



Scott A. Bauer  
Department Leader  
Regulatory Affairs  
Palo Verde Nuclear  
Generating Station

**10 CFR 140.21(e)**

Tel: 623/393-5978  
Fax: 623/393-5442  
e-mail: sbauer@apsc.com

Mail Station 7636  
P.O. Box 52034  
Phoenix, AZ 85072-2034

102-05139- SAB/TNW/CJJ  
August 13, 2004

U.S. Nuclear Regulatory Commission  
ATTN: Document Control Desk  
Mail Station: P1-37  
Washington, DC 20555-0001

Dear Sir:

**Subject: Palo Verde Nuclear Generating Station (PVNGS)  
Units 1, 2, and 3  
Docket Nos. STN 50-528/529/530  
Licensee Guarantee of Payment of Deferred Premium**

Pursuant to the requirements of 10 CFR 140.21(e), Arizona Public Service Company (APS), for itself and on behalf of the PVNGS Participants, has enclosed projected cash flow statements for each participant, except Southern California Edison, who submitted their Statement to the NRC in a letter dated 5/13/04.

Please note that the projected cash flow statement for the El Paso Electric Company is considered a confidential document, for which an affidavit is provided. The affidavit sets forth the basis on which the Commission may withhold the information from public disclosure. Accordingly, it is requested that the El Paso Electric Company projected cash flow statement be withheld from public disclosure.

No commitments are being made to the NRC in this letter. If you have any questions, please contact Thomas N. Weber at (623) 393-5764.

Sincerely,

SAB/TNW/CJJ

Enclosure

cc: B. S. Mallett (all w/o enclosure)  
M. B. Fields  
N. L. Salgado

Enclosure

Cash Flow Statements for:

Arizona Public Service Company  
Salt River Project  
Public Service Company of New Mexico  
Los Angeles Department of Water & Power  
Southern California Public Power Authority  
El Paso Electric Company

**INTERNAL CASHFLOW PROJECTION OF ARIZONA PUBLIC SERVICE COMPANY**  
**(Joint Owner Of Palo Verde Nuclear Generating Station\*\*)**

(\$000)

	<u>2004</u> <u>Estimate</u>
1. Net Income After Taxes - Continuing Operations	(4)
Less:	
2. Non-Cash Extraordinary Charge After Deferred Income Tax	-
3. Dividends Paid on Preferred Stock	(4)
4. Dividends Paid on Common Stock	(4)
5. Retained Earnings	(4)
Adjustments:	
6. Amortization of Regulatory Assets (1)	18,000
7. Depreciation and Amortization (2)	352,060
8. Deferred Income Taxes	28,402
9. Allowance for Funds Used During Construction (Equity & Borrowed)	(14,859)
10. Decommissioning	(11,444)
11. Total Adjustments	372,159
12. Internal Cash Flow (Line 5 + Line 14)	(4)
13. Average Quarterly Cash Flow (Line 15/4)	(4)

NOTES: \*\* Percentage Ownership In All Nuclear Units:

Unit 1 - 29.1%

Unit 2 - 29.1% (3)

Unit 3 - 29.1%

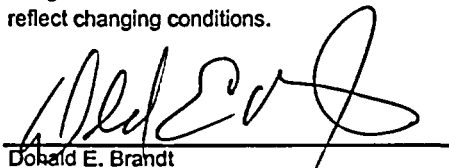
(1) Related to 5/99 ACC settlement agreement.

(2) Includes Nuclear Fuel Amortization.

(3) Includes the leased portion of Palo Verde Unit 2.

(4) Company policy prohibits disclosure of financial forecast data which will enable earnings or dividend forecasts by unauthorized persons, unless assured of confidentiality.

I, Donald E. Brandt, Executive Vice President and CFO of APS, certify that these cashflow calculations utilize the Company's approach to estimating cash flows for internal management reports and planning purposes. The 2004 estimate of cashflows is based on the 2004 Company Budget. The 2004 estimate does not reflect actual results to date, as the Budget is not revised to reflect changing conditions.



Donald E. Brandt  
Executive Vice President and CFO of APS

**INTERNAL CASH FLOW PROJECTION OF SALT RIVER PROJECT  
(JOINT OWNER OF PALO VERDE NUCLEAR GENERATING STATION)  
FOR FISCAL YEARS ENDED APRIL 30, 2004 AND 2003  
(\$000)**

	2004 ACTUAL	2003 ACTUAL
Net Income After Taxes	\$ 112,220	\$ 46,669
Less Dividends Paid:		
Preferred Dividend Requirements		
Dividends on common Stock		
Retained Earnings	112,220	46,669
Adjustments:		
Depreciation and Amortization	417,522	435,815
Deferred Income Taxes and Investment Tax Credits		
Allowance for Funds Used During Construction	23,327	16,770
Cumulative Effect of Change in Accounting Principle	10,707	6,728
Total Adjustments	451,556	459,313
Internal Cash Flow	563,776	505,982
Average Quarterly Cash Flow	\$ 140,944	\$ 126,496
Percentage Ownership in all Nuclear Units		
Unit 1	17.49%	17.49%
Unit 2	17.49%	17.49%
Unit 3	17.49%	17.49%

I, Scott Farmer, Manager of Corporate Accounting Services of the Salt River Agricultural Improvement and Power District certify that the above figures are based upon our accounting records, and agree, as appropriate with our audited financial statements.

  
Scott Farmer

2004 PRO FORMA CASH FLOW STATEMENT  
FOR PUBLIC SERVICE COMPANY OF NEW MEXICO  
(EXCLUDING NON-UTILITY SUBSIDIARIES)

	<u>2003 Projected</u> (InThousands)	<u>2004 Projected</u> (InThousands)
Net Income After Taxes	(1)	(1)
Less Dividends Paid	(1)	(1)
Earnings Retained	(1)	(1)
Adjustments:		
Depreciation & Amortization	139,200	141,848
Deferred Income Taxes & ADITC	21,300	85,869
AFUDC	0	4,517
Other, Net	<u>-72,000</u>	<u>-10,342</u>
Total Adjustments	88,500	221892
 INTERNAL CASH FLOW	 (1)	 (1)
 Average Quarterly Cash Flow	 (1)	 (1)

(1) Financial Forecast data which will enable earnings or dividend forecasts by unauthorized persons is not provided.

Percentage Entitlement in all Nuclear Units:

Palo Verde Unit 1 — 10.2%  
Palo Verde Unit 2 — 10.2%  
Palo Verde Unit 3 — 10.2%

I, John Loyack, Vice President and Controller, PNM Resources, Inc., certify that these cash flow calculations utilize the Company's approach to estimating cash flows for internal management reports and planning purposes.

By

  
John Loyack  
Sr. Vice President and Chief Financial Officer

**LOS ANGELES DEPARTMENT OF WATER & POWER**  
**2004 Internal Cash Flow Projection**  
**For Palo Verde Nuclear Power Station**

	<i>in thousands</i>	<b>2002-03 Actual</b>	<b>2003-04 Projection</b>
Net Income		253,077	174,400
Transfer to the City		(185,358)	(210,200)
		<u>67,719</u>	<u>(35,800)</u>
Adjustments:			
Depreciation & amortization		268,612	276,400
Allowance for funds used during construction		(1,799)	(1,900)
Total Adjustments		<u>266,813</u>	<u>274,500</u>
Internal Cash Flow		<u>\$ 334,532</u>	<u>\$ 238,700</u>



**Southern California  
Public Power Authority  
Combined Financial Statements  
March 31, 2004 and 2003  
(Unaudited)**

**Southern California Public Power Authority**  
**Combined Financial Statements (Unaudited)**  
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## ***Management's Discussion and Analysis***

### ***Method of Accounting***

The accounting records of the Authority are maintained in accordance with accounting principles generally accepted in the United States of America. In prior years, the Authority, as a government-owned utility, applied all statements issued by the Governmental Accounting Standards Board (GASB) and all statements and interpretations issued by the Financial Accounting Standards Board (FASB) which were not in conflict with statements issued by the GASB. Effective July 1, 2002, the Authority changed its election under the guidance in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to follow all GASB statements and only FASB statements and interpretations issued before November 30, 1989.

### ***Accounting Changes***

#### ***Change in Election of Application of GASB 20***

Effective July 1, 2002, the Authority changed its election under the guidance in GASB 20 and no longer follows FASB statements issued after November 30, 1989. The impact on the Authority's financial statements as a result of this change was the discontinuation of the application of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FASB 133). The Authority adopted FASB 133 in fiscal year 2001 and consequently began reporting its derivative instruments at fair value. With this accounting change, the Authority is no longer required to report its derivative instruments at fair value under the guidance applicable to state and local governments. The Authority restated its prior year financial statements to retroactively apply this change in election under GASB 20. The Authority believes that this was a change to a preferable method of accounting. The restatement of the March 31, 2003 financial statements was limited to the Southern Transmission System Project ("STS"), as it was the only project with derivative instruments.

Included in the derivative commitments caption in the prior years was the \$7.9 million premium received by the Authority in consideration for entering into an agreement whereby the Authority sold an option ("the Swaption") on a floating-to-fixed interest rate swap. Previously the value of this option was recorded at fair value; however, with this change in accounting principle, it is now reported as part of the debt value and amortized to interest expense as a downward yield adjustment over the life of the related debt.

The table on the following page summarizes the impact on the combined financial statements from this change in accounting principle.

## Management's Discussion and Analysis (Continued)

	As Previously Reported	Adjustments	As Restated
	March 31, 2003		
<u>Combined Statements of Net Assets (Deficit)</u>			
Long-term debt	\$ 2,100,388	\$ 6,940	\$ 2,107,328
Derivative Commitments	\$ 135,745	\$ (135,745)	\$ -
Net Assets (Deficit)	\$ (234,231)	\$ (128,805)	\$ (105,426)

### Combined Statements of Revenues, Expenses and Changes in Net Assets (Deficit)

	Nine months ended March 31, 2003		
Debt expense	\$ (117,771)	\$ 332	\$ (117,439)
Unrealized loss on derivative commitment	\$ (36,050)	\$ 36,050	\$ -
Net assets (Deficit) - beginning of year (June 30, 2002)	\$ (285,632)	\$ 92,423	\$ (193,209)

The fair values of the outstanding swaps as of March 31, 2004, are shown below:

	Estimated Fair Value of Swap Agreements (Amounts in thousands)			
	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003
1991 Swap	\$ (88,870)	\$ (83,082)	\$ (89,401)	\$ (100,134)
2000 Swap	(27,388)	(24,507)	(27,442)	(31,398)
2001 Swap	(11,892)	(10,873)	(12,205)	(14,470)
2003 Swap	(1,017)	301	(439)	(2,068)
	<u>\$ (129,167)</u>	<u>\$ (118,161)</u>	<u>\$ (129,487)</u>	<u>\$ (148,070)</u>

### **Using This Financial Report**

This unaudited financial report consists of a series of financial statements and reflects the self-supporting activities of the Authority that are funded primarily through the sale of energy and transmission services to member agencies under project specific "take or pay" contracts that require each member agency to pay its proportionate share of operating and maintenance expenses and debt service with respect to such projects.

### **Combined Statements of Net Assets, Combined Statements of Revenues, Expenses and Changes in Net Assets (Deficit), and Combined Statements of Cash Flows**

The Combined Financial Statements provide an indication of the Authority's financial health. The Combined Statements of Net Assets (Deficit) include all of the Authority's assets and

## Management's Discussion and Analysis (Continued)

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

The following table summarizes the financial condition and changes in Net assets (Deficit) of the Authority as of and for the nine months ended March 31, 2004 and 2003 (amounts in thousands):

### Summary of Financial Condition and Changes in Net assets (Deficit)

	March 31,	
	2004	2003
<b>Assets</b>		
Utility Plant	\$ 926,045	\$ 828,225
Investments	1,380,073	1,190,031
Cash and cash equivalents	88,444	115,739
Other	93,098	90,620
	<u>\$ 2,487,660</u>	<u>\$ 2,224,615</u>
<b>Liabilities and Fund Net Assets</b>		
Long-term debt	\$ 2,371,255	\$ 2,107,328
Current liabilities	227,120	222,713
	<u>2,598,375</u>	<u>2,330,041</u>
<b>Net assets (deficit):</b>		
Invested in capital assets, net of related debt	(1,118,801)	(1,112,155)
Restricted assets	993,659	987,708
Unrestricted assets	14,427	19,021
Total net deficit	<u>\$ (110,715)</u>	<u>\$ (105,426)</u>
	<u>\$ 2,487,660</u>	<u>\$ 2,224,615</u>
<b>Revenues, Expenses and Changes in Net Assets</b>		
Operating revenues	\$ 236,419	\$ 264,043
Operating expenses	(125,299)	(131,384)
Net operating income	<u>111,120</u>	<u>132,659</u>
Investment income	56,226	93,133
Debt expenses	(108,432)	(117,439)
Extraordinary loss on debt refunding	-	(965)
Increase (decrease) in net assets (deficit)	<u>58,914</u>	<u>107,388</u>
Beginning balance of net deficit	(126,415)	(193,209)
Net withdrawals by participants	<u>(43,214)</u>	<u>(19,605)</u>
Ending balance of net deficit	<u>\$ (110,715)</u>	<u>\$ (105,426)</u>

## **Management's Discussion and Analysis (Continued)**

### **Net Deficit -**

The Authority's Net Deficit increased by \$5 million mainly due to the increase in the Assets of \$263 million and an increase in the Liabilities of \$268 million.

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

- Utility Plant - increased by \$98 million. This is primarily from the continued construction of the Magnolia Power Project.
- Investments - increased by \$190 million. This increase is largely from the Investments of proceeds of the Magnolia Power Project Revenue Bonds issued last April 2003 and also from participants' contributions to the Deposit Installment Escrow Fund and Decommissioning Funds of the Palo Verde Project.
- Cash and cash equivalents and other - decreased by \$25 million. The decrease is mainly due to participant withdrawals in the Project Stabilization Funds when compared to same period last year.

The increase in the Authority's Liabilities of \$268 million is primarily from the increase in Long-term debt due to the issuance of the Magnolia Power Project Revenue Bonds.

### **Net Operating Income -**

The Operating Income decreased by \$21 million when compared to the same period last year primarily due to lower billings to the Palo Verde Project and San Juan Unit 3 Project participants. The lower billings in Palo Verde Project reflect the use of savings from the 1993 bond escrow restructuring. The lower billings in San Juan Unit 3 Project this year compared to last year is due to the \$9.9 million included in last year's budget for coal contract buyout.

### **Investment income -**

Investment income decreased by \$36 million due to lower unrealized gain from recorded market value of Escrow accounts in the Palo Verde Project.

# Southern California Public Power Authority

## Combined Statements of Net Assets (Deficit)

(Amounts in thousands)

	March 31, 2004									
	Palo Verde Project	Southern Transmission System Project	Hoover Upgrading Project	Mead- Phoenix Project	Mead- Adelanto Project	Multiple Project Fund	San Juan Project	Magnolia Power Project	Projects' Stabilization Fund	Total
ASSETS										
Noncurrent assets										
Utility plant:										
Production	\$ 634,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,035	\$ -	\$ -	\$ 806,936
Transmission	14,062	674,606	-	50,770	172,319	-	-	-	-	911,757
General	2,689	18,911	22	2,640	473	-	7,425	-	-	32,160
	651,652	693,517	22	53,410	172,792	-	179,460	-	-	1,750,853
Less - Accumulated depreciation	504,291	346,453	22	11,677	36,136	-	107,691	-	-	1,008,270
	147,361	347,064	-	41,733	136,656	-	71,769	-	-	744,583
Construction work in progress	5,979	-	-	12	-	-	158	159,654	-	165,803
Nuclear fuel, at amortized cost	15,659	-	-	-	-	-	-	-	-	15,659
Net utility plant	168,999	347,064	-	41,745	136,656	-	71,927	159,654	-	926,045
Special funds										
Restricted Investments										
Escrow accounts	492,227	10,457	-	-	-	-	-	-	-	502,684
Decommissioning fund	125,952	-	-	-	-	-	-	-	-	125,952
Other funds	178,693	63,374	1,687	9,205	24,303	238,827	24,301	146,203	51,778	738,371
	796,872	73,831	1,687	9,205	24,303	238,827	24,301	146,203	51,778	1,367,007
Unrestricted Investments										
Other funds	12,506	-	560	-	-	-	-	-	-	13,066
Total special funds	809,378	73,831	2,247	9,205	24,303	238,827	24,301	146,203	51,778	1,380,073
Other noncurrent Assets										
Advance to IPA - restricted	-	11,550	-	-	-	-	-	-	-	11,550
Advances for capacity and energy, net - restricted	-	-	19,282	-	-	-	-	-	-	19,282
Unamortized debt expenses	5,125	8,384	419	711	2,546	-	2,447	5,846	-	25,478
Total other noncurrent assets	5,125	19,934	19,701	711	2,546	-	2,447	5,846	-	56,310
Total noncurrent assets	983,502	440,829	21,848	51,661	163,505	238,827	96,675	311,703	51,778	2,362,428
Current Assets										
Special funds:										
Cash and cash equivalents - restricted	28,895	12,325	1,076	728	2,803	-	8,657	1,004	2,282	57,770
Cash and cash equivalents - unrestricted	7,057	886	826	259	259	-	4,677	16,010	-	30,674
Interest receivable	1,855	25	19	174	456	4,252	292	406	305	7,786
Accounts receivable	1,034	1,432	1	-	(6)	-	2,063	-	-	4,544
Due from other project - restricted	-	-	-	3,848	10,582	-	-	-	-	14,430
Materials and supplies	6,816	-	-	-	-	-	3,212	-	-	10,028
Total current assets	48,557	14,468	1,922	5,009	14,094	4,252	18,921	17,422	2,587	125,232
Total assets	1,030,059	455,297	23,870	56,670	177,599	243,079	117,596	329,125	54,365	2,487,660
LIABILITIES										
Noncurrent liabilities										
Long-term debt	566,126	791,237	16,470	64,690	206,517	209,354	191,433	321,428	-	2,371,255
Commitments and contingencies (Note 7)										
Total noncurrent liabilities	566,126	791,237	16,470	64,690	206,517	209,354	191,433	321,428	-	2,371,255
Current liabilities:										
Debt due within one year	51,800	28,535	1,230	-	-	7,600	8,805	-	-	97,970
Accrued interest	10,510	3,850	510	972	3,058	3,599	2,547	3,792	-	28,638
Accounts payable and accruals	63,089	10,697	36	481	911	-	3,897	3,905	-	83,016
Accrued property tax	2,511	-	-	-	-	-	554	-	-	3,065
Coal contracts buyout	-	-	-	-	-	-	-	-	-	-
Due to other projects	-	-	-	-	-	14,431	-	-	-	14,431
Total current liabilities	127,910	42,882	1,776	1,453	3,969	25,630	15,803	7,697	-	227,120
Total liabilities	694,036	834,119	20,246	66,143	212,486	234,984	207,236	329,125	-	2,598,375
NET ASSETS (DEFICIT)										
Invested in capital assets, net of related debt and deferred credits	(444,050)	(464,332)	-	(22,235)	(69,316)	-	(126,158)	7,290	-	(1,118,801)
Restricted net assets	763,375	94,061	2,261	12,983	35,067	8,095	30,702	(7,290)	54,365	993,659
Unrestricted net assets (deficit)	16,697	(6,571)	1,362	(220)	(657)	-	5,816	-	-	14,427
Total net assets (deficit)	\$ 336,022	\$ (378,822)	\$ 3,623	\$ (9,472)	\$ (34,886)	\$ 8,095	\$ (89,640)	\$ -	\$ 54,365	\$ (110,715)

These unaudited financial statements should be read in conjunction to the notes to the audited financial statements for the fiscal year ended June 30, 2003.

# Southern California Public Power Authority

## Combined Statements of Net Assets (Deficit)

(Amounts in thousands)

March 31, 2003 (Restated)

	Palo Verde Project	Southern Transmission System Project	Hoover Upgrading Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects* Stabilization Fund	Total
<b>ASSETS</b>									
Noncurrent assets									
Utility plant									
Production	\$ 622,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,139	\$ -	\$ 797,524
Transmission	14,062	674,806	-	50,770	172,318	-	-	-	911,756
General	2,642	18,911	21	2,640	473	-	8,018	-	32,705
	639,089	693,517	21	53,410	172,791	-	183,157	-	1,741,885
Less - Accumulated depreciation	480,736	326,825	20	10,273	31,635	-	99,877	-	949,366
	158,353	366,692	1	43,137	141,156	-	83,280	-	792,619
Construction work in progress	18,987	-	-	-	-	-	828	-	17,813
Nuclear fuel, at amortized cost	17,793	-	-	-	-	-	-	-	17,793
Net utility plant	193,133	366,892	1	43,137	141,156	-	84,108	-	828,225
Special funds									
Restricted investments									
Escrow accounts	385,494	15,762	-	-	-	-	-	-	401,256
Decommissioning fund	114,192	-	-	-	-	-	-	-	114,192
Other funds	160,768	68,667	1,620	9,750	27,481	242,250	26,735	122,432	659,683
	660,454	84,429	1,620	9,750	27,481	242,250	26,735	122,432	1,175,131
Nonrestricted investments									
Other funds	14,402	-	498	-	-	-	-	-	14,900
Total special funds	674,856	84,429	2,118	9,750	27,481	242,250	26,735	122,432	1,190,031
Other noncurrent Assets									
Advance to IPA - restricted	-	11,550	-	-	-	-	-	-	11,550
Advances for capacity and energy, net - restricted	-	-	20,594	-	-	-	-	-	20,594
Unamortized debt expenses	3,504	8,750	500	788	2,794	-	2,888	-	19,224
Total other noncurrent assets	3,504	20,300	21,094	788	2,794	-	2,888	-	51,368
Total noncurrent assets	871,493	471,421	23,213	53,675	171,411	242,250	113,729	122,432	2,069,624
Current Assets									
Special funds:									
Cash and cash equivalents - restricted	47,297	8,616	1,399	658	41	1,188	7,397	37,288	103,884
Cash and cash equivalents - nonrestricted	9,376	1,082	892	190	32	-	283	-	11,855
Interest receivable	1,396	129	1	171	454	5,181	312	399	8,043
Accounts receivable	1,211	2,216	-	-	-	-	4,586	-	8,013
Due from other project - restricted	-	-	-	3,482	9,575	-	-	-	13,057
Materials and supplies	6,889	-	-	-	-	-	3,250	-	10,139
Total current assets	66,169	12,043	2,292	4,501	10,102	6,369	15,828	37,687	154,991
Total assets	937,662	483,464	25,505	58,176	181,513	248,619	129,557	160,119	2,224,615
<b>LIABILITIES</b>									
Noncurrent liabilities									
Long-term debt	589,852	809,465	19,440	64,183	206,900	216,275	201,213	-	2,107,328
Commitments and contingencies	-	-	-	-	-	-	-	-	-
Total noncurrent liabilities	589,852	809,465	19,440	64,183	206,900	216,275	201,213	-	2,107,328
Current liabilities:									
Debt due within one year	49,190	30,035	1,190	-	-	7,100	8,390	-	95,905
Accrued interest	11,149	4,512	531	972	3,058	3,721	2,651	-	26,594
Accounts payable and accruals	74,908	3,179	403	590	843	-	2,779	-	82,702
Accrued property tax	2,530	-	-	872	871	-	183	-	4,456
Coal contracts buyout	-	-	-	-	-	-	-	-	-
Due to other projects	-	-	-	-	-	13,056	-	-	13,056
Total current liabilities	137,777	37,726	2,124	2,434	4,772	23,877	14,003	-	222,713
Total liabilities	727,629	847,191	21,564	66,617	211,672	240,152	215,216	-	2,330,041
<b>NET ASSETS</b>									
Invested in capital assets net of related debt and deferred credits	(442,573)	(464,063)	499	(20,259)	(62,952)	-	(122,807)	-	(1,112,155)
Restricted	637,104	100,211	2,453	13,088	34,473	8,467	31,793	160,119	987,708
Unrestricted	15,502	125	989	(1,270)	(1,680)	-	5,355	-	19,021
Total net assets	\$ 210,033	\$ (363,727)	\$ 3,941	\$ (8,441)	\$ (30,159)	\$ 8,467	\$ (85,859)	\$ 160,119	\$ (105,426)

These unaudited financial statements should be read in conjunction to the notes to the audited financial statements for the fiscal year ended June 30, 2003.

**Southern California Public Power Authority**  
**Combined Statements of Revenues, Expenses and Changes in**  
**Net Assets (Deficit)**  
**(Amounts in thousands)**

	Nine Months Ended March 31, 2004									
	Palo Verde Project	Southern Transmission System Project	Hoover Upgrading Project	Mead- Phoenix Project	Mead- Adelanto Project	Multiple Project Fund	San Juan Project	Magnolia Power Project	Projects' Stabilization Fund	Total
Operating revenues:										
Sales of electric energy	\$ 123,109	\$ -	\$ 1,953	\$ -	\$ -	\$ -	\$ 43,965	\$ -	\$ -	\$ 169,027
Sales of transmission services	-	54,352	-	3,220	9,820	-	-	-	-	67,392
Total operating revenues	123,109	54,352	1,953	3,220	9,820	-	43,965	-	-	236,419
Operating expenses:										
Operations and maintenance	19,937	11,685	1,684	711	1,837	-	32,687	-	-	68,541
Depreciation	13,475	14,721	-	1,053	3,375	-	7,642	-	-	40,266
Amortization of nuclear fuel	5,982	-	-	-	-	-	-	-	-	5,982
Decommissioning	8,175	-	-	-	-	-	2,335	-	-	10,510
Total operating expenses	47,569	26,406	1,684	1,764	5,212	-	42,664	-	-	125,299
Operating income (loss)	75,540	27,946	269	1,456	4,608	-	1,301	-	-	111,120
Non operating revenues (expenses)										
Investment income	37,148	2,217	58	528	1,383	12,709	1,025	-	1,158	56,226
Debt expense	(32,028)	(42,611)	(557)	(3,502)	(10,761)	(11,306)	(7,667)	-	-	(108,432)
Net Non operating revenues (expenses)	5,120	(40,394)	(499)	(2,974)	(9,378)	1,403	(6,642)	-	1,158	(52,206)
Increase (decrease) in net assets (deficit) before extraordinary items	80,660	(12,448)	(230)	(1,518)	(4,770)	1,403	(5,341)	-	1,158	58,914
Net increase (decrease) in net assets (deficit)	80,660	(12,448)	(230)	(1,518)	(4,770)	1,403	(5,341)	-	1,158	58,914
Net assets (deficit) - beginning of year	255,362	(366,374)	3,853	(7,954)	(30,118)	6,692	(84,299)	-	96,421	(126,415)
Net withdrawals by participants	-	-	-	-	-	-	-	-	(43,214)	(43,214)
Net assets (deficit) - end of period	\$ 336,022	\$ (378,822)	\$ 3,623	\$ (9,472)	\$ (34,888)	\$ 8,095	\$ (89,640)	\$ -	\$ 54,365	\$ (110,715)

These unaudited financial statements should be read in conjunction to the notes to the audited financial statements for the fiscal year ended June 30, 2003.

**Southern California Public Power Authority**  
**Combined Statements of Revenues, Expenses and Changes in**  
**Net Assets (Deficit)**  
**(Amounts in thousands)**

	Nine Months Ended March 31, 2003 (Restated)								
	Palo Verde Project	Southern Transmission System Project	Hoover Upgrading Project	Mead- Phoenix Project	Mead- Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Operating revenues:									
Sales of electric energy	\$ 135,068	\$ -	\$ 1,785	\$ -	\$ -	\$ -	\$ 53,324	\$ -	\$ 190,177
Sales of transmission services	-	62,111	-	3,120	8,635	-	-	-	73,866
Total operating revenues	135,068	62,111	1,785	3,120	8,635	-	53,324	-	264,043
Operating expenses:									
Operations and maintenance	20,780	10,513	1,618	749	856	-	33,084	-	67,600
Depreciation	19,966	14,721	3	1,054	3,376	-	7,559	-	46,679
Amortization of nuclear fuel	6,596	-	-	-	-	-	-	-	6,596
Decommissioning	8,175	-	-	-	-	-	2,334	-	10,509
Total operating expenses	55,517	25,234	1,621	1,803	4,232	-	42,977	-	131,384
Operating Income (loss)	79,551	36,877	164	1,317	4,403	-	10,347	-	132,659
Non operating revenues (expenses)									
Investment income	66,627	3,848	56	525	1,385	13,785	968	5,939	93,133
Debt expense	(35,684)	(47,335)	(441)	(3,435)	(10,566)	(11,673)	(8,305)	-	(117,439)
Net Non operating revenues (expenses)	30,943	(43,487)	(385)	(2,910)	(9,181)	2,112	(7,337)	5,939	(24,306)
Income loss before extraordinary items	110,494	(6,610)	(221)	(1,593)	(4,778)	2,112	3,010	5,939	108,353
Loss on refunding	-	(892)	-	-	-	-	(73)	-	(965)
Net Increase (decrease) in net assets	110,494	(7,502)	(221)	(1,593)	(4,778)	2,112	2,937	5,939	107,388
Net assets - beginning of year	99,539	(356,225)	4,162	(6,848)	(25,381)	6,355	(88,596)	173,785	(193,209)
Net withdrawals by participants	-	-	-	-	-	-	-	(19,605)	(19,605)
Net assets - end of year	\$ 210,033	\$ (363,727)	\$ 3,941	\$ (8,441)	\$ (30,159)	\$ 8,467	\$ (85,659)	\$ 160,119	\$ (105,426)

These unaudited financial statements should be read in conjunction to the notes to the audited financial statements for the fiscal year ended June 30, 2003.



# Southern California Public Power Authority

## Combined Statements of Cash Flows

(Amounts in thousands)

Nine Months Ended March 31, 2004										
	Palo Verde Project	Southern Transmission System Project	Hoover Upgrading Project	Mead- Phoenix Project	Mead- Adelanto Project	Multiple Project Fund	San Juan Project	Magnolia Project	Projects' Stabilization Fund	Total
<b>Cash flows from operating activities:</b>										
Receipts from participants	\$ 131,180	\$ 66,331	\$ 1,810	\$ 3,294	\$ 10,378	\$ -	\$ 50,897	\$ -	\$ -	\$ 263,890
Payments to operating managers	(22,171)	(14,553)	(215)	(1,400)	(2,891)	-	(32,008)	-	-	\$ (73,238)
Other receipts (payments)	-	-	9	137	6	-	-	-	-	\$ 152
Net cash flow from operating activities	109,009	51,778	1,604	2,031	7,493	-	18,889	-	-	190,804
<b>Cash flows from noncapital financing activities:</b>										
Advances from participants	-	-	-	-	-	-	-	16	(43,214)	(43,198)
<b>Cash flows from capital and related financing activities:</b>										
Additions to plant, net	(10,781)	-	-	(12)	-	-	(534)	(60,357)	-	(71,684)
Debt interest payments	(20,182)	(34,061)	(531)	(3,889)	(12,232)	(14,641)	(10,806)	(12,052)	-	(108,194)
Principal payments on debt	(49,190)	(29,720)	(1,190)	-	-	(7,100)	(8,390)	-	-	(95,590)
Proceed from escrow restructuring	628	-	-	-	-	-	-	-	-	628
Transfer of funds from escrow	-	6,545	-	-	-	-	-	-	-	6,545
Payment for bond issue costs	-	(220)	-	-	-	-	-	(12)	-	(232)
Net cash used for capital and related financing activities	(79,525)	(57,456)	(1,721)	(3,801)	(12,232)	(21,741)	(19,530)	(72,421)	-	(268,527)
<b>Cash flows from investing activities:</b>										
Interest received on investments	5,970	2,072	37	899	1,850	17,130	709	3,039	1,531	33,037
Purchases of investments	(306,722)	(33,829)	(2,245)	(780)	(3,113)	(1,259)	(9,865)	(103,836)	(62,082)	(523,831)
Proceeds from sale/maturity of investments	202,978	12,610	500	1,322	6,273	5,869	7,201	27,635	63,106	327,494
Net cash provided by (used for) investing activities	(97,774)	(19,247)	(1,708)	1,241	5,010	21,740	(1,955)	(72,962)	2,555	(163,100)
Net increase (decrease) in cash and cash equivalents	(68,290)	(24,925)	(1,825)	(629)	271	(1)	(2,596)	(145,367)	(40,659)	(284,021)
Cash and cash equivalents at beginning of year	105,142	37,936	3,726	1,617	2,791	1	15,930	162,381	42,941	372,465
Cash and cash equivalents at end of period	\$ 36,852	\$ 13,011	\$ 1,901	\$ 988	\$ 3,062	\$ -	\$ 13,334	\$ 17,014	\$ 2,282	\$ 88,444
<b>Reconciliation of operating income to net cash provided by operating activities:</b>										
Operating income (loss)	\$ 75,540	\$ 27,946	\$ 269	\$ 1,456	\$ 4,608	\$ -	\$ 1,301	\$ -	\$ -	111,120
Adjustments to reconcile operating income to net cash provided (used) by operating activities:										
Depreciation	13,475	14,721	-	1,053	3,375	-	7,642	-	-	40,266
Decommissioning	8,175	-	-	-	-	-	2,334	-	-	10,509
Advances for capacity and energy	-	-	1,490	-	-	-	-	-	-	1,490
Amortization of nuclear fuel	5,982	-	-	-	-	-	-	-	-	5,982
Changes in assets and liabilities:										
Accounts receivable	9	937	(1)	-	9	-	6,938	-	-	7,892
Accounts payable and accruals	5,971	8,181	(152)	(477)	(498)	-	785	-	-	13,810
Other	(143)	(7)	(2)	(1)	(1)	-	(111)	-	-	(285)
Net cash provided by operating activities	\$ 109,009	\$ 51,778	\$ 1,604	\$ 2,031	\$ 7,493	\$ -	\$ 18,889	\$ -	\$ -	\$ 190,804

These unaudited financial statements should be read in conjunction to the notes to the audited financial statements for the fiscal year ended June 30, 2003.

# Southern California Public Power Authority

## Combined Statements of Cash Flows

(Amounts in thousands)

	Nine Months Ended March 31, 2003 (Restated)								
	Palo Verde Project	Southern Transmission System Project	Hoover Upgrading Project	Mead- Phoenix Project	Mead- Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization Fund	Total
Cash flows from operating activities:									
Receipts from participants	\$ 143,747	\$ 52,700	\$ 1,905	\$ 3,190	\$ 8,521	\$ -	\$ 48,240	\$ -	\$ 258,303
Payments to operating managers	(15,871)	(10,265)	(231)	(685)	(957)	-	(43,648)	-	(71,657)
Other receipts (payments)	-	-	18	-	-	-	-	-	18
Net cash flow from operating activities	127,876	42,435	1,692	2,505	7,564	-	4,592	-	186,664
Cash flows from noncapital financing activities:									
Advances from participants	-	-	-	-	-	-	-	(19,605)	(19,605)
Cash flows from capital and related financing activities:									
Additions to plant, net	(13,948)	-	-	-	-	-	(138)	-	(14,086)
Debt interest payments	(24,540)	(34,958)	(547)	(3,889)	(12,232)	(15,111)	(7,279)	-	(98,556)
Proceeds from sale of bonds	-	41,908	-	-	-	-	80,750	-	122,658
Transfer of funds from escrow	17,292	6,545	-	-	-	-	-	-	23,837
Payment for defeasance of revenue bonds	-	(48,498)	-	-	-	-	(72,344)	-	(120,842)
Principal payments on debt	(47,395)	(26,695)	(905)	-	-	(6,600)	(1,600)	-	(83,195)
Payment for bond issue costs	-	(699)	-	-	-	-	(1,148)	-	(1,847)
Net cash used for capital and related financing activities	(68,591)	(62,397)	(1,452)	(3,889)	(12,232)	(21,711)	(1,759)	-	(172,031)
Cash flows from investing activities:									
Interest received on Investments	8,620	2,983	72	693	1,862	17,564	509	6,473	38,776
Purchases of Investments	(437,762)	(51,115)	(4,123)	(3,029)	(4,894)	-	(15,620)	(65,943)	(582,486)
Proceeds from sale/maturity of Investments	366,381	44,260	5,975	2,487	3,879	5,334	4,895	101,393	534,604
Net cash provided by (used for) investing activities	(62,761)	(3,872)	1,924	151	847	22,898	(10,216)	41,923	(9,106)
Net increase (decrease) in cash and cash equivalents	(3,476)	(23,834)	2,164	(1,233)	(3,821)	1,187	(7,383)	22,318	(14,078)
Cash and cash equivalents at beginning of year	60,149	33,532	127	2,081	3,894	1	15,063	14,970	129,817
Cash and cash equivalents at end of year	\$ 56,673	\$ 9,698	\$ 2,291	\$ 848	\$ 73	\$ 1,188	\$ 7,680	\$ 37,288	\$ 115,739
Reconciliation of operating income to net cash provided by operating activities:									
Operating income (loss)	\$ 79,551	\$ 36,877	\$ 164	\$ 1,317	\$ 4,403	\$ -	\$ 10,347	\$ -	132,659
Adjustments to reconcile operating income to net cash provided (used) by operating activities:									
Depreciation	19,866	14,721	3	1,054	3,376	-	7,559	-	46,679
Decommissioning	8,175	-	-	-	-	-	2,334	-	10,509
Advances for capacity and energy	-	-	1,365	-	-	-	-	-	1,365
Amortization of nuclear fuel	6,596	-	-	-	-	-	-	-	6,596
Changes in assets and liabilities:									
Accounts receivable	33	(2,216)	-	-	-	-	(4,376)	-	(6,559)
Accounts payable and accruals	13,639	(6,949)	161	134	(213)	-	(11,147)	-	(4,375)
Other	(84)	2	(1)	-	(2)	-	(125)	-	(210)
Net cash provided by operating activities	\$ 127,876	\$ 42,435	\$ 1,692	\$ 2,505	\$ 7,564	\$ -	\$ 4,592	\$ -	\$ 186,664

These unaudited financial statements should be read in conjunction to the notes to the audited financial statements for the fiscal year ended June 30, 2003.