49,248			
DEC 2013	60,786	73,236	83%	89%	74%	54,099			
DEC 2014	65,986	77,630	85%	90%	77%	59,387			
DEC 2015	71,591	82,288	87%	91%	80%	65,147			
DEC 2016	77,631	87,225	89%	92%	82%	71,420			
DEC 2017	80,431	92,459	91%	93%	85%	74,801			
DEC 2018	86,826	98,006	93%	94%	88%	81,616			
DEC 2019	93,665	103,887	95%	95%	91%	88,982			
DEC 2020	114,288	110,120	100%	100%	100%	114,288			
DEC 2021	120,002	115,626	100%	100%	100%	120,002			
DEC 2022	126,003	121,407	100%	100%	100%	126,003			
DEC 2023	132,303	127,478	100%	100%	100%	132,303			
DEC 2024	138,918	133,852	100%	100%	100%	138,918			
DEC 2025	145,864	140,544	100%	100%	100%	145,864			

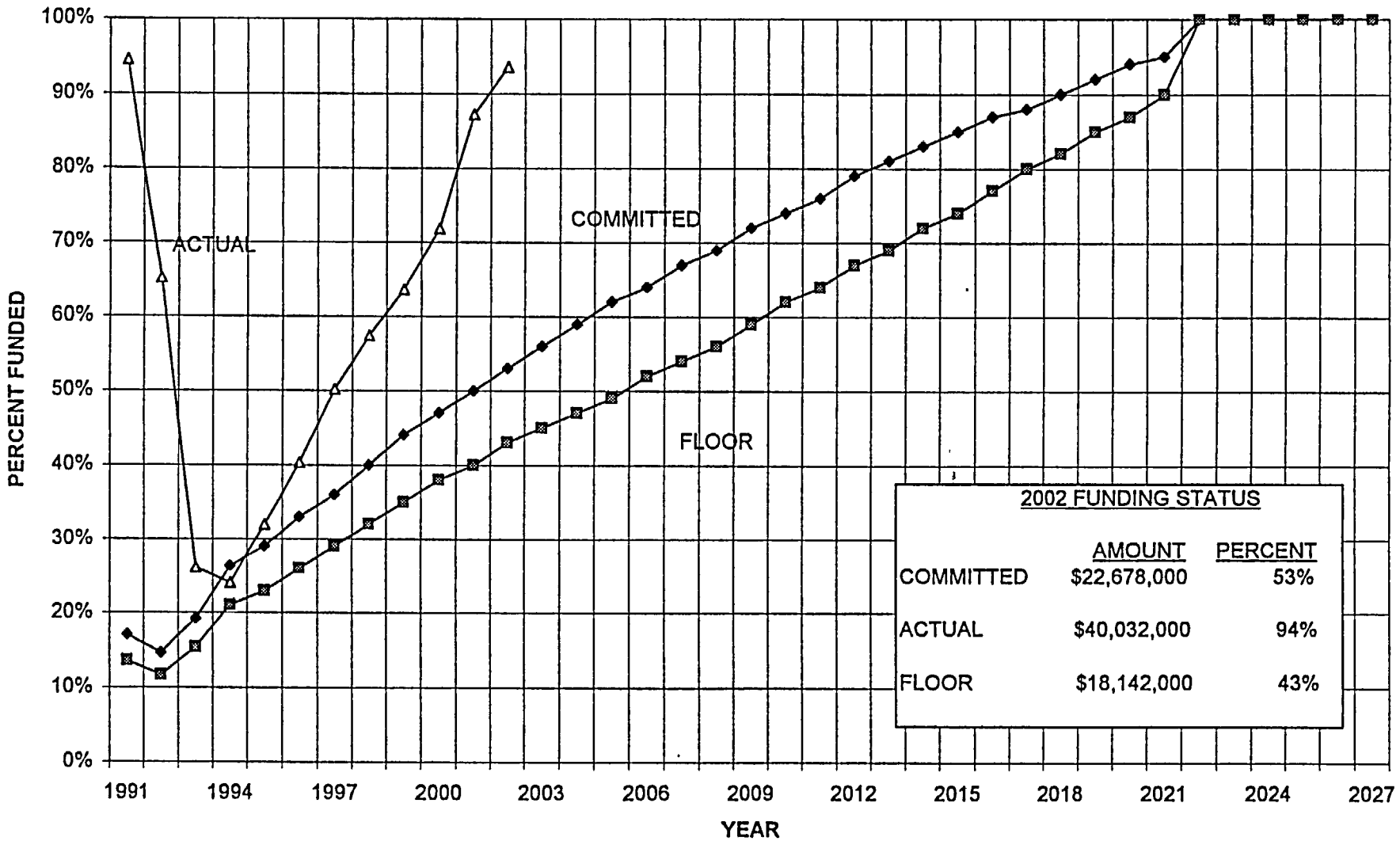
SCPPA PALO VERDE UNIT 2 FUNDING PLAN



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
2002 PALO VERDE UNIT - 2 FUNDING STATUS
TERMINATION COST FUNDING
(\$ THOUSAND)

YEAR	(1) - (2 x 3) AUTHORIZED FUNDING PLAN			(4) (5) - (3 x 4) FUNDING FLOOR CURVE			(7) (8) - (2) (9) - (7 / 8) ACTUAL FUNDING		
	FUND	EST. COST	%FUNDED	CRITERIA	PERCENT	AMOUNT	FUND	EST. COST	%FUNDED
DEC 1991	\$3,966	\$16,423	24%	80%	19%	\$3,173	\$15,948	\$16,423	97%
DEC 1992	4,932	26,483	19%	80%	15%	3,946	16,719	26,483	63%
DEC 1993	6,548	28,072	23%	80%	19%	5,238	7,962	28,072	28%
DEC 1994	8,515	29,756	29%	80%	23%	6,812	7,626	29,756	26%
DEC 1995	8,568	27,640	31%	80%	25%	6,855	9,750	27,640	35%
DEC 1996	10,254	29,298	35%	80%	28%	8,204	12,896	29,298	44%
DEC 1997	12,112	31,056	39%	80%	31%	9,690	16,755	31,056	54%
DEC 1998	14,916	34,689	43%	80%	34%	11,933	20,020	34,689	58%
DEC 1999	17,282	36,770	47%	80%	37%	13,825	23,278	36,770	63%
DEC 2000	19,488	38,976	50%	80%	40%	15,590	27,784	38,976	71%
DEC 2001	21,090	39,793	53%	80%	43%	16,872	32,401	39,793	81%
DEC 2002	24,043	42,180	57%	80%	45%	19,234	36,515	42,180	87%
DEC 2003	26,827	44,711	60%	80%	48%	21,461			
DEC 2004	29,858	47,394	63%	80%	50%	23,886			
DEC 2005	33,157	50,237	66%	80%	53%	26,525			
DEC 2006	36,211	53,252	68%	81%	55%	29,331			
DEC 2007	40,077	56,447	71%	82%	58%	32,863			
DEC 2008	44,277	59,834	74%	83%	61%	36,750			
DEC 2009	48,202	63,424	76%	84%	64%	40,490			
DEC 2010	53,111	67,229	79%	85%	67%	45,144			
DEC 2011	57,723	71,263	81%	86%	70%	49,642			
DEC 2012	62,697	75,538	83%	87%	72%	54,546			
DEC 2013	68,060	80,071	85%	88%	75%	59,893			
DEC 2014	73,841	84,875	87%	89%	78%	65,719			
DEC 2015	80,971	89,968	90%	90%	81%	72,874			
DEC 2016	87,736	95,366	92%	91%	83%	79,840			
DEC 2017	95,022	101,088	94%	92%	86%	87,421			
DEC 2018	101,795	107,153	95%	93%	89%	94,670			
DEC 2019	110,175	113,582	97%	94%	91%	103,564			
DEC 2020	119,193	120,397	99%	95%	94%	113,233			
DEC 2021	127,621	127,621	100%	100%	100%	127,621			
DEC 2022	134,002	134,002	100%	100%	100%	134,002			
DEC 2023	140,702	140,702	100%	100%	100%	140,702			
DEC 2024	147,737	147,737	100%	100%	100%	147,737			
DEC 2025	155,124	155,124	100%	100%	100%	155,124			
DEC 2026	162,880	162,880	100%	100%	100%	162,880			

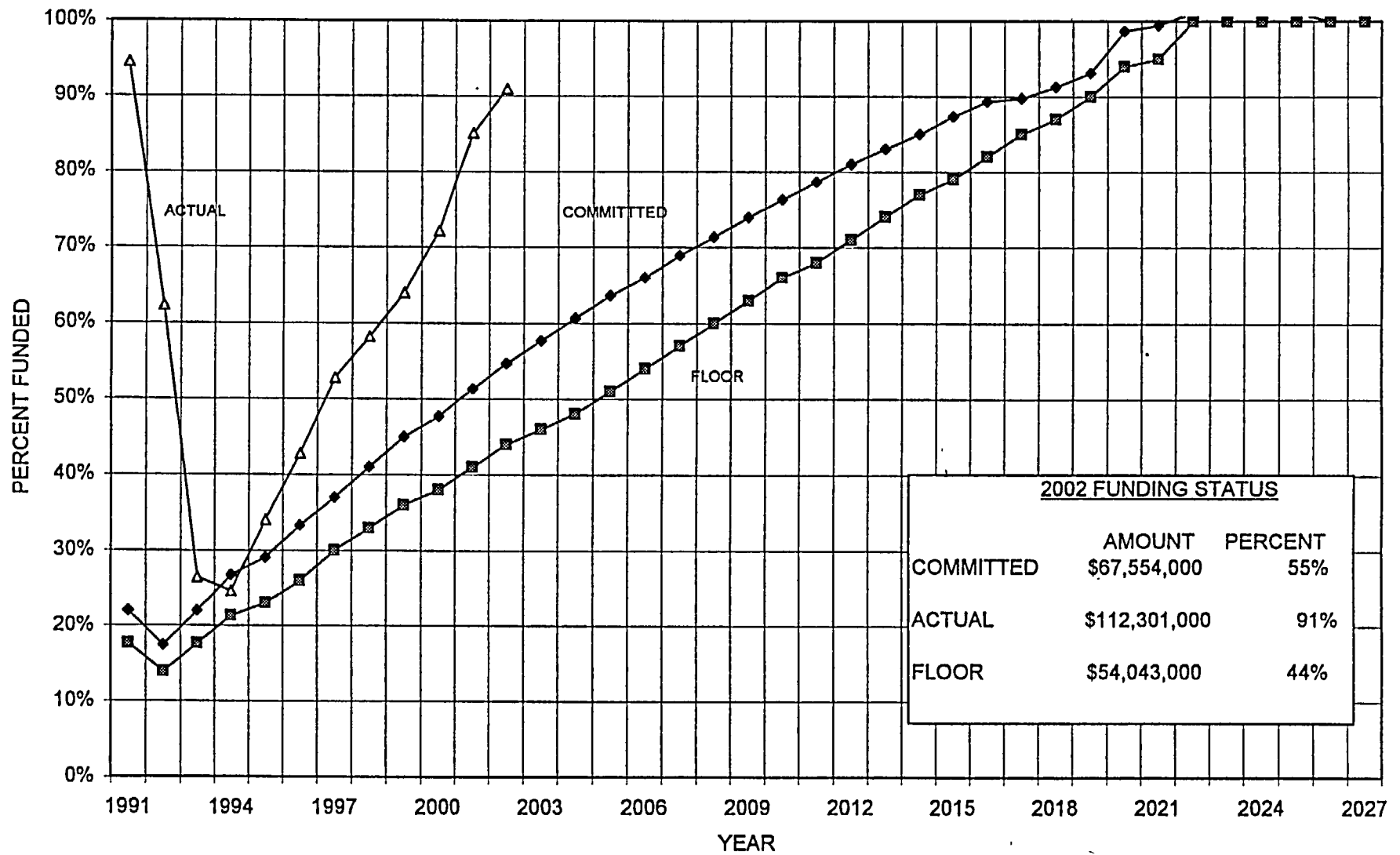
SCPPA PALO VERDE UNIT 3 FUNDING PLAN



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
2002 PALO VERDE UNIT - 3 FUNDING STATUS
TERMINATION COST FUNDING
(\$ THOUSAND)

YEAR	(1) - (2 x 3) AUTHORIZED FUNDING PLAN			(4) (5) - (3 x 4) (6) - (1 x 4) FUNDING FLOOR CURVE			(7) (8) - (2) (9) - (7 / 8) ACTUAL FUNDING		
	FUND	EST. COST	%FUNDED	CRITERIA	PERCENT	AMOUNT	FUND	EST. COST	%FUNDED
DEC 1991	\$3,098	\$18,225	17%	80%	14%	\$2,478	\$17,223	\$18,225	95%
DEC 1992	4,125	28,298	15%	80%	12%	3,300	18,454	28,298	65%
DEC 1993	5,769	29,996	19%	80%	15%	4,615	7,830	29,996	26%
DEC 1994	8,375	31,796	26%	80%	21%	6,700	7,664	31,796	24%
DEC 1995	9,051	31,209	29%	80%	23%	7,240	9,985	31,209	32%
DEC 1996	10,917	33,082	33%	80%	26%	8,734	13,337	33,082	40%
DEC 1997	12,624	35,066	36%	80%	29%	10,099	17,617	35,066	50%
DEC 1998	14,919	37,298	40%	80%	32%	11,935	21,404	37,298	57%
DEC 1999	17,396	39,536	44%	80%	35%	13,917	25,162	39,536	64%
DEC 2000	19,697	41,908	47%	80%	38%	15,757	30,117	41,908	72%
DEC 2001	20,183	40,366	50%	80%	40%	16,146	35,218	40,366	87%
DEC 2002	22,678	42,788	53%	80%	43%	18,142	40,032	42,788	94%
DEC 2003	25,399	45,355	56%	80%	45%	20,319			
DEC 2004	28,365	48,077	59%	80%	47%	22,692			
DEC 2005	31,596	50,961	62%	80%	49%	25,277			
DEC 2006	34,572	54,019	64%	80%	52%	27,658			
DEC 2007	38,364	57,260	67%	80%	54%	30,691			
DEC 2008	41,880	60,696	69%	81%	56%	33,923			
DEC 2009	46,323	64,338	72%	82%	59%	37,985			
DEC 2010	50,466	68,198	74%	83%	62%	41,887			
DEC 2011	54,940	72,290	76%	84%	64%	46,150			
DEC 2012	60,535	76,627	79%	85%	67%	51,455			
DEC 2013	65,792	81,225	81%	86%	69%	56,581			
DEC 2014	71,461	86,098	83%	87%	72%	62,171			
DEC 2015	77,574	91,264	85%	88%	74%	68,266			
DEC 2016	84,164	96,740	87%	89%	77%	74,906			
DEC 2017	90,239	102,544	88%	90%	80%	81,215			
DEC 2018	97,827	108,697	90%	91%	82%	89,023			
DEC 2019	106,001	115,219	92%	92%	85%	97,521			
DEC 2020	114,804	122,132	94%	93%	87%	106,768			
DEC 2021	122,987	129,460	95%	94%	90%	115,608			
DEC 2022	137,227	137,227	100%	100%	100%	137,227			
DEC 2023	144,089	144,089	100%	100%	100%	144,089			
DEC 2024	151,293	151,293	100%	100%	100%	151,293			
DEC 2025	158,858	158,858	100%	100%	100%	158,858			
DEC 2026	166,801	166,801	100%	100%	100%	166,801			
DEC 2027	175,141	175,141	100%	100%	100%	175,141			

SCPPA PALO VERDE ALL UNITS FUNDING PLAN



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
2002 PALO VERDE ALL UNITS FUNDING STATUS
TERMINATION COST FUNDING
(IN THOUSANDS)

YEAR	(1) = (2 x 3)	(2)	(3)	(4)	(5) = (3 x 4)	(6) = (1 x 4)	(7)	(8) = (2)	(9) = (7 / 8)
	AUTHORIZED FUNDING PLAN			FUNDING FLOOR CURVE			ACTUAL FUNDING		
	FUND	EST. COST	%FUNDED	CRITERIA	PERCENT	AMOUNT	FUND	EST. COST	%FUNDED
DEC 1991	\$11,289	\$51,213	22%	80%	18%	\$9,031	\$48,398	\$51,213	95%
DEC 1992	14,233	81,696	17%	80%	14%	11,386	50,935	81,696	62%
DEC 1993	19,099	86,598	22%	80%	18%	15,279	22,895	86,598	26%
DEC 1994	24,487	91,794	27%	80%	21%	19,590	22,640	91,794	25%
DEC 1995	24,809	85,478	29%	80%	23%	19,847	29,115	85,478	34%
DEC 1996	30,204	90,607	33%	80%	26%	24,163	38,778	90,607	43%
DEC 1997	35,507	96,043	37%	80%	30%	28,406	50,689	96,043	53%
DEC 1998	43,016	104,939	41%	80%	33%	34,413	61,054	104,939	58%
DEC 1999	50,047	111,236	45%	80%	36%	40,037	71,240	111,236	64%
DEC 2000	56,217	117,910	48%	80%	38%	44,973	85,122	117,910	72%
DEC 2001	59,835	116,555	51%	80%	41%	47,868	99,171	116,555	85%
DEC 2002	67,554	123,548	55%	80%	44%	54,043	112,301	123,548	91%
DEC 2003	75,536	130,961	58%	80%	46%	60,429			
DEC 2004	84,232	138,819	61%	80%	48%	67,386			
DEC 2005	93,701	147,148	64%	81%	51%	75,250			
DEC 2006	102,929	155,977	66%	82%	54%	83,349			
DEC 2007	114,065	165,336	69%	83%	57%	93,122			
DEC 2008	125,013	175,256	71%	84%	60%	103,311			
DEC 2009	137,452	185,771	74%	85%	63%	114,963			
DEC 2010	150,310	196,917	76%	86%	66%	127,222			
DEC 2011	164,155	208,732	79%	87%	68%	140,589			
DEC 2012	179,196	221,256	81%	88%	71%	155,249			
DEC 2013	194,638	234,532	83%	89%	74%	170,574			
DEC 2014	211,288	248,603	85%	90%	77%	187,277			
DEC 2015	230,136	263,520	87%	91%	79%	206,287			
DEC 2016	249,531	279,331	89%	92%	82%	226,166			
DEC 2017	265,692	296,091	90%	93%	85%	243,436			
DEC 2018	286,448	313,856	91%	94%	87%	265,309			
DEC 2019	309,841	332,688	93%	95%	90%	290,067			
DEC 2020	348,285	352,649	99%	96%	94%	334,289			
DEC 2021	370,610	372,707	99%	97%	95%	363,231			
DEC 2022	397,232	392,636	101%	100%	100%	397,232			
DEC 2023	417,093	412,268	101%	100%	100%	417,093			
DEC 2024	437,948	432,882	101%	100%	100%	437,948			
DEC 2025	459,845	454,526	101%	100%	100%	459,845			
DEC 2026	329,681	329,681	100%	100%	100%	329,681			
DEC 2027	175,141	175,141	100%	100%	100%	175,141			

Units 1, 2, & 3

LADWP 2002 Annual Funding Status Report

Section 2.1.7 [Restated]

Summary of Major Assumptions

Escalation Factor	5.0%
Rate of Return	7.0%
Participation Ratio	5.7%
Funding Period	35 years for each unit
Funding Level	Includes Water Reclamation Facility and 25% Contingency factor

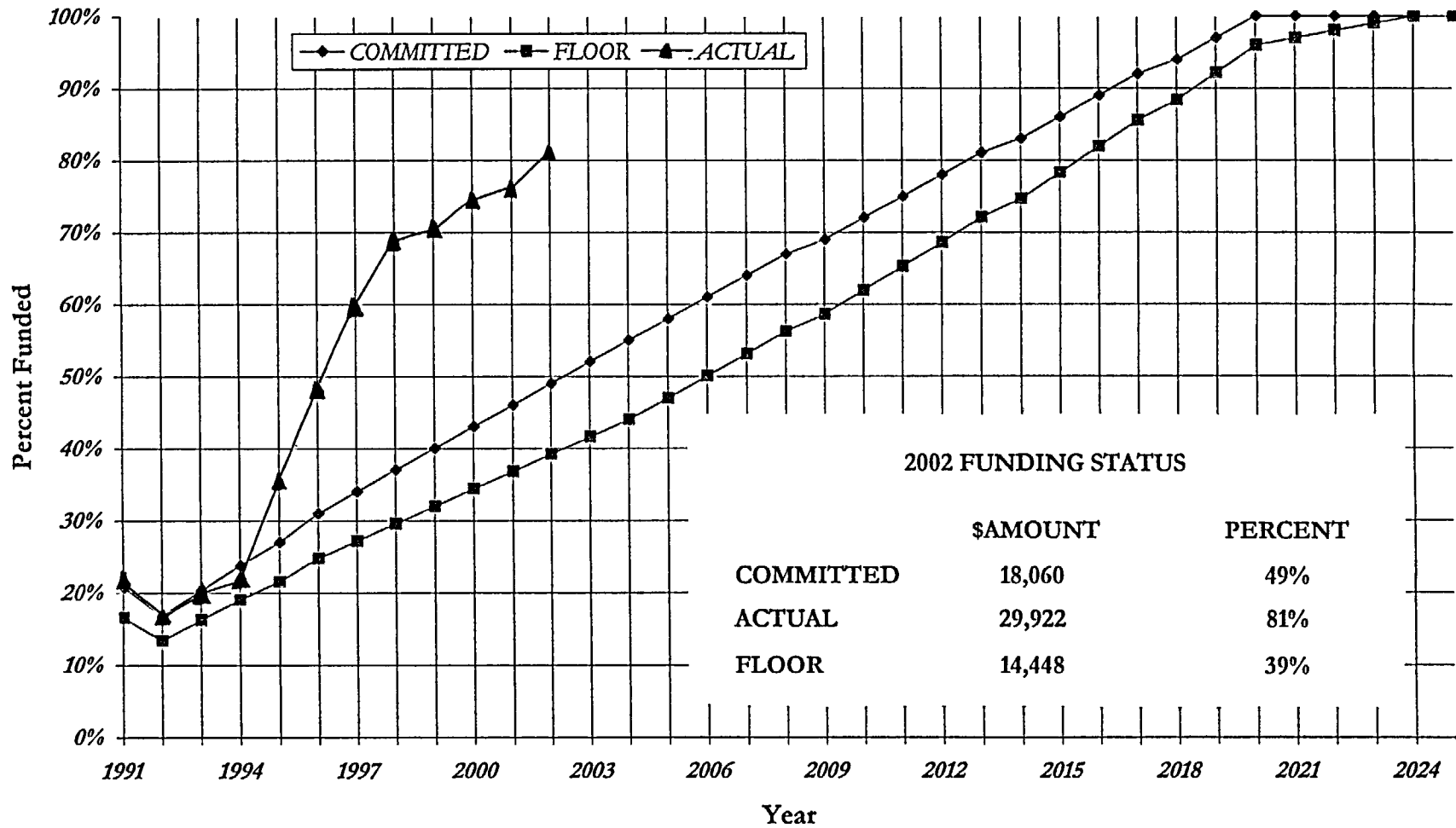
**Department of Water & Power
Palo Verde Project
Termination Cost Funding**

Date	Unit 1				Unit 2				Unit 3				Grand Total		
	Period	Contribution	Interest	Balance	Period	Contribution	Interest	Balance	Period	Contribution	Interest	Balance	Contribution	Interest	Totals
12/31/1990	10			2,444,200	8			2,159,244	6			1,493,407	0	0	6,096,851
6/30/1991	11	223,326	106,706	2,774,232	9	232,478	105,780	2,497,502	7	270,890	71,900	1,836,197	726,694	284,386	7,107,931
12/31/1991	12	223,326	428,941	3,426,499	10	232,478	490,438	3,220,418	8	270,890	432,437	2,539,524	726,694	1,351,816	9,186,441
6/30/1992	13	223,326	116,869	3,766,694	11	232,478	111,934	3,564,830	9	270,890	77,462	2,887,876	726,694	306,265	10,219,400
12/31/1992	14	434,027	104,872	4,305,593	12	423,694	129,716	4,118,240	10	464,724	84,937	3,437,537	1,322,445	319,525	11,861,370
6/30/1993	15	445,545	90,854	4,841,992	13	421,072	173,551	4,712,863	11	477,502	111,010	4,026,049	1,344,119	375,415	13,580,904
12/31/1993	16	431,919	87,753	5,361,664	14	414,884	93,888	5,221,635	12	462,987	52,475	4,541,511	1,309,790	234,116	15,124,810
6/30/1994	17	431,919	111,532	5,905,115	15	414,884	10,343	5,646,862	13	462,987	47,978	5,052,476	1,309,790	169,853	16,604,453
12/31/1994	18	431,919	(131,334)	6,205,700	16	414,884	(120,146)	5,941,600	14	462,987	(159,863)	5,355,600	1,309,790	(411,343)	17,502,900
6/30/1995	19	431,919	404,898	7,042,517	17	414,884	339,916	6,696,400	15	462,987	295,915	6,114,502	1,309,790	1,040,729	19,853,419
12/31/1995	20	1,755,562	262,538	9,060,617	18	1,669,739	235,585	8,601,724	16	1,884,499	181,886	8,180,887	5,309,800	680,009	25,843,228
6/30/1996	21	1,755,562	260,302	11,076,481	19	1,669,739	197,615	10,469,078	17	1,884,499	152,131	10,217,517	5,309,800	610,048	31,763,076
12/31/1996	22	1,593,396	258,223	12,928,100	20	1,753,112	211,610	12,433,800	18	1,963,492	150,991	12,332,000	5,310,000	620,824	37,693,900
6/30/1997	23	1,593,396	247,064	14,768,560	21	1,753,112	238,202	14,425,114	19	1,963,492	184,812	14,480,304	5,310,000	670,078	43,673,978
12/31/1997	24	1,593,396	565,873	16,927,829	22	1,753,112	583,850	16,762,076	20	1,963,492	399,527	16,843,323	5,310,000	1,549,250	50,533,228
6/30/1998	25	1,593,396	738,933	19,260,158	23	1,753,112	794,564	19,309,752	21	1,963,492	549,326	19,356,141	5,310,000	2,082,823	57,926,051
12/31/1998	26	1,593,396	996,208	21,849,762	24	1,753,112	653,844	21,716,708	22	1,963,492	511,371	21,831,004	5,310,000	2,161,423	65,397,474
6/30/1999	27	1,629,218	(214,470)	23,264,510	25	1,750,953	113,871	23,581,532	23	1,929,829	(245,280)	23,515,553	5,310,000	(345,879)	70,361,595
12/31/1999	28	0	211,345	23,475,855	26	0	346,764	23,928,296	24	0	316,063	23,831,616	0	874,172	71,235,767
6/30/2000	29	0	852,897	24,328,752	27	0	804,598	24,732,894	25	0	778,362	24,609,978	0	2,435,856	73,671,623
12/31/2000	30	0	1,765,642	26,094,394	28	0	1,536,294	26,269,187	26	0	1,623,514	26,233,492	0	4,925,450	78,597,074
6/30/2001	31	0	1,044,753	27,139,147	29	0	951,085	27,220,272	27	0	1,117,369	27,350,861	0	3,113,207	81,710,280
12/31/2001	32	0	875,812	28,014,959	30	0	971,149	28,191,422	28	0	1,069,950	28,420,811	0	2,916,911	84,627,192
6/30/2002	33	0	766,833	28,781,792	31	0	764,694	28,956,116	29	0	687,677	29,108,488	0	2,219,205	86,846,396
12/31/2002	34	0	1,140,274	29,922,067	32	0	1,152,070	30,108,186	30	0	832,779	29,941,267	0	3,125,123	89,971,520
6/30/2003	35	(207,628)	1,047,272	30,761,711	33	(122,672)	1,053,787	31,039,300	31	(119,245)	1,047,944	30,869,967	(449,545)	3,149,003	92,670,978
12/31/2003	36	(207,628)	1,076,660	31,630,742	34	(122,672)	1,086,376	32,003,004	32	(119,245)	1,080,449	31,831,171	(449,545)	3,243,484	95,464,917
6/30/2004	37	(207,628)	1,107,076	32,530,190	35	(122,672)	1,120,105	33,000,437	33	(119,245)	1,114,091	32,826,018	(449,545)	3,341,272	98,356,645
12/31/2004	38	(207,628)	1,138,557	33,461,118	36	(122,672)	1,155,015	34,032,781	34	(119,245)	1,148,911	33,855,684	(449,545)	3,442,483	101,349,583
6/30/2005	39	(207,628)	1,171,139	34,424,629	37	(122,672)	1,191,147	35,101,256	35	(119,245)	1,184,949	34,921,388	(449,545)	3,547,235	104,447,273
12/31/2005	40	(207,628)	1,204,862	35,421,863	38	(122,672)	1,228,544	36,207,128	36	(119,245)	1,222,249	36,024,392	(449,545)	3,655,655	107,653,383
6/30/2006	41	(207,628)	1,239,765	36,454,000	39	(122,672)	1,267,249	37,351,706	37	(119,245)	1,260,854	37,166,001	(449,545)	3,767,868	110,971,707
12/31/2006	42	(207,628)	1,275,890	37,522,261	40	(122,672)	1,307,310	38,536,343	38	(119,245)	1,300,810	38,347,567	(449,545)	3,884,010	114,406,172
6/30/2007	43	(207,628)	1,313,279	38,627,912	41	(122,672)	1,348,772	39,762,443	39	(119,245)	1,342,165	39,570,487	(449,545)	4,004,216	117,960,843
12/31/2007	44	(207,628)	1,351,977	39,772,261	42	(122,672)	1,391,686	41,031,457	40	(119,245)	1,384,967	40,836,210	(449,545)	4,128,630	121,639,928
6/30/2008	45	(207,628)	1,392,029	40,956,662	43	(122,672)	1,436,101	42,344,886	41	(119,245)	1,429,267	42,146,233	(449,545)	4,257,397	125,447,780

**Department of Water & Power
Palo Verde Project
Termination Cost Funding**

<u>Date</u>	<u>Unit 1</u>				<u>Unit 2</u>				<u>Unit 3</u>				<u>Grand Total</u>		
	<u>Period</u>	<u>Contribution</u>	<u>Interest</u>	<u>Balance</u>	<u>Period</u>	<u>Contribution</u>	<u>Interest</u>	<u>Balance</u>	<u>Period</u>	<u>Contribution</u>	<u>Interest</u>	<u>Balance</u>	<u>Contribution</u>	<u>Interest</u>	<u>Totals</u>
12/31/2008	46	(207,628)	1,433,483	42,182,517	44	(122,672)	1,482,071	43,704,285	42	(119,245)	1,475,118	43,502,106	(449,545)	4,390,672	129,388,908
6/30/2009	47	(207,628)	1,476,388	43,451,276	45	(122,672)	1,529,650	45,111,263	43	(119,245)	1,522,574	44,905,435	(449,545)	4,528,612	133,467,975
12/31/2009	48	(207,628)	1,520,795	44,764,443	46	(122,672)	1,578,894	46,567,485	44	(119,245)	1,571,690	46,357,881	(449,545)	4,671,379	137,689,809
6/30/2010	49	(207,628)	1,566,755	46,123,570	47	(122,672)	1,629,862	48,074,676	45	(119,245)	1,622,526	47,861,162	(449,545)	4,819,143	142,059,408
12/31/2010	50	(207,628)	1,614,325	47,530,266	48	(122,672)	1,682,614	49,634,617	46	(119,245)	1,675,141	49,417,059	(449,545)	4,972,079	146,581,942
6/30/2011	51	(207,628)	1,663,559	48,986,197	49	(122,672)	1,737,212	51,249,157	47	(119,245)	1,729,597	51,027,411	(449,545)	5,130,368	151,262,766
12/31/2011	52	(207,628)	1,714,517	50,493,086	50	(122,672)	1,793,720	52,920,206	48	(119,245)	1,785,959	52,694,126	(449,545)	5,294,197	156,107,418
6/30/2012	53	(207,628)	1,767,258	52,052,716	51	(122,672)	1,852,207	54,649,741	49	(119,245)	1,844,294	54,419,176	(449,545)	5,463,760	161,121,633
12/31/2012	54	(207,628)	1,821,845	53,666,932	52	(122,672)	1,912,741	56,439,810	50	(119,245)	1,904,671	56,204,603	(449,545)	5,639,257	166,311,345
6/30/2013	55	(207,628)	1,878,343	55,337,647	53	(122,672)	1,975,393	58,292,531	51	(119,245)	1,967,161	58,052,519	(449,545)	5,820,897	171,682,697
12/31/2013	56	(207,628)	1,936,818	57,066,836	54	(122,672)	2,040,239	60,210,098	52	(119,245)	2,031,838	59,965,113	(449,545)	6,008,894	177,242,047
6/30/2014	57	(207,628)	1,997,339	58,856,547	55	(122,672)	2,107,353	62,194,779	53	(119,245)	2,098,779	61,944,647	(449,545)	6,203,472	182,995,974
12/31/2014	58	(207,628)	2,059,979	60,708,898	56	(122,672)	2,176,817	64,248,925	54	(119,245)	2,168,063	63,993,465	(449,545)	6,404,859	188,951,288
6/30/2015	59	(207,628)	2,124,811	62,626,081	57	(122,672)	2,248,712	66,374,965	55	(119,245)	2,239,771	66,113,992	(449,545)	6,613,295	195,115,038
12/31/2015	60	(207,628)	2,191,913	64,610,366	58	(122,672)	2,323,124	68,575,417	56	(119,245)	2,313,990	68,308,737	(449,545)	6,829,026	201,494,520
6/30/2016	61	(207,628)	2,261,363	66,664,100	59	(122,672)	2,400,140	70,852,885	57	(119,245)	2,390,806	70,580,299	(449,545)	7,052,308	208,097,283
12/31/2016	62	(207,628)	2,333,244	68,789,715	60	(122,672)	2,479,851	73,210,064	58	(119,245)	2,470,310	72,931,365	(449,545)	7,283,405	214,931,144
6/30/2017	63	(207,628)	2,407,640	70,989,727	61	(122,672)	2,562,352	75,649,744	59	(119,245)	2,552,598	75,364,718	(449,545)	7,522,590	222,004,189
12/31/2017	64	(207,628)	2,484,640	73,266,739	62	(122,672)	2,647,741	78,174,813	60	(119,245)	2,637,765	77,883,239	(449,545)	7,770,147	229,324,791
6/30/2018	65	(207,628)	2,564,336	75,623,447	63	(122,672)	2,736,118	80,788,260	61	(119,245)	2,725,913	80,489,907	(449,545)	8,026,368	236,901,614
12/31/2018	66	(207,628)	2,646,821	78,062,639	64	(122,672)	2,827,589	83,493,177	62	(119,245)	2,817,147	83,187,810	(449,545)	8,291,556	244,743,625
6/30/2019	67	(207,628)	2,732,192	80,587,203	65	(122,672)	2,922,261	86,292,766	63	(119,245)	2,911,573	85,980,139	(449,545)	8,566,027	252,860,108
12/31/2019	68	(207,628)	2,820,552	83,200,127	66	(122,672)	3,020,247	89,190,341	64	(119,245)	3,009,305	88,870,199	(449,545)	8,850,104	261,260,667
6/30/2020	69	(207,628)	2,912,004	85,904,503	67	(122,672)	3,121,662	92,189,331	65	(119,245)	3,110,457	91,861,411	(449,545)	9,144,123	269,955,245
12/31/2020	70	(207,628)	3,006,658	88,703,533	68	(122,672)	3,226,627	95,293,286	66	(119,245)	3,215,149	94,957,316	(449,545)	9,448,434	278,954,134
6/30/2021					69	(122,672)	3,335,265	98,505,879	67	(119,245)	3,323,506	98,161,578	(241,916)	6,658,771	196,667,456
12/31/2021					70	(122,672)	3,447,706	101,830,913	68	(119,245)	3,435,655	101,477,988	(241,916)	6,883,361	203,308,901
6/30/2022									69	(119,245)	3,551,730	104,910,474	(119,245)	3,551,730	104,910,474
12/31/2022									70	(119,245)	3,671,867	108,463,096	(119,245)	3,671,867	108,463,096

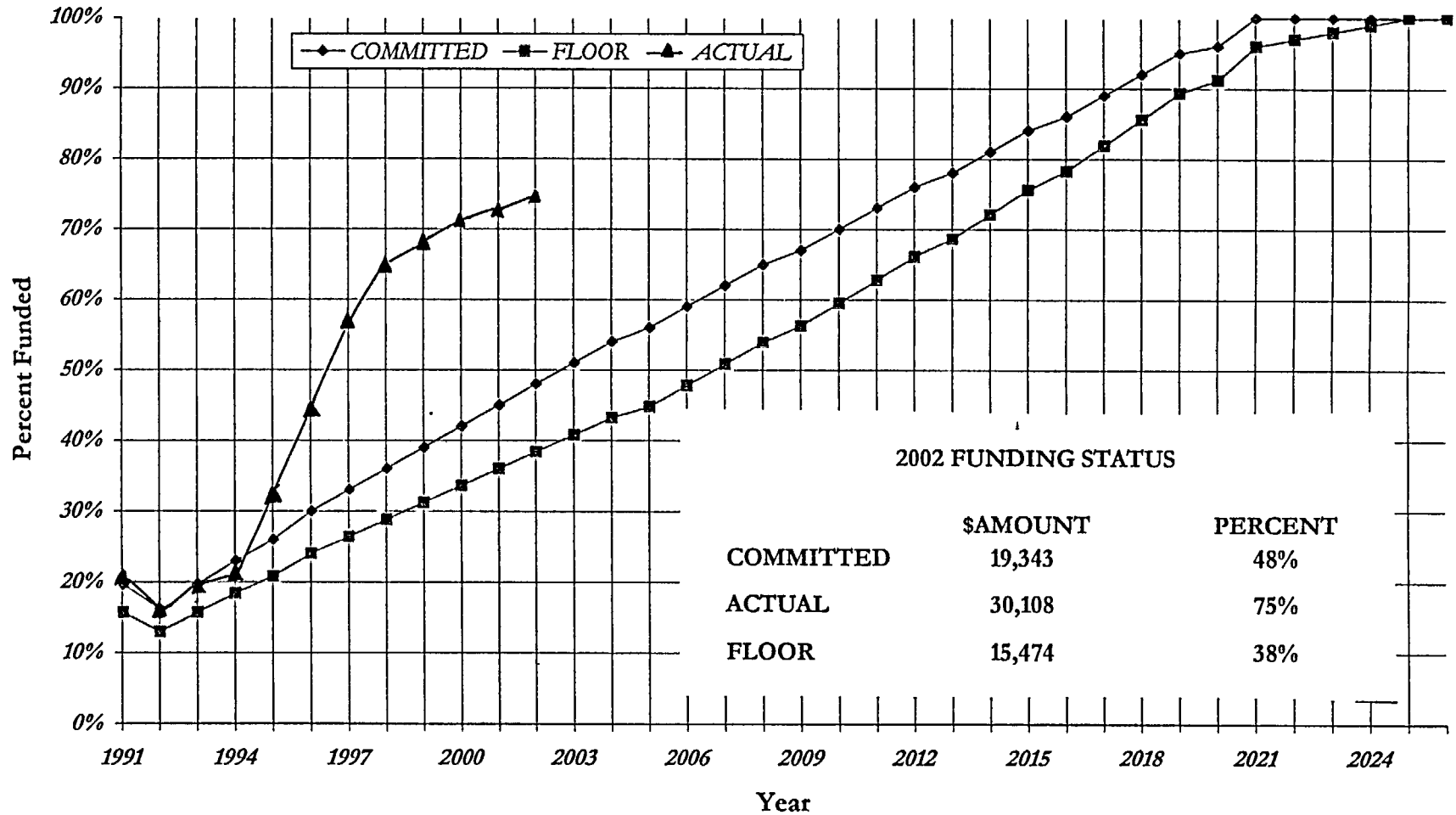
DWP PALO VERDE UNIT 1 FUNDING PLAN



DEPARTMENT OF WATER & POWER
2001 PALO VERDE UNIT 1 FUNDING STATUS
TERMINATION COST FUNDING
(In Thousand \$)

Month	Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Authorized Funding Plan			Funding Floor Curve			Actual Funding		
		Fund	Est. Cost	% Funded	Criteria	Percent	\$ Amount	Fund	Est. Cost	% Funded
		(2) X (3)				(3) X (4)	(1) X (4)			(7)/(8)
DEC	1991	3,261	15,677	21%	80%	17%	2,609	3,426	15,677	22%
DEC	1992	4,330	25,832	17%	80%	13%	3,464	4,306	25,832	17%
DEC	1993	5,513	27,124	20%	80%	16%	4,410	5,362	27,124	20%
DEC	1994	6,780	28,480	24%	80%	19%	5,424	6,206	28,480	22%
DEC	1995	6,934	25,682	27%	80%	22%	5,547	9,061	25,682	35%
DEC	1996	8,359	26,966	31%	80%	25%	6,688	12,928	26,966	48%
DEC	1997	9,627	28,314	34%	80%	27%	7,702	16,928	28,314	60%
DEC	1998	11,759	31,782	37%	80%	30%	9,407	21,850	31,782	69%
DEC	1999	13,348	33,371	40%	80%	32%	10,679	23,476	33,371	70%
DEC	2000	15,067	35,040	43%	80%	34%	12,054	26,094	35,040	74%
DEC	2001	16,924	36,792	46%	80%	37%	13,539	28,015	36,792	76%
DEC	2002	18,060	36,858	49%	80%	39%	14,448	29,922	36,858	81%
DEC	2003	20,124	38,701	52%	80%	42%	16,100			
DEC	2004	22,350	40,636	55%	80%	44%	17,880			
DEC	2005	24,747	42,668	58%	81%	47%	20,045			
DEC	2006	27,329	44,801	61%	82%	50%	22,410			
DEC	2007	30,106	47,041	64%	83%	53%	24,988			
DEC	2008	33,093	49,393	67%	84%	56%	27,799			
DEC	2009	35,785	51,863	69%	85%	59%	30,418			
DEC	2010	39,208	54,456	72%	86%	62%	33,719			
DEC	2011	42,884	57,179	75%	87%	65%	37,309			
DEC	2012	46,829	60,038	78%	88%	69%	41,210			
DEC	2013	51,062	63,040	81%	89%	72%	45,445			
DEC	2014	54,939	66,192	83%	90%	75%	49,445			
DEC	2015	59,771	69,501	86%	91%	78%	54,392			
DEC	2016	64,949	72,976	89%	92%	82%	59,753			
DEC	2017	70,495	76,625	92%	93%	86%	65,560			
DEC	2018	75,629	80,456	94%	94%	88%	71,091			
DEC	2019	81,945	84,479	97%	95%	92%	77,848			
DEC	2020	88,703	88,703	100%	96%	96%	85,155			
DEC	2021	93,138	93,138	100%	97%	97%	90,344			
DEC	2022	97,795	97,795	100%	98%	98%	95,839			
DEC	2023	102,685	102,685	100%	99%	99%	101,658			
DEC	2024	107,819	107,819	100%	100%	100%	107,819			
DEC	2025	113,210	113,210	100%	100%	100%	113,210			

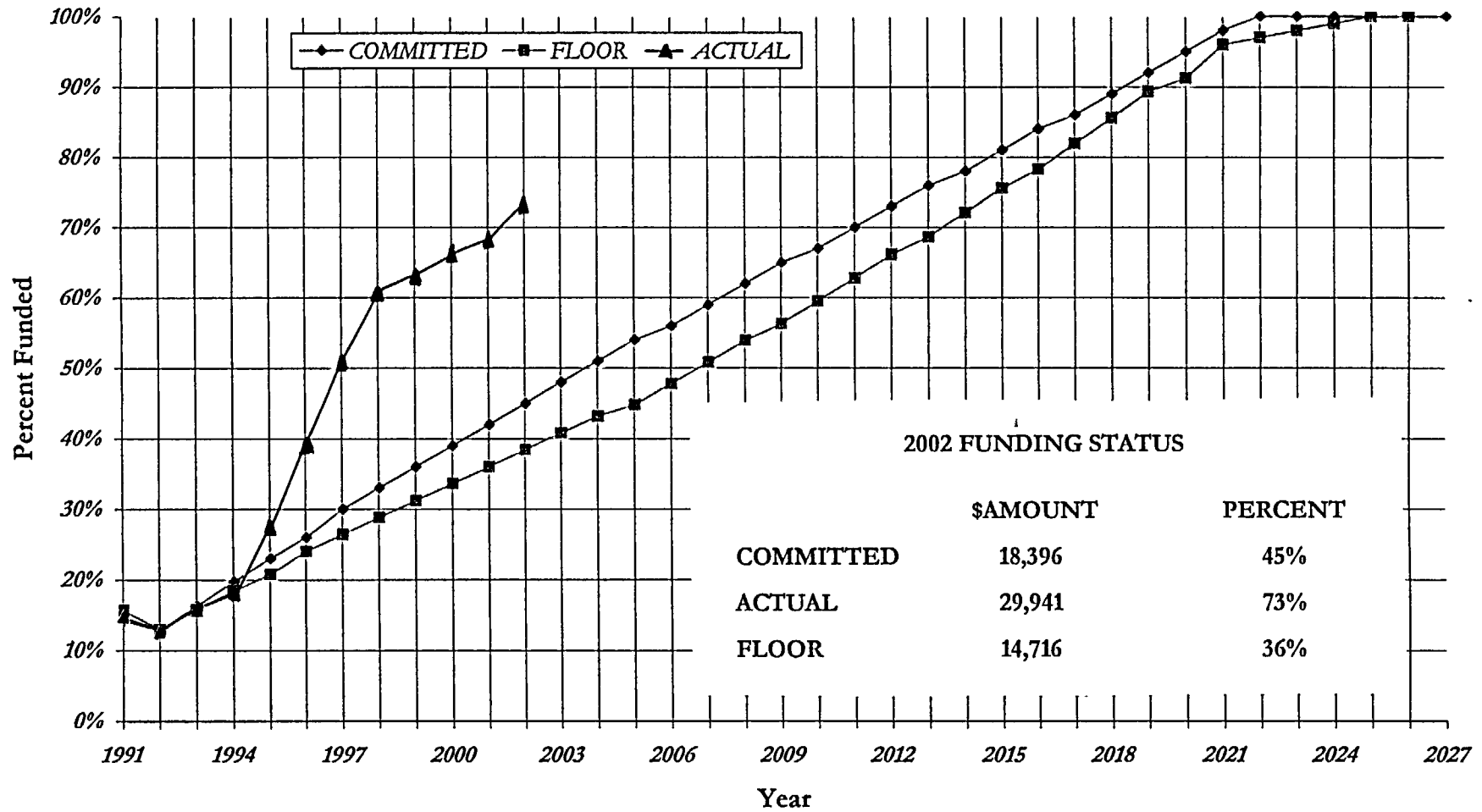
DWP PALO VERDE UNIT 2 FUNDING PLAN



DEPARTMENT OF WATER & POWER
2001 PALO VERDE UNIT 2 FUNDING STATUS
TERMINATION COST FUNDING
(In Thousand \$)

Month	Year	(1) (2) (3) Authorized Funding Plan			(4) (5) (6) Funding Floor Curve			(7) (8) (9) Actual Funding		
		Fund	Est. Cost	% Funded	Criteria	Percent	\$ Amount	Fund	Est. Cost	% Funded
		(2) X (3)				(3) X (4)	(1) X (4)			(7)/(8)
DEC	1991	3,055	15,542	20%	80%	16%	2,444	3,220	15,542	21%
DEC	1992	4,104	25,418	16%	80%	13%	3,283	4,118	25,418	16%
DEC	1993	5,237	26,689	20%	80%	16%	4,190	5,222	26,689	20%
DEC	1994	6,449	28,023	23%	80%	18%	5,159	5,942	28,023	21%
DEC	1995	6,931	26,658	26%	80%	21%	5,545	8,602	26,658	32%
DEC	1996	8,397	27,991	30%	80%	24%	6,718	12,434	27,991	44%
DEC	1997	9,699	29,390	33%	80%	26%	7,759	16,762	29,390	57%
DEC	1998	12,044	33,456	36%	80%	29%	9,635	21,717	33,456	65%
DEC	1999	13,700	35,129	39%	80%	31%	10,960	23,928	35,129	68%
DEC	2000	15,492	36,885	42%	80%	34%	12,393	26,269	36,885	71%
DEC	2001	17,428	38,730	45%	80%	36%	13,943	28,191	38,730	73%
DEC	2002	19,343	40,298	48%	80%	38%	15,474	30,108	40,298	75%
DEC	2003	21,580	42,313	51%	80%	41%	17,264			
DEC	2004	23,991	44,429	54%	80%	43%	19,193			
DEC	2005	26,124	46,650	56%	80%	45%	20,899			
DEC	2006	28,900	48,982	59%	81%	48%	23,409			
DEC	2007	31,888	51,432	62%	82%	51%	26,148			
DEC	2008	35,102	54,003	65%	83%	54%	29,135			
DEC	2009	37,991	56,703	67%	84%	56%	31,913			
DEC	2010	41,677	59,538	70%	85%	60%	35,425			
DEC	2011	45,636	62,515	73%	86%	63%	39,247			
DEC	2012	49,887	65,641	76%	87%	66%	43,402			
DEC	2013	53,760	68,923	78%	88%	69%	47,309			
DEC	2014	58,619	72,369	81%	89%	72%	52,171			
DEC	2015	63,830	75,988	84%	90%	76%	57,447			
DEC	2016	68,617	79,787	86%	91%	78%	62,442			
DEC	2017	74,561	83,777	89%	92%	82%	68,596			
DEC	2018	80,928	87,965	92%	93%	86%	75,263			
DEC	2019	87,746	92,364	95%	94%	89%	82,481			
DEC	2020	93,103	96,982	96%	95%	91%	88,448			
DEC	2021	101,831	101,831	100%	96%	96%	97,758			
DEC	2022	106,923	106,923	100%	97%	97%	103,715			
DEC	2023	112,269	112,269	100%	98%	98%	110,023			
DEC	2024	117,882	117,882	100%	99%	99%	116,703			
DEC	2025	123,776	123,776	100%	100%	100%	123,776			
DEC	2026	129,965	129,965	100%	100%	100%	129,965			

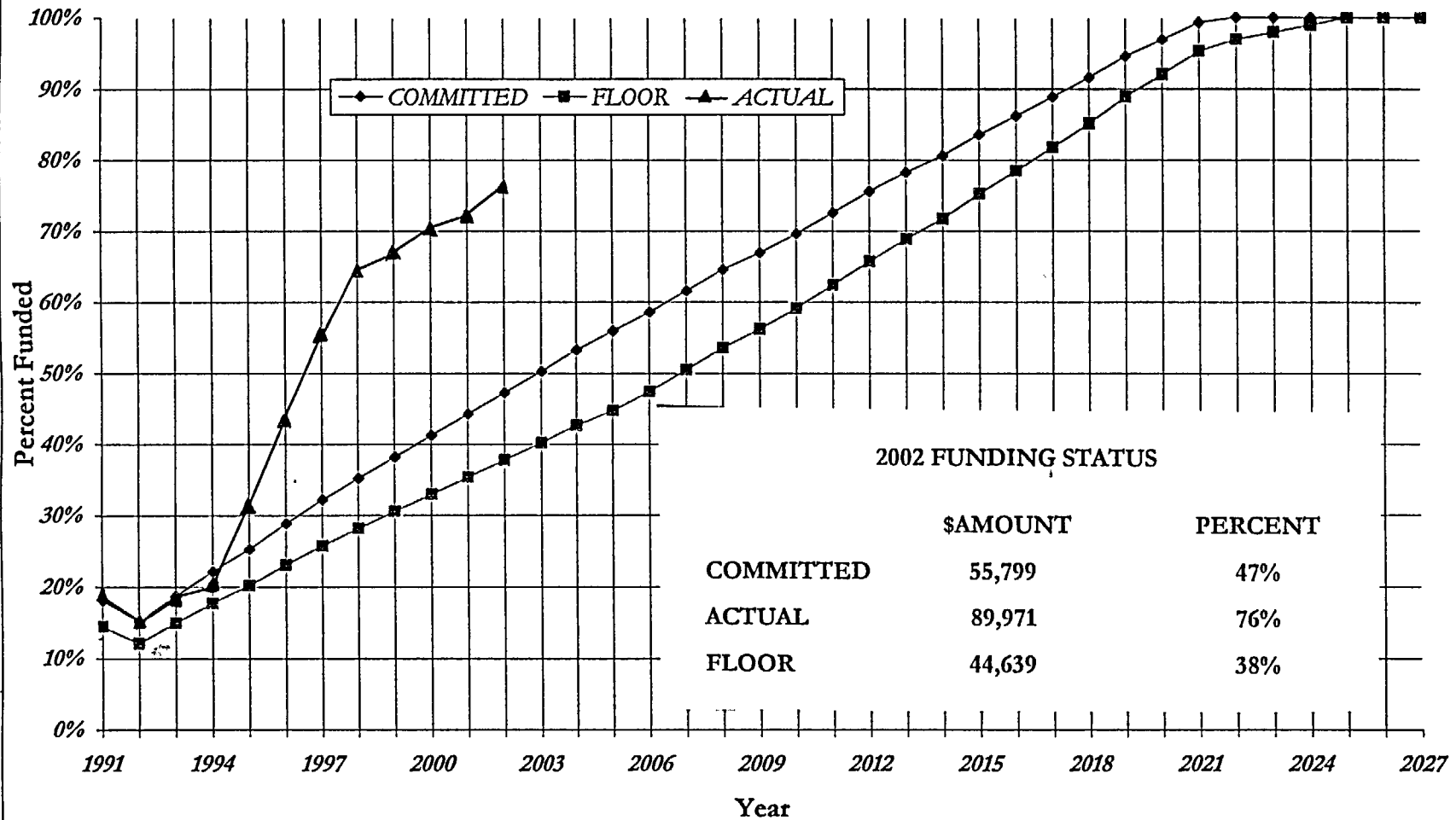
DWP PALO VERDE UNIT 3 FUNDING PLAN



DEPARTMENT OF WATER & POWER
2001 PALO VERDE UNIT 3 FUNDING STATUS
TERMINATION COST FUNDING
(In Thousand \$)

Month	Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Authorized Funding Plan			Funding Floor Curve			Actual Funding		
		Fund (2) X (3)	Est. Cost	% Funded	Critera	Percent (3) X (4)	\$ Amount (1) X (4)	Fund	Est. Cost	% Funded (7)/(8)
DEC	1991	2,452	17,248	14%	80%	11%	1,962	2,540	17,248	15%
DEC	1992	3,452	27,160	13%	80%	10%	2,762	3,438	27,160	13%
DEC	1993	4,636	28,518	16%	80%	13%	3,709	4,542	28,518	16%
DEC	1994	5,905	29,944	20%	80%	16%	4,724	5,356	29,944	18%
DEC	1995	6,923	30,100	23%	80%	18%	5,538	8,181	30,100	27%
DEC	1996	8,217	31,605	26%	80%	21%	6,574	12,332	31,605	39%
DEC	1997	9,956	33,185	30%	80%	24%	7,964	16,843	33,185	51%
DEC	1998	11,871	35,973	33%	80%	26%	9,497	21,831	35,973	61%
DEC	1999	13,598	37,772	36%	80%	29%	10,878	23,832	37,772	63%
DEC	2000	15,467	39,660	39%	80%	31%	12,374	26,233	39,660	66%
DEC	2001	17,490	41,643	42%	80%	34%	13,992	28,421	41,643	68%
DEC	2002	18,396	40,879	45%	80%	36%	14,716	29,941	40,879	73%
DEC	2003	20,603	42,923	48%	80%	38%	16,482			
DEC	2004	22,985	45,069	51%	80%	41%	18,388			
DEC	2005	25,554	47,323	54%	80%	43%	20,443			
DEC	2006	27,826	49,689	56%	80%	45%	22,261			
DEC	2007	30,782	52,173	59%	80%	47%	24,626			
DEC	2008	33,965	54,782	62%	81%	50%	27,511			
DEC	2009	37,389	57,521	65%	82%	53%	30,659			
DEC	2010	40,466	60,397	67%	83%	56%	33,587			
DEC	2011	44,392	63,417	70%	84%	59%	37,289			
DEC	2012	48,609	66,588	73%	85%	62%	41,318			
DEC	2013	53,137	69,917	76%	86%	65%	45,698			
DEC	2014	57,262	73,413	78%	87%	68%	49,818			
DEC	2015	62,438	77,083	81%	88%	71%	54,945			
DEC	2016	67,988	80,938	84%	89%	75%	60,509			
DEC	2017	73,087	84,985	86%	90%	77%	65,778			
DEC	2018	79,418	89,234	89%	91%	81%	72,270			
DEC	2019	86,200	93,695	92%	92%	85%	79,304			
DEC	2020	93,461	98,380	95%	93%	88%	86,919			
DEC	2021	101,233	103,299	98%	94%	92%	95,159			
DEC	2022	108,464	108,464	100%	95%	95%	103,041			
DEC	2023	113,887	113,887	100%	96%	96%	109,332			
DEC	2024	119,582	119,582	100%	97%	97%	115,994			
DEC	2025	125,561	125,561	100%	98%	98%	123,050			
DEC	2026	131,839	131,839	100%	99%	99%	130,520			
DEC	2027	138,431	138,431	100%	100%	100%	138,431			

DWP PALO VERDE ALL UNITS FUNDING PLAN



DEPARTMENT OF WATER & POWER
2001 PALO VERDE ALL UNITS FUNDING STATUS
TERMINATION COST FUNDING
(In Thousand \$)

Month	Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Authorized Funding Plan			Funding Floor Curve			Actual Funding		
		Fund	Est. Cost	% Funded	Criteria	Percent	\$ Amount	Fund	Est. Cost	% Funded
		(2) X (3)				(3) X (4)	(1) X (4)			(7)/(8)
DEC	1991	8,768	48,467	18%	80%	14%	7,014	9,186	48,467	19%
DEC	1992	11,886	78,410	15%	80%	12%	9,509	11,862	78,410	15%
DEC	1993	15,386	82,331	19%	80%	15%	12,309	15,126	82,331	18%
DEC	1994	19,134	86,447	22%	80%	18%	15,307	17,504	86,447	20%
DEC	1995	20,788	82,440	25%	80%	20%	16,631	25,844	82,440	31%
DEC	1996	24,974	86,562	29%	80%	23%	19,979	37,694	86,562	44%
DEC	1997	29,281	90,890	32%	80%	26%	23,425	50,533	90,890	56%
DEC	1998	35,675	101,211	35%	80%	28%	28,540	65,398	101,211	65%
DEC	1999	40,646	106,272	38%	80%	31%	32,517	71,236	106,272	67%
DEC	2000	46,026	111,585	41%	80%	33%	36,821	78,596	111,585	70%
DEC	2001	51,843	117,164	44%	80%	35%	41,474	84,627	117,164	72%
DEC	2002	55,799	118,035	47%	80%	38%	44,639	89,971	118,035	76%
DEC	2003	62,307	123,937	50%	80%	40%	49,846			
DEC	2004	69,326	130,134	53%	80%	43%	55,461			
DEC	2005	76,425	136,640	56%	80%	45%	61,140			
DEC	2006	84,054	143,472	59%	81%	47%	68,084			
DEC	2007	92,776	150,646	62%	82%	51%	76,076			
DEC	2008	102,160	158,178	65%	83%	54%	84,793			
DEC	2009	111,165	166,087	67%	84%	56%	93,379			
DEC	2010	121,351	174,391	70%	85%	59%	103,149			
DEC	2011	132,912	183,111	73%	86%	62%	114,304			
DEC	2012	145,326	192,267	76%	87%	66%	126,433			
DEC	2013	157,959	201,880	78%	88%	69%	139,004			
DEC	2014	170,820	211,974	81%	89%	72%	152,030			
DEC	2015	186,039	222,573	84%	90%	75%	167,435			
DEC	2016	201,554	233,701	86%	91%	78%	183,414			
DEC	2017	218,143	245,386	89%	92%	82%	200,692			
DEC	2018	235,975	257,656	92%	93%	85%	219,457			
DEC	2019	255,890	270,538	95%	94%	89%	240,537			
DEC	2020	275,267	284,065	97%	95%	92%	261,504			
DEC	2021	296,203	298,269	99%	96%	95%	284,354			
DEC	2022	313,182	313,182	100%	97%	97%	303,787			
DEC	2023	328,841	328,841	100%	98%	98%	322,264			
DEC	2024	345,283	345,283	100%	99%	99%	341,830			
DEC	2025	362,547	362,547	100%	100%	100%	362,547			
DEC	2026	261,804	261,804	100%	100%	100%	261,804			
DEC	2027	138,431	138,431	100%	100%	100%	138,431			

APS 2002 Annual Funding Status Report

APS reports that its Master Trust Agreement was amended March 18, 2002.
A copy of the amendment is enclosed.

AMENDMENT NO. 3

Decommissioning Trust Agreement
(PVNGS Unit 1)

This Amendment No. 3 dated as of March 18, 2002, to the Decommissioning Trust Agreement (PVNGS Unit 1), dated as of July 1, 1991, as amended by Amendment No. 1 thereto dated as of December 1, 1994 and Amendment No. 2 thereto dated as of December 16, 1996 (the "Decommissioning Trust Agreement", terms used herein as therein defined), is entered into between Arizona Public Service Company ("APS") and Mellon Bank, N.A., as Decommissioning Trustee ("Decommissioning Trustee").

RECITALS:

WHEREAS, the parties hereto wish to amend the Agreement.

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment.

- (a) The period at the end of clause (iii) in Section 8, paragraph (a) is deleted and "or" is added in its place and the following subparagraph (iv) shall be added to Section 8, paragraph (a):

"(iv) in any property safekept or settled outside of the United States".

- (b) The third and fifth sentences of clause (ii) of Paragraph (c) of Section 8 shall be restated as follows;

Upon proper notification from the Investment Manager(s), Decommissioning Trustee shall execute and deliver instruments in accordance with the appropriate trading authorizations; provided that the Trustee shall not follow any direction that would result in assets of the Second Fund being invested in assets other than those investments permitted for a qualified nuclear decommissioning reserve fund under Section 468A of the Code and the regulations thereunder.

Such notification shall be proper authority for Decommissioning Trustee to pay for portfolio securities purchased against receipt thereof, and to deliver portfolio securities sold against payment therefor, as the case may be.

- (c) Clause (ii) of Paragraph (d) of Section 8 shall be restated as follows:

- (ii) Decommissioning Trustee is required to supervise and review the securities and other assets and investments authorized for purchase by the Investment Managers(s) within two weeks of the end of the calendar month during which

such purchase was made to determine that such securities, assets and/or investments are Permitted Investments and satisfy the further conditions of this Agreement as set out in Exhibit B. Upon the completion of such review, the Decommissioning Trustee shall promptly notify APS in writing if any securities, assets or investments are not Permitted Investments or fail to satisfy such further conditions.

- (d) The following shall be added to Section 11:

Notwithstanding the foregoing, if the Decommissioning Trustee advances cash or securities for any purpose or in the event that the Decommissioning Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Funds or under this Agreement shall be security therefor and the Decommissioning Trustee shall be entitled to collect from the Funds sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Decommissioning Trustee advances funds to the Funds for disbursements or to effect the settlement of purchase transactions, the Decommissioning Trustee shall be entitled to collect from the Funds an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate).

- (e) The second sentence of the fourth paragraph of Section 21 shall be restated as follows:

Decommissioning Trustee shall promptly advise APS if it has actual knowledge that any of the investments do not constitute Permitted Investments or otherwise satisfy the further conditions of this Agreement.

- (f) The first sentence of Section 23 shall be restated as follows:

Decommissioning Trustee shall not be liable for any acts, omissions, or defaults of any agent (other than its officers and employees), provided such agent was selected with reasonable care and the performance and status of such agent is monitored with reasonable care.

- (g) Clause (b) of the second paragraph of Section 23 shall be restated as follows:

(b) any direct damages and any consequential damages permitted under Section 28 arising from the violation of the restrictions on the investment of Fund assets under this Agreement 1) where the decision to invest Fund assets in such investments was made by the Decommissioning Trustee, or 2) if not made by the Decommissioning Trustee, such damages could have been prevented by the Decommissioning Trustee through the exercise of reasonable care in the exercise of its duties hereunder, including but not limited to its duties of supervision and review under Section 8 hereof, and/or

- (h) The following Section 28 shall be added:

Section 28: Notwithstanding anything in this Agreement to the contrary, the Decommissioning Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Funds resulting from any event beyond the reasonable control of the Decommissioning Trustee, its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Funds' property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. The Decommissioning Trustee shall not be liable for any indirect, consequential, or special damages with respect to its role as Decommissioning Trustee to the extent such damages exceed the Trustee's annual compensation under this Agreement for the previous calendar year. This Section shall survive the termination of this Agreement.

- (i) Exhibit B to the Decommissioning Trust Agreement is hereby deleted and replaced in its entirety by Exhibit B hereto.

SECTION 2. Miscellaneous

- (a) Full Force and Effect.

Except as expressly provided herein, the Decommissioning Trust Agreement shall remain unchanged and in full force and effect. Each reference in the Decommissioning Trust Agreement and in any exhibit or schedule thereto to "this Agreement," "hereto," "hereof" and terms of similar import shall be deemed to refer to the Decommissioning Trust Agreement as amended hereby.

- (b) Counterparts/Representations.

The Amendment No. 3 may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Amendment No. 3 by signing any such counterpart. Each party represents and warrants to the other that it has full authority to enter into this Amendment upon the terms and conditions hereof and that the individual executing this Amendment on its behalf has the requisite authority to bind that Party.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to the Decommissioning Trust Agreement to be duly executed as of the day and year first above written.

ARIZONA PUBLIC SERVICE COMPANY

By Barbara M. Gatz

Title TREASURER

MELLON BANK, N.A. as
Decommissioning Trustee

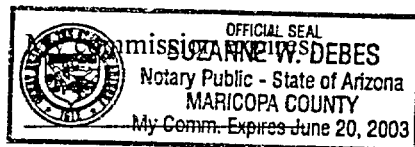
By [Signature]

Title Vice President

STATE OF ARIZONA)
) ss:
County of Maricopa)

The foregoing instrument was acknowledged before me this 20th day of MARCH, 2002, by M. GOMEZ, the TRUSTEE of ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, on behalf of said corporation.

Suzanne W. Debes
Notary Public



COMMONWEALTH OF PENNSYLVANIA)
) ss:
County of Allegheny)

The foregoing instrument was acknowledged before me this 28th day of March, 2002, by ROBERTA F. SASS, a Vice President of Mellon Bank, N.A. a national banking association having trust powers, as Decommissioning Trustee, on behalf of said national banking association.

Julie Ann Mosco
Notary Public

My commission expires:

OCT 13 2003

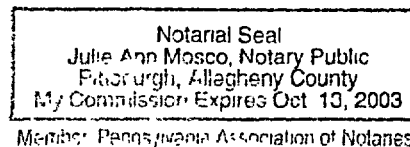


Exhibit B

Unit 1

PERMITTED INVESTMENTS FOR THE DECOMMISSIONING TRUST FUND AND THE SECOND FUND

The Second Fund must meet all applicable requirements of the Code, and applicable rules and regulations promulgated by the Internal Revenue Service with respect to a Nuclear Decommissioning Reserve Fund.

Subject to the foregoing, the Decommissioning Trust Fund and the Second Fund may invest in any of the following:

Securities

Except as may be constrained elsewhere in these guidelines, the following types of taxable or tax-exempt securities are eligible for investment, including any investment in a common or collective trust fund (including but not limited to, any such fund maintained by the Decommissioning Trustee or any of its affiliates, including but not limited to, the Decommissioning Trustee's Nuclear Decommissioning Trust Equity Index Fund) holding any securities listed in items 1 through 3 below:

1. Debt Obligations of
 - The U.S. Government and its agencies or instrumentalities
 - States, U.S. possessions, District of Columbia, and any agency or political subdivision thereof
 - Domestic corporations
 - Municipalities and municipal agencies
2. Asset-backed and mortgage-backed securities
3. Equities
4. FDIC Certificates of Deposit, including but not limited to, those of the Decommissioning Trustee or any of its affiliates
5. Shares of regulated investment companies, including but not limited to, mutual funds, including but not limited to, those for which the Decommissioning Trustee performs advisory management or other services for a fee

6. Cash equivalent securities, including but not limited to, the Decommissioning Trustee's STIF accounts or those of any of its affiliates

Quality

1. Debt obligations other than U.S. Government and agency securities must have a rating of at least A by both Moody's Investors Services, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S & P") at time of purchase. This limitation shall not apply to securities that have been pre-refunded where a third party trustee holds direct U.S. Government or agency obligations sufficient to pay debt service and the specified call price to a specific call or maturity date.
2. Commercial paper must be rated at least A-1 by S&P and P-1 by Moody's.
3. Certificates of Deposit must be at a bank with a minimum of one billion dollars in assets as of such bank's most recent report of condition.

Diversification

No investment shall represent more than 10% of the aggregate assets held under this Decommissioning Trust Agreement, the Unit 2 Trust Agreement, and the Unit 3 Trust Agreement combined, except for:

1. Positions in securities issued by the U.S. Government or fully government backed securities or instruments fully pre-refunded where a third party trustee holds direct U.S. Government or agency obligations sufficient to pay debt service and the specified call price to a specific call or maturity date.
2. Units of a common or collective trust fund.

Equity securities are limited to 60% of the aggregate assets held under this Decommissioning Trust Agreement, the Unit 2 Trust Agreement, and the Unit 3 Trust Agreement combined.

Notwithstanding the foregoing, the following restrictions are placed on the investment of the assets of the Funds:

1. Securities of APS, APS' parent corporation, Pinnacle West Capital Corporation, or its affiliates, are not permitted.
2. Securities issued by Maricopa County, Arizona Pollution Control Corporation in connection with the financing of certain facilities at the Palo Verde Nuclear Generation Station are not permitted.

3. Securities issued by or on behalf of any participant in the Palo Verde Nuclear Generating Station are not permitted.
4. Investments in any bank, savings and loan association, or other financial institution whose deposits are not insured by the Federal Deposit Insurance Corporation or other comparable federal agency are not permitted, except that this restriction does not apply to investments in the Decommissioning Trustee's STIF.
5. Property that is settled or safekept outside of the United States is not permitted.
6. The following securities and transactions are explicitly prohibited unless engaged in in the ordinary course by a common or collective trust fund described under the heading "Securities" above:
 - (a) put and call options on securities, securities indices and foreign currencies;
 - (b) financial futures contracts including bond, bond index, foreign currency futures contracts and options thereon;
 - (c) spot and forward currency transactions both to effect securities transactions and to manage currency;
 - (d) private placements;
 - (e) preferred stock;
 - (f) warrants;
 - (g) margin purchases or borrowing money; and
 - (h) short selling or securities lending.

AMENDMENT NO. 6

Decommissioning Trust Agreement (PVNGS Unit 2)

This Amendment No. 6 dated as of March 13, 2002, to the Amended and Restated Decommissioning Trust Agreement (PVNGS Unit 2), dated as of January 31, 1992, as amended by Amendment No. 1 thereto dated as of November 1, 1992, Amendment No. 2 thereto dated as of November 1, 1994, Amendment No. 3 thereto dated as of June 20, 1996, Amendment No. 4 thereto dated as of December 16, 1996, and Amendment No. 5 thereto dated as of June 30, 2000 (the "Decommissioning Trust Agreement", terms used herein as therein defined), is entered into between Arizona Public Service Company ("APS"), State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee and as Lessor, and Mellon Bank, N.A., as Decommissioning Trustee ("Decommissioning Trustee").

RECITALS:

WHEREAS, the parties hereto wish to amend the Agreement.

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment.

- (a) The third and fifth sentences of clause (ii) of Paragraph (c) of Section 9 shall be restated as follows;

Upon proper notification from the Investment Manager(s), Decommissioning Trustee shall execute and deliver instruments in accordance with the appropriate trading authorizations; provided that the Trustee shall not follow any direction that would result in assets of the Second Fund being invested in assets other than those investments permitted for a qualified nuclear decommissioning reserve fund under Section 468A of the Code and the regulations thereunder.

Such notification shall be proper authority for Decommissioning Trustee to pay for portfolio securities purchased against receipt thereof, and to deliver portfolio securities sold against payment therefor, as the case may be.

- (b) Clause (ii) of Paragraph (d) of Section 9 shall be restated as follows:

- (ii) Decommissioning Trustee is required to supervise and review the securities and other assets and investments authorized for purchase by the Investment Managers(s) within two weeks of the end of the calendar month during which such purchase was made to determine that such securities, assets and/or investments are Permitted Investments and satisfy the further conditions of this Agreement as set out in Exhibit B. Upon the completion of such review, the Decommissioning Trustee shall promptly notify APS and the Secured Parties and

Equity Participants in writing if any securities, assets or investments are not Permitted Investments or fail to satisfy such further conditions.

- (c) The second sentence of the fourth paragraph of Section 24 shall be restated as follows:

Within two weeks of the end of each calendar quarter, the Decommissioning Trustee shall send a written statement to APS and the Secured Parties and Equity Participants indicating whether during that previous quarter such securities, assets and/or investments held in the Funds during that quarter were Permitted Investments and satisfied the further conditions of this Agreement; provided however, the Decommissioning Trustee shall promptly advise APS and the Secured Parties and Equity Participants if it has actual knowledge that any of the investments do not constitute Permitted Investments or otherwise satisfy the further conditions of this Agreement.

- (d) The words "any such consequences" shall be added after the words "as provided in this Agreement or" and before the words "could have been prevented" in clause (b) of the first sentence of the second paragraph of Section 26.

- (e) The following Section 33 shall be added:

Section 33: Notwithstanding anything in this Agreement to the contrary, the Decommissioning Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Funds resulting from any event beyond the reasonable control of the Decommissioning Trustee, its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Funds' property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. The Decommissioning Trustee shall not be liable for any indirect, consequential, or special damages with respect to its role as Decommissioning Trustee to the extent such damages exceed the Trustee's annual compensation under this Agreement for the previous calendar year. This Section shall survive the termination of this Agreement.

- (f) Exhibit B to the Decommissioning Trust Agreement is hereby deleted and replaced in its entirety by Exhibit B hereto.

SECTION 2. Miscellaneous

(a) Full Force and Effect.

Except as expressly provided herein, the Decommissioning Trust Agreement shall remain unchanged and in full force and effect. Each reference in the Decommissioning Trust Agreement and in any exhibit or schedule thereto to "this Agreement," "hereto," "hereof" and terms of similar import shall be deemed to refer to the Decommissioning Trust Agreement as amended hereby.

(b) Counterparts/Representations.

The Amendment No. 6 may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Amendment No. 6 by signing any such counterpart. Each party represents and warrants to the other that it has full authority to enter into this Amendment upon the terms and conditions hereof and that the individual executing this Amendment on its behalf has the requisite authority to bind that Party.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 6 to the Decommissioning Trust Agreement to be duly executed as of the day and year first above written.

ARIZONA PUBLIC SERVICE COMPANY

By Barbara M. Gray
Title TREASURER

MELLON BANK, N.A. as
Decommissioning Trustee

By

Title

STATE STREET BANK AND TRUST COMPANY, as
Owner Trustee under a Trust Agreement with Security
Pacific Capital Leasing Corporation and as Lessor under
a Facility Lease with Arizona Public Service Company

By

Title

STATE STREET BANK AND TRUST COMPANY, as
Owner Trustee under a Trust Agreement with Emerson
Finance Co. and as Lessor under a Facility Lease with
Arizona Public Service Company

By

Title

STATE OF ARIZONA)
) ss:
County of Maricopa)

The foregoing instrument was acknowledged before me this 20th day of MARCH, 2002, by SARSA M. GOMEZ, the Treasurer of ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, on behalf of said corporation.

Suzanne W. Debbs
Notary Public

My commission expires:



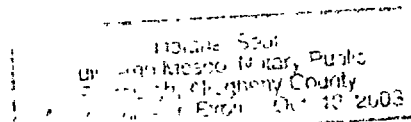
COMMONWEALTH OF PENNSYLVANIA)
) ss:
County of Allegheny)

The foregoing instrument was acknowledged before me this 28th day of March, 2002, by Robert F. Sais, a Vice President of Mellon Bank, N.A. a national banking association having trust powers, as Decommissioning Trustee, on behalf of said national banking association.

Jane Stan Moser
Notary Public

My commission expires:

Oct 13 2003



COMMONWEALTH OF MASSACHUSETTS)
) ss:
County of Suffolk)

The foregoing instrument was acknowledged before me this 18th day of March, 2002, by Kenneth R. Ring, an Assistant Vice President of State Street Bank and Trust Company, a Massachusetts trust company, in its capacity as Owner Trustee under a Trust Agreement with Security Pacific Capital Leasing Corporation and as Lessor under a Facility Lease with Arizona Public Service Company, on behalf of said association in such capacities.




Notary Public

My commission expires:

JAMES M. COOLIDGE
Notary Public
My Commission Expires June 19, 2003

COMMONWEALTH OF MASSACHUSETTS)
) ss:
County of Suffolk)

The foregoing instrument was acknowledged before me this 18th day of March, 2002, by Kenneth R. Ring, an Assistant Vice President of State Street Bank and Trust Company, a Massachusetts trust company, in its capacity as Owner Trustee under a Trust Agreement with Emerson Finance Company and as Lessor under a Facility Lease with Arizona Public Service Company, on behalf of said association in such capacities.



Notary Public

My commission expires:

JAMES M. COOLIDGE
Notary Public
My Commission Expires June 19, 2003

Exhibit B
UNIT 2

**PERMITTED INVESTMENTS FOR THE
DECOMMISSIONING TRUST FUND AND THE SECOND FUND**

The Second Fund must meet all applicable requirements of the Code, and applicable rules and regulations promulgated by the Internal Revenue Service with respect to a Nuclear Decommissioning Reserve Fund.

Subject to the foregoing, the Decommissioning Trust Fund and the Second Fund may invest in any of the following obligations or securities maturing at such time or times as to enable payments or transfers to be made from the Funds or which shall be readily marketable prior to the final maturity thereof:

(a) bills, notes, bonds and savings bonds of the Treasury of the United States of America;

(b) obligations of the United States of America not included in clause (a) taken into consideration for purposes of determining the public debt limit of the United States of America;

(c) time or demand deposits in a bank (as defined in Section 581 of the Code) or an insured credit union (within the meaning of Section 101(6) of the Federal Credit Union Act, 12 U.S.C. 1752(7) (1982)) (for the purposes of this paragraph, "time or demand deposits" shall include checking accounts, savings accounts, certificates of deposit, and other time or demand deposits but shall not include common or collective trust funds);

(d) obligations of the Federal National Mortgage Association and Government National Mortgage Association;

(e) AAA rated collateralized mortgage obligations; interest only, principal only, and inverse floaters are specifically prohibited;

(f) commercial paper maturing within 60 days and rated the highest grade by Moody's Investor's Services, Inc. ("Moody's") or Standard & Poor's Corporation ("S & P") or if one of such agencies does not rate such paper, rated the highest grade by the other;

(g) deposit accounts (which may be represented by certificates of deposit) payable on demand or maturing within 180 days, in Federally insured national or state banks; provided, however, if the aggregate amount of such deposit accounts in a bank is \$100,000 or more, such bank shall have combined capital and surplus as of its last report of condition exceeding \$250,000,000 and a senior unsecured debt rating of Investment Grade;

(h) The Decommissioning Trustee's Short Term Investment Fund ("STIF") account; provided, however, that no more than fifteen percent (15%) of the aggregate assets of the Funds may be invested in the Decommissioning Trustee's STIF account at any one time, except that the full amount of APS' quarterly contribution to the Funds or any portion thereof may be invested in the Decommissioning Trustee's STIF account for a period of up to seven (7) business days after such contribution is made and, during such period, the amount of such contribution or portion thereof that shall have been so invested shall not count against the fifteen percent (15%) limitation in this paragraph (h):

(i) repurchase agreements fully secured (and perfected) by any of the foregoing obligations or securities maturing within 30 days with any Federally insured national or state bank (including Decommissioning Trustee) or any other financial institution that is a nationally recognized dealer that reports to the Market Reports Division of the Federal Reserve Bank of New York; provided, however, if the aggregate face amount of such repurchase agreements with an issuer is \$1,000,000 or more, the issuer shall have combined capital and surplus as of its last report of condition exceeding \$250,000,000 and a senior unsecured debt rating of Investment Grade;

(j) obligations rated Investment Grade of a State, a possession of the United States of America, the District of Columbia or any political subdivision of the foregoing, the interest on which is exempt from tax under Section 103(a) of the Code;

(k) corporate debt obligations rated Investment Grade; and

(l) (x) corporate equity securities, including, but not limited to, investment in units of common or collective trust funds investing in corporate equity securities; including, but not limited to, the Decommissioning Trustee's Nuclear Decommissioning Trust Equity Index Fund (the "NDT Equity Index Fund") and (y) obligations not included in clauses (a) through (k) issued or guaranteed by a person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress of the United States of America, including Federal Intermediate Credit Bank, Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation; provided, that no more than fifty percent (50%) of the aggregate assets of the Funds may be invested in securities described in (x) and (y) of this subparagraph (l) during the period from June 27, 1996 through December 31, 2003, no more than thirty percent (30%) during the period from January 1, 2004 through December 31, 2006, and no more than fifteen percent (15%) during the period from January 1, 2007 through January 31, 2010; and provided further that after January 31, 2010, no investments shall be made in such securities.

Notwithstanding the foregoing, the following restrictions are placed on the investment of the assets of the Funds:

1. Securities of APS, APS' parent corporation, Pinnacle West Capital Corporation, or its affiliates, are not permitted.

2. Securities issued by Maricopa County, Arizona Pollution Control Corporation in connection with the financing of certain facilities at the Palo Verde Nuclear Generation Station are not permitted.

3. Securities issued by or on behalf of any participant in the Palo Verde Nuclear Generating Station are not permitted.

4. Investments in any bank or other financial institution whose deposits are not insured by the Federal Deposit Insurance Corporation or other comparable federal agency are not permitted, except that this restriction does not apply to investments in the Decommissioning Trustee's STIF.

5. There shall be no short-selling, securities lending, options trading, financial futures, over-the-counter derivative transactions, or other specialized investment activity, except as specifically allowed in paragraphs (a) through (1) hereof, or except as may be effected in the ordinary course of operation of the Decommissioning Trustee's STIF account or its NDT Equity Index Fund.

6. No investment shall be made which would cause the holding of any one issue (excluding obligations of the United States Government and agencies of or guaranteed by the United States Government and excluding units of a common or collective trust fund), to exceed ten percent (10%) of the aggregate assets held under this Decommissioning Trust Agreement, the Unit 1 Trust Agreement, and the Unit 3 Trust Agreement, valued at cost.

7. Bank certificates of deposit must be at banks with a minimum of one billion (\$1,000,000,000) in assets as of such banks' most recent report of condition.

8. Short-term taxable and non-taxable debt securities are not permitted unless such securities have a rating of at least P-1 by Moody's or at least A-1 by S&P.

9. Long-term taxable and non-taxable debt securities are not permitted unless such securities have a rating of at least "A" by Moody's or S&P.

10. No investment shall be made which would cause sixty percent (60%) or more of the aggregate assets held under this Decommissioning Trust Agreement and the Unit 1 Trust Agreement and the Unit 3 Trust Agreement to be invested in equity securities.

AMENDMENT NO. 3

Decommissioning Trust Agreement
(PVNGS Unit 3)

This Amendment No. 3 dated as of March / 8, 2002, to the Decommissioning Trust Agreement (PVNGS Unit 3), dated as of July 1, 1991, as amended by Amendment No. 1 thereto dated as of December 1, 1994 and Amendment No. 2 thereto dated as of December 16, 1996 (the "Decommissioning Trust Agreement", terms used herein as therein defined), is entered into between Arizona Public Service Company ("APS") and Mellon Bank, N.A., as Decommissioning Trustee ("Decommissioning Trustee").

RECITALS:

WHEREAS, the parties hereto wish to amend the Agreement.

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment.

- (a) The period at the end of clause (iii) in Section 8, paragraph (a) is deleted and ";or" is added in its place and the following subparagraph (iv) shall be added to Section 8, paragraph (a):

"(iv) in any property safekept or settled outside of the United States".

- (b) The third and fifth sentences of clause (ii) of Paragraph (c) of Section 8 shall be restated as follows;

Upon proper notification from the Investment Manager(s), Decommissioning Trustee shall execute and deliver instruments in accordance with the appropriate trading authorizations; provided that the Trustee shall not follow any direction that would result in assets of the Second Fund being invested in assets other than those investments permitted for a qualified nuclear decommissioning reserve fund under Section 468A of the Code and the regulations thereunder.

Such notification shall be proper authority for Decommissioning Trustee to pay for portfolio securities purchased against receipt thereof, and to deliver portfolio securities sold against payment therefor, as the case may be.

- (c) Clause (ii) of Paragraph (d) of Section 8 shall be restated as follows:

- (ii) Decommissioning Trustee is required to supervise and review the securities and other assets and investments authorized for purchase by the Investment Managers(s) within two weeks of the end of the calendar month during which such purchase was made to determine that such securities, assets and/or

investments are Permitted Investments and satisfy the further conditions of this Agreement as set out in Exhibit B. Upon the completion of such review, the Decommissioning Trustee shall promptly notify APS in writing if any securities, assets or investments are not Permitted Investments or fail to satisfy such further conditions.

- (d) The following shall be added to Section 11:

Notwithstanding the foregoing, if the Decommissioning Trustee advances cash or securities for any purpose or in the event that the Decommissioning Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Funds or under this Agreement shall be security therefor and the Decommissioning Trustee shall be entitled to collect from the Funds sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Decommissioning Trustee advances funds to the Funds for disbursements or to effect the settlement of purchase transactions, the Decommissioning Trustee shall be entitled to collect from the Funds an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate).

- (e) The second sentence of the fourth paragraph of Section 21 shall be restated as follows:

Decommissioning Trustee shall promptly advise APS if it has actual knowledge that any of the investments do not constitute Permitted Investments or otherwise satisfy the further conditions of this Agreement.

- (f) The first sentence of Section 23 shall be restated as follows:

Decommissioning Trustee shall not be liable for any acts, omissions, or defaults of any agent (other than its officers and employees), provided such agent was selected with reasonable care and the performance and status of such agent is monitored with reasonable care.

- (g) Clause (b) of the second paragraph of Section 23 shall be restated as follows:

(b) any direct damages and any consequential damages permitted under Section 28 arising from the violation of the restrictions on the investment of Fund assets under this Agreement 1) where the decision to invest Fund assets in such investments was made by the Decommissioning Trustee, or 2) if not made by the Decommissioning Trustee, such damages could have been prevented by the Decommissioning Trust through the exercise of reasonable care in the exercise of its duties hereunder, including but not limited to its duties of supervision and review under Section 8 hereof, and/or

- (h) The following Section 28 shall be added:

Section 28: Notwithstanding anything in this Agreement to the contrary, the

Decommissioning Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Funds resulting from any event beyond the reasonable control of the Decommissioning Trustee, its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Funds' property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. The Decommissioning Trustee shall not be liable for any indirect, consequential, or special damages with respect to its role as Decommissioning Trustee to the extent such damages exceed the Trustee's annual compensation under this Agreement for the previous calendar year. This Section shall survive the termination of this Agreement.

- (i) Exhibit B to the Decommissioning Trust Agreement is hereby deleted and replaced in its entirety by Exhibit B hereto.

SECTION 2. Miscellaneous

- (a) Full Force and Effect.

Except as expressly provided herein, the Decommissioning Trust Agreement shall remain unchanged and in full force and effect. Each reference in the Decommissioning Trust Agreement and in any exhibit or schedule thereto to 'this Agreement,' 'hereto,' 'hereof' and terms of similar import shall be deemed to refer to the Decommissioning Trust Agreement as amended hereby.

- (b) Counterparts/Representations.

The Amendment No. 3 may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Amendment No. 3 by signing any such counterpart. Each party represents and warrants to the other that it has full authority to enter into this Amendment upon the terms and conditions hereof and that the individual executing this Amendment on its behalf has the requisite authority to bind that Party.

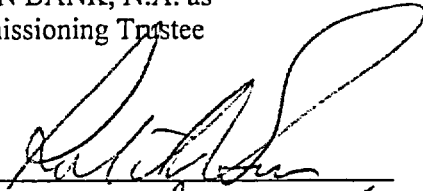
IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to the Decommissioning Trust Agreement to be duly executed as of the day and year first above written.

ARIZONA PUBLIC SERVICE COMPANY

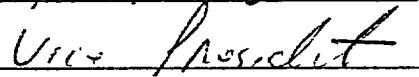
By Barbara M. Gray
Title TREASURER

MELLON BANK, N.A. as
Decommissioning Trustee

By

A large, stylized handwritten signature in black ink, appearing to read "Robert L. Smith", written over a horizontal line.

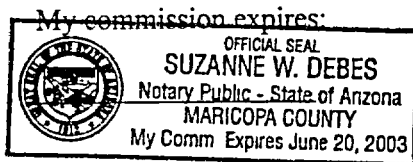
Title

A handwritten signature in black ink, appearing to read "Vice President", written over a horizontal line.

STATE OF ARIZONA)
) ss:
County of Maricopa)

The foregoing instrument was acknowledged before me this 20th day of March, 2002, by B. L. R. A. M. GONZALEZ, the Treasurer of ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, on behalf of said corporation.

Suzanne W. Debbs
Notary Public



COMMONWEALTH OF PENNSYLVANIA)
) ss:
County of Allegheny)

The foregoing instrument was acknowledged before me this 28th day of March, 2002, by Robert F. Mosco Vice President of Mellon Bank, N.A. a national banking association having trust powers, as Decommissioning Trustee, on behalf of said national banking association.

Robert F. Mosco
Notary Public

My commission expires:
Oct 13 2003

Notary
Public

Exhibit B

Unit 3

PERMITTED INVESTMENTS FOR THE DECOMMISSIONING TRUST FUND AND THE SECOND FUND

The Second Fund must meet all applicable requirements of the Code, and applicable rules and regulations promulgated by the Internal Revenue Service with respect to a Nuclear Decommissioning Reserve Fund.

Subject to the foregoing, the Decommissioning Trust Fund and the Second Fund may invest in any of the following:

Securities

Except as may be constrained elsewhere in these guidelines, the following types of taxable or tax-exempt securities are eligible for investment, including any investment in a common or collective trust fund (including but not limited to, any such fund maintained by the Decommissioning Trustee or any of its affiliates, including but not limited to, the Decommissioning Trustee's Nuclear Decommissioning Trust Equity Index Fund) holding any securities listed in items 1 through 3 below:

1. Debt Obligations of
 - The U.S. Government and its agencies or instrumentalities
 - States, U.S. possessions, District of Columbia, and any agency or political subdivision thereof .
 - Domestic corporations
 - Municipalities and municipal agencies
2. Asset-backed and mortgage-backed securities
3. Equities
4. FDIC Certificates of Deposit, including but not limited to, those of the Decommissioning Trustee or any of its affiliates
5. Shares of regulated investment companies, including but not limited to, mutual funds, including but not limited to, those for which the Decommissioning Trustee performs advisory management or other services for a fee

6. Cash equivalent securities, including but not limited to, the Decommissioning Trustee's STIF accounts or those of any of its affiliates

Quality

1. Debt obligations other than U.S. Government and agency securities must have a rating of at least A by both Moody's Investors Services, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S & P") at time of purchase. This limitation shall not apply to securities that have been pre-refunded where a third party trustee holds direct U.S. Government or agency obligations sufficient to pay debt service and the specified call price to a specific call or maturity date.
2. Commercial paper must be rated at least A-1 by S&P and P-1 by Moody's.
3. Certificates of Deposit must be at a bank with a minimum of one billion dollars in assets as of such bank's most recent report of condition.

Diversification

No investment shall represent more than 10% of the aggregate assets held under this Decommissioning Trust Agreement, the Unit 2 Trust Agreement, and the Unit 1 Trust Agreement combined, except for:

1. Positions in securities issued by the U.S. Government or fully government backed securities or instruments fully pre-refunded where a third party trustee holds direct U.S. Government or agency obligations sufficient to pay debt service and the specified call price to a specific call or maturity date.
2. Units of a common or collective trust fund.

Equity securities are limited to 60% of the aggregate assets held under this Decommissioning Trust Agreement, the Unit 2 Trust Agreement, and the Unit 1 Trust Agreement combined.

Notwithstanding the foregoing, the following restrictions are placed on the investment of the assets of the Funds:

1. Securities of APS, APS' parent corporation, Pinnacle West Capital Corporation, or its affiliates, are not permitted.
2. Securities issued by Maricopa County, Arizona Pollution Control Corporation in connection with the financing of certain facilities at the Palo Verde Nuclear Generation Station are not permitted.

3. Securities issued by or on behalf of any participant in the Palo Verde Nuclear Generating Station are not permitted.
4. Investments in any bank, savings and loan association, or other financial institution whose deposits are not insured by the Federal Deposit Insurance Corporation or other comparable federal agency are not permitted, except that this restriction does not apply to investments in the Decommissioning Trustee's STIF.
5. Property that is settled or safekept outside of the United States is not permitted.
6. The following securities and transactions are explicitly prohibited unless engaged in in the ordinary course by a common or collective trust fund described under the heading "Securities" above:
 - (a) put and call options on securities, securities indices and foreign currencies;
 - (b) financial futures contracts including bond, bond index, foreign currency futures contracts and options thereon;
 - (c) spot and forward currency transactions both to effect securities transactions and to manage currency;
 - (d) private placements;
 - (e) preferred stock;
 - (f) warrants;
 - (g) margin purchases or borrowing money; and
 - (h) short selling or securities lending.

SCE 2002 Annual Funding Status Report

SCE reports that its Master Trust Agreement was amended November 1, 2002.
A copy of the amendment is enclosed.

SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES
QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT

**FOR SAN ONOFRE AND PALO VERDE
NUCLEAR GENERATING STATIONS**

As Amended and Restated November 1, 2002

**SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT**

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**SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT**

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SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT

AGREEMENT by and between Southern California Edison Company, a California corporation ("Company"), and Mellon Bank, N.A., a national banking association ("Trustee"), as amended and restated effective November 1, 2002.

WHEREAS, the Company is the owner of: (1) an 80 percent undivided interest in Unit One of the San Onofre Nuclear Generating Station ("SONGS Unit No. 1"); (2) a 75.05 percent undivided interest in Unit Two of the San Onofre Nuclear Generating Station ("SONGS Unit No. 2"); (3) a 75.05 percent undivided interest in Unit Three of the San Onofre Nuclear Generating Station ("SONGS Unit No. 3"); (4) a 15.80 percent undivided interest in Unit One of the Palo Verde Nuclear Generating Station ("Palo Verde Unit No. 1"); (5) a 15.80 percent undivided interest in Unit Two of the Palo Verde Nuclear Generating Station ("Palo Verde Unit No. 2"); and (6) a 15.80 percent undivided interest in Unit Three of the Palo Verde Nuclear Generating Station ("Palo Verde Unit No. 3"); and

WHEREAS, the Company is subject to regulation by the California Public Utilities Commission ("CPUC"), an agency of the State of California created and existing pursuant to California Constitution Article XII, § 1, and by the Nuclear Regulatory Commission ("NRC"), an agency of the United States government created and existing pursuant to 42 U.S.C. § 5841; and

WHEREAS, pursuant to Section 468A of the Internal Revenue Code of 1986, 26 U.S.C. § 1 *et seq.*, certain Federal income tax benefits are available to the Company by creating and funding qualified decommissioning funds associated with the San Onofre Nuclear Generating Station ("SONGS") and the Palo Verde Nuclear Generating Station ("Palo Verde"); and

WHEREAS, the CPUC has permitted the Company to include in its cost of service for ratemaking purposes certain amounts to be contributed by the Company to qualified decommissioning funds in order to provide adequate monies for the Company's share of decommissioning costs with respect to SONGS and Palo Verde; and

WHEREAS, the Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations ("Master Trust") was established on November 25, 1987, for the qualified decommissioning funds, and Mellon Bank, N.A. has been selected as successor trustee of the Master Trust;

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Master Trust agreement is amended and restated November 1, 2002, to reflect the selection of Mellon Bank, N.A. as Trustee, and the Trustee hereby agrees to hold the qualified decommissioning funds and such additional monies as may from time to time

be added thereto as provided herein, together with the proceeds and reinvestments thereof;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions set forth:

**I.
DEFINITIONS, PURPOSE AND NAME**

1.01 Definitions.

As used in this Decommissioning Master Trust Agreement, the following terms shall have the following meanings:

- (1) "Act" shall mean the Uniform Principal and Income Act from time to time in effect in the State of California, and on the date hereof set forth in California Probate Code § 16300 et seq.
- (1A) "Advance Withdrawal Certificate" shall mean a document properly completed and executed by one Authorized Representative of the Company and substantially in the form of Exhibit C hereto.
- (2) "Agreement" shall mean and include this Decommissioning Master Trust Agreement as the same may from time to time be amended, modified, or supplemented.
- (3) "Authorized Representative" shall mean, with respect to the Company, the Chief Executive Officer, President, or any Vice President of the Company; and with respect to the Committee, the members of the Committee, or any other person designated as an Authorized Representative of the Committee by a Certificate filed with the Trustee.
- (4) "Board of Directors" shall mean the Board of Directors of the Company, as duly elected from time to time.
- (5) "Certificate" or "Certification" shall mean a written Certificate signed by two Authorized Representatives of the Company for a Certificate of the Company, or two Authorized Representatives of the Committee for a Certificate of the Committee.
- (6) "Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.
- (7) "Committee" shall mean the Nuclear Facilities Decommissioning Master Trust Committee established pursuant to Article III.
- (8) "CPUC" shall mean the California Public Utilities Commission, as defined and set forth in Section I of Article XII of the California Constitution, or its successor.
- (9) "CPUC Order" shall mean an order or resolution issued by the CPUC after the Company, the Committee, the CPUC Staff, the Trustee, and other interested parties have been given notice and an opportunity to be heard. The order may

be issued with or without hearing or by the CPUC Advice Letter procedure or comparable procedure.

- (10) "Decommissioning Contributions" shall mean all amounts for decommissioning expenses of the Plants reflected in the Company's adopted annualized cost of service in and for the CPUC jurisdiction and contributed to the Funds for decommissioning expenses of the Plants.
- (11) "Decommissioning Costs" shall mean the costs incurred in decommissioning the Plants, to the extent that such costs may be paid out of the Funds pursuant to Section 468A of the Code, and any regulations or rulings of the Service issued thereunder.
- (12) "Disbursement Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit A hereto.
- (13) "Excess Contribution" shall have the meaning set forth in Section 2.03 hereof.
- (14) "Funds" shall mean the SONGS Unit No. 1 Qualified Fund, the SONGS Unit No. 2 Qualified Fund, the SONGS Unit No. 3 Qualified Fund, the Palo Verde Unit No. 1 Qualified Fund, the Palo Verde Unit No. 2 Qualified Fund, and the Palo Verde Unit No. 3 Qualified Fund, collectively.
- (15) "Fund Account" shall mean a separate account established by this Agreement and maintained by the Trustee for each Fund to account for all Decommissioning Contributions (or other contributions as described in Section 2.02) made to each Fund, all income and other increments to each Fund and all disbursements from each Fund.
- (16) "Final Disbursements" shall have the meaning set forth in Section 2.01(6) hereof.
- (17) "Interim Disbursements" shall have the meaning set forth in Section 2.01(5) hereof.
- (18) "Investment Manager(s)" shall mean the fiduciary specified in the Investment Manager Agreement(s):
 - (a) Which has been retained by the Committee to manage, acquire, or dispose of any asset belonging to the Master Trust; and
 - (b) Which is:
 - (i) registered as an investment adviser under the Investment Advisers Act of 1940, or
 - (ii) a bank, as defined in that Act, or
 - (iii) An insurance company qualified to perform services described in subsection (a) above, under the laws of more than one state, and
 - (c) Which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it is qualified to act under

subsection (b) above, and has agreed to be bound by all of the terms, provisions, and covenants of this Agreement.

- (19) "Investment Manager Agreement(s)" mean the agreement(s) between the Committee and an investment manager(s) selected by the Committee which agreement governs the management of the assets of the Master Trust and is confirmed by the CPUC.
- (20) "Master Trust" shall be used merely to refer to the Funds in the aggregate and is not intended nor should it be construed to constitute a separate entity.
- (21) "Plants" shall mean the San Onofre Nuclear Generating Station Unit Nos. 1, 2 and 3 and the Palo Verde Nuclear Generating Station Unit Nos. 1, 2, and 3, collectively.
- (22) "Palo Verde Unit No. 1" shall mean Unit One of the Palo Verde Nuclear Generating Station.
- (23) "Palo Verde Unit No. 1 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning Palo Verde Unit No. 1 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (24) "Palo Verde Unit No. 2" shall mean Unit Two of the Palo Verde Nuclear Generating Station.
- (25) "Palo Verde Unit No. 2 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning Palo Verde Unit No. 2 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (26) "Palo Verde Unit No. 3" shall mean Unit Three of the Palo Verde Nuclear Generating Station.
- (27) "Palo Verde Unit No. 3 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning Palo Verde Unit No. 3 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (28) "Ratepayers" shall mean those customers of the Company receiving electric service in accordance with CPUC approved tariff schedules.
- (29) "Schedule of Ruling Amounts" shall have the meaning set forth in Section 468A(d) of the Code.
- (30) "Service" shall mean the Internal Revenue Service.
- (31) "SONGS Unit No. 1" shall mean Unit One of the San Onofre Nuclear Generating Station.
- (32) "SONGS Unit No. 1 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 1 to

which monies are contributed subject to the conditions and limitations of Section 468A of the Code.

- (33) "SONGS Unit No. 2" shall mean Unit Two of the San Onofre Nuclear Generating Station.
- (34) "SONGS Unit No. 2 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 2 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (35) "SONGS Unit No. 3" shall mean Unit Three of the San Onofre Nuclear Generating Station.
- (36) "SONGS Unit No. 3 Qualified Fund" shall mean the Fund established and maintained for decommissioning SONGS-Unit No. 3 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (37) "Trustee" shall have the meaning set forth in the first paragraph of this Agreement.
- (38) "Units" shall mean SONGS Unit No. 1, SONGS Unit No. 2, SONGS Unit No. 3, Palo Verde Unit No. 1, Palo Verde Unit No. 2, and Palo Verde Unit No. 3, collectively.
- (39) "Withdrawal Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit B hereto.

1.02 Authorization.

The Trustee and the Company hereby represent and warrant that each has full legal authority and is duly empowered to enter into this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it.

1.03 Master Trust Purpose.

The exclusive purposes of this Master Trust are to provide monies for the decommissioning of the Plants; and to constitute qualified nuclear decommissioning funds for the Units within the meaning of Section 468A of the Code, any applicable successor provision and the regulations thereunder. Assets of the Funds must be used as authorized by Section 468A of the Code and the regulations thereunder.

1.04 Establishment of Master Trust.

By execution of this Agreement, the Company:

- (a) amends and restates the Master Trust Agreement, which established the Funds, each of which constitutes a trust consisting of such Decommissioning Contributions (or other contributions as described in Section 2.02) as may be delivered to the Trustee by the Company designated for such Fund. Each Fund shall also include additional Decommissioning Contributions (or other

contributions as described in Section 2.02) designated for such Fund, together with investments and reinvestments thereon; and

- (b) appoints Mellon Bank, N.A. as successor Trustee of each of the Funds.

1.05 Name of Master Trust.

The monies received by the Trustee from the Company (together with any additional monies contributed by the Company and the proceeds and reinvestments thereof) shall constitute the "Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations".

**II.
DISPOSITIVE PROVISIONS**

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Master Trust as follows:

2.01 Payment of Nuclear Decommissioning Costs.

The Trustee shall make payments of the Decommissioning Costs in accordance with the following procedures:

- (1) **Authorized Representative.** The Committee shall promptly notify the Trustee of the selection and appointment of any Authorized Representative of the Committee. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Authorized Representative. The Committee shall provide the Trustee with written notice of the termination of any Authorized Representative's authority.
- (2) **Disbursement to Third Parties.** Evidence of payments for Decommissioning Costs to any person (other than the Company) for goods provided or labor or other services rendered to the Company in connection with the decommissioning of the Plants shall be submitted to the Trustee on a Disbursement Certificate.
- (3) **Reimbursement to the Company.** Requests for payments to the Company in reimbursement of Decommissioning Costs actually incurred by the Company and paid by the Company to any other person shall be submitted to the Trustee on a Withdrawal Certificate.
- (4) **Payment of Decommissioning Costs.** The Trustee shall pay Decommissioning Costs when a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee, showing with respect to each withdrawal of money:
 - (a) the name and address of the person or entity to whom payment is due (which may be the Company);
 - (b) the amount of money to be paid;
 - (c) the purpose for which the obligation to be paid was incurred; and

- (d) a CPUC Order authorizing either Interim Disbursements or Final Disbursements. A copy of such order shall accompany the Disbursement Certificate or Withdrawal Certificate.

Each Disbursement Certificate or Withdrawal Certificate must certify that the expenses to be paid constitute Decommissioning Costs and shall provide satisfactory evidence to the Trustee of same.

- (5) Advance Withdrawals for Payment of Decommissioning Costs. An Authorized Representative may request disbursement of funds to pay expected Decommissioning Costs by submitting an Advance Withdrawal Certificate to the Trustee. Requests for advance withdrawals may be made up to one month before expected payments are made. Amounts withdrawn shall be deposited in an interest-bearing account. Interest earned in such account shall be used for paying Decommissioning Costs, and shall not benefit the Company. Any request for withdrawal of funds shall be accompanied by documentation supporting the amount of advance withdrawal, and shall take into account any unexpended balance of funds previously disbursed. Any funds remaining in such account upon termination of the Master Trust shall be distributed pursuant to Section 2.09.
- (6) Documentation of Payment of Decommissioning Costs. Actual expenditures for Decommissioning Costs and a reconciliation of advance withdrawals with actual expenditures will be submitted by the Company to the CPUC quarterly.
- (7) Interim Disbursements. The estimated costs and schedule for decommissioning each of the Plants shall be reviewed periodically and updated when the revenue requirement for decommissioning is reviewed by the CPUC in the Company's general rate cases. One year prior to the time decommissioning of a Plant or Plants is estimated to begin, the Company shall apply for CPUC approval of the estimated cost and schedule for decommissioning each Plant or Plants. Upon approval of the cost and schedule for decommissioning each Plant or Plants, the CPUC shall authorize Interim Disbursements from the applicable Fund to pay Decommissioning Costs. Upon the occurrence of changed circumstances the Company may apply to the CPUC for approval of amendments to the cost and schedule for decommissioning each Plant. Interim Disbursements shall be limited to 90% of the forecast of Decommissioning Costs approved by the CPUC. Final payment from the applicable Fund for all Decommissioning costs shall be made pursuant to Section 2.01(6).

Prior to the issuance of an Interim Disbursement order, the Trustee is authorized to pay up to 3 percent of the amount specified in paragraph 50.75 of Title 10 of the Code of Federal Regulations for decommissioning planning purposes upon receipt of a Disbursement Certificate or a Withdrawal Certificate meeting the requirements of Section 2.01(4)(a)-(c) which certifies to the Trustee that the

amount requested and prior amounts paid are within the 3 percent limit specified in such paragraph.

- (8) **Final Disbursements.** The Company shall apply for and acquire CPUC approval of the estimated final cost for decommissioning each Plant or Plants. Such application shall be made one year in advance of the time the Company estimates use of funds exceeding 90% of the forecast of Decommissioning Costs approved by the CPUC will be required. Upon approval of the final cost of decommissioning each Plant or Plants, the CPUC shall authorize Final Disbursements from the applicable Fund to pay Decommissioning Costs. The Trustee shall make a Final Disbursement when a CPUC Order and a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee to show:
- (a) the name and address of the person or entity to whom payment is due, including reimbursement to the Company;
 - (b) the amount of money to be paid; and
 - (c) the purpose for which the obligation to be paid was incurred.

2.02 Additions to Master Trust.

From time to time after the initial contribution to the Master Trust and prior to the termination of this Trust, the Company may make, and the Trustee shall accept, additional contributions of money to the Master Trust to satisfy the purpose of this Master Trust as set forth in Section 1.03, which contributions may be made to the applicable Fund Account(s).

2.03 Adjustments for Excess Contributions.

The Trustee and the Company understand and agree that the contributions made by the Company to any of the Funds from time to time may exceed the amount permitted to be paid into such fund(s) pursuant to Section 468A of the Code and any regulations thereunder based upon changes in estimates, subsequent developments, or any other event or occurrence which could not reasonably have been foreseen by the Company at the time such contribution was made (Excess Contribution). Upon Certification of the Company, setting forth the amount of the Excess Contribution, the amount of any Excess Contribution (together with any income accrued thereon) shall be paid to the person or persons specified by the Company in a Certification to the Trustee.

2.04 No Transfers Between Fund Accounts.

The Trustee and the Company further understand and agree that it is of the essence that no transfer of monies is to occur between Fund Accounts except when explicitly indicated by Certificate of the Company that such transfer is necessary to effectuate the purposes of this Master Trust and is not contrary to the requirements of Section 468A of the Code.

2.05 Designation of Funds.

Upon: (a) the initial contribution to the Master Trust; (b) any withdrawal from the Master Trust for Decommissioning Costs pursuant to Section 2.01 or for administrative expenses pursuant to Section 6.01; (c) any addition to the Master Trust pursuant to Section 2.02; or (d) any adjustment to the Funds pursuant to Section 2.03, the Company shall designate, by Certificate, the appropriate Fund Account(s) which are to be credited or debited by such contribution, withdrawal, addition, or adjustment, and the Trustee shall credit or debit the appropriate Fund Account(s) in accordance with such designation.

2.06 Distribution of Income.

- (1) The Trustee shall not be precluded from pooling Decommissioning Contributions (or other contributions as described in Section 2.02) with respect to each of the Fund Accounts for investment purposes, and may treat each Fund Account's Decommissioning Contributions (or other contributions as described in Section 2.02) as having received or accrued a ratable portion of the Master Trust income in any year. Any pooled arrangement undertaken as permitted in this Section 2.06(1) can be terminated at any time by any Fund. No Fund in a pooling arrangement may substitute for itself in such arrangement any person that is not a member of that pooling arrangement.
- (2) Principal and Income. Except as provided in 2.06(3), all questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of the Act.
- (3) Income on Current Collections. As of the end of each accounting period of the Trust, the income of the Master Trust shall, for purposes of all subsequent accounting periods, be treated as Master Trust principal.

2.07 No Transferability of Interest in Trust.

The interest of the Company in the Master Trust is not transferable by the Company, whether voluntarily or involuntarily, nor subject to the claims of creditors of the Company, provided, however, that any creditor of the Company as to which a Disbursement Certificate has been properly completed and submitted to the Trustee may assert a claim directly against the Master Trust in an amount not to exceed the amount specified on such Disbursement Certificate. Nothing herein shall be construed to prohibit a transfer of the Company's interest in the Master Trust upon sale of all or part of the Company's ownership interest in any Plant or Plants; provided, however, that any such transfer shall be subject to the prior approval of the CPUC.

2.08 Resolution of Disagreements.

If any disagreement arises between the Company, the Committee, and/or the CPUC Staff regarding the Master Trust, the disagreement shall be submitted to the CPUC for resolution by issuance of a CPUC Order after notice and an opportunity to be heard, as provided in the California Public Utilities Code, has been given to the Company, the

Committee, the CPUC Staff, the Trustee, and any interested parties. The CPUC, on its own motion, may raise and consider any issue with regard to the Master Trust, and any such issue raised on the CPUC's own motion shall be resolved as provided above. Pending resolution of the disagreement, the Trustee shall act in accordance with the Committee's direction. Nothing in this Agreement shall be construed to limit the rights of the Company, the Committee, the CPUC Staff, the Trustee or any other interested party under the California Public Utilities Code or the California Constitution or other applicable laws or regulations.

2.09 Termination of Master Trust.

This Master Trust shall be irrevocable and will terminate (in whole or in part) upon the earlier of:

- (1) Receipt by the Trustee of a Certificate from the Committee stating that substantial completion of the nuclear decommissioning of the Plants has occurred (as defined in Treasury Regulations promulgated under Code Section 468A);
- (2) The twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to November 25, 1987; or
- (3) At such earlier time as the CPUC may order the Committee to terminate all or a portion of this Master Trust.

2.10 Termination of Funds of Master Trust.

One or more of the Funds shall terminate upon the earlier of:

- (1) Its disqualification from the application of Section 468A of the Code, whether pursuant to an administrative action on the part of the Service or the decision of any court of competent jurisdiction, but in no event earlier than the date on which all available appeals have been either prosecuted or abandoned and the period of time for making any further appeals has elapsed; or
- (2) The disposition by the Company of any interest in the Plants, to the extent provided in regulations by the Service promulgated under Code Section 468A.

2.11 Distribution of Master Trust Upon Termination.

Upon termination of this Master Trust or of any one or more of the Fund(s), the Trustee shall assist the Investment Manager in liquidating the assets of the Master Trust, or Fund(s), and thereupon distributing the then-existing assets of the Master Trust, or Fund(s) (including accrued, accumulated, and undistributed net income) less final Master Trust administrative expenses (including accrued taxes) to the Company; provided, however, that no such distribution shall be made unless the Committee provides a Certificate to the Trustee stating that a CPUC Order has been issued which specifically authorizes such payment to the Company for distribution to the Company's then current Ratepayers, or as otherwise provided in the order. In the event the Funds are no longer needed for Decommissioning Costs and/or Master Trust administration

expenses, they shall be returned to the Company for distribution to the Company's then current Ratepayers in a manner to be prescribed in an Order of the CPUC. In the event the CPUC or a successor no longer exists, the Trustee shall make such distribution to the Company upon receipt of an opinion of legal counsel to the Company accompanying a Certificate of the Company stating that no CPUC Order is necessary to authorize such distribution.

2.12 Alterations and Amendments.

The Trustee and the Company understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust. This Agreement may not be amended so as to violate Section 468A of the Code or the regulations thereunder.

The CPUC by Order may direct the Company to amend, in whole or in part, any or all of the provisions of this Agreement; provided that the CPUC shall not cause the Company to amend this Agreement if such action would defeat the purpose of the Master Trust or the Company's right to elect a current income tax deduction under Code Section 468A and the regulations promulgated thereunder. The Committee may also amend this Agreement thirty days after filing a copy of the proposed amendment with the CPUC. No proposed amendment may be made if written objections to the proposed amendment are filed within the thirty-day period. Any party making written objections to a proposed amendment shall serve the written objections with a certificate of service on the Company, the Committee, the Trustee, and the CPUC Staff on the same day the written objections are filed with the CPUC. Any written objections which cannot be settled shall be resolved in accordance with Section 2.08. Proposed amendments filed with the CPUC shall include in the transmittal letter a reference to the foregoing procedure for making written objection to such proposed amendments. Notwithstanding anything herein to the contrary, no amendment which affects the specific rights, duties, responsibilities, or liabilities of the Trustee, shall be made without its consent and no amendment shall be effective prior to the Trustee receiving reasonable notice thereof.

2.13 No Authority to Conduct Business.

The purpose of this Master Trust is limited to the matters set forth in Section 1.03 above, specifically, and there is no objective to carry on any business unrelated to the Master Trust purposes set forth in Section 1.03 hereof, or divide the gains therefrom.

III. THE COMMITTEE

3.01 Members.

The Committee shall consist of five (5) members. The members shall be nominated by the management of the Company, and their nomination shall be confirmed by the Board of Directors of the Company. No more than two (2) of the members of the Committee shall be employees, officers, or directors of the Company, or otherwise be agents of the Company in any capacity except as members of the Committee. The names of the

nominees shall be furnished to the CPUC in writing within ten (10) days of their nomination. The Company shall furnish the CPUC with a resume of their background and qualifications. The three (3) nominees who are not affiliated with the Company shall be confirmed by the CPUC within 60 days of their submittal. For these three nominees, the Company shall furnish to the CPUC a statement in writing affirming that such nominees are not employees, officers, directors, or otherwise agents of the Company and providing sufficient additional information to determine the existence of any conflict or potential conflict of interest. The three (3) nominees who are not affiliated with the Company shall furnish the CPUC with a declaration that the nominee has no financial or other interest that would conflict with the discharge of their responsibilities as Committee members. Ownership of minor amounts of the Company's stock and/or being a customer of the Company, and/or having routine business relationships such as providing normal banking services shall not be regarded as creating such a conflict or an agency relationship.

If at any time and for any reason there are insufficient members of the Committee not affiliated with the Company to permit the Committee to obtain a quorum, the CPUC, at the request of the Company, may issue an Order allowing the Committee to function for a limited period of time with more than two (2) members who are employees, officers and/or directors of the Company. Should the CPUC issue such an Order, it shall prescribe in that Order the limited period of time during which the Committee may be composed of more than two (2) members who are officers, employees and/or directors of the Company, and it shall prescribe a time by which the Company must submit the names of new nominees for confirmation by the CPUC. The Committee shall not function with more than two (2) members who are officers, employees and/or directors of the Company except upon such Order of the CPUC, and then only within the period of time prescribed in the Order of the CPUC.

3.02 Term.

The term of each member shall be five (5) years; however, any member may be removed by the CPUC for reasonable cause at any time. The Company shall notify the Trustee and the Investment Manager(s) of all appointments and replacements of Committee members in writing signed by an Authorized Representative. Initial appointments of Committee members may be for less than a five-year term in order to establish staggered membership terms among the members of the Committee.

3.03 Acts of Committee.

Each member of the Committee shall have one vote and the Committee shall act by majority decision. It shall require a minimum of four (4) members of the Committee to constitute a quorum in order for the Committee to act. Votes of members of the Committee shall be recorded on all matters voted on or decided by the Committee. Full minutes of Committee meetings shall be maintained. The Committee shall be subject to the jurisdiction of the CPUC.

3.04 Duties of Committee.

The Committee shall direct and manage the Master Trust and perform all duties attendant thereto, including the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets. The Committee may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities hereunder. The reasonable fees and/or compensation of any such assistance the Committee may desire to retain shall be regarded as appropriate Master Trust administration expenses.

3.05 Committee Reports.

The Committee shall evaluate the performance of the Trustee and Investment Manager(s) annually and submit a written report to the CPUC. The report shall be confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or applicable successor provision. The report shall include, at a minimum:

- (a) A finding, with supporting analysis, as to whether the current Trustee and Investment Manager(s) should be retained or replaced;
- (b) In the case where more than one investment manager is used, a justification therefor;
- (c) The voting record of the Committee members and the minutes of all Committee meetings; and
- (d) An itemized accounting of the Master Trust administration expenses and the basis therefor.

At least once every three years the Committee shall evaluate potential substitute trustees and investment managers and submit a report thereon to the CPUC. The report shall be confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or applicable successor provision. This report may be combined with the annual report described above, and shall include, at a minimum:

- (a) A description of the Committee's attempts to solicit proposals from other firms which can perform the trust and investment management duties;
- (b) An evaluation of at least three firms which could potentially replace the current Trustee and/or Investment Manager(s); and
- (c) A justification of the continued use of investment manager(s) on a retainer basis, as opposed to the Trustee's employment of an "in house" investment advisor.

The Committee shall not be required to solicit proposals to replace a Trustee(s) or Investment Manager(s) who, in the judgment of the Committee, are performing adequately and have served as a Trustee and/or Investment Manager hereunder for less than three years.

3.06 Compensation.

Each Committee member who is not an employee, officer, director, or otherwise an agent of the Company shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time a nominee's name is furnished to the CPUC, the Company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation arrangements with such nominee. The fee and/or compensation arrangements shall be subject to the approval of the CPUC. If the fee and/or compensation arrangements with any member should be changed for any reason whatsoever, within ten (10) days of such change, the Company shall furnish to the CPUC a statement in writing fully describing the new fee and/or compensation arrangements, and such changes shall be subject to the approval of the CPUC. Each Committee member shall be reimbursed for all reasonable expenses incurred in connection with the performance of his duties under this Agreement. Fees and/or compensation paid to members of the Committee, reasonable expenses of the members of the Committee, including premiums for liability insurance if applicable, shall be regarded as appropriate Master Trust administration expenses.

3.07 Committee May Limit Trustee Actions.

The Trustee shall not take any act or participate in any transaction which would violate the terms and conditions of any instructions provided by a Certificate of the Committee so long as the terms and conditions of the Certificate are consistent with this Agreement.

IV. TRUSTEES

4.01 Designation and Qualification of Successor Trustee(s).

The Company by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole Trustee. The Trustee shall act in accordance with the directions provided to it by the Committee under the terms of this Agreement. At any time during the term of this Trust, the Committee shall have the right to remove the Trustee acting hereunder and appoint another qualified corporation as a Successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any Successor Trustee shall: (a) become insolvent or admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding; or (f) resign, the Trustee or Successor Trustee shall cease to act as a fiduciary of this Master Trust and the Committee shall appoint a Successor Trustee. In the event of any such removal or resignation, the Trustee or Successor Trustee shall have the right to have its accounts settled as provided in Section 4.05 hereof. Any successor to the

Committee, as provided herein, shall have the same right to remove and to appoint any Trustee or Successor Trustee.

Any Successor Trustee shall qualify by a duly acknowledged acceptance of this Master Trust, delivered to the Company, the Committee, and the CPUC. Upon acceptance of such appointment by the Successor Trustee, the Trustee shall assign, transfer and pay over to such Successor Trustee the monies and properties then constituting the Master Trust. Any Successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Committee cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to the CPUC for the appointment of a Successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an expense of administration payable in accordance with Section 6.01 hereof.

4.02 Resignation.

The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time without prior application to or approval by or order of the CPUC or of any court by a duly acknowledged instrument, which shall be delivered to the Company and the Committee by the Trustee not less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company and the Committee.

4.03 Compensation.

The Trustee shall be entitled to compensation from the Master Trust specified in the Fee Schedule attached as Exhibit D. Custody fees for all trust assets in the aggregate shall not exceed 10 basis points, or such other limit specified by CPUC Order. The Fee Schedule is effective for three years from the date the Company's nuclear decommissioning Master Trust assets are transferred to the Trustee. Nothing herein shall preclude renegotiation of the Fee Schedule due to significantly changed circumstances, provided, however, that any change in the Fee Schedule shall require the approval of the CPUC prior to becoming effective. If the Trustee advances cash or securities for any purpose, or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Fund or under this Agreement shall be security therefor and the Trustee shall be entitled to collect from the Fund sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Fund held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Trustee advances funds to the Fund for disbursements or to effect the settlement of purchase transactions, the Trustee to the extent permitted under Section 468A of the Internal Revenue Code shall be entitled to collect from the Fund with respect to domestic assets, (i) an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate) or (ii) with respect to nondomestic assets, the rate applicable to the appropriate foreign market with respect to non-domestic assets."

4.04 Establish Fund Accounts.

The Trustee shall maintain separate Fund Accounts for each Fund established by this Agreement to account for Decommissioning Contributions (or other contributions as described in Section 2.02) made to each Fund, and all income and other increments to each Fund, and disbursements from each Fund subject to the provisions of Section 2.05 above.

4.05 Accounts.

The Trustee shall present financial statements to the Company and the Committee on a quarterly basis (within forty-five (45) days following the close of each quarter), or at such other frequency as the Committee shall from time to time require. The financial statements shall show the financial condition of the Master Trust, including, without limitation, income and expenses of the Master Trust for the period. Unless otherwise directed by the Committee, the Trustee shall assume responsibility for employing independent certified public accountants to audit the Master Trust financial statements not less frequently than annually, subject to the provisions contained in Section 6.05. The Company and the Committee shall have the right to object to any of the Master Trusts' audited financial statements. If either the Company or the Committee desires to object to the Master Trust's audited financial statements it shall deliver notice of its objection to the Trustee in writing within three years from the day the Trustee shall mail or deliver such audited financial statements to the Company and the Committee. If the Trustee concurs, an adjusting entry will be made going forward. If no written objection is made within that time, the presentation of the Master Trust's audited financial statements to the Company and the Committee shall release and discharge the Trustee with respect to all acts or omissions to the date of said audited financial statements; provided, however, that nothing contained herein shall be deemed to relieve the Trustee of any liability which may be imposed pursuant to Section 4.07 hereof.

4.06 Tax Returns and Other Reports.

The Trustee, the Committee, and the Company shall cooperate in the preparation of income or franchise tax returns or other reports as may be required from time to time and, subject to the limitations contained in Section 6.05, may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee shall present to the Company and the Committee on a monthly basis a report setting forth all investments purchased by the Investment Manager(s) during the previous month. The Trustee shall advise the Company and the Committee if any of the investments, in the Trustee's opinion, may constitute a violation of the restrictions on investment of trust assets outlined in Code Section 468A(e)(5), or successor provision, and to the extent mutually agreed upon by the Trustee and Company, the Trustee shall advise the Company and the Committee if any of the investments, in the Trustee's opinion may constitute a violation of any CPUC Order filed with the Trustee by the Committee which contains investment restrictions applicable to the Master Trust.

4.07 Liability.

In performing its duties under this agreement, the Trustee shall exercise the same care and diligence that it would devote to its own property in like circumstances. The Trustee shall be liable for the acts, omissions or defaults of its own officers and employees. The Trustee shall not be liable for the acts, omissions or defaults of its agents, provided any such agents were selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship. The Trustee shall not be responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign clearing facility, book-entry system, centralized custodial depository, or similar organization. The Trustee shall not be responsible or liable for any losses or damages suffered by the Fund arising as a result of the insolvency of any custodian, subtrustee or subcustodian, except to the extent the Trustee was negligent in its selection or continued retention of such entity. Under no circumstances shall the Trustee be liable for any indirect, consequential, or special damages with respect to its role as Trustee.

Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder. Except as provided in Section 4.05, the Trustee shall not be liable in regard to the exercise or nonexercise of any powers and discretions properly delegated pursuant to the provisions of this Agreement.

Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for any tax imposed pursuant to Section 4951 of the Code (or any applicable successor provision) as such section is made applicable to the Master Trust or the Trustee where the act giving rise to the imposition of any tax pursuant to Section 4951 of the Code was made by or was in the power and control of the Trustee as provided in this Agreement.

Pursuant to Section 6.08 of this Agreement, the Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate of the Committee that are consistent with the provisions of this Agreement, or contravening any provision of this Agreement. Upon receipt of a Certificate of the Committee giving the Trustee notice of either (a) instructions of the Committee to the Trustee, or (b) acts or transactions the Committee believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Committee, and/or cease and desist from the acts identified in the Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Committee that are consistent with the provisions of this Agreement, or continues with any act identified in the Certificate as violating the provisions of this Agreement, from the date of receipt of the Certificate providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee (and not the Master Trust) shall be liable for all direct consequences flowing from any failure to follow the Committee's instructions, and/or flowing from any violation by the Trustee of the provisions of this Agreement.

Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for all direct consequences flowing from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by the Committee.

4.08 Indemnity of Trustee.

The Company shall indemnify and hold harmless the Trustee from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses, incurred by the Trustee in connection with this Agreement, except as a result of the Trustee's own negligence or willful misconduct. This indemnification shall survive the termination of this Agreement.

V. INVESTMENTS

5.01 Appointment of Investment Manager(s).

The Committee may appoint one or more Investment Managers to direct the investment of all or part of the Master Trust. The Committee shall also have the right to remove any such Investment Manager. The appointment of the Investment Manager(s) shall be made in accordance with any procedures specified by the Committee. The Committee shall provide notice of any such appointment by Certification to the Trustee which shall specify the portion of the Master Trust with respect to which the Investment Manager(s) has been designated. The Investment Manager(s) shall certify in writing to the Trustee that it is qualified to act in the capacity provided under the Investment Manager Agreement, shall accept its appointment as such Investment Manager(s), shall certify the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under the Investment Manager Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Committee or the Investment Manager(s), as the case may be.

5.02 Direction by Investment Manager(s).

Notwithstanding Section 7.04, the Investment Manager(s) designated by the Committee to manage any portion of the Master Trust shall have authority to manage, acquire, and dispose of the assets of the Master Trust, or a portion thereof as the case may be. The Investment Manager(s) is authorized to invest in the securities specified in Section 7.02. The Investment Manager(s) shall have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with qualified brokers or dealers. The Trustee, upon proper notification from an Investment Manager, shall execute and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each such authorization shall be given promptly to the Trustee by the Investment Manager(s), and the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer. Such notification shall be proper authority for the Trustee to pay for portfolio securities

purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be.

The authority of the Investment Manager(s) and the terms and conditions of the appointment and retention of the Investment Manager(s) shall be the responsibility solely of the Committee, and the Trustee shall not be deemed to be a party to or to have any obligations under any agreement with the Investment Manager(s). Any duty of supervision or review of the acts, omissions or overall performance of the Investment Manager(s) shall be the exclusive responsibility of the Committee, and, except as provided in Section 4.06, the Trustee shall have no duty to review any securities or other assets purchased by the Investment Manager(s), or to make suggestions to the Investment Manager(s) or to the Committee with respect to the exercise or nonexercise of any power by the Investment Manager(s).

Unless the Trustee participates knowingly in, or knowingly undertakes to conceal an act or omission of an Investment Manager(s) knowing such act or omission to be a breach of the fiduciary responsibility of the Investment Manager(s), the Trustee shall be under no liability for any loss of any kind which may result by reason of any action taken by it in accordance with any direction of the Investment Manager(s). In any event, the Trustee shall be under no liability for any loss of any kind by reason of changes in value of the investments purchased, sold, or retained by the Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments, nor for any other aspect of a portfolio for which an Investment Manager(s) has been appointed.

VI. TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Master Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Master Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the powers of the office, namely:

6.01 Payment of Expenses of Administration.

To pay all ordinary and necessary expenses and other incidental costs including, but not limited to, Investment Manager(s) fees and Committee member(s) fees, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Committee as provided in Section 3.04, expenses and insurance policy premiums as provided in Section 3.06 incurred in connection with this Master Trust or in the discharge of the Trustee's fiduciary obligations under this Agreement, but only to the extent that such amount may be incurred and paid from the Master Trust without causing the Funds to become disqualified from the application of Section 468A of the Code or any applicable successor provisions.

6.02 Extension of Obligations and Negotiation of Claims.

To renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Trust, for as long a period or periods of time and on such terms as the Trustee shall determine, and to adjust, settle, compromise, and arbitrate claims or demands in favor of or against this Trust, including claims for taxes, upon such terms as the Trustee may deem advisable, subject to the limitations contained in Section 7.03 (regarding self-dealing), and the procedures contained in Section 2.01.

6.03 Registration of Securities.

To hold any stocks, bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.

6.04 Location of Assets.

To keep any property belonging to the Master Trust at any place in the United States, except as provided in Section 6.09.

6.05 Retention of Professional Services.

To execute any of the powers hereof and perform the duties required of it hereunder by or through its employees, agents, attorneys, or receivers.

6.06 Delegation of Ministerial Powers.

To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.

6.07 Powers of Trustee to Continue Until Final Distribution.

To exercise any of such powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal of, and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.09, 2.10, and 2.11 hereof.

6.08 Discretion in Exercise of Powers.

To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Master Trust Agreement, provided, however, that the Trustee may not do any act or knowingly engage in any transaction which would:

- (1) Disqualify the Funds from the application of Section 468A (or any applicable successor provision) of the Code;
- (2) Contravene any provision of this Agreement; or
- (3) Violate the terms and conditions of any instructions provided by written Certificate by the Committee that are consistent with the provisions of this Agreement.

6.09 Appointment of Foreign Custodians.

To appoint foreign custodians as agents of the Trustee to custody foreign securities holdings of the Master Trust.

6.10 Tax Refund Claim Procedures.

To utilize any tax refund claim procedures with respect to taxes withheld to which the Trust Fund may be entitled under applicable tax laws, treaties and regulations; any exercise of such power by the Trustee shall be on a best efforts basis.

VII.

TRUSTEE'S INVESTMENT POWERS

The Trustee recognizes the authority of the Investment Manager(s) to manage, invest, and reinvest the assets of the Master Trust pursuant to the Investment Manager Agreement and as provided in Section 5.02 of this Agreement, and the Trustee agrees to cooperate with the Investment Manager(s) as deemed necessary to accomplish these tasks. Notwithstanding the foregoing, the Trustee shall without the written authorization of the Committee invest cash balances in an investment account on a daily basis to the extent reasonable and consistent with the non-equity investment guidelines of CPUC decision D.95-07-055. Upon the written authorization of the Committee and with respect to assets over which the Trustee has agreed to exercise investment control from time to time, the Trustee shall have the following investment powers, all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interest of this Master Trust and the beneficiaries thereof, and which are to be exercised by the Trustee in its discretion, acting in such fiduciary capacity:

7.01 Preservation of Principal.

The Trustee in its exercise of investment discretion as authorized by the Committee shall hold, manage, and invest the assets of this Master Trust in a manner designed to maximize and preserve the income and principal of this Master Trust for the purposes of this Trust, except as provided in Sections 7.02 and 7.03;

7.02 Investment of Funds.

To invest and reinvest all or part of the Funds, including any undistributed income therefrom as follows; provided, however, that no such investment or reinvestment of the Funds may be made by the Trustee that would constitute an act of self-dealing under Code Section 4951 as applied to the Funds by Code Section 468A(e)(5), the regulations thereunder, and any applicable successor provisions:

- (1) Up to 100% of the fair market value of the Master Trust may be invested in investment grade fixed income securities (rated BBB- or higher by Standard & Poor's or an equivalent rating by other rating agencies) including, but not limited to, government, agency, municipal, corporate, mortgage-backed, asset-backed, nondollar, and cash equivalent securities. No derivative security of any kind shall be considered an investment grade fixed-income security.

- (2) Not more than 50% of the fair market value of the Master Trust may be invested in equity securities. Not more than 20% of the fair market value of the Master Trust may be invested in international equity securities. At least 50% of the equity portion of the Master Trust shall be invested passively.
- (3) Such other investments authorized by the CPUC as the Committee so notifies the Trustee by Certification.
- (4) An investment fund (including but not limited to investment companies and collective funds) whose underlying assets include the investments permitted in (1), (2) and (3) above.
- (5) Derivatives of all descriptions are prohibited, except that the Master Trust may hedge foreign exchange risks between the buy or sell date of a foreign security and the settlement date. Long-term hedges are prohibited.

In all cases, however, the total investments by the Trustee must be sufficiently liquid to enable the Master Trust to fulfill the purposes of the Master Trust and to satisfy obligations as such obligations become due. Nothing in this Section 7.02 shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom. No investment in any security of Edison International, Southern California Edison Company, or any of their affiliates is permitted. The Company shall be responsible for providing the Trustee with the names of its affiliated companies. The Trustee shall identify the CUSIP for securities issued by each such affiliate and provide such list to the Company for its approval.

7.03 Management of Master Trust.

To sell, exchange, partition, or otherwise dispose of all or any part of the Master Trust at public or private sale, without prior application to, or approval by, or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine; to modify, renew or extend bonds, notes or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as the Trustee may deem expedient to accomplish the purposes of this Master Trust as set forth in Section 1.03.

To invest in or settle trade in any collective, common or pooled trust fund operated or maintained exclusively for the commingling and collective investment of monies or other assets including any such fund operated or maintained by the Trustee or its affiliates. Notwithstanding the provisions of this Agreement which place restrictions upon the actions of the Trustee or an Investment Manager, to the extent monies or other assets are utilized to acquire units of any collective trust, the terms of the collective trust indenture shall solely govern the investment duties, responsibilities and powers of the trustee of such collective trust and, to the extent required by law, such terms, responsibilities and powers shall be incorporated herein by reference and shall be part of this Agreement. For purposes of valuation, the value of the interest maintained by

the Fund in such collective trust shall be the fair market value of the collective fund units held, determined in accordance with generally recognized valuation procedures. The Company expressly understands and agrees that any such collective fund may provide for the lending of its securities by the collective fund trustee and that such collective fund's trustee will receive compensation from such collective fund for the lending of securities that is separate from any compensation of the Trustee hereunder, or any compensation of the collective fund trustee for the management of such collective fund. The Trustee is authorized to invest in a collective fund which invests in Mellon Financial Corporation stock in accordance with the terms and conditions of the Department of Labor Prohibited Transaction Exemption 95-56 (the "Exemption") granted to the Trustee and its affiliates and to use a cross-trading program in accordance with the Exemption. The Company acknowledges receipt of the notice entitled "Cross-Trading Information," a copy of which is attached to this Agreement as Exhibit E;

To lend the assets of the Fund in accordance with the terms and conditions of a separate securities lending agreement;

Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out any sale, exchange or other transaction which would constitute an act of "self-dealing" within the meaning of Section 4951 of the Code, as such section is made applicable to the Funds by Section 468A(e)(5) of the Code, any regulations thereunder, and any applicable successor provision.

7.04 Disposition of Investments.

When required to make any payments under Sections 2.01 or 6.01 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only upon written direction from the Committee. The Trustee shall have no liability, except for its own negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by the Committee or an Investment Manager or made by an Investment Manager through a broker-dealer.

7.05 Foreign Investments.

The Committee shall have sole responsibility for the decision to maintain the custody of foreign investments abroad. Except as otherwise directed by the Committee, custody of foreign investments shall be maintained with foreign custodians selected by the Trustee. Except as provided in Section 4.07, the Trustee shall have no responsibility for losses resulting from the acts or omissions of any foreign custodian appointed by the Trustee unless due to the foreign custodian's fraud, negligence or willful misconduct. The Trustee may agree to maintain custody of foreign investments in any jurisdiction where the Trustee has not selected a custodian solely as directed by the Committee. The Trustee shall have no responsibility for the financial condition, acts or omissions of any foreign custodian holding assets of the Master Trust at the direction of the Committee.

VIII. MISCELLANEOUS

8.01 Headings.

The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

8.02 Particular Words.

Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.

8.03 Parties Interested Herein.

Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Company, the Committee, the Trustee and the CPUC any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein. The Company shall be entitled to receive payments for Decommissioning Costs and administrative expenses of the Master Trust which the Company may incur in carrying out the purpose set forth in Section 1.03 of this Agreement. It is intended by all parties hereto that the Company's Ratepayers, who shall be represented solely by the CPUC, be the ultimate beneficiary of this Agreement in that the decommissioning activities contemplated by this Agreement, which are to be performed by the Company, will inure to the benefit of the Company's Ratepayers and the General Public.

8.04 Severability of Provisions.

If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.

8.05 Form and Content of Communications.

The names of any person authorized to act on behalf of the Company and/or the Committee shall be certified, with the specimen signature of such person, to the Trustee by the Company and the Committee. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or acting in accordance with any written notice, instruction, direction, certificate, resolution, or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. Until notified in

writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

8.06 Delivery of Notices Under Agreement.

Any notice required by this Agreement to be given to the Company or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

IF TO THE COMPANY:

SOUTHERN CALIFORNIA EDISON COMPANY
Treasurer's Department
P. O. Box 800
2244 Walnut Grove Avenue
Rosemead, California 91770

Attention: Secretary, Nuclear Facilities
Decommissioning Trust Committee

IF TO THE TRUSTEE:

Mellon Global Securities Services
One Mellon Bank Center
Room 151-1320
Pittsburgh, PA 15258

Attention: Paul Kraus

IF TO THE CPUC:

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Attention: Executive Director

IF TO THE CPUC STAFF:

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Attention: Director of the Energy Division

The Company or the Trustee may change that address by delivering notice thereof in writing to the other party.

8.07 Contractual Income and Settlement.

- (a) In accordance with the Trustee's standard operating procedure, the Trustee shall credit the Fund with income and maturity proceeds on securities on contractual payment date net of any taxes or upon actual receipt. To the extent the Trustee credits income on contractual payment date, the Trustee may reverse such accounting entries to the contractual payment date if the Trustee reasonably believes that such amount will not be received.
- (b) In accordance with the Trustee's standard operating procedure, the Trustee will attend to the settlement of securities transactions on the basis of either contractual settlement date accounting or actual settlement date accounting. To the extent the Trustee settles certain securities transactions on the basis of contractual settlement date accounting, the Trustee may reverse to the contractual settlement date any entry relating to such contractual settlement if the Trustee reasonably believes that such amount will not be received.
- (c) Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash. In such circumstances, the Trustee shall have no responsibility for nonreceipt of payment (or late payment) or nondelivery of securities or other property (or late delivery) by the counterparty.

8.08 Real Estate Investment Prohibition.

Notwithstanding anything else in this Agreement to the contrary, including, without limitation, any specific or general power granted to the Trustee, including the power to invest in real property, no portion of the Fund shall be invested in real estate. For this purpose, "real estate" includes, but is not limited to, real property, leaseholds or mineral interests.

8.09 Force Majeure.

Notwithstanding anything in this Agreement to the contrary, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Fund resulting from any event beyond the reasonable control of the Trustee, its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Fund's property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. This Section shall survive the termination of this Agreement.

8.10 Successors and Assigns.

Subject to the provisions of Sections 2.07 and 4.01, this Agreement shall be binding upon and inure to the benefit of the Company, the Trustee and their respective successors, assigns, personal representatives, executors and heirs.

8.11 Governing Jurisdiction.

This Master Trust is a California trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of California as if executed in and to be wholly performed within the State of California.

8.12 Accounting Year.

The Master Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.

8.13 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

8.14 Disbursement/Withdrawal Certificate.

No provision of this Agreement shall be construed or applied so as to require the preparation of a Disbursement Certificate or a Withdrawal Certificate to authorize the payment of compensation to the Trustee under Section 4.03 or of the expenses of administration under Section 6.01.

8.15 Approval.

This agreement shall be effective when approved by the CPUC and signed by all parties.

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IN WITNESS WHEREOF, the CPUC, the Company and the Trustee have set their hands and seals to this Agreement as of the day and year first above written.

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: Wesley M. Franklin
Title: Executive Director

SOUTHERN CALIFORNIA EDISON COMPANY

By: [Signature]
Title: V.P. & CFO

Attest: [Signature]
Title: V.P. & Corporate Sec'y

MELLON BANK, N.A.

By: Paul L. Kraus
Title: V.P.

Attest: [Signature]
Title: TRUST OFFICER

LW022730008

EXHIBIT A

DISBURSEMENT CERTIFICATE

The undersigned, being Authorized Representatives of Southern California Edison Company ("Company"), a California corporation, and, in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, between the Trustee and Company as follows:

- (1) there is due and owing to each payee ("Payees") [all]-or-[a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of [SONGS/Palo Verde] as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;
- (2) all such amounts due and owing to the Payees constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between such Payee and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$_____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3/Palo Verde Unit No. 1/Palo Verde Unit No. 2/Palo Verde Unit No. 3] Qualified Fund of the Master Trust in order to permit payment of such sum to be made to Payees for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to such Payees in the following manner: [DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, _____.

Executed this _____ day of _____, _____.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____
Authorized Representative

By _____
Authorized Representative

EXHIBIT B

WITHDRAWAL CERTIFICATE

The undersigned, Authorized Representatives of Southern California Edison Company ("Company"), a California corporation, and _____, a _____ corporation and, in such capacity, being duly authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, as follows:

- (1) there is due and owing to the Company [all] or [a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of [SONGS/Palo Verde] as evidenced by the Invoice Schedule with supporting exhibits attached as Exhibit 1 hereto;
- (2) all such amounts have been paid by the Company and constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement and the payment by the Company of the Decommissioning Costs set forth in any agreement between such payee of the Company and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$_____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3/Palo Verde unit No. 1/Palo Verde unit No. 2/Palo Verde unit No. 3] Qualified Fund of the Master Trust in order to permit payment of such sum to be made to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to the Company in the following manner: [DESCRIBE: CHECK, WIRE TRANSFER, ETC.] on or before _____, _____.

Executed this _____ day of _____, _____.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____
Authorized Representative

By _____
Authorized Representative

EXHIBIT C

ADVANCE WITHDRAWAL CERTIFICATE

The undersigned, Authorized Representative of Southern California Edison Company (Company), a California corporation, being duly authorized and empowered to execute and deliver this certificate, hereby certifies to the Trustee of the Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, as follows:

- 1) Within 30 days of the date of this certificate, there will be due and owing to the Company [all] or [a portion of] the cost for goods or services provided in connection with the decommissioning of [SONGS/Palo Verde] as evidenced by the Schedule with supporting exhibits attached as Exhibit 1 hereto;
- 2) All such amounts will constitute Decommissioning Costs; and
- 3) All conditions precedent to the making of this withdrawal and disbursement and the payment by the Company of the Decommissioning Costs set forth in any agreement between any third-party provider and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$_____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3/Palo Verde Unit No. 1/Palo Verde Unit No. 2/Palo Verde Unit No. 3] Qualified Fund of the Master Trust in order to permit payment of such sum to be made to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to the Company in the following manner: [DESCRIBE: CHECK, WIRE TRANSFER, ETC.] on or before _____. Executed this ____ day of _____.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____
Authorized Representative

By _____
Attest

EXHIBIT D

TRUSTEE FEE SCHEDULE

Mellon Bank, N.A.

TRUSTEE SERVICES

A. Structural Fees

\$2,000 per active investment portfolio
\$ 500 per cash flow through account
\$6,000 flat fee for unitized plan accounts

B. Asset -Based Fees

Domestic Custody:
0.50 basis points on domestic market value balance

Global Custody:

Global Developed - Tier 1 5.00 basis points
Countries Canada, Euroclear, France, Germany, Italy,
: Japan, Netherlands, New Zealand, Spain,
Sweden, Switzerland, United Kingdom

Global Developed - Tier 2 7.00 basis points
Countries Australia, Belgium, CEDEL, Finland, Ireland,
: Luxembourg, Mexico, Norway, South Africa

Global Developed - Tier 3 8.00 basis points
Countries Argentina, Austria, Brazil, Denmark, Hong
: Kong, Malaysia, Portugal, Singapore, South
Korea, Sri Lanka, Thailand, Turkey

Global Intermediate - Tier 4 30.00 basis points
Countries Czech Republic, Greece, Hungary,
: Indonesia, Israel, Peru, Taiwan, Zimbabwe

Global Intermediate - Tier 5 30.00 basis points
Countries Bangladesh, Bermuda, Botswana, Ghana,
: Kenya, Mauritius, Pakistan, Philippines,
Poland, Slovak Republic, Uruguay

Global Emerging - Tier 6 50.00 basis points
Countries Chile, China – Shanghai, China - Shenzhen,
: Colombia, Cyprus, Egypt, India, Jordan,
Venezuela

<p>Total Estimated Mellon Fee for Providing NDT Services to Southern California Edison for both the Qualified and the Nonqualified trusts: \$454,500</p>

C. Transaction Fees

Domestic:

\$ 9	Per U.S. depository buy / sell transaction
\$ 9	Per canceled trade initiated by client or manager
\$ 9	Per free receipt or delivery
\$ 10	Per principal and interest transaction
\$ 25	Per U.S. physical buy / sell transaction
\$ 25	Per futures transaction
\$ 10	Per margin variation wire
\$2,000	Per establishment of futures contract where Boston Safe boilerplate is not utilized
\$ 40	Per options round trip
\$ 7	Per wire transfer
\$ 10	For each vendor check
\$ 10	For each stop payment

International:

Global Developed	- Tier 1	\$25 per buy / sell
Global Developed	- Tier 2	\$25 per buy / sell
Global Developed	- Tier 3	\$25 per buy / sell
Global Intermediate	- Tier 4	\$60 per buy / sell
Global Intermediate	- Tier 5	\$60 per buy / sell
Global Emerging	- Tier 6	\$85 per buy / sell

\$ 50 Per foreign exchange transaction executed outside of Mellon Bank

D. Russell/Mellon Analytical Services

Monthly Return Calculations, per portfolio:

Portfolio gross and net of fee return	\$ 750
After tax return	\$ 250
Variations of After tax return, per level	\$ 100
Custom benchmark, pre and post tax	\$ 500

Monthly Characteristics Calculations:

Portfolio Summary and Detail Level	\$ 750
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Quarterly Reporting:

3 Custom Excel spreadsheets	\$ 8,500
Custom PowerPoint Report	\$20,000

E. Custom Reporting

The following custom report charges will be assessed in the support of special NDT reporting required by Southern California Edison:

\$1,500	Minimum development fee per report
\$ 500	Annual maintenance charge per report

F. Tax Reporting

Mellon tax fee for supporting the NDT business will be billed to Southern California at a rate of \$165 per hour. Mellon has estimated 450 hours to complete NDT tax preparation.

E. Comments

1. Mellon will pass through all out-of-pocket expenses including, but not limited to, international trading expenses such as registration fees, stamp duties, telex charges, in addition to internal/external tax, legal and consulting expenses, custom programming and reporting, etc. Additionally, Mellon reserves the right to charge an administrative fee equal to 10% of the total out of pocket expenses.
2. Mellon reserves the right to amend this fee schedule with the prior consent of Southern California Edison if the plan or service requirements change in a way that materially affects our responsibilities or costs.
3. A payment of approximately 1/12 of the estimated annual fees will be billed monthly at the start of each month in which service is provided. The payment may be debited from one or more trust accounts. A "true-up" will be done semi-annually, at which time fees will be calculated (based on quarter-end market values) according to this schedule and compared with payments already debited. Additional amounts due will be payable within 30 days. Fees not paid within 60 days of the date of the invoice will be subject to a late charge of 2.5% of the amount billed.
4. Mellon will file class action Proofs of Claim on behalf of the Southern California Edison NDT. An amount equal to 2% of the proceeds will be charged against each participating account at the time the proceeds are credited.
5. Additional fees may apply in situations where the client's billing requirements are exceptional, the client requires "rush" service or systems development, the client requires consulting services, securities require manual or otherwise exceptional pricing, or the client requires on-site training.
6. The Structural, Asset-Based and Transaction Fees (sections A, B & C, respectively) will be discounted an additional 10% at the time of billing to reflect relationship pricing so long as Mellon continues to be the trustee for Southern California Edison's Defined Benefit Plan.
7. Mellon guarantees this fee schedule for 3 years.

EXHIBIT E

CROSS-TRADING INFORMATION

As part of the cross-trading program covered by the Exemption for the Trustee and its affiliates, the Trustee is to provide to each affected Trust the following information:

I. The existence of the cross-trading program

The Trustee has developed and intends to utilize, wherever practicable, a cross-trading program for Indexed Accounts and Large Accounts as those terms are defined in the Exemption.

II. The “triggering events” creating cross-trade opportunities

In accordance with the Exemption three “triggering events” may create opportunities for cross-trading transactions. They are generally the following (see the Exemption for more information):

- 1) A change in the composition or weighting of the index by the independent organization creating and maintaining the index;
- 2) A change in the overall level of investment in an Indexed Account as a result of investments and withdrawals on the account’s opening date, where the account is a bank collective fund, or on any relevant date for non-bank collective funds; provided, however, a change in an Indexed Account resulting from investments or withdrawals of assets of the Trustee’s own plans (other than the Trustee’s defined contribution plans under which participants may direct among various investment options, including Indexed Accounts) are excluded as a “triggering event”; or
- 3) A recorded declaration by the Trustee that an accumulation of cash in an Indexed Account attributable to interest or dividends on, and/or tender offers for, portfolio securities equal to not more than 0.5% of the account’s total value has occurred.

III. The pricing mechanism utilized for securities purchased or sold

Securities will be valued at the current market value for the securities on the date of the crossing transaction.

Equity securities - the current market value for the equity security will be the closing price on the day of trading as determined by an independent pricing service; unless the security was added to or deleted from an index after the close of trading, in which case the price will be the opening price for that security on the next business day after the announcement of the addition or deletion.

Debt securities - the current market value of the debt security will be the price determined by the Trustee as of the close of the day of trading according to the Securities and Exchange Commission's Rule 17a-7(b)(4) under the Investment Company Act of 1940. Debt securities that are not reported securities or traded on an exchange will be valued based on an average of the highest current independent bids and the lowest current independent offers on the day of cross trading. The Trustee will use reasonable inquiry to obtain such prices from at least three independent sources that are brokers or market makers. If there are fewer than three independent sources to price a certain debt security, the closing price quotations will be obtained from all available sources. .

IV. The allocation methods

Direct cross-trade opportunities will be allocated among potential buyers or sellers of debt or equity securities on a prorata basis. With respect to equity securities, please note the Trustee imposes a trivial share constraint to reduce excessive custody ticket charges to participating accounts.

V. Other procedures implemented by the Trustee for its cross-trading practices

The Trustee has developed certain internal operational procedures for cross-trading debt and equity securities. These procedures are available upon request.