



A subsidiary of Pinnacle West Capital Corporation

50.75(f)(1)

Palo Verde Nuclear
Generating Station

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102-05238-GRO/TNW/DWG
March 30, 2005

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 2004 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/TNW/DWG/ca

Enclosure:

1. 2004 Decommissioning Funding Status Report for Palo Verde Nuclear Generating Station Units 1, 2 & 3

cc: B. S. Mallett
M. B. Fields
G. G. Warnick
A. V. Godwin [ARRA]

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

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

ADD 1

Enclosure 1

**2004 Decommissioning Funding Status Report for
Palo Verde Nuclear Generating Station Units 1, 2 & 3**

2004 DECOMMISSIONING FUNDING STATUS REPORT

10 CFR 50.75(f)(1)

(For The Year Ending December 31, 2004)

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 2004 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. (TLG) issued the 2001 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 September 2003.

(2) AMOUNT OF FUNDS ACCUMULATED AS OF DECEMBER 31, 2004

The total amounts of funds accumulated by each Participant in their respective Nuclear Decommissioning Trusts for each unit as of December 31, 2004 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 2004. 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 completed in 2005 for the year ending 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 2004 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 2004 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 2004 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 Master Trust Agreements of each of the Participants have been amended as referenced below:

<u>Participant</u>	<u>Date Amended</u>	<u>Reference Location</u>
APS	December 19, 2003	Appendix C, Tab 1
SRP	November 19, 2003	Appendix C, Tab 2
EPE	December 18, 2003	Appendix C, Tab 3
SCE	December 23, 2003	Appendix C, Tab 4
PNM	December 16, 2003	Appendix C, Tab 5

SCPPA
LADWP

November 1, 2003
February 4, 2004*

Appendix C, Tab 6
Appendix C, Tab 7

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 2004 Annual Funding Status Reports to the Termination Funding Committee.

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

* The amendment to the master trust agreement was authorized by the Los Angeles City Council pursuant to Resolution 004 130 on December 2, 2003. The counter party to the amendment, the trustee, US Bank National Association, executed the amendment on February 4, 2004.

**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</u> (as of 12/31/2004)	<u>Years to end of Operating License</u> (06/01/2025)
Arizona Public Service Company	29.10 %	179.2	140.0	88.1 (2)	20.5
Salt River Project Agricultural Improvement and Power District	17.49 %	107.7	84.2	51.3 (3)	20.5
El Paso Electric Company	15.80 %	97.3	76.0	30.5 (4)	20.5
Southern California Edison Company	15.80 %	97.3	76.0	194.3 (5)	20.5
Public Service Company of New Mexico	10.20 %	62.8	49.1	31.6 (6)	20.5
Southern California Public Power Authority	5.91 %	36.4	28.4	41.8 (7)	20.5
Los Angeles Department of Water and Power	5.70 %	35.1	27.4	31.7 (8)	20.5
TOTAL	100.00%	615.8	481.3	469.7	

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

(2) - Section 2.2 of APS 2004 Annual Funding Status Report

(3) - Section 2.2.2 of PNM 2004 Annual Funding Status Report

(4) - Section 2.2 of EPE 2004 Annual Funding Status Report

(5) - Section 2.2.2 of SCE 2004 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 2.2.2 of PNM 2004 Annual Funding Status Report

(7) - Section 2.2.2 of SCPPA 2004 Annual Funding Status Report

(8) - Section 2.2.2 of LADWP 2004 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 (as of 12/31/2004)</u>	<u>Years to end of Operating License (04/24/2026)</u>
Arizona Public Service Company	29.10 %	195.9	157.1	94.2 (2)	21.3
Salt River Project Agricultural Improvement and Power District	17.49 %	117.8	94.4	50.3 (3)	21.3
El Paso Electric Company	15.80 %	106.4	85.3	31.6 (4)	21.3
Southern California Edison Company	15.80 %	106.4	85.3	196.5 (5)	21.3
Public Service Company of New Mexico	10.20 %	68.7	55.1	33.1 (6)	21.3
Southern California Public Power Authority	5.91 %	39.8	31.9	42.5 (7)	21.3
Los Angeles Department of Water and Power	5.70 %	38.4	30.8	31.6 (8)	21.3
TOTAL	100.00%	673.3	539.8	480.2	

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

(2) - Section 2.2 of APS 2004 Annual Funding Status Report

(3) - Section 2.2.2 of PNM 2004 Annual Funding Status Report

(4) - Section 2.2 of EPE 2004 Annual Funding Status Report

(5) - Section 2.2.2 of SCE 2004 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 2.2.2 of PNM 2004 Annual Funding Status Report

(7) - Section 2.2.2 of SCPPA 2004 Annual Funding Status Report

(8) - Section 2.2.2 of LADWP 2004 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 (as of 12/31/2004)</u>	<u>Years to end of Operating License (11/25/2027)</u>
Arizona Public Service Company	29.10 %	198.8	156.5	85.2 (2)	22.9
Salt River Project Agricultural Improvement and Power District	17.49 %	119.5	94.0	51.9 (3)	22.9
El Paso Electric Company	15.80 %	107.9	85.0	27.6 (4)	22.9
Southern California Edison Company	15.80 %	107.9	85.0	212.1 (5)	22.9
Public Service Company of New Mexico	10.20 %	69.7	54.8	28.8 (6)	22.9
Southern California Public Power Authority	5.91 %	40.4	31.8	46.9 (7)	22.9
Los Angeles Department of Water and Power	5.70 %	38.9	30.6	31.7 (8)	22.9
TOTAL	100.00%	683.0	537.7	484.4	

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

(2) - Section 2.2 of APS 2004 Annual Funding Status Report

(3) - Section 2.2.2 of PNM 2004 Annual Funding Status Report

(4) - Section 2.2 of EPE 2004 Annual Funding Status Report

(5) - Section 2.2.2 of SCE 2004 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 2.2.2 of PNM 2004 Annual Funding Status Report

(7) - Section 2.2.2 of SCPPA 2004 Annual Funding Status Report

(8) - Section 2.2.2 of LADWP 2004 Annual Funding Status Report

Palo Verde Nuclear Generating Station

Appendix B, Tab 1

Units 1, 2, & 3

APS 2004 Annual Funding Status Report

Section 2.1.7 [Restated]

Summary of Model Assumptions

Decommissioning Costs	2001 TLG Study escalated for three years
Assumed Rate of Earnings	6.7500%
Assumed Rate of Cost Escalation	5.0000%
Contributions	Quarterly

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

Based on 2001 Cost Study
Rate of Retn 6.7500% Annual Period Rate of Return
1.6875% Quarter Period Rate of Return
5.0000% Annual Escalation

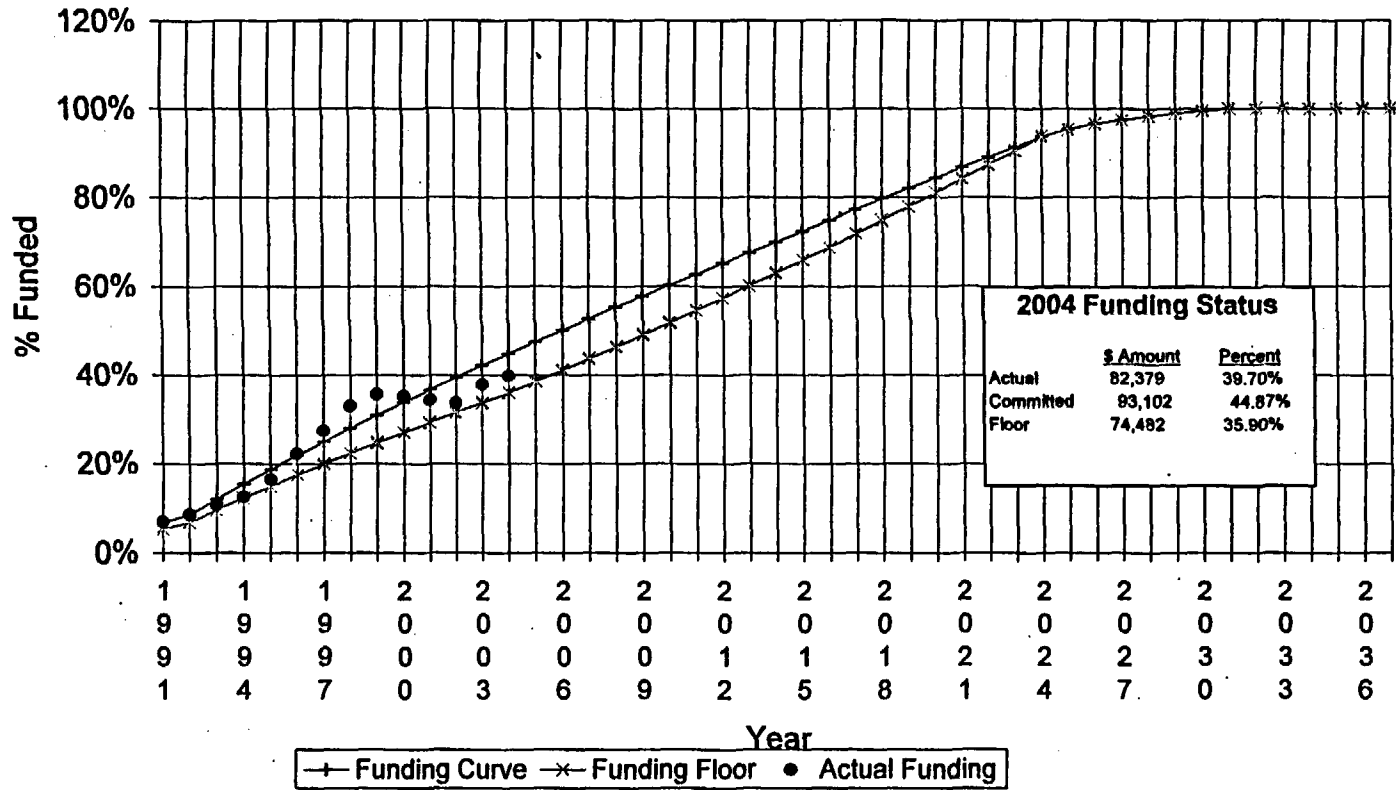
Year	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			ANNUAL CONTRIBUTIONS
	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	
2004													82,378,934
2005	1,326,882	1,390,145	85,095,761	1,326,882	1,435,991	87,558,434	1,326,882	1,482,611	90,667,728	1,326,882	1,530,018	93,524,428	5,306,729
2006	1,326,882	1,578,225	96,429,335	1,326,882	1,627,245	99,383,262	1,326,882	1,677,093	102,387,037	1,326,882	1,727,781	105,441,501	5,306,729
2007	1,326,882	1,779,325	108,547,508	1,326,882	1,831,739	111,705,930	1,326,882	1,885,038	114,917,650	1,326,882	1,939,235	116,183,567	5,306,729
2008	1,326,882	1,994,348	121,504,597	1,326,882	2,050,390	124,881,670	1,326,882	2,107,378	128,315,730	1,326,882	2,165,328	131,807,741	5,306,729
2009	1,326,882	2,224,256	135,358,679	1,326,882	2,284,178	138,969,539	1,326,882	2,345,111	142,641,332	1,326,882	2,407,072	146,375,087	5,306,729
2010	1,326,882	2,470,080	150,171,849	1,326,882	2,534,150	154,032,681	1,326,882	2,599,301	157,956,665	1,326,882	2,665,552	161,950,900	5,306,729
2011	1,326,882	2,732,921	166,010,503	1,326,882	2,801,427	170,138,613	1,326,882	2,871,089	174,336,384	1,326,882	2,941,926	178,604,893	5,306,729
2012	1,326,882	3,013,959	182,945,635	1,326,882	3,087,208	187,359,525	1,326,882	3,161,692	191,847,899	1,326,882	3,237,433	196,412,015	5,306,729
2013	1,326,882	3,314,453	201,053,150	1,326,882	3,382,772	205,772,604	1,326,882	3,472,413	210,571,699	1,326,882	3,553,397	215,451,779	5,306,729
2014	1,326,882	3,635,749	220,414,210	1,326,882	3,719,490	225,460,382	1,326,882	3,804,644	230,591,708	1,326,882	3,891,235	235,809,626	5,306,729
2015	1,326,882	3,979,287	241,115,595	1,326,882	4,068,828	246,511,103	1,326,882	4,159,875	251,997,661	1,326,882	4,252,461	257,576,804	5,306,729
2016	1,326,882	4,346,609	263,250,094	1,326,882	4,442,345	269,019,122	1,326,882	4,539,698	274,885,502	1,326,881	4,638,693	280,850,876	5,306,729
2017	1,326,882	4,739,359	286,916,917	1,326,882	4,841,723	293,085,322	1,326,882	4,945,815	299,357,820	1,326,882	5,051,663	305,736,165	5,306,729
2018	1,326,882	5,159,298	312,222,145	1,326,882	5,268,749	318,817,576	1,326,882	5,380,047	325,524,305	1,326,882	5,483,223	332,344,210	5,306,729
2019	1,326,882	5,608,309	339,279,201	1,326,882	5,725,337	346,331,220	1,326,882	5,844,339	353,502,242	1,324,581	5,965,350	360,792,173	5,306,729
2020	1,326,882	6,088,368	368,207,224	1,326,882	6,213,497	375,747,403	1,326,882	6,340,737	383,414,823	983,277	6,470,125	390,868,225	5,306,729
2021	1,326,882	6,595,901	399,790,809	1,326,882	6,729,595	406,847,088	1,326,882	6,865,545	415,039,313	966,879	7,003,788	423,009,990	5,306,729
2022	1,326,882	7,138,293	431,474,956	1,326,882	7,281,140	440,082,778	1,326,882	7,426,397	448,835,858	924,588	7,574,105	457,334,530	5,306,729
2023	1,326,882	7,717,520	466,378,733	1,326,882	7,870,141	475,575,556	1,326,882	8,025,338	484,927,576	(3,903,807)	8,183,153	489,306,922	5,306,729
2024	1,326,882	8,257,054	498,890,659	1,326,882	8,418,780	508,636,121	1,326,882	8,583,235	518,546,038	(4,298,979)	8,750,464	522,997,523	5,306,729
2025	0	0	0	0	0	0	0	0	0	(57,073,249)	35,302,333	501,226,607	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	(82,218,358)	29,388,634	382,557,450	0
2028	0	0	0	0	0	0	0	0	0	(65,629,610)	25,822,628	322,750,468	0
2029	0	0	0	0	0	0	0	0	0	(69,068,070)	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	(18,825,378)	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	122,328,415	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	13,473,235	0
2037	0	0	0	0	0	0	0	0	0	(13,473,235)	0	(0)	0

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

Based on 2001 Cost Study	
Rate of Return	8.7500%
Escalation Factor	5.0000%

Year	Funding Curve			Funding Floor			Actual Funding		
	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%	14.94%	22,261,723	24,469,181	148,946,270	16.43%
1996	30,081,526	137,872,888	21.85%	80%	17.48%	24,065,220	30,491,630	137,872,888	22.15%
1997	36,066,854	144,556,530	24.95%	80%	19.98%	26,853,483	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%	24.74%	42,155,984	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%	31.58%	59,398,742	83,343,559	188,202,606	33.66%
2003	83,353,052	197,612,736	42.18%	80%	33.74%	66,682,442	74,562,453	197,612,736	37.74%
2004	93,102,276	207,493,373	44.87%	80%	35.90%	74,461,821	82,378,934	207,493,373	39.70%
2005	103,509,107	217,868,042	47.51%	81%	38.48%	83,842,376			
2006	114,655,236	228,761,444	50.12%	82%	41.10%	94,017,293			
2007	126,581,125	240,199,516	52.69%	83%	43.73%	105,045,734			
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%	51.81%	144,053,376			
2011	183,081,436	291,964,013	62.70%	87%	54.55%	159,283,449			
2012	199,694,626	306,562,213	65.14%	88%	57.32%	175,731,271			
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	301,895,865	391,259,701	77.16%	93%	71.76%	280,763,266			
2018	326,809,447	410,822,886	79.55%	94%	74.78%	307,200,880			
2019	353,373,241	431,363,820	81.92%	95%	77.82%	335,704,579			
2020	381,818,826	452,929,805	84.30%	96%	80.93%	366,547,033			
2021	411,916,966	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	515,820,688	533,492,693	96.65%	100%	96.65%	515,820,688			
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	321,844,585	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	150,814,282	150,814,282	100.00%	100%	100.00%	150,814,282			
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 COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
UNIT ONE**



**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 Escalation

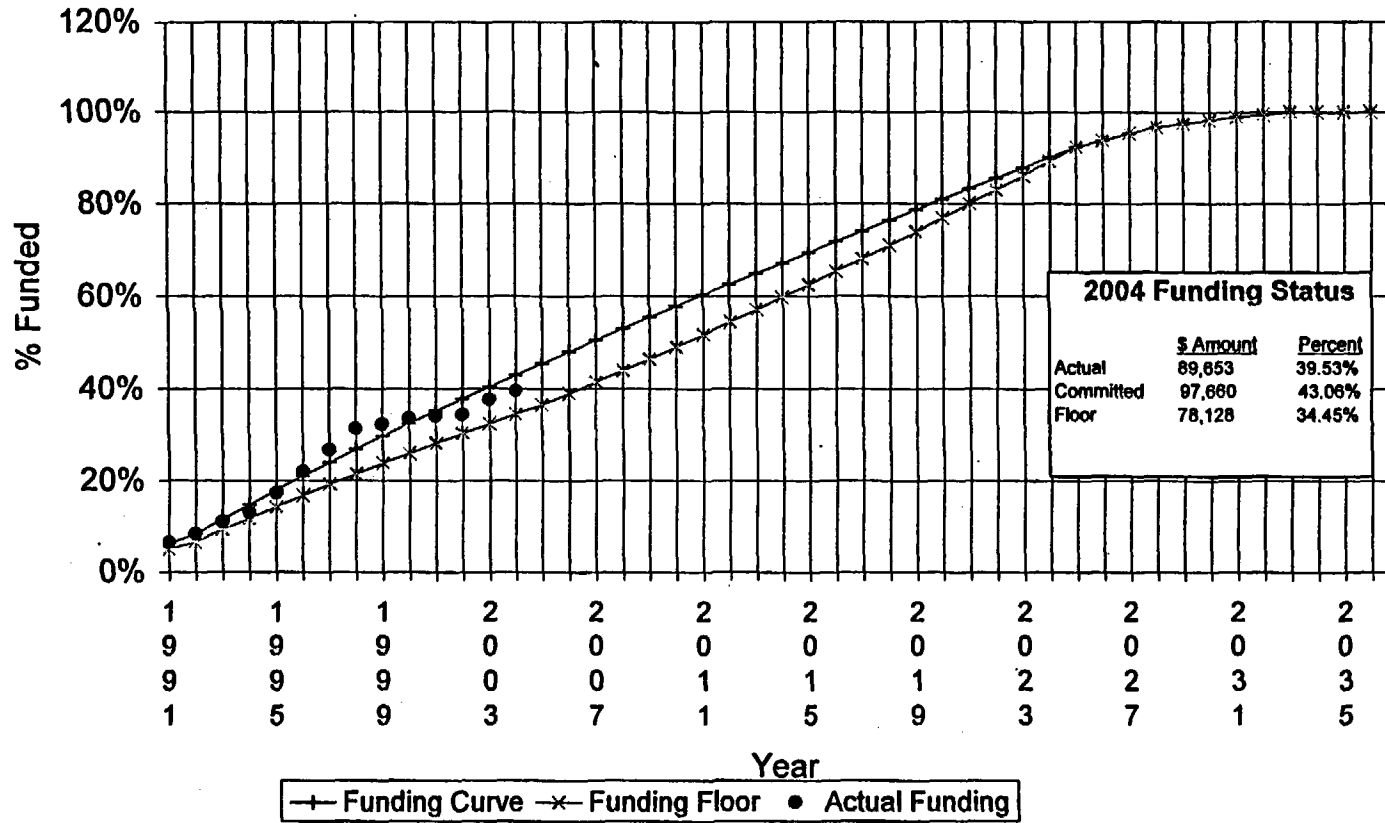
Year	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			ANNUAL CONTRIBS
	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	
2004													89,653,061
2005	1,309,945	1,512,898	92,475,921	1,309,945	1,560,531	95,348,398	1,309,945	1,608,970	98,265,313	1,309,945	1,658,227	101,233,485	5,239,780
2006	1,309,945	1,708,315	104,251,746	1,309,945	1,759,248	107,320,939	1,309,945	1,811,041	110,441,925	1,309,945	1,863,707	113,615,577	5,239,780
2007	1,309,945	1,917,263	116,842,785	1,309,945	1,971,722	120,124,452	1,309,945	2,027,100	123,461,497	1,309,945	2,083,413	126,854,855	5,239,780
2008	1,309,945	2,140,876	130,305,476	1,309,945	2,198,905	133,814,326	1,309,945	2,258,117	137,382,388	1,309,945	2,318,328	141,010,661	5,239,780
2009	1,309,945	2,379,555	144,700,161	1,309,945	2,441,815	148,451,921	1,309,945	2,505,126	152,266,992	1,309,945	2,569,505	156,146,443	5,239,780
2010	1,309,945	2,634,971	160,091,359	1,309,945	2,701,542	164,102,846	1,309,945	2,769,236	168,182,026	1,309,945	2,838,072	172,330,043	5,239,780
2011	1,309,945	2,908,069	176,548,058	1,309,945	2,979,248	180,837,251	1,309,945	3,051,629	185,198,825	1,309,945	3,125,230	189,634,000	5,239,780
2012	1,309,945	3,200,074	194,144,019	1,309,945	3,276,180	198,730,144	1,309,945	3,353,571	203,393,661	1,309,945	3,432,268	208,135,874	5,239,780
2013	1,309,945	3,512,293	212,958,112	1,309,945	3,593,668	217,861,725	1,309,945	3,676,417	222,848,086	1,309,945	3,760,561	227,918,593	5,239,780
2014	1,309,945	3,846,126	233,074,664	1,309,945	3,933,135	238,317,744	1,309,945	4,021,612	243,849,301	1,309,945	4,111,582	249,070,828	5,239,780
2015	1,309,945	4,203,070	254,583,844	1,309,945	4,296,102	260,189,891	1,309,945	4,390,704	265,890,541	1,309,945	4,486,903	271,687,389	5,239,780
2016	1,309,945	4,584,725	277,582,058	1,309,945	4,684,197	283,576,201	1,309,945	4,785,348	289,671,494	1,309,945	4,888,208	295,889,646	5,239,780
2017	1,309,945	4,992,800	302,172,391	1,309,945	5,099,159	308,581,495	1,309,945	5,207,313	315,098,753	1,309,945	5,317,291	321,725,989	5,239,780
2018	1,309,945	5,429,126	328,465,061	1,309,945	5,542,848	335,317,854	1,309,945	5,658,489	342,286,287	1,309,945	5,776,081	349,372,314	5,239,780
2019	1,309,945	5,895,658	356,577,916	1,309,945	6,017,252	363,905,114	1,309,945	6,140,899	371,355,958	1,309,945	6,266,832	378,932,534	5,239,780
2020	1,309,945	6,394,487	386,636,966	1,309,945	6,524,499	394,471,410	1,309,945	6,658,705	402,438,060	1,309,945	6,791,142	410,539,147	5,239,780
2021	1,309,945	6,927,848	418,776,941	1,309,945	7,066,861	427,153,747	1,309,945	7,208,219	435,671,911	1,309,945	7,351,963	444,333,620	5,239,780
2022	1,309,945	7,498,133	453,141,898	1,309,945	7,646,770	462,098,612	1,309,945	7,797,914	471,208,472	1,309,945	7,951,609	480,468,026	5,239,780
2023	1,309,945	8,107,688	489,885,869	1,309,945	8,266,824	499,482,638	1,309,945	8,428,432	509,201,015	1,309,945	8,592,767	519,103,727	5,239,780
2024	1,309,945	8,759,875	529,179,548	1,309,945	8,929,804	539,413,296	1,309,945	9,102,599	549,825,841	1,309,945	9,278,311	560,414,097	5,239,780
2025	1,309,945	9,456,988	571,181,030	1,309,945	9,638,680	582,129,655	1,309,945	9,823,438	593,263,038	(31,335,919)	10,011,314	571,938,432	5,239,780
2026	0	0	0	0	0	0	0	0	0	(151,327,449)	39,605,844	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	(79,676,114)	26,921,878	346,066,408	0
2029	0	0	0	0	0	0	0	0	0	(60,008,174)	23,360,833	289,439,067	0
2030	0	0	0	0	0	0	0	0	0	(67,887,453)	19,537,137	241,068,751	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	(21,456,813)	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	(47,836,577)	0	77,406,362	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

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

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

Year	Funding Curve			Funding Floor			Actual Funding		
	Fund \$	Est. Cost	% Funded	% Band	% Floor	\$ Floor	\$ In Fund	Est. Cost	% Funded
1991	7,589,283	120,570,113	6.29%	80%	5.04%	8,071,426	7,788,931	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%	16,520,843	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%	16.78%	23,972,677	31,299,677	142,898,646	21.90%
1997	35,920,433	150,043,579	23.94%	80%	19.15%	26,736,346	40,007,265	150,043,579	26.66%
1998	42,265,261	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%	23.74%	42,582,948	57,744,504	179,341,931	32.20%
2000	61,125,110	188,309,027	32.46%	80%	25.97%	48,900,066	63,153,205	188,309,027	33.54%
2001	69,559,472	197,724,479	35.18%	80%	28.14%	55,847,577	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%	32.38%	69,949,441	81,381,233	216,000,002	37.68%
2004	97,660,081	226,800,002	43.06%	80%	34.45%	78,128,065	89,653,081	226,800,002	39.53%
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	132,787,462	262,549,352	50.58%	82%	41.48%	108,893,919			
2008	146,163,850	275,676,820	53.02%	83%	44.01%	121,315,995			
2009	160,448,044	289,480,661	55.43%	84%	46.56%	134,776,357			
2010	175,734,462	303,933,694	57.82%	85%	49.15%	149,374,293			
2011	192,052,662	319,130,379	60.18%	86%	51.75%	165,165,289			
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	400,815,467	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	416,749,858	430,882,607	96.72%	100%	96.72%	416,749,858			
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 COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
UNIT TWO**



1	1	1	2	2	2	2	2	2	2	2	2	2
9	9	9	0	0	0	0	0	0	0	0	0	0
9	9	9	0	0	1	1	1	2	2	3	3	3
1	5	9	3	7	1	5	9	3	7	1	5	5

**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 Escalation

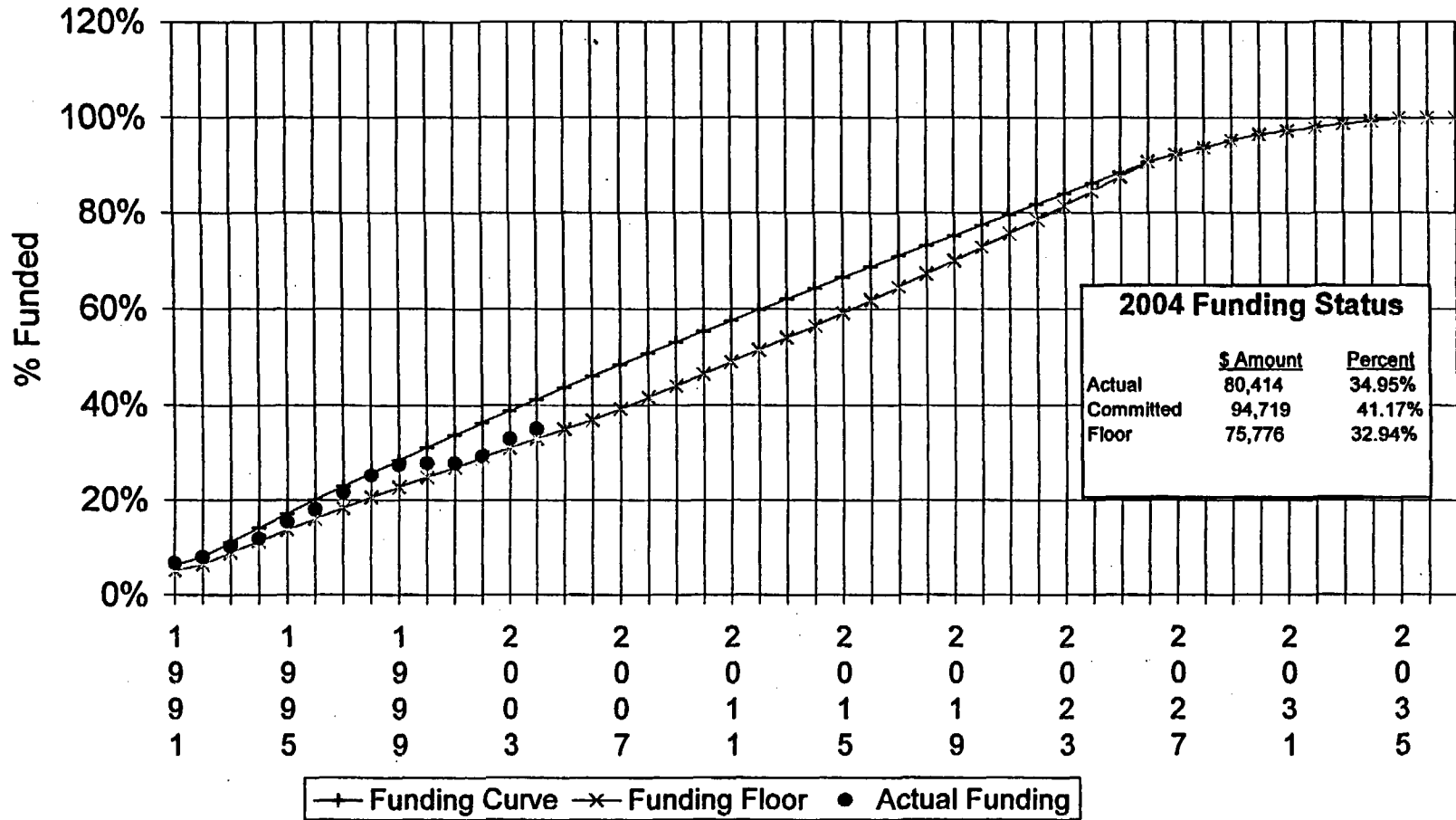
Year	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			ANNUAL CONTRIBS
	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	
2004													80,413,842
2005	1,432,921	1,356,984	83,203,747	1,432,921	1,404,063	86,040,731	1,432,921	1,451,937	88,925,589	1,432,921	1,500,619	91,859,130	5,731,684
2006	1,432,921	1,550,123	94,842,173	1,432,921	1,600,462	97,875,556	1,432,921	1,651,650	100,960,127	1,432,921	1,703,702	104,096,750	5,731,684
2007	1,432,921	1,756,633	107,286,304	1,432,921	1,810,456	110,529,681	1,432,921	1,865,188	113,827,790	1,432,921	1,920,844	117,181,555	5,731,684
2008	1,432,921	1,977,439	120,591,915	1,432,921	2,034,989	124,059,824	1,432,921	2,093,510	127,586,255	1,432,921	2,153,018	131,172,194	5,731,684
2009	1,432,921	2,213,531	134,818,646	1,432,921	2,275,065	138,526,631	1,432,921	2,337,637	142,297,189	1,432,921	2,401,265	146,131,375	5,731,684
2010	1,432,921	2,465,967	150,030,263	1,432,921	2,531,781	153,994,945	1,432,921	2,598,665	158,026,530	1,432,921	2,666,698	162,126,149	5,731,684
2011	1,432,921	2,735,879	166,294,949	1,432,921	2,806,227	170,534,097	1,432,921	2,877,763	174,844,781	1,432,921	2,950,506	179,228,208	5,731,684
2012	1,432,921	3,024,476	183,685,604	1,432,921	3,099,695	188,218,220	1,432,921	3,176,182	192,827,323	1,432,921	3,253,961	197,514,205	5,731,684
2013	1,432,921	3,333,052	202,280,179	1,432,921	3,413,478	207,126,578	1,432,921	3,495,261	212,054,760	1,432,921	3,578,424	217,066,105	5,731,684
2014	1,432,921	3,662,991	222,162,016	1,432,921	3,748,984	227,343,921	1,432,921	3,836,429	232,613,271	1,432,921	3,925,349	237,971,541	5,731,684
2015	1,432,921	4,015,770	243,420,231	1,432,921	4,107,716	248,960,869	1,432,921	4,201,215	254,595,004	1,432,921	4,296,291	260,324,216	5,731,684
2016	1,432,921	4,392,971	266,150,108	1,432,921	4,491,283	272,074,312	1,432,921	4,591,254	278,098,487	1,432,921	4,692,912	284,224,320	5,731,684
2017	1,432,921	4,796,285	290,453,526	1,432,921	4,901,403	296,787,851	1,432,921	5,008,295	303,229,067	1,432,921	5,116,990	309,778,978	5,731,684
2018	1,432,921	5,227,520	316,439,419	1,432,921	5,339,915	323,212,255	1,432,921	5,454,207	330,099,363	1,432,921	5,570,427	337,102,731	5,731,684
2019	1,432,921	5,688,609	344,224,261	1,432,921	5,808,784	351,465,966	1,432,921	5,930,988	358,829,875	1,432,921	6,055,254	366,318,050	5,731,684
2020	1,432,921	6,181,617	373,932,588	1,432,921	6,310,112	381,675,622	1,432,921	6,440,776	389,549,319	1,432,921	6,573,645	397,555,865	5,731,684
2021	1,432,921	6,708,756	405,697,581	1,432,921	6,846,146	413,976,628	1,432,921	6,985,856	422,395,405	1,432,921	7,127,922	430,956,248	5,731,684
2022	1,432,921	7,272,387	439,661,556	1,432,921	7,419,289	448,513,766	1,432,921	7,568,670	457,515,357	1,432,921	7,720,572	466,668,849	5,731,684
2023	1,432,921	7,875,037	475,976,807	1,432,921	8,032,109	485,441,836	1,432,921	8,191,831	495,066,588	1,432,921	8,354,249	504,853,758	5,731,684
2024	1,432,921	8,519,407	514,806,086	1,432,921	8,687,353	524,926,360	1,432,921	8,858,132	535,217,413	1,432,921	9,031,794	545,682,128	5,731,684
2025	1,432,921	9,208,386	556,323,435	1,432,921	9,387,958	567,144,314	1,432,921	9,570,560	576,147,795	(15,941,605)	9,756,244	571,962,434	5,731,684
2026	1,432,921	9,651,866	583,047,221	1,432,921	9,838,922	594,319,064	1,432,921	10,029,134	605,781,119	(21,056,546)	10,222,558	594,947,129	5,731,684
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

**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 Curve				Funding Floor			Actual Funding		
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	14,356,300	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%	18.34%	31,064,461	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	72,046,542	219,113,312	32.88%
2004	94,719,398	230,068,977	41.17%	80.00%	32.94%	75,775,518	80,413,842	230,068,977	34.95%
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%	43.97%	129,120,323			
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%	158,276,148			
2012	203,134,198	339,916,663	59.76%	86.00%	51.39%	174,695,410			
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	478,296,860	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%	434,266,906			
2023	487,713,862	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	574,840,495	614,909,620	93.50%	100.00%	93.50%	574,840,495			
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 COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
UNIT THREE**



1	1	1	2	2	2	2	2	2	2	2	2
9	9	9	0	0	0	0	0	0	0	0	0
9	9	9	0	0	1	1	1	2	2	3	3
1	5	9	3	7	1	5	9	3	7	1	5

—+— Funding Curve —x— Funding Floor • Actual Funding

**ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
ALL UNITS**

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 Escalation

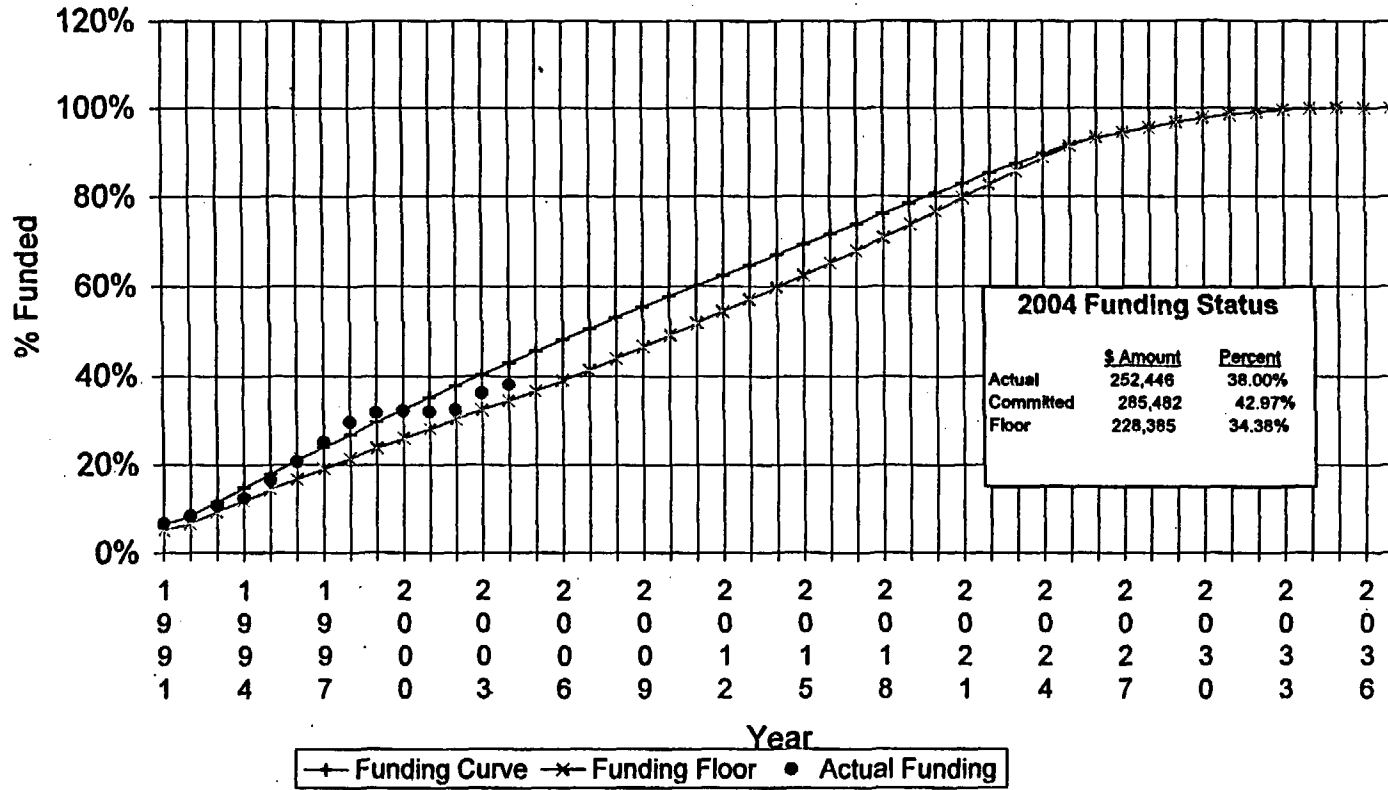
Year	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			ANNUAL CONTRIBUTIONS
	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	Contrib	Quarter Earnings	Contrib Earnings to Date	
2003													252,445,857
2004													266,617,043
2005	4,069,548	4,260,024	260,775,429	4,069,548	4,400,585	269,245,563	4,069,548	4,543,519	277,858,630	4,069,548	4,688,884	286,617,043	16,278,193
2006	4,069,548	4,836,663	285,523,254	4,069,548	4,986,955	304,578,757	4,069,548	5,139,783	313,789,089	4,069,548	5,295,191	323,153,828	16,278,193
2007	4,069,548	5,453,221	332,676,667	4,069,548	5,613,918	342,360,063	4,069,548	5,777,326	352,206,937	4,069,548	5,943,492	362,219,978	16,278,193
2008	4,069,548	6,112,462	372,401,986	4,069,548	6,284,284	382,755,820	4,069,548	6,459,004	393,284,373	4,069,548	6,636,674	403,990,595	16,278,193
2009	4,069,548	6,817,341	414,877,485	4,069,548	7,001,058	425,948,091	4,069,548	7,187,874	437,205,513	4,069,548	7,377,843	448,652,905	16,278,193
2010	4,069,548	7,571,016	460,293,471	4,069,548	7,767,452	472,130,472	4,069,548	7,967,202	484,167,222	4,069,548	8,170,322	496,407,092	16,278,193
2011	4,069,548	8,376,870	508,853,510	4,069,548	8,586,903	521,509,961	4,069,548	8,800,461	534,379,990	4,069,548	9,017,662	547,467,201	16,278,193
2012	4,069,548	9,238,509	560,775,258	4,069,548	9,463,082	574,307,889	4,069,548	9,691,446	588,068,883	4,069,548	9,923,662	602,062,094	16,278,193
2013	4,069,548	10,159,798	616,291,440	4,069,548	10,399,918	630,780,908	4,069,548	10,644,090	645,474,545	4,069,548	10,892,383	660,436,476	16,278,193
2014	4,069,548	11,144,868	675,650,890	4,069,548	11,401,609	691,122,047	4,069,548	11,662,685	706,854,280	4,069,548	11,928,168	722,851,995	16,278,193
2015	4,069,548	12,198,127	739,119,870	4,069,548	12,472,644	755,661,863	4,069,548	12,751,794	772,483,206	4,069,548	13,035,654	789,588,408	16,278,193
2016	4,069,548	13,324,304	806,982,261	4,069,548	13,617,826	824,669,635	4,069,548	13,916,300	842,655,483	4,069,547	14,219,811	860,944,842	16,278,192
2017	4,069,548	14,528,444	879,542,634	4,069,548	14,842,265	899,454,668	4,069,548	15,161,423	917,685,639	4,069,548	15,485,945	937,241,133	16,278,193
2018	4,069,548	15,815,944	957,126,625	4,069,548	16,151,512	977,347,685	4,069,548	16,492,742	997,909,976	4,069,548	16,839,731	1,018,819,255	16,278,193
2019	4,069,548	17,192,575	1,040,061,378	4,069,548	17,551,373	1,061,702,300	4,069,548	17,916,226	1,083,688,074	4,067,447	18,287,238	1,106,042,758	16,278,193
2020	4,069,548	18,664,472	1,128,776,776	4,069,548	19,048,108	1,151,894,435	4,069,548	19,438,219	1,175,402,201	3,726,143	19,834,912	1,196,963,257	16,278,193
2021	4,069,548	20,232,505	1,223,265,310	4,069,548	20,642,602	1,247,977,461	4,069,548	21,059,620	1,273,106,629	3,709,745	21,463,674	1,298,300,048	16,278,193
2022	4,069,548	21,908,813	1,324,278,410	4,069,548	22,347,188	1,350,695,157	4,069,548	22,792,981	1,377,557,686	3,667,434	23,248,286	1,404,471,405	16,278,193
2023	4,069,548	23,700,455	1,432,241,409	4,069,548	24,169,074	1,460,480,031	4,069,548	24,645,601	1,489,195,180	(1,060,941)	25,130,189	1,513,264,408	16,278,193
2024	4,069,548	25,536,337	1,542,870,293	4,069,548	26,035,936	1,572,975,778	4,069,548	26,543,966	1,603,589,292	(1,556,113)	27,060,569	1,629,093,748	16,278,193
2025	2,742,866	16,665,374	1,650,501,986	2,742,866	19,028,638	1,672,271,492	2,742,866	19,393,998	1,694,408,358	(104,350,773)	55,069,891	1,645,127,473	10,971,464
2026	1,432,921	9,651,886	1,666,212,260	1,432,921	9,838,922	1,667,484,103	1,432,921	10,029,134	1,678,946,158	(272,056,226)	82,661,197	1,489,551,129	5,731,684
2027	0	0	0	0	0	0	0	0	0	(251,854,441)	100,544,701	1,338,241,390	0
2028	0	0	0	0	0	0	0	0	0	(273,839,496)	90,331,294	1,154,833,186	0
2029	0	0	0	0	0	0	0	0	0	(290,447,147)	77,857,990	942,444,031	0
2030	0	0	0	0	0	0	0	0	0	(223,380,468)	63,614,972	782,676,535	0
2031	0	0	0	0	0	0	0	0	0	(148,414,403)	52,830,801	687,094,933	0
2032	0	0	0	0	0	0	0	0	0	(115,465,314)	32,683,606	604,293,225	0
2033	0	0	0	0	0	0	0	0	0	(97,072,950)	28,210,204	535,430,478	0
2034	0	0	0	0	0	0	0	0	0	(82,301,015)	11,955,879	385,085,342	0
2035	0	0	0	0	0	0	0	0	0	(152,860,196)	0	232,225,146	0
2036	0	0	0	0	0	0	0	0	0	(191,805,440)	0	40,419,706	0
2037	0	0	0	0	0	0	0	0	0	(40,419,706)	0	(0)	0

**ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
ALL UNITS**

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

Year	Funding Curve			Funding Floor			Actual Funding		
	Fund \$	Est. Cost	% Funded	% Band	% Floor	\$ Floor	\$ In Fund	Est. Cost	% Funded
1991	23,954,557	370,450,982	6.47%	80%	5.17%	19,163,629	24,744,180	370,450,982	6.68%
1992	32,291,556	388,963,531	8.30%	80%	6.64%	25,833,244	32,411,009	388,963,531	8.33%
1993	47,350,399	408,422,208	11.59%	80%	9.27%	37,880,319	43,378,398	408,422,208	10.62%
1994	63,451,735	428,843,317	14.80%	80%	11.84%	50,781,389	53,480,728	428,843,317	12.47%
1995	80,667,731	450,285,484	17.91%	80%	14.33%	64,534,186	73,899,985	450,285,484	16.37%
1996	92,446,522	441,921,884	20.92%	80%	16.74%	73,957,218	90,981,013	441,921,884	20.59%
1997	110,817,863	464,017,979	23.88%	80%	19.11%	88,654,290	116,001,259	464,017,979	25.00%
1998	130,438,989	487,218,877	26.77%	80%	21.42%	104,351,191	143,981,975	487,218,877	29.55%
1999	160,687,864	542,542,127	29.62%	80%	23.69%	128,550,291	171,080,082	542,542,127	31.53%
2000	184,610,511	569,669,233	32.39%	80%	25.91%	147,608,409	182,205,845	569,669,233	31.98%
2001	209,957,268	598,152,895	35.10%	80%	28.08%	167,965,830	190,688,572	598,152,895	31.88%
2002	227,671,280	602,596,238	37.78%	80%	30.23%	182,137,024	195,104,188	602,596,238	32.38%
2003	255,608,616	632,726,050	40.40%	80%	32.32%	204,486,893	228,012,228	632,726,050	36.04%
2004	285,481,755	664,362,352	42.67%	80%	34.38%	228,385,404	252,445,857	664,362,352	38.00%
2005	317,426,525	697,580,470	45.50%	80%	36.55%	254,976,311			
2006	351,606,965	732,459,493	48.00%	81%	38.88%	284,781,653			
2007	388,130,883	769,082,488	50.47%	82%	41.38%	318,245,212			
2008	427,211,135	807,536,592	52.90%	83%	43.91%	354,561,180			
2009	468,948,229	847,913,421	55.31%	84%	46.45%	393,890,181			
2010	513,612,943	890,309,092	57.89%	85%	49.03%	436,542,295			
2011	561,323,683	934,824,547	60.05%	86%	51.64%	482,706,886			
2012	612,358,681	981,565,774	62.39%	87%	54.27%	532,717,839			
2013	666,955,578	1,030,644,063	64.71%	88%	56.94%	586,883,421			
2014	725,335,597	1,082,176,266	67.03%	89%	59.65%	645,508,291			
2015	787,698,322	1,136,285,079	69.32%	90%	62.39%	708,684,682			
2016	854,446,718	1,193,099,333	71.62%	91%	65.17%	777,498,675			
2017	925,732,046	1,252,754,300	73.90%	92%	67.98%	851,621,800			
2018	1,002,051,525	1,315,392,015	76.18%	93%	70.84%	931,852,077			
2019	1,083,601,667	1,381,161,816	78.46%	94%	73.74%	1,018,524,898			
2020	1,170,795,620	1,450,217,490	80.73%	95%	76.69%	1,112,190,434			
2021	1,263,741,298	1,522,367,790	83.01%	96%	79.69%	1,213,118,076			
2022	1,363,038,042	1,598,106,388	85.29%	97%	82.73%	1,322,063,786			
2023	1,469,229,807	1,677,591,585	87.58%	98%	85.82%	1,439,751,882			
2024	1,577,918,423	1,758,084,151	89.85%	99%	88.95%	1,561,987,735			
2025	1,688,680,005	1,837,981,413	91.88%	100%	91.57%	1,683,020,937			
2026	1,699,231,949	1,817,432,163	93.50%	100%	93.50%	1,699,231,949			
2027	1,533,534,785	1,621,140,167	94.00%	100%	94.60%	1,533,534,785			
2028	1,376,475,110	1,437,750,013	95.74%	100%	95.74%	1,376,475,110			
2029	1,183,037,714	1,222,316,042	96.79%	100%	96.79%	1,183,037,714			
2030	955,944,470	978,462,341	97.70%	100%	97.70%	955,944,470			
2031	780,427,643	792,835,968	98.43%	100%	98.43%	780,427,643			
2032	688,729,795	678,642,641	98.98%	100%	98.98%	688,729,795			
2033	586,480,266	589,236,193	99.53%	100%	99.53%	586,480,266			
2034	515,629,454	516,771,404	99.78%	100%	99.78%	515,629,454			
2035	372,193,909	372,193,909	100.00%	100%	100.00%	372,193,909			
2036	230,300,399	230,300,399	100.00%	100%	100.00%	230,300,399			
2037	40,419,708	40,419,708	100.00%	100%	100.00%	40,419,708			

**ARIZONA PUBLIC SERVICE COMPANY
NUCLEAR DECOMMISSIONING FUNDING REQUIREMENT
ALL UNITS**



Palo Verde Nuclear Generating Station

Appendix B, Tab 2

Units 1, 2, & 3

SRP 2004 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	

**SALT RIVER PROJECT
NUCLEAR DECOMMISSIONING TRUST (000's)**

ALL UNITS

Aggregate Decom Costs in 2001\$	\$1,972,170	SRP Share	17.49%
SRP Share in 2001\$	\$344,933	Projected return on investments	7.65%
Ending Balance as of 12/31/01 in 2001\$	\$120,840	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	\$413,513
FV of Balance Owed to be Funded by Contributions and Earnings	\$989,043

Years To Start of Decom (Funding Yrs Left)		
Unit 1	Unit 2	Unit 3
20	21	23

Year(s) Since Study	Calendar Year End 31-Dec	Current		Balance		Decom Charges (Inflat Adj.)	Ending Balance	Termination Costs (Inflat Adj.)	Funded Ratio
		Annual Payment (Inflat Adj.)	Earnings (Inflat Adj.)	Before Decom Charges	Decom				
	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%	
	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	19,514	136,982	0.00	136,982	386,981	35.40%	
3	2004	6,584	10,102	153,668	0.00	153,668	409,891	37.49%	
4	2005	6,996	11,756	172,419	0.00	172,419	434,156	39.71%	
5	2006	7,410	13,190	193,020	0.00	193,020	459,858	41.97%	
6	2007	7,849	14,766	215,634	0.00	215,634	487,082	44.27%	
7	2008	8,313	16,496	240,444	0.00	240,444	515,917	46.61%	
8	2009	8,805	18,394	267,643	0.00	267,643	546,459	48.98%	
9	2010	9,327	20,475	297,445	0.00	297,445	578,810	51.39%	
10	2011	9,879	22,755	330,078	0.00	330,078	613,075	53.84%	
11	2012	10,464	25,251	365,793	0.00	365,793	649,369	56.33%	
12	2013	11,083	27,983	404,859	0.00	404,859	687,812	58.86%	
13	2014	11,739	30,972	447,570	0.00	447,570	728,531	61.43%	
14	2015	12,434	34,239	494,244	0.00	494,244	771,660	64.05%	
15	2016	13,170	37,810	545,224	0.00	545,224	817,342	66.71%	
16	2017	13,950	41,710	600,883	0.00	600,883	865,728	69.41%	
17	2018	14,776	45,968	661,627	0.00	661,627	916,980	72.15%	
18	2019	15,651	50,614	727,892	1.48	727,891	971,265	74.94%	
19	2020	16,577	55,684	800,153	243.61	799,909	1,028,764	77.75%	
20	2021	17,559	61,193	878,905	257.48	878,647	1,089,666	80.63%	
21	2022	18,598	67,217	964,719	290.27	964,429	1,154,175	83.56%	
22	2023	19,699	73,779	1,058,197	3,736.00	1,054,461	1,222,502	86.25%	
23	2024	20,865	80,666	1,155,993	4,099	1,151,893	1,290,775	89.24%	
24	2025	15,152	88,120	1,255,165	61,784	1,193,381	1,305,404	91.42%	
25	2026	7,425	91,294	1,292,100	167,845	1,124,255	1,214,839	92.54%	
26	2027	7,865	86,005	1,218,125	193,650	1,024,474	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	717,567	760,648	94.34%	
29	2030	0.00	54,894	772,461	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	455,786	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	362,823	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%	
		<u>362,219</u>	<u>1,483,150</u>	<u>1,845,369</u>	<u>1,837,515</u>	<u>0.00</u>	<u>0.00</u>		

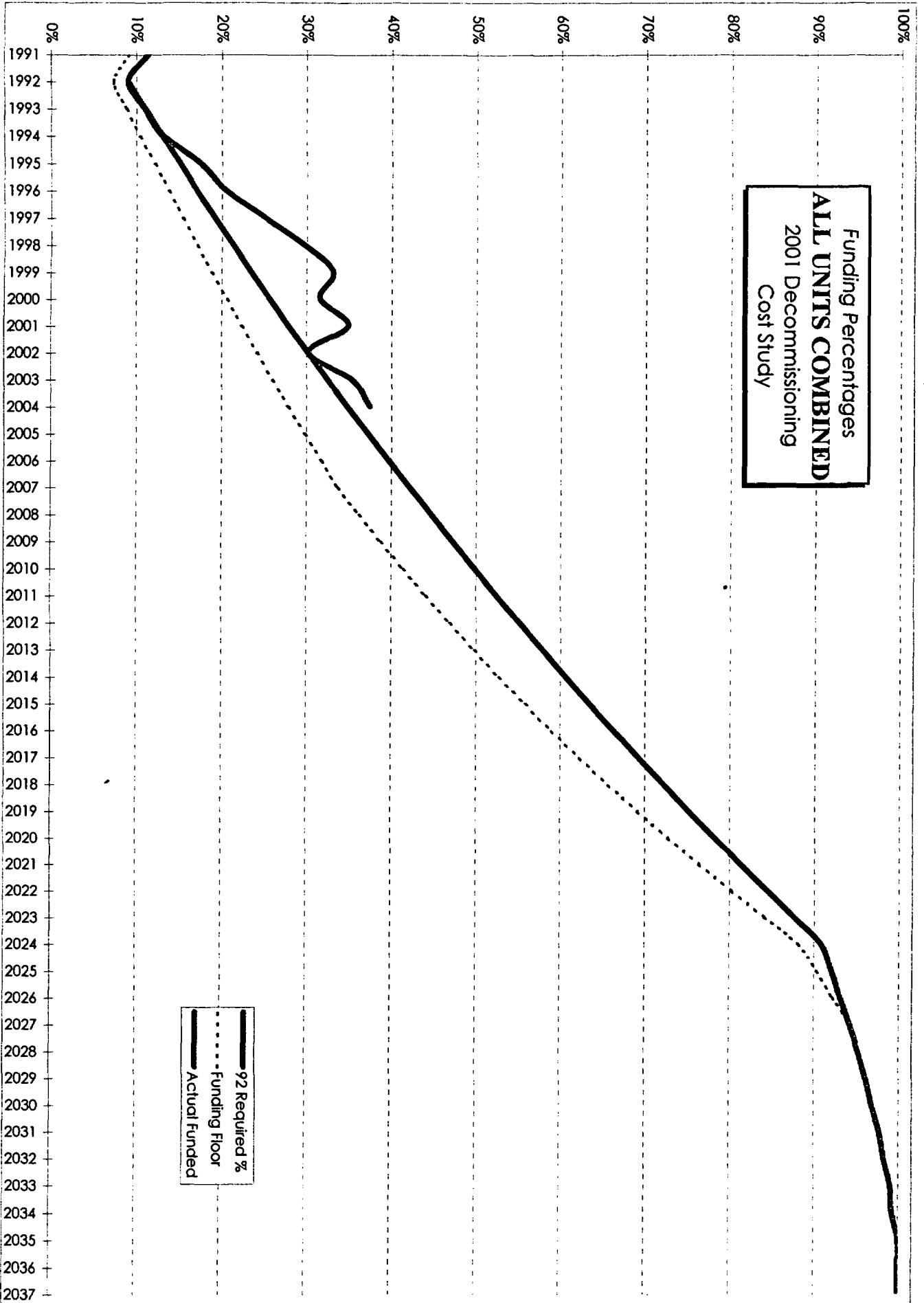
ACTUAL

FORECAST

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

ESTIMATED FUNDING				FUNDING FLOOR CURVE				ACTUALS		
Ending Fund				92 Required	Minimum	Minimum	Minimum	Floor		
Year	Balance	Est. Costs	% Funded	% Funded	Band	Percentage	\$ AMT	Percentage	\$AMT	Satisfied?
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%	9.07%	80.00%	7.25%	17,478	9.07%	21,857	YES
1993	28,157	255,184	11.05%	11.04%	80.00%	8.83%	22,530	11.03%	28,147	YES
1994	35,235	270,291	13.04%	13.04%	80.00%	10.43%	28,188	13.04%	35,234	YES
1995	43,140	286,292	15.07%	15.07%	80.00%	12.05%	34,512	17.47%	50,024	YES
1996	62,172	303,241	20.50%	17.13%	80.00%	13.71%	41,567	20.50%	62,172	YES
1997	80,834	321,193	25.17%	19.23%	80.00%	15.39%	49,423	25.17%	80,834	YES
1998	101,132	340,207	29.73%	21.37%	80.00%	17.09%	58,156	29.73%	101,132	YES
1999	119,735	360,347	33.23%	23.54%	80.00%	18.83%	67,851	33.23%	119,735	YES
2000	120,772	381,680	31.64%	25.74%	80.00%	20.59%	78,598	31.64%	120,772	YES
2001	120,840	344,933	35.03%	27.96%	80.00%	22.36%	77,141	35.03%	120,840	YES
1 2002	110,656	365,353	30.29%	30.23%	80.00%	24.18%	88,358	30.29%	110,656	YES
2 2003	136,982	386,981	35.40%	32.54%	80.00%	26.03%	100,748	35.40%	136,982	YES
3 2004	153,668	409,891	34.90%	34.89%	80.00%	27.91%	114,420	37.49%	153,668	YES
4 2005	172,419	434,156	37.29%	37.28%	80.00%	29.83%	129,490	39.71%	172,419	YES
5 2006	193,020	459,858	39.72%	39.71%	80.00%	31.77%	146,087			
6 2007	215,634	487,082	42.19%	42.18%	80.00%	33.74%	164,350			
7 2008	240,444	515,917	44.70%	44.69%	81.00%	36.19%	186,736			
8 2009	267,643	546,459	47.25%	47.23%	82.00%	38.73%	211,653			
9 2010	297,445	578,810	49.83%	49.82%	83.00%	41.35%	239,361			
10 2011	330,078	613,075	52.48%	52.46%	84.00%	44.06%	270,143			
11 2012	365,793	649,369	55.15%	55.13%	85.00%	46.86%	304,310			
12 2013	404,859	687,812	57.86%	57.85%	86.00%	49.75%	342,203			
13 2014	447,570	728,531	60.63%	60.62%	87.00%	52.74%	384,193			
14 2015	494,244	771,660	63.45%	63.42%	88.00%	55.81%	430,688			
15 2016	545,224	817,342	66.29%	66.28%	89.00%	58.99%	482,135			
16 2017	600,883	865,728	69.19%	69.18%	90.00%	62.26%	539,022			
17 2018	661,627	916,980	72.14%	72.13%	91.00%	65.64%	601,882			
18 2019	727,891	971,265	75.14%	75.13%	92.00%	69.12%	671,298			
19 2020	799,909	1,028,764	78.19%	78.17%	93.00%	72.70%	747,909			
20 2021	878,647	1,089,666	81.28%	81.27%	94.00%	76.39%	832,411			
21 2022	964,429	1,154,175	84.42%	84.41%	95.00%	80.19%	925,567			
22 2023	1,054,461	1,222,502	87.62%	87.60%	96.00%	84.10%	1,028,125			
23 2024	1,151,893	1,290,775	90.83%	90.82%	97.00%	88.10%	1,137,164			
24 2025	1,193,381	1,305,404	92.12%	92.11%	98.00%	90.27%	1,178,415			
25 2026	1,124,255	1,214,839	93.20%	93.16%	99.00%	92.23%	1,120,413			
26 2027	1,024,474	1,093,107	94.30%	94.26%	100.00%	94.26%	1,030,414			
27 2028	875,506	930,478	95.28%	95.26%	100.00%	95.26%	886,380			
28 2029	717,567	760,648	96.15%	96.14%	100.00%	96.14%	731,307			
29 2030	590,970	624,187	96.84%	96.83%	100.00%	96.83%	604,418			
30 2031	510,974	535,934	97.78%	97.76%	100.00%	97.76%	523,955			
31 2032	455,786	473,384	98.34%	98.33%	100.00%	98.33%	465,456			
32 2033	410,648	421,402	99.06%	99.05%	100.00%	99.05%	417,412			
33 2034	337,040	341,326	99.31%	99.30%	100.00%	99.30%	338,928			
34 2035	108,105	110,269	100.00%	100.00%	100.00%	100.00%	110,269			
35 2036	64,227	64,649	100.00%	100.00%	100.00%	100.00%	64,649			
36 2037	0.00	0.00	100.00%	100.00%	100.00%	100.00%	0.00			

Funding Percentages
ALL UNITS COMBINED
 2001 Decommissioning
 Cost Study



92 Required %
 Funding Floor
 Actual Funded

**SALT RIVER PROJECT
NUCLEAR DECOMMISSIONING TRUST**

UNIT 1

All Participants Decom Costs in 2001\$ \$615,841 SRP Share 17.49%
 SRP Share in 2001\$ \$107,711 Projected return on investments 7.65%
 Plan Balance as of 12/31/01 in 2001\$ \$40,624 Projected Inflation 5.92%
Years To Start of Decom (Funding Yrs Left) 20

FV of Total Decom. Charges Discounted to 2024 \$403,976
 FV of 12/31/01 Plan Balance in 20 years \$128,334
 FV of Balance Owed to be Funded by Contributions and Earnings \$275,642

ACTUAL

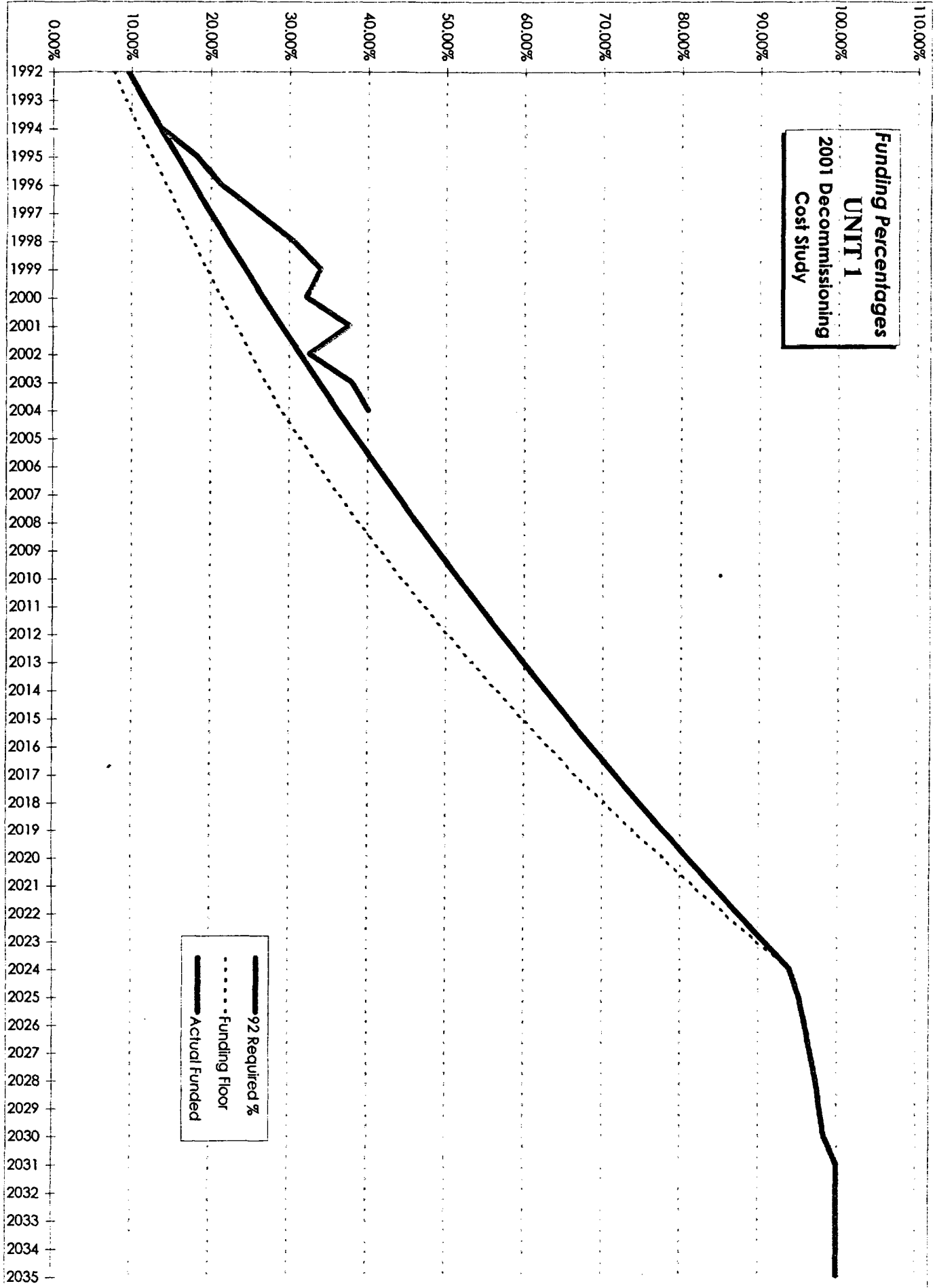
FORECAST

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	
	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	6,551	45,888	0.00	45,888	120,841	37.97%	
1	3	2004	2,069	3,381	51,338	0.00	51,338	127,995	40.11%
2	4	2005	2,199	3,927	57,465	0.00	57,465	135,572	42.39%
3	5	2006	2,330	4,396	64,191	0.00	64,191	143,598	44.70%
4	6	2007	2,468	4,911	71,569	0.00	71,569	152,099	47.05%
5	7	2008	2,614	5,475	79,657	0.00	79,657	161,103	49.44%
6	8	2009	2,768	6,094	88,519	0.00	88,519	170,641	51.87%
7	9	2010	2,932	6,772	98,223	0.00	98,223	180,742	54.34%
8	10	2011	3,106	7,514	108,843	0.00	108,843	191,442	56.85%
9	11	2012	3,290	8,327	120,460	0.00	120,460	202,776	59.41%
10	12	2013	3,484	9,215	133,159	0.00	133,159	214,780	62.00%
11	13	2014	3,691	10,187	147,037	0.00	147,037	227,495	64.63%
12	14	2015	3,909	11,248	162,194	0.00	162,194	240,963	67.31%
13	15	2016	4,141	12,408	178,743	0.00	178,743	255,228	70.03%
14	16	2017	4,386	13,674	196,802	0.00	196,802	270,337	72.80%
15	17	2018	4,645	15,055	216,503	0.00	216,503	286,341	75.61%
16	18	2019	4,920	16,562	237,986	1	237,985	303,293	78.47%
17	19	2020	5,212	18,206	261,404	244	261,160	321,248	81.30%
18	20	2021	5,520	19,979	286,903	257	286,645	340,265	84.24%
19	21	2022	5,847	21,928	314,678	290	314,388	360,409	87.23%
20	22	2023	6,193	24,051	344,922	3,736	341,186	381,745	89.38%
21	23	2024	6,560	26,101	373,846	4,066	369,781	400,279	92.38%
	24	2025	0.00	28,288	398,069	42,291	355,777	381,684	93.21%
	25	2026	0.00	27,217	382,994	74,504	308,490	329,775	93.55%
	26	2027	0.00	23,599	332,090	61,997	270,092	287,301	94.01%
	27	2028	0.00	20,662	290,754	65,135	225,619	239,174	94.33%
	28	2029	0.00	17,260	242,879	68,344	174,535	184,988	94.35%
	29	2030	0.00	13,352	187,886	47,595	140,291	148,345	94.57%
	30	2031	0.00	10,732	151,024	17,404	133,620	139,723	95.63%
	31	2032	0.00	10,222	143,842	13,253	130,589	134,742	96.92%
	32	2033	0.00	9,990	140,579	20,626	119,954	122,093	98.25%
	33	2034	0.00	9,176	129,130	30,617	98,513	98,704	99.81%
	34	2035	0.00	7,536	106,049	104,547	0.00	0.00	100.00%
			<u>105,031</u>	<u>450,584</u>	<u>555,615</u>	<u>550,374</u>	<u>0.00</u>	<u>0.00</u>	

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

ESTIMATED FUNDING				FUNDING FLOOR CURVE				ACTUAL			
Year	Ending Fund Balance	Est. Costs	% Funded	92 Required % Funded	Minimum Band	Minimum Percentage	Minimum \$ AMT	Percentage	\$AMT	Floor Satisfied?	
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%	9.55%	80.00%	7.64%	6,090	9.56%	7,617	YES	
1993	9,772	84,438	11.59%	11.58%	80.00%	9.26%	7,822	11.58%	9,772	YES	
1994	12,201	89,436	13.64%	13.64%	80.00%	10.91%	9,761	13.64%	12,201	YES	
1995	14,909	94,731	15.74%	15.74%	80.00%	12.59%	11,927	18.25%	17,292	YES	
1996	21,336	100,339	21.26%	17.87%	80.00%	14.30%	14,344	21.26%	21,336	YES	
1997	27,586	106,279	25.96%	20.03%	80.00%	16.03%	17,034	25.96%	27,586	YES	
1998	34,354	112,571	30.52%	22.23%	80.00%	17.79%	20,024	30.52%	34,354	YES	
1999	40,536	119,235	34.00%	24.47%	80.00%	19.58%	23,343	34.00%	40,536	YES	
2000	40,740	126,294	32.26%	26.74%	80.00%	21.40%	27,022	32.26%	40,740	YES	
2001	40,624	107,711	37.72%	29.06%	80.00%	23.24%	25,036	37.72%	40,624	YES	
1	2002	37,174	114,087	32.58%	31.40%	80.00%	25.12%	28,662	32.58%	37,174	YES
2	2003	45,888	120,841	37.97%	33.79%	80.00%	27.03%	32,665	37.97%	45,888	YES
3	2004	51,338	127,995	40.11%	36.21%	80.00%	28.97%	37,083	40.11%	51,338	YES
4	2005	57,465	135,572	42.39%	38.68%	81.00%	31.33%	42,476	42.39%	57,465	YES
5	2006	64,191	143,598	44.70%	41.19%	82.00%	33.77%	48,496			
6	2007	71,569	152,099	47.05%	43.73%	83.00%	36.30%	55,207			
7	2008	79,657	161,103	49.44%	46.32%	84.00%	38.91%	62,682			
8	2009	88,519	170,641	51.87%	48.95%	85.00%	41.61%	70,998			
9	2010	98,223	180,742	54.34%	51.62%	86.00%	44.40%	80,241			
10	2011	108,843	191,442	56.85%	54.34%	87.00%	47.27%	90,504			
11	2012	120,460	202,776	59.41%	57.10%	88.00%	50.25%	101,891			
12	2013	133,159	214,780	62.00%	59.91%	89.00%	53.32%	114,513			
13	2014	147,037	227,495	64.63%	62.76%	90.00%	56.48%	128,494			
14	2015	162,194	240,963	67.31%	65.66%	91.00%	59.75%	143,969			
15	2016	178,743	255,228	70.03%	68.60%	92.00%	63.11%	161,085			
16	2017	196,802	270,337	72.80%	71.60%	93.00%	66.58%	180,003			
17	2018	216,503	286,341	75.61%	74.64%	94.00%	70.16%	200,900			
18	2019	237,985	303,293	77.74%	77.73%	95.00%	73.85%	223,967			
19	2020	261,160	321,248	80.88%	80.87%	96.00%	77.64%	249,416			
20	2021	286,645	340,265	84.08%	84.07%	97.00%	81.55%	277,477			
21	2022	314,388	360,409	87.38%	87.32%	98.00%	85.57%	308,401			
22	2023	341,186	381,745	90.62%	90.59%	99.00%	89.69%	342,377			
23	2024	369,781	400,279	93.98%	93.93%	100.00%	93.93%	375,990			
24	2025	355,777	381,684	95.20%	95.17%	100.00%	95.17%	363,257			
25	2026	308,490	329,775	95.95%	95.91%	100.00%	95.91%	316,288			
26	2027	270,092	287,301	96.68%	96.64%	100.00%	96.64%	277,643			
27	2028	225,619	239,174	97.40%	97.33%	100.00%	97.33%	232,787			
28	2029	174,535	184,988	97.89%	97.85%	100.00%	97.85%	181,011			
29	2030	140,291	148,345	98.40%	98.38%	100.00%	98.38%	145,941			
30	2031	133,620	139,723	100.00%	100.00%	100.00%	100.00%	139,723			
31	2032	130,589	134,742	100.00%	100.00%	100.00%	100.00%	134,742			
32	2033	119,954	122,093	100.00%	100.00%	100.00%	100.00%	122,093			
33	2034	98,513	98,704	100.00%	100.00%	100.00%	100.00%	98,704			
34	2035	0.00	0.00	100.00%	100.00%	100.00%	100.00%	0.00			

**Funding Percentages
UNIT 1
2001 Decommissioning
Cost Study**



Salt River Project

12/31/2004

**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) 21

FV of Total Decom. Charges Discounted to 2025 **\$468,249.7**

FV of 12/31/01 Plan Balance in 21 years **\$130,848.8**

FV of Balance Owed to be Funded by Contributions and Earnings **\$337,401.0**

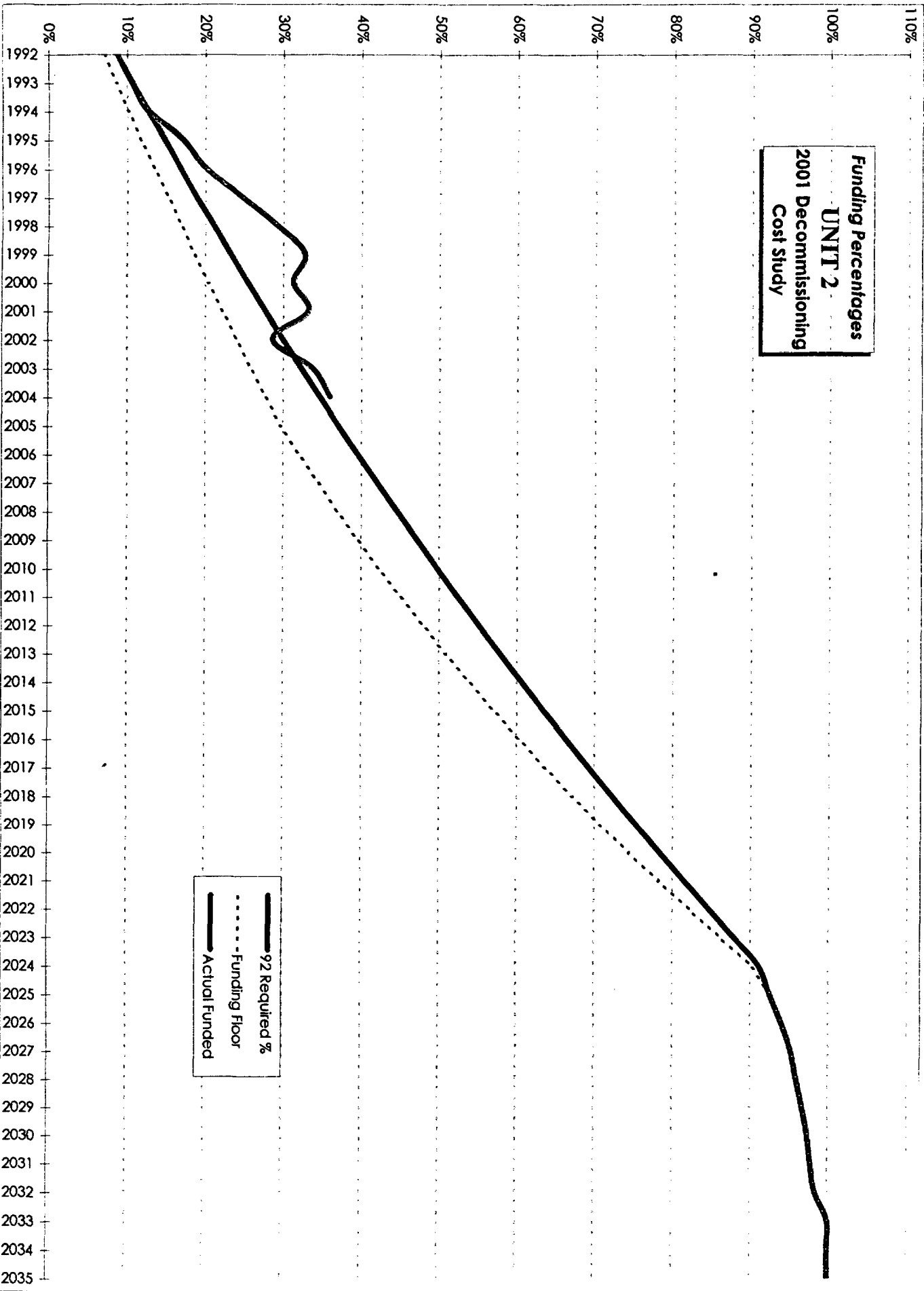
ACTUAL

FORECAST

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	6,329	44,651	0.00	44,651	132,119	33.80%
3	2004	2,427	3,299	50,377	0.00	50,377	139,940	36.00%
4	2005	2,577	3,854	56,808	0.00	56,808	148,224	38.33%
5	2006	2,730	4,346	63,884	0.00	63,884	156,999	40.69%
6	2007	2,892	4,887	71,663	0.00	71,663	166,294	43.09%
7	2008	3,063	5,482	80,208	0.00	80,208	176,138	45.54%
8	2009	3,244	6,136	89,588	0.00	89,588	186,566	48.02%
9	2010	3,436	6,853	99,877	0.00	99,877	197,610	50.54%
10	2011	3,640	7,641	111,158	0.00	111,158	209,309	53.11%
11	2012	3,855	8,504	123,516	0.00	123,516	221,700	55.71%
12	2013	4,083	9,449	137,048	0.00	137,048	234,825	58.36%
13	2014	4,325	10,484	151,857	0.00	151,857	248,726	61.05%
14	2015	4,581	11,617	168,056	0.00	168,056	263,451	63.79%
15	2016	4,852	12,856	185,764	0.00	185,764	279,047	66.57%
16	2017	5,139	14,211	205,114	0.00	205,114	295,567	69.40%
17	2018	5,444	15,691	226,249	0.00	226,249	313,064	72.27%
18	2019	5,766	17,308	249,323	0.00	249,323	331,598	75.19%
19	2020	6,107	19,073	274,504	0.00	274,504	351,228	78.16%
20	2021	6,469	21,000	301,972	0.00	301,972	372,021	81.17%
21	2022	6,852	23,101	331,925	0.00	331,925	394,045	84.24%
22	2023	7,257	25,392	364,575	0.00	364,575	417,372	87.35%
23	2024	7,687	27,890	400,152	33	400,119	442,047	90.51%
24	2025	8,142	30,609	438,870	19,493	419,377	448,723	93.46%
25	2026	0.00	32,082	451,459	93,341	358,118	381,947	93.76%
26	2027	0.00	27,396	385,514	72,637	312,877	331,921	94.26%
27	2028	0.00	23,935	336,813	79,801	257,011	271,770	94.57%
28	2029	0.00	19,661	276,673	63,439	213,234	224,420	95.02%
29	2030	0.00	16,312	229,546	61,134	168,412	176,571	95.38%
30	2031	0.00	12,884	181,296	41,340	139,956	145,685	96.07%
31	2032	0.00	10,707	150,663	20,229	130,434	134,080	97.28%
32	2033	0.00	9,978	140,412	23,228	117,184	118,790	98.65%
33	2034	0.00	8,965	126,149	33,239	92,910	92,584	100.35%
34	2035	0.00	7,108	100,018	98,065	0.00	0.00	100.00%
		<u>127,913</u>	<u>480,016</u>	<u>607,928</u>	<u>605,975</u>	<u>0.00</u>	<u>0.00</u>	

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

ESTIMATED FUNDING				FUNDING FLOOR CURVE				ACTUAL			
Year	Ending Fund Balance	Est. Costs	% Funded	92 Required % Funded	Minimum Band	Minimum Percentage	Minimum \$ AMT	Percentage	\$AMT	Floor Satisfied?	
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%	8.71%	80.00%	6.97%	5,469	8.72%	6,839	YES	
1993	8,887	83,112	10.69%	10.69%	80.00%	8.55%	7,109	10.69%	8,881	YES	
1994	11,185	88,032	12.71%	12.71%	80.00%	10.16%	8,948	12.71%	11,185	YES	
1995	13,755	93,244	14.75%	14.75%	80.00%	11.80%	11,004	17.10%	15,940	YES	
1996	19,856	98,764	20.10%	16.83%	80.00%	13.46%	13,298	20.10%	19,856	YES	
1997	25,860	104,611	24.72%	18.94%	80.00%	15.15%	15,853	24.72%	25,860	YES	
1998	32,398	110,804	29.24%	21.09%	80.00%	16.87%	18,696	29.24%	32,398	YES	
1999	38,485	117,363	32.79%	23.27%	80.00%	18.62%	21,852	32.79%	38,485	YES	
2000	38,949	124,311	31.33%	25.49%	80.00%	20.39%	25,352	31.33%	38,949	YES	
2001	39,105	117,763	33.21%	27.75%	80.00%	22.20%	26,140	33.21%	39,105	YES	
1	2002	35,835	124,734	28.73%	30.04%	80.00%	24.03%	29,974	28.73%	35,835	YES
2	2003	44,651	132,119	32.38%	32.37%	80.00%	25.89%	34,210	33.80%	44,651	YES
3	2004	50,377	139,940	34.74%	34.73%	80.00%	27.79%	38,885	36.00%	50,377	YES
4	2005	56,808	148,224	37.15%	37.14%	80.00%	29.71%	44,040	38.33%	56,808	YES
5	2006	63,884	156,999	39.59%	39.58%	81.00%	32.06%	50,339			
6	2007	71,663	166,294	42.08%	42.07%	82.00%	34.50%	57,366			
7	2008	80,208	176,138	44.60%	44.59%	83.00%	37.01%	65,195			
8	2009	89,588	186,566	47.18%	47.16%	84.00%	39.62%	73,909			
9	2010	99,877	197,610	49.79%	49.77%	85.00%	42.30%	83,598			
10	2011	111,158	209,309	52.45%	52.42%	86.00%	45.08%	94,360			
11	2012	123,516	221,700	55.15%	55.12%	87.00%	47.95%	106,306			
12	2013	137,048	234,825	57.86%	57.85%	88.00%	50.91%	119,552			
13	2014	151,857	248,726	60.65%	60.64%	89.00%	53.97%	134,230			
14	2015	168,056	263,451	63.49%	63.47%	90.00%	57.12%	150,480			
15	2016	185,764	279,047	66.35%	66.34%	91.00%	60.37%	168,460			
16	2017	205,114	295,567	69.28%	69.26%	92.00%	63.72%	188,339			
17	2018	226,249	313,064	72.25%	72.23%	93.00%	67.18%	210,302			
18	2019	249,323	331,598	75.26%	75.25%	94.00%	70.73%	234,554			
19	2020	274,504	351,228	78.33%	78.32%	95.00%	74.40%	261,318			
20	2021	301,972	372,021	81.44%	81.43%	96.00%	78.18%	290,835			
21	2022	331,925	394,045	84.61%	84.60%	97.00%	82.06%	323,371			
22	2023	364,575	417,372	87.89%	87.82%	98.00%	86.07%	359,217			
23	2024	400,119	442,047	91.17%	91.07%	99.00%	90.16%	398,534			
24	2025	419,377	448,723	93.46%	92.55%	100.00%	92.55%	415,299			
25	2026	358,118	381,947	94.12%	94.02%	100.00%	94.02%	359,104			
26	2027	312,877	331,921	95.30%	95.24%	100.00%	95.24%	316,124			
27	2028	257,011	271,770	96.05%	96.00%	100.00%	96.00%	260,898			
28	2029	213,234	224,420	96.75%	96.72%	100.00%	96.72%	217,068			
29	2030	168,412	176,571	97.50%	97.40%	100.00%	97.40%	171,987			
30	2031	139,956	145,685	100.00%	97.86%	100.00%	97.86%	142,563			
31	2032	130,434	134,080	100.00%	98.40%	100.00%	98.40%	131,929			
32	2033	117,184	118,790	100.00%	100.00%	100.00%	100.00%	118,790			
33	2034	92,910	92,584	100.00%	100.00%	100.00%	100.00%	92,584			
34	2035	0.00	0.00	100.00%	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 17.49%
 SRP Share in 2001\$ **\$119,459.1** Projected return on investments 7.65%
 Plan Balance as of 12/31/01 In 2001\$ **\$41,111.0** Projected Inflation 5.92%
 Years To Start of Decom (Funding Yrs Left) 23

FV of Total Decom. Charges Discounted to 2027 **\$530,330.2**
 FV of 12/31/01 Plan Balance in 23 years **\$154,330.4**
 V of Balance Owed to be Funded by Contributions and Earnings **\$375,999.9**

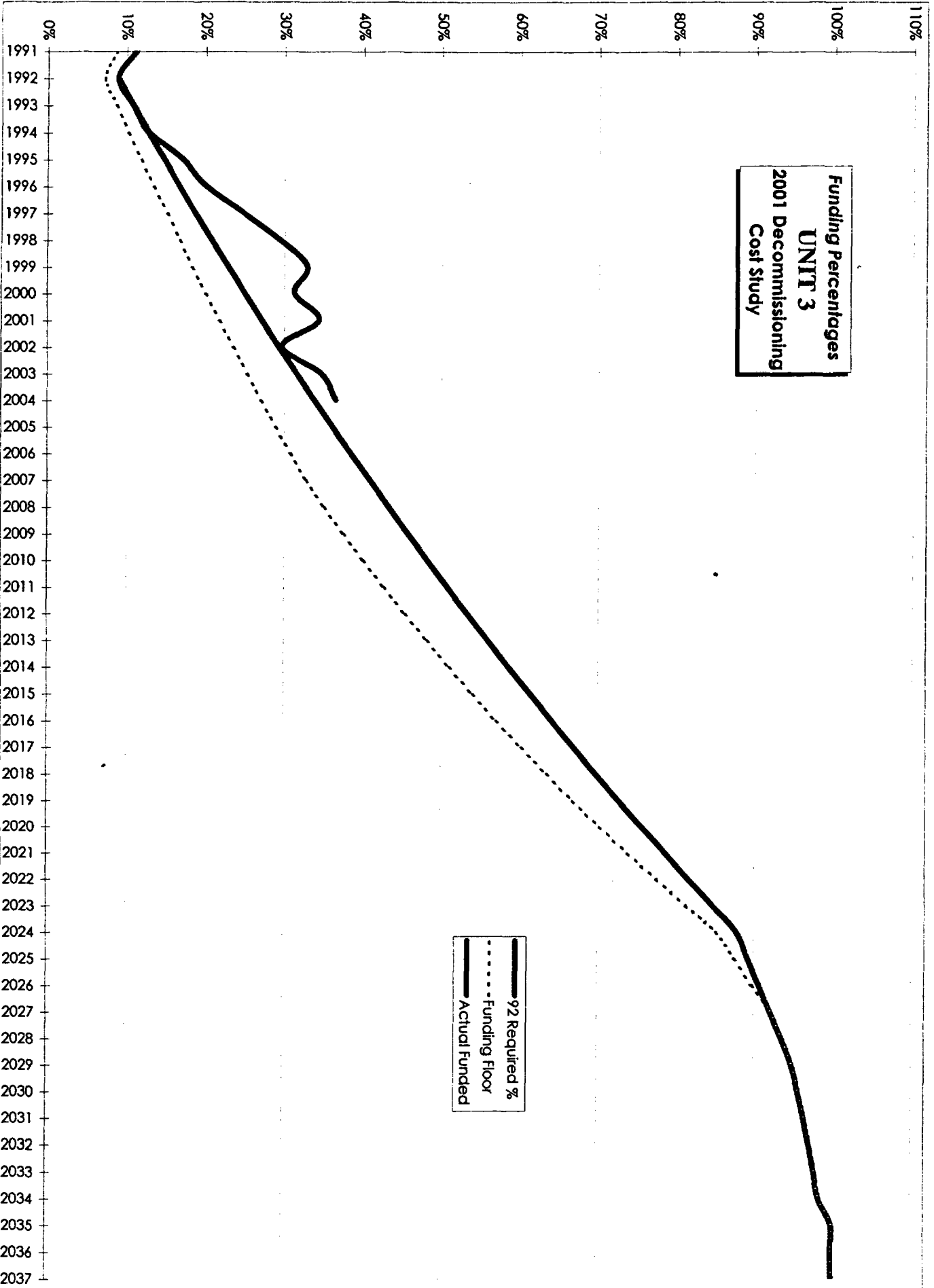
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Years Since Study	Calender Year End 31-Dec	Current Annual Payment (Inflat Adj.)	Earnings (Inflat Adj.)	Balance Before Decom Charges	Decom Charges (Inflat Adj.)	Ending Balance	Termination Costs (Inflat Adj.)	Funded Ratio
	1988	960	0.00	960	0.00	960		
	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	6,634	46,443	0.00	46,443	134,022	34.65%
3	2004	2,088	3,422	51,953	0.00	51,953	141,956	36.60%
4	2005	2,219	3,974	58,146	0.00	58,146	150,360	38.67%
5	2006	2,350	4,448	64,945	0.00	64,945	159,261	40.78%
6	2007	2,490	4,968	72,403	0.00	72,403	168,689	42.92%
7	2008	2,637	5,539	80,579	0.00	80,579	178,676	45.10%
8	2009	2,793	6,164	89,536	0.00	89,536	189,253	47.31%
9	2010	2,958	6,850	99,344	0.00	99,344	200,457	49.56%
10	2011	3,134	7,600	110,077	0.00	110,077	212,324	51.84%
11	2012	3,319	8,421	121,817	0.00	121,817	224,894	54.17%
12	2013	3,516	9,319	134,652	0.00	134,652	238,207	56.53%
13	2014	3,724	10,301	148,676	0.00	148,676	252,309	58.93%
14	2015	3,944	11,374	163,994	0.00	163,994	267,246	61.36%
15	2016	4,178	12,546	180,717	0.00	180,717	283,067	63.84%
16	2017	4,425	13,825	198,967	0.00	198,967	299,824	66.36%
17	2018	4,687	15,221	218,874	0.00	218,874	317,574	68.92%
18	2019	4,964	16,744	240,583	0.00	240,583	336,374	71.52%
19	2020	5,258	18,405	264,245	0.00	264,245	356,288	74.17%
20	2021	5,569	20,215	290,030	0.00	290,030	377,380	76.85%
21	2022	5,899	22,187	318,116	0.00	318,116	399,721	79.58%
22	2023	6,248	24,336	348,700	0.00	348,700	423,384	82.36%
23	2024	6,618	26,676	381,994	0.00	381,994	448,449	85.18%
24	2025	7,010	29,223	418,227	0.00	418,227	474,997	88.05%
25	2026	7,425	31,994	457,646	0.00	457,646	503,117	90.96%
26	2027	7,865	35,010	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>129,275</u>	<u>552,551</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			
Year	Ending Fund Balance	Est. Costs	% Funded	92 Required % Funded	Minimum Band	Minimum Percentage	Minimum \$ AMT	Percentage	\$AMT	Floor Satisfied?	
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%	8.94%	80.00%	7.15%	5,918	8.95%	7,401	YES	
1993	9,498	87,634	10.84%	10.84%	80.00%	8.67%	7,598	10.83%	9,493	YES	
1994	11,849	92,822	12.77%	12.77%	80.00%	10.21%	9,479	12.77%	11,849	YES	
1995	14,477	98,317	14.72%	14.72%	80.00%	11.78%	11,581	17.08%	16,791	YES	
1996	20,980	104,138	20.15%	16.72%	80.00%	13.37%	13,926	20.15%	20,980	YES	
1997	27,388	110,303	24.83%	18.74%	80.00%	14.99%	16,535	24.83%	27,388	YES	
1998	34,380	116,833	29.43%	20.80%	80.00%	16.64%	19,436	29.43%	34,380	YES	
1999	40,714	123,749	32.90%	22.89%	80.00%	18.31%	22,656	32.90%	40,714	YES	
2000	41,083	131,075	31.34%	25.01%	80.00%	20.01%	26,225	31.34%	41,083	YES	
2001	41,111	119,459	34.41%	27.17%	80.00%	21.73%	25,964	34.41%	41,111	YES	
1	2002	37,647	126,531	29.75%	29.36%	80.00%	23.49%	29,722	29.75%	37,647	YES
2	2003	46,443	134,022	34.65%	31.59%	80.00%	25.27%	33,873	34.65%	46,443	YES
3	2004	51,953	141,956	36.60%	33.86%	80.00%	27.09%	38,452	36.60%	51,953	YES
4	2005	58,146	150,360	36.19%	36.16%	80.00%	28.93%	43,499	38.67%	58,146	YES
5	2006	64,945	159,261	38.51%	38.50%	80.00%	30.80%	49,057			
6	2007	72,403	168,689	40.89%	40.88%	80.00%	32.71%	55,172			
7	2008	80,579	178,676	43.31%	43.30%	81.00%	35.07%	62,668			
8	2009	89,536	189,253	45.77%	45.76%	82.00%	37.52%	71,011			
9	2010	99,344	200,457	48.27%	48.26%	83.00%	40.05%	80,288			
10	2011	110,077	212,324	50.80%	50.79%	84.00%	42.67%	90,594			
11	2012	121,817	224,894	53.38%	53.37%	85.00%	45.37%	102,031			
12	2013	134,652	238,207	56.01%	56.00%	86.00%	48.16%	114,715			
13	2014	148,676	252,309	58.67%	58.66%	87.00%	51.04%	128,769			
14	2015	163,994	267,246	61.38%	61.37%	88.00%	54.01%	144,329			
15	2016	180,717	283,067	64.13%	64.12%	89.00%	57.07%	161,546			
16	2017	198,967	299,824	66.95%	66.92%	90.00%	60.23%	180,581			
17	2018	218,874	317,574	69.79%	69.76%	91.00%	63.49%	201,614			
18	2019	240,583	336,374	72.69%	72.65%	92.00%	66.84%	224,840			
19	2020	264,245	356,288	75.62%	75.59%	93.00%	70.30%	250,471			
20	2021	290,030	377,380	78.60%	78.58%	94.00%	73.86%	278,740			
21	2022	318,116	399,721	81.72%	81.61%	95.00%	77.53%	309,903			
22	2023	348,700	423,384	84.72%	84.69%	96.00%	81.31%	344,237			
23	2024	381,994	448,449	87.85%	87.81%	97.00%	85.18%	381,971			
24	2025	418,227	474,997	89.30%	89.24%	98.00%	87.46%	415,431			
25	2026	457,646	503,117	90.96%	90.70%	99.00%	89.80%	451,775			
26	2027	441,505	473,885	93.17%	92.14%	100.00%	92.14%	436,647			
27	2028	392,875	419,535	93.65%	93.60%	100.00%	93.60%	392,695			
28	2029	329,799	351,240	94.89%	94.87%	100.00%	94.87%	333,229			
29	2030	282,266	299,270	95.75%	95.73%	100.00%	95.73%	286,490			
30	2031	237,398	250,526	100.00%	96.46%	100.00%	96.46%	241,669			
31	2032	194,764	204,562	100.00%	97.18%	100.00%	97.18%	198,786			
32	2033	173,510	180,519	100.00%	97.79%	100.00%	97.79%	176,529			
33	2034	145,616	150,038	100.00%	98.40%	100.00%	98.40%	147,640			
34	2035	108,105	110,269	100.00%	100.00%	100.00%	100.00%	110,269			
35	2036	64,227	64,649	100.00%	100.00%	100.00%	100.00%	64,649			
36	2037	(0.00)	0.00	100.00%	100.00%	100.00%	100.00%	0.00			



Palo Verde Nuclear Generating Station

Appendix B, Tab 3

Units 1, 2, & 3

EPE 2004 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, 2004

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, 2004

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, 2004

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, 2004

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, 2004

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, 2004

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%

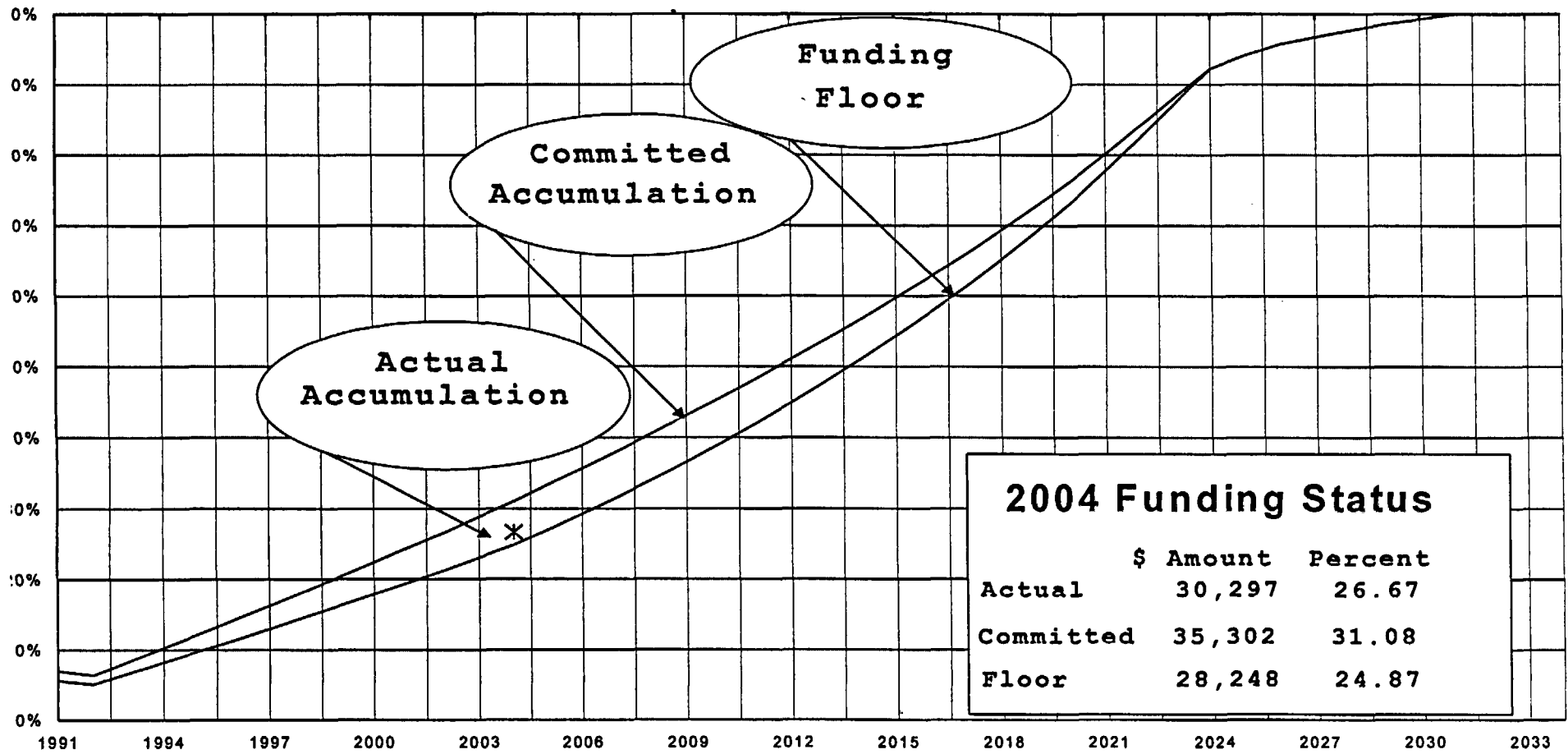
EL PASO ELECTRIC COMPANY

Annual Funding Status Report

For the Year Ended December 31, 2004

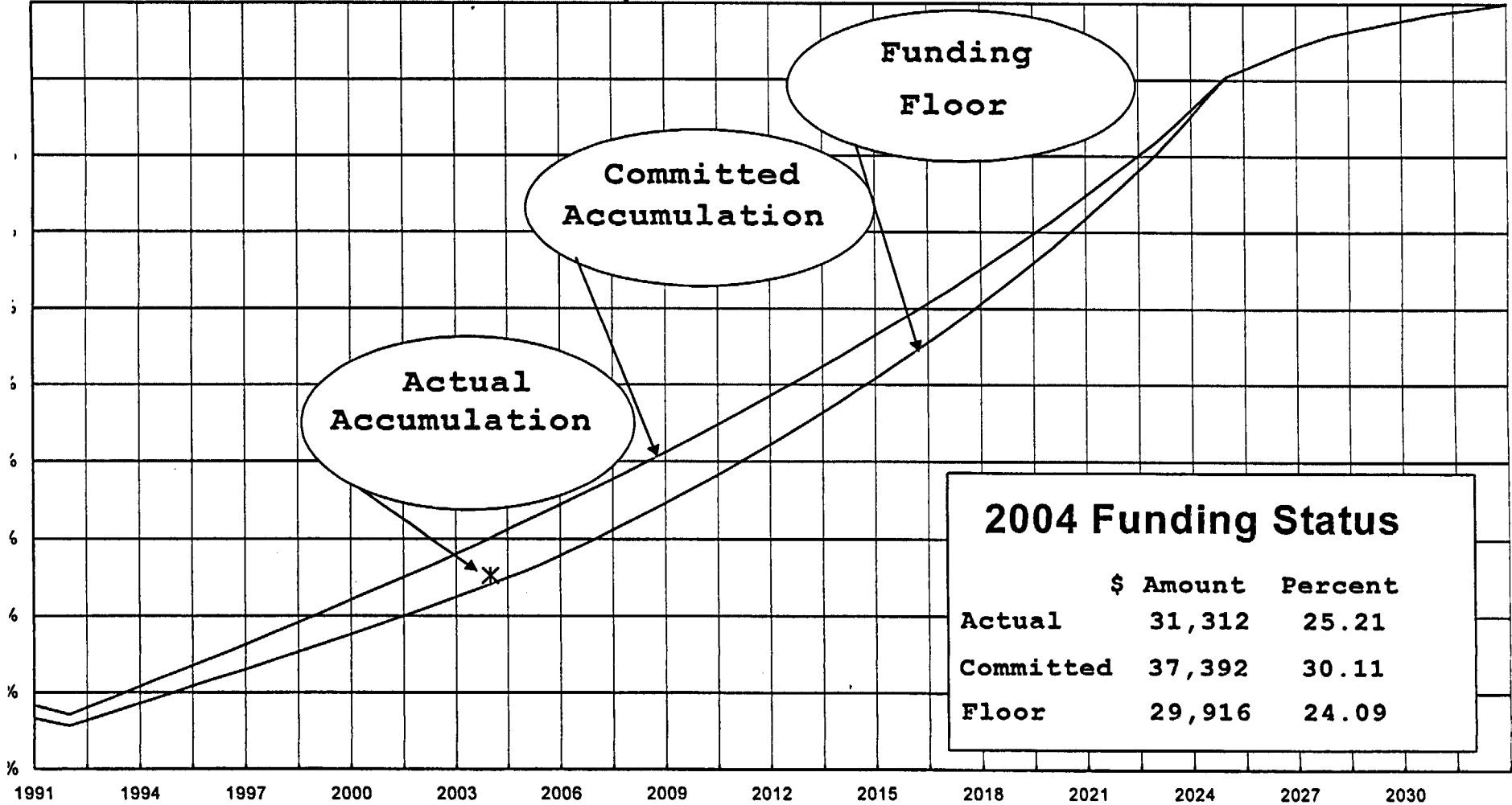
3.2 Percent Funded Curve and Funding Floor Curve for Each Unit:

3.2.1 Unit 1 Curve:



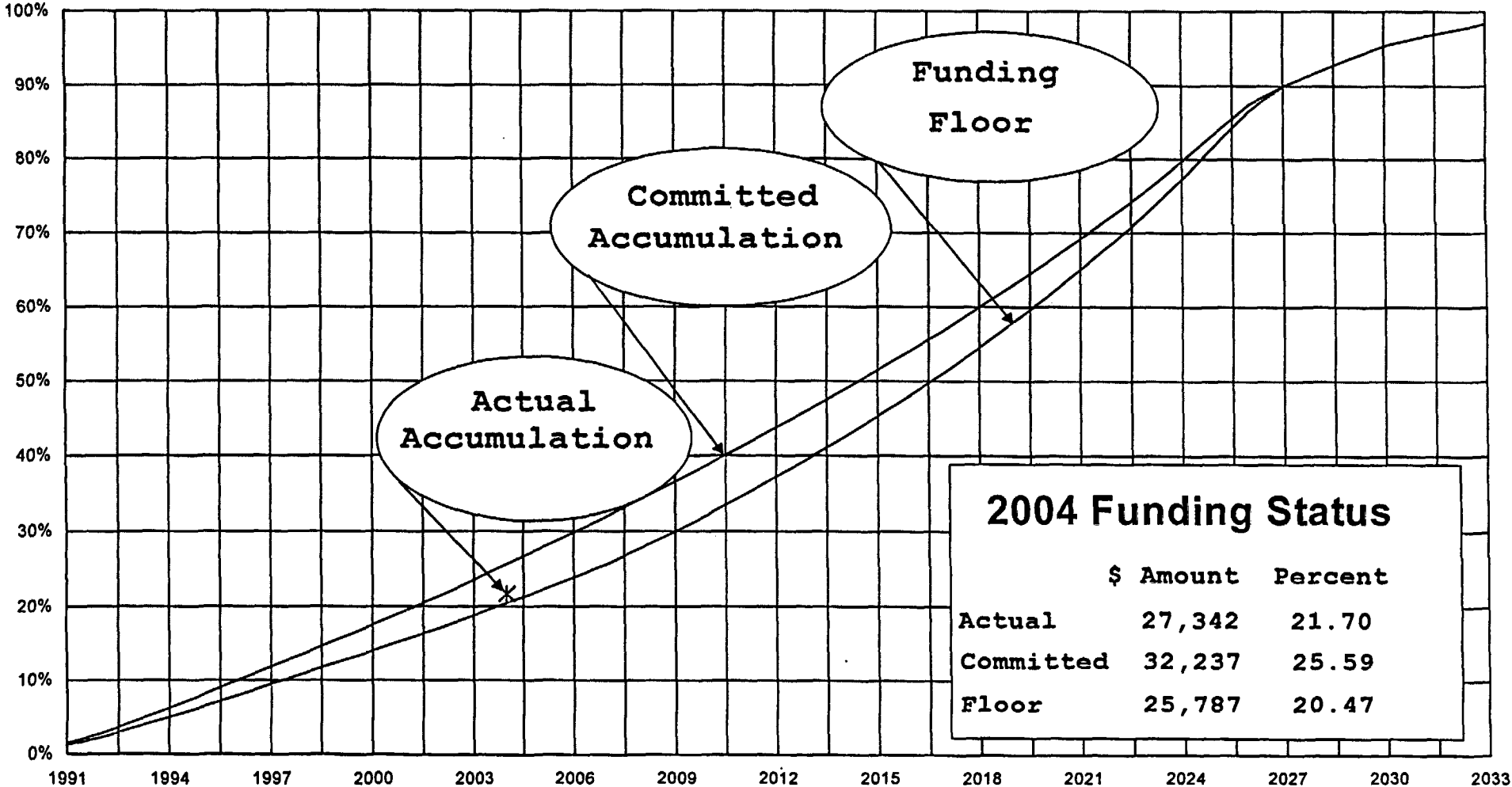
EL PASO ELECTRIC COMPANY
 Annual Funding Status Report
 For the Year Ended December 31, 2004

3.2.2 Unit 2 Curve:



EL PASO ELECTRIC COMPANY
 Annual Funding Status Report
 For the Year Ended December 31, 2004

3.2.3 Unit 3 Curve:



Units 1, 2, & 3

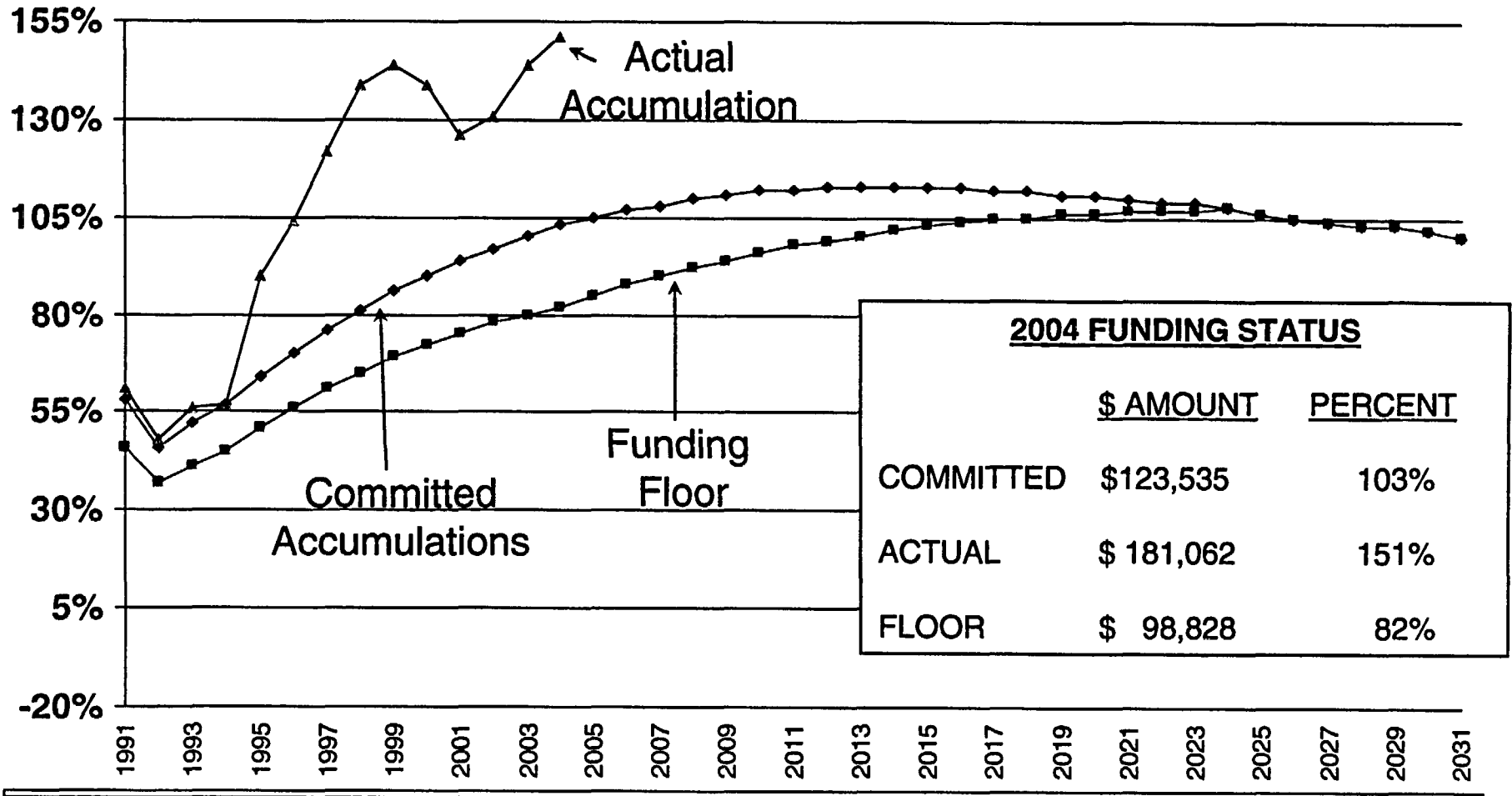
SCE 2004 Annual Funding Status Report

Section 2.1.7 [Restated]

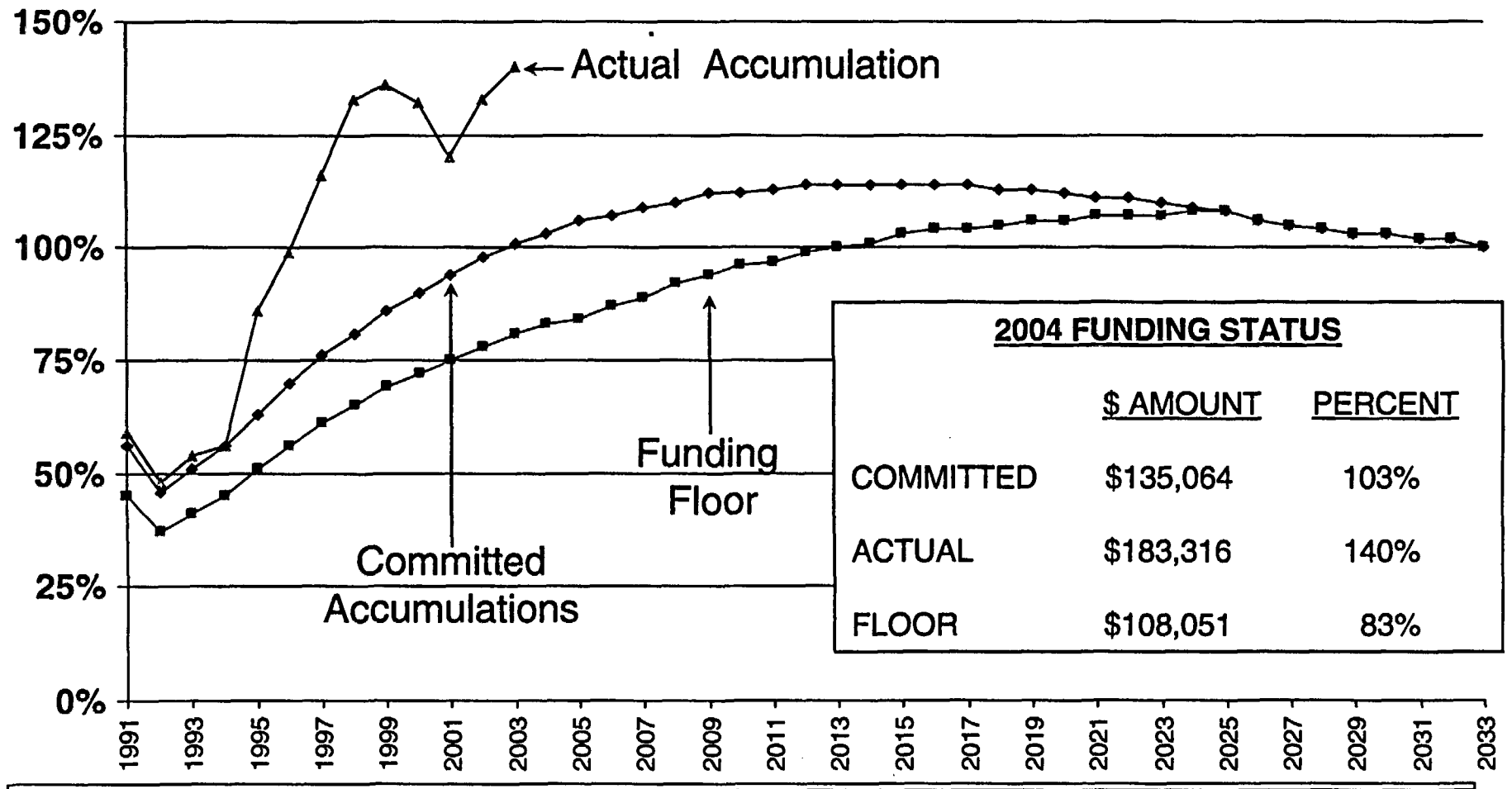
Assumptions Used in Developing Committed Accumulations

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)

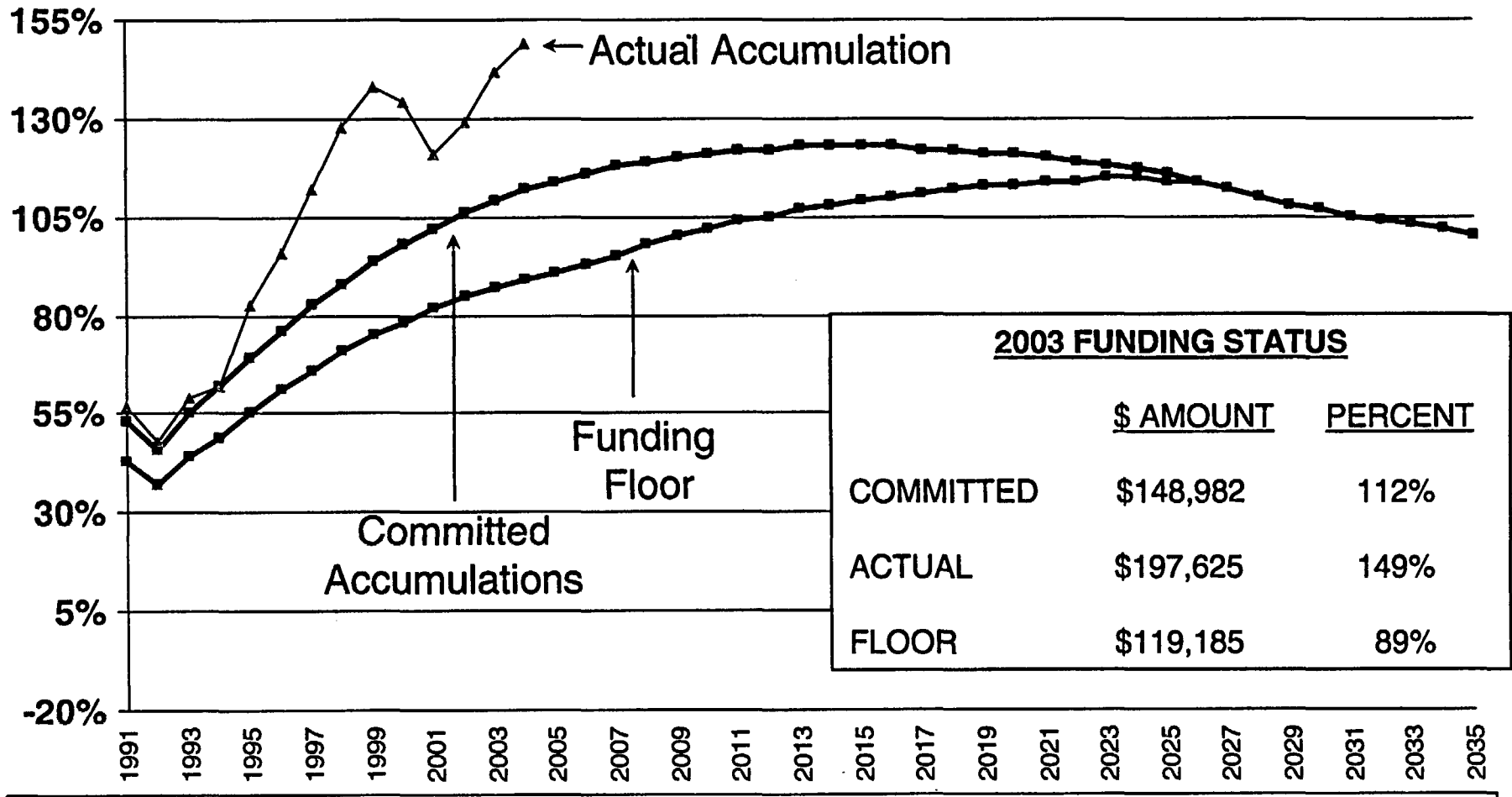
Southern California Edison Company Palo Verde Unit 1 Funding Plan



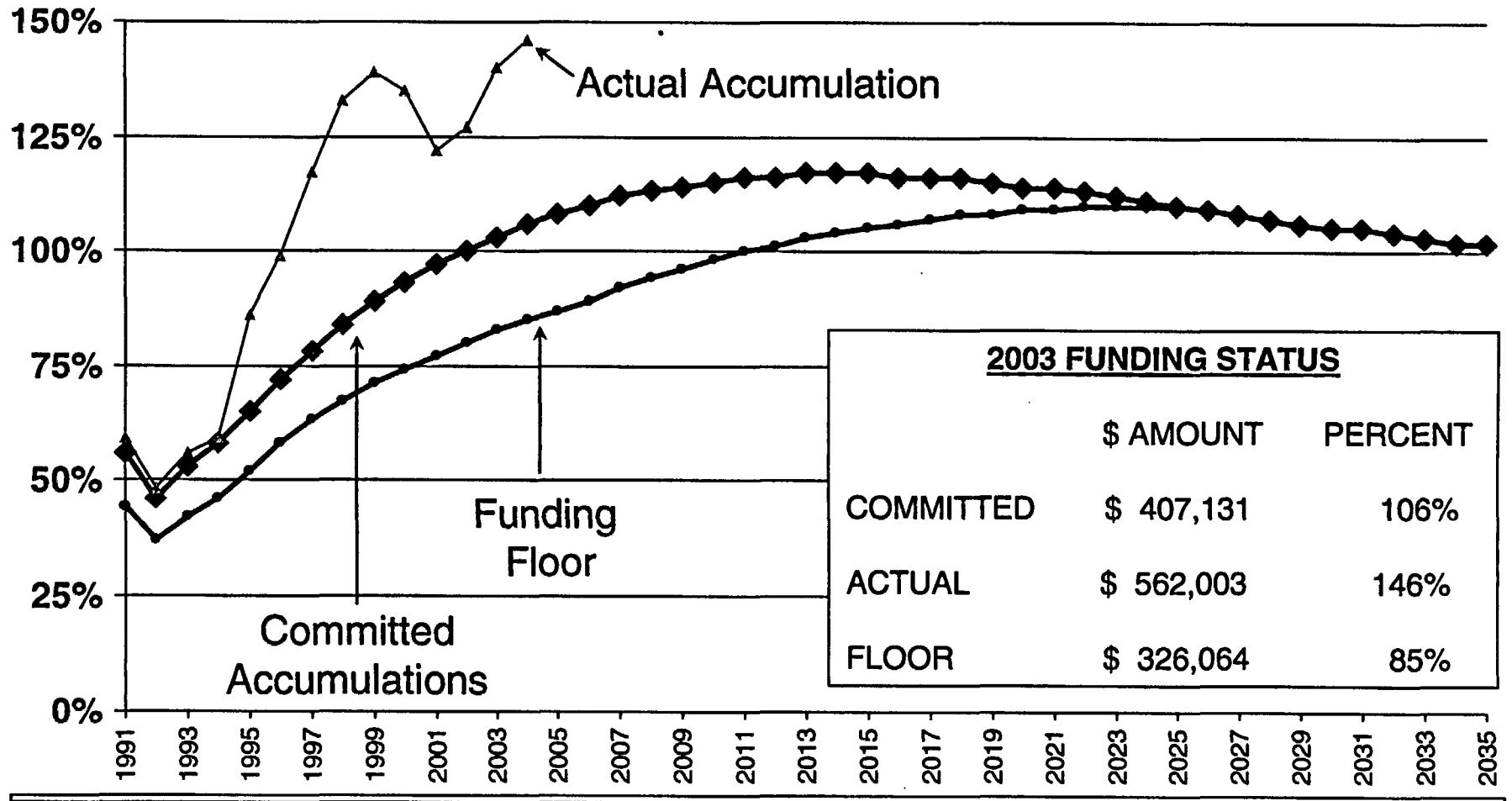
Southern California Edison Company Palo Verde Unit 2 Funding Plan



Southern California Edison Company Palo Verde Unit 3 Funding Plan



Southern California Edison Company ANPP Funding Plan - All Units



SOUTHERN CALIFORNIA EDISON COMPANY
2004 PALO VERDE UNIT 3 FUNDING STATUS
(\$ THOUSANDS)

YEAR	(1) (2) (3) FUNDING PLAN			(4) (5) (6) FUNDING FLOOR CURVE			(7) (8) (9) ACTUAL FUNDING		
	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%	108,182	176,507	124,062	142%
2004	180,072	161,290	112%	80%	89%	119,185	197,625	133,019	149%
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
2004 ANPP FUNDING PLAN—ALL UNITS
(\$ THOUSANDS)

YEAR	(1) (2) (3) FUNDING PLAN			(4) (5) (6) FUNDING FLOOR CURVE			(7) (8) (9) 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%	296,488	499,955	358,222	140%
2004	512,236	483,870	106%	80%	85%	326,064	562,003	384,086	146%
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			

Units 1, 2, & 3

PNM 2004 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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PALO VERDE UNIT 1
(\$000)

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	24,991	69,254	36.09%
2004	25,153	72,717	34.59%	80%	27.67%	20,122	29,313	72,717	40.31%
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	160,083	181,954	87.98%	98%	86.22%	156,881			
2024	172,616	189,127	91.27%	99%	90.36%	170,890			
2025	170,294	184,061	92.52%	100%	92.52%	170,294			
2026	143,299	152,836	93.76%	100%	93.76%	143,299			
2027	119,683	125,969	95.01%	100%	95.01%	119,683			
2028	89,667	93,150	96.26%	100%	96.26%	89,667			
2029	58,765	60,266	97.51%	100%	97.51%	58,765			
2030	34,612	35,050	98.75%	100%	98.75%	34,612			
2031	20,748	20,748	100.00%	100%	100.00%	20,748			
2032	8,527	8,527	100.00%	100%	100.00%	8,527			
2033	7,557	7,557	100.00%	100%	100.00%	7,557			
2034	19,732	19,732	100.00%	100%	100.00%	19,732			
2035	18,026	18,026	100.00%	100%	100.00%	18,026			
2036	31,357	31,357	100.00%	100%	100.00%	31,357			
2037	14,117	14,117	100.00%	100%	100.00%	14,117			

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

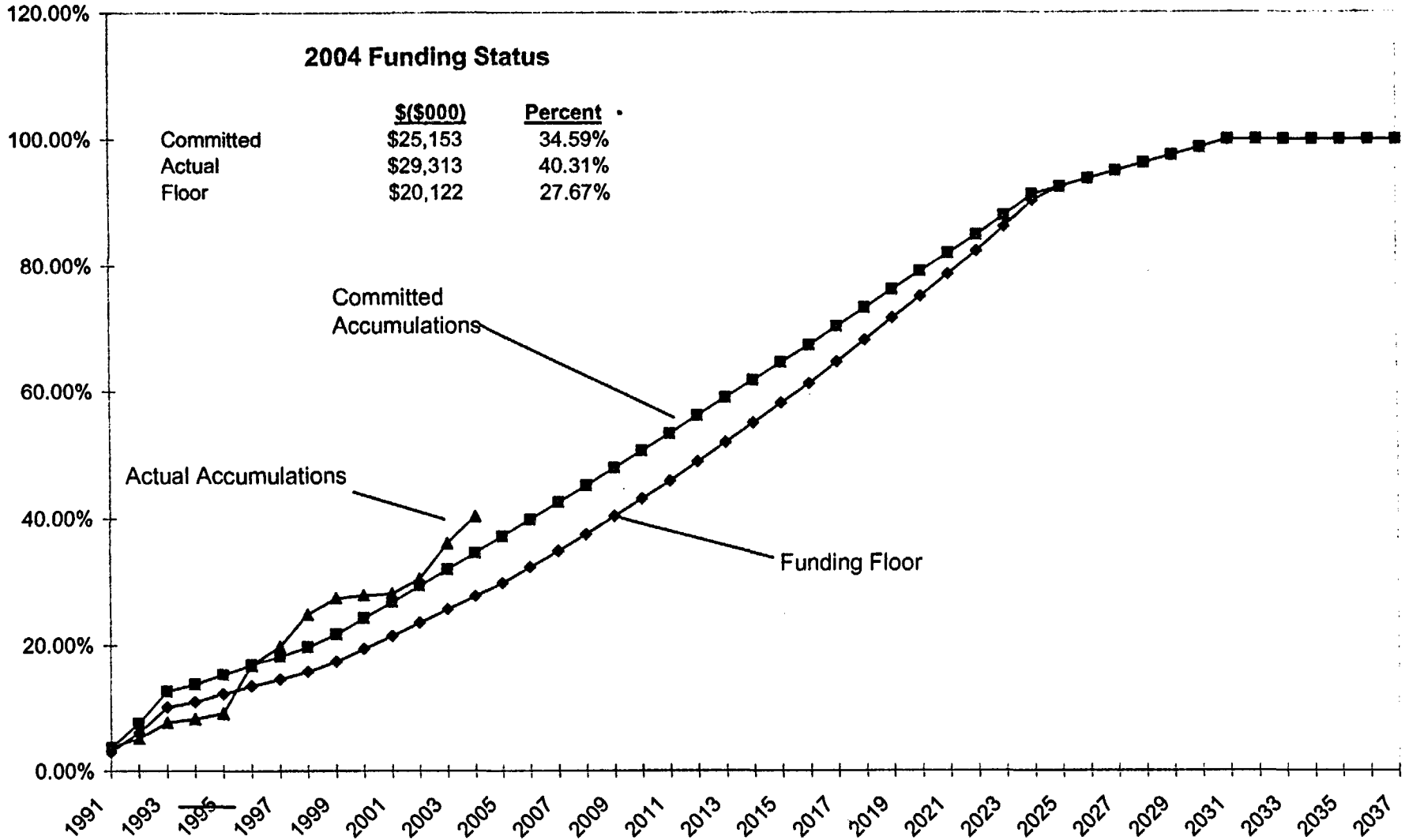


Exhibit 3.4

**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	26,333	75,717	34.78%
2004	27,739	79,503	34.89%	80%	27.91%	22,191	30,794	79,503	38.73%
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	200,605	218,524	91.80%	100%	91.80%	200,605			
2026	168,000	180,995	92.82%	100%	92.82%	168,000			
2027	142,125	151,438	93.85%	100%	93.85%	142,125			
2028	111,066	117,072	94.87%	100%	94.87%	111,066			
2029	84,893	88,522	95.90%	100%	95.90%	84,893			
2030	78,080	80,562	96.92%	100%	96.92%	78,080			
2031	56,115	57,290	97.95%	100%	97.95%	56,115			
2032	44,411	44,873	98.97%	100%	98.97%	44,411			
2033	30,594	30,594	100.00%	100%	100.00%	30,594			
2034	12,438	12,438	100.00%	100%	100.00%	12,438			
2035	4,900	4,900	100.00%	100%	100.00%	4,900			
2036	31,357	31,357	100.00%	100%	100.00%	31,357			
2037	14,117	14,117	100.00%	100%	100.00%	14,117			

**Public Service Company of New Mexico
Palo Verde Unit 2**

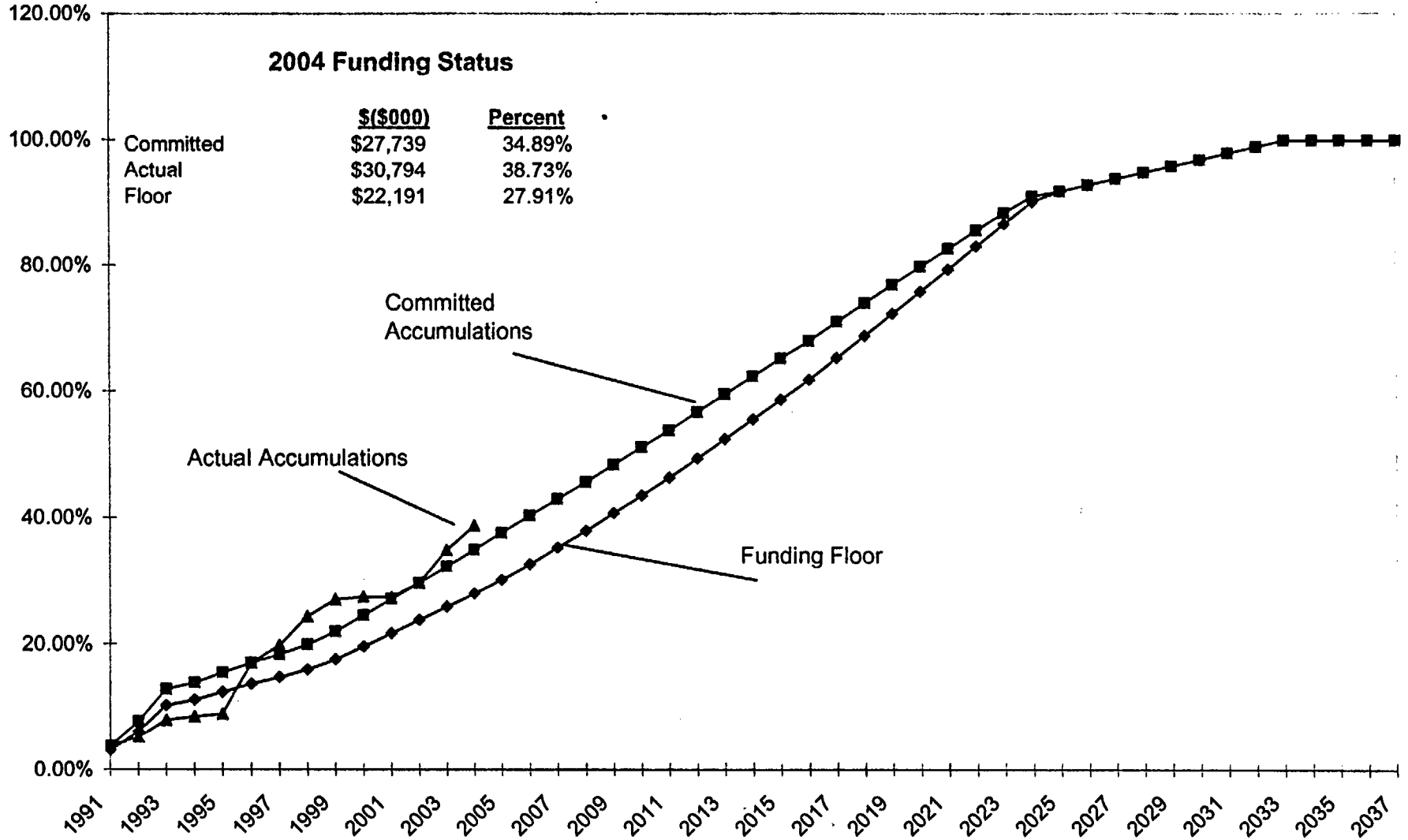


Exhibit 3.4

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

Year	Funding Plan			Funding Floor Curve			Actual Funding		
	Fund \$	Est. Cost	% 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	23,094	76,808	30.07%
2004	26,461	80,649	32.81%	80%	26.25%	21,169	27,665	80,649	34.30%
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	193,312	224,077	86.27%	100%	86.27%	193,312			
2026	194,478	221,906	87.64%	100%	87.64%	194,478			
2027	177,912	199,878	89.01%	100%	89.01%	177,912			
2028	149,907	165,844	90.39%	100%	90.39%	149,907			
2029	114,916	125,235	91.76%	100%	91.76%	114,916			
2030	85,560	91,871	93.13%	100%	93.13%	85,560			
2031	51,903	54,918	94.51%	100%	94.51%	51,903			
2032	22,291	23,249	95.88%	100%	95.88%	22,291			
2033	1,022	1,051	97.25%	100%	97.25%	1,022			
2034	22,923	23,242	98.63%	100%	98.63%	22,923			
2035	23,418	23,418	100.00%	100%	100.00%	23,418			
2036	31,357	31,357	100.00%	100%	100.00%	31,357			
2037	14,117	14,117	100.00%	100%	100.00%	14,117			

**Public Service Company of New Mexico
Palo Verde Unit 3**

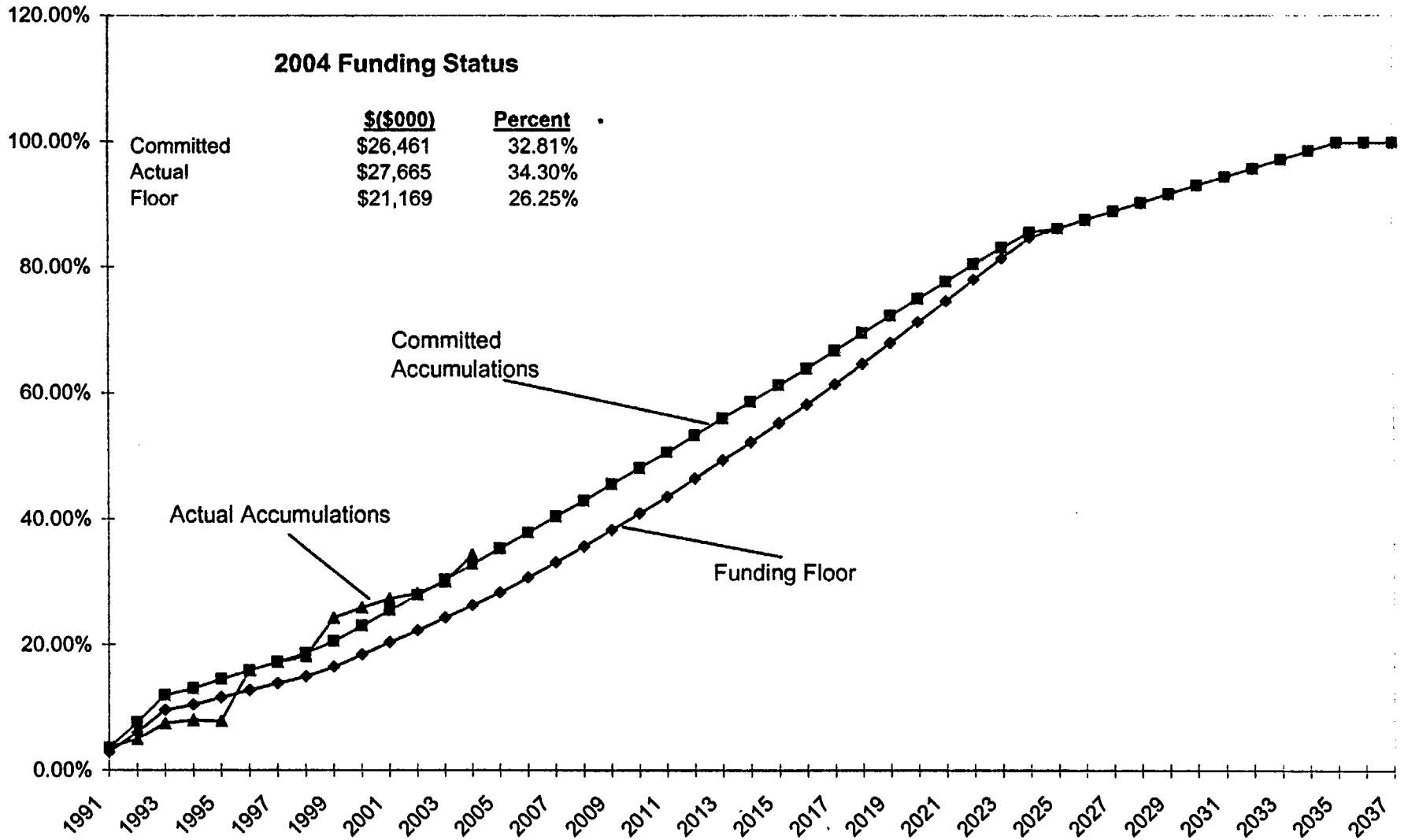


Exhibit 3.4

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

2001 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	74,418	221,780	33.55%
2004	79,352	232,869	34.08%	80%	27.26%	63,482	87,772	232,869	37.69%
2005	89,682	244,512	36.68%	80%	29.34%	71,745	0		
2006	100,897	256,738	39.30%	81%	31.83%	81,726	0		
2007	113,000	269,575	41.92%	82%	34.37%	92,660	0		
2008	126,061	283,054	44.54%	83%	36.97%	104,631	0		
2009	140,503	297,206	47.27%	84%	39.71%	118,022	0		
2010	155,835	312,067	49.94%	85%	42.45%	132,459	0		
2011	172,206	327,670	52.55%	86%	45.20%	148,097	0		
2012	190,501	344,053	55.37%	87%	48.17%	165,736	0		
2013	210,111	361,256	58.16%	88%	51.18%	184,898	0		
2014	231,104	379,319	60.93%	89%	54.22%	205,683	0		
2015	253,580	398,285	63.67%	90%	57.30%	228,222	0		
2016	277,599	418,199	66.38%	91%	60.41%	252,615	0		
2017	304,410	439,109	69.32%	92%	63.78%	280,058	0		
2018	333,040	461,065	72.23%	93%	67.18%	309,727	0		
2019	363,561	484,118	75.10%	94%	70.59%	341,748	0		
2020	396,099	508,324	77.92%	95%	74.03%	376,294	0		
2021	430,786	533,740	80.71%	96%	77.48%	413,555	0		
2022	468,549	560,427	83.61%	97%	81.10%	454,493	0		
2023	507,114	586,650	86.44%	98%	84.71%	496,972	0		
2024	547,833	614,058	89.22%	99%	88.32%	542,355	0		
2025	564,210	626,662	90.03%	100%	90.03%	564,210	0		
2026	505,777	555,737	91.01%	100%	91.01%	505,777	0		
2027	439,719	477,285	92.13%	100%	92.13%	439,719	0		
2028	350,639	376,066	93.24%	100%	93.24%	350,639	0		
2029	258,574	274,023	94.36%	100%	94.36%	258,574	0		
2030	198,252	207,483	95.55%	100%	95.55%	198,252	0		
2031	128,766	132,955	96.85%	100%	96.85%	128,766	0		
2032	75,229	76,649	98.15%	100%	98.15%	75,229	0		
2033	39,173	39,202	99.93%	100%	99.93%	39,173	0		
2034	55,093	55,411	99.43%	100%	99.43%	55,093	0		
2035	46,344	46,344	100.00%	100%	100.00%	46,344	0		
2036	94,071	94,071	100.00%	100%	100.00%	94,071	0		
2037	42,351	42,351	100.00%	100%	100.00%	42,351	0		

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

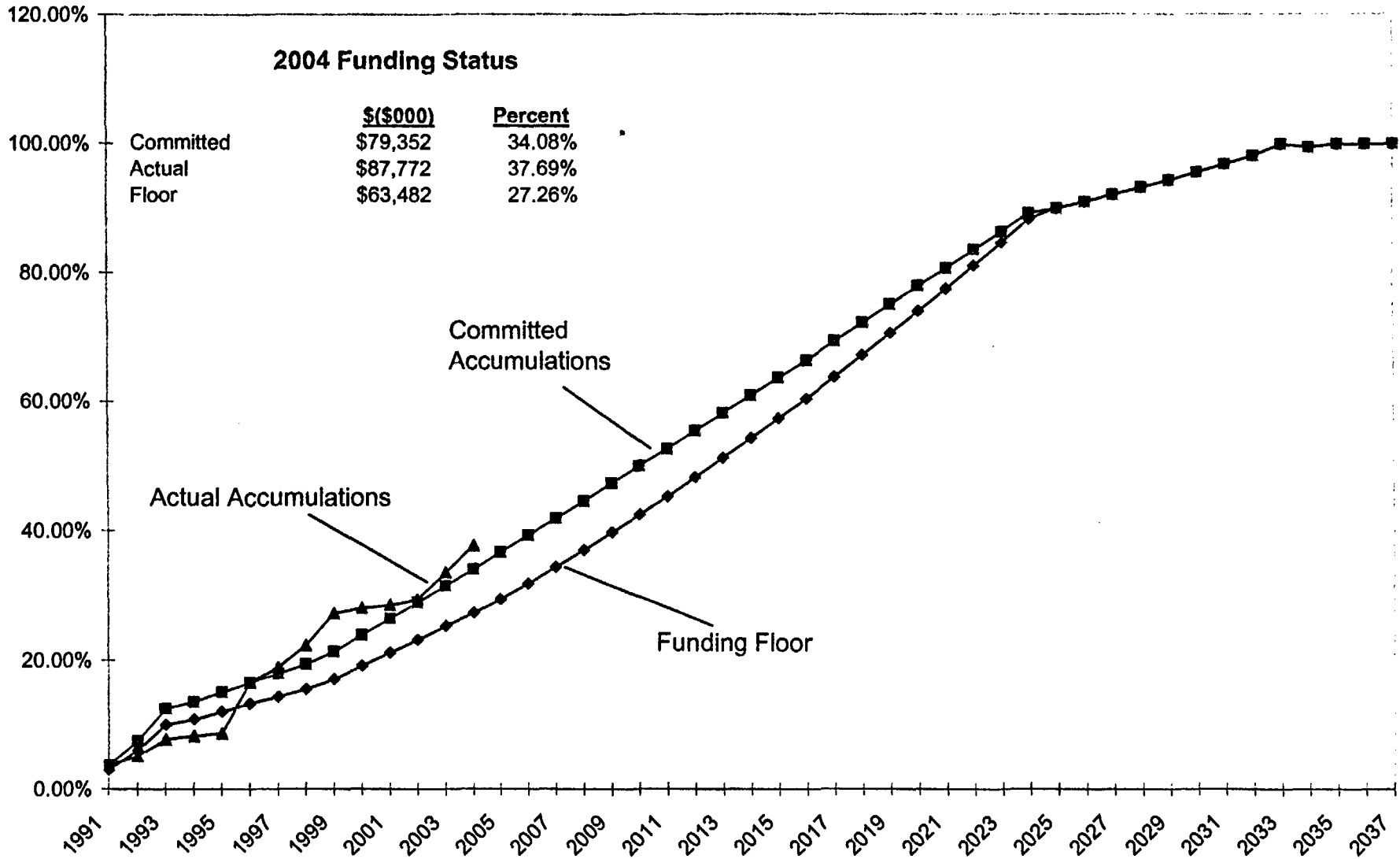


Exhibit 3.4

Units 1, 2, & 3

SCPPA 2004 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.

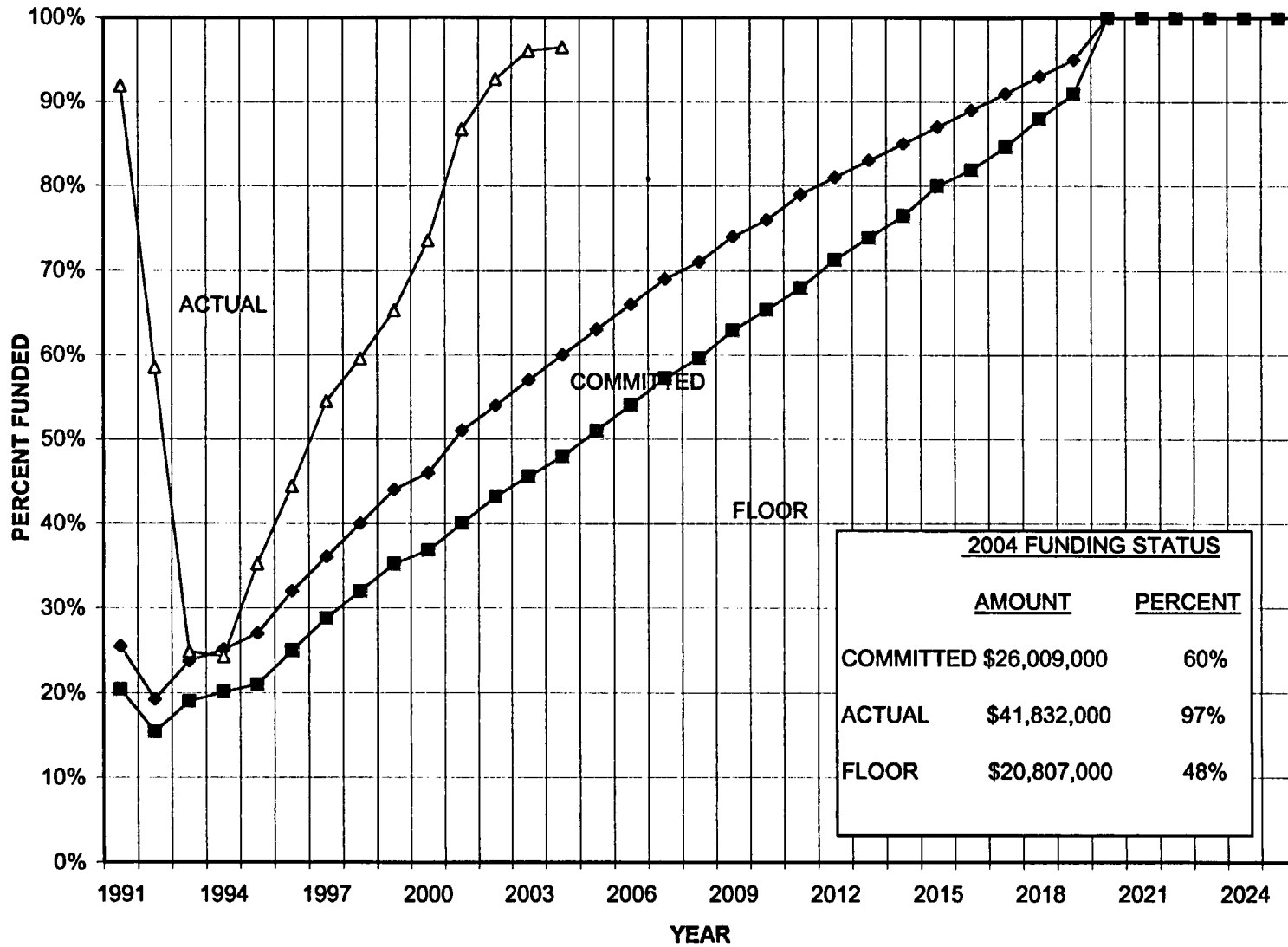
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
Palo Verde Project - Termination Cost Funding

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			\$14,237,604	8			\$14,387,900	6			\$15,396,791			\$44,022,295
JUN 30, 1991	\$0	\$625,326	14,862,930	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	0	363,880	15,226,810	10	0	443,094	15,948,234	8	0	385,474	17,222,886	0	1,192,448	48,397,930
JUN 30, 1992	0	-29,039	15,197,771	11	0	147,301	16,095,535	9	0	297,481	17,520,367	0	415,743	48,813,673
DEC 31, 1992	0	563,854	15,761,625	12	0	623,452	16,718,987	10	0	933,298	18,453,665	0	2,120,604	50,934,277
JUN 30, 1993	0	791,974	16,553,599	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	0	264,949	7,103,347	14	0	593,006	7,962,403	12	0	168,679	7,830,305	0	1,026,634	22,896,055
JUN 30, 1994	0	229,682	7,333,029	15	0	-345,413	7,616,990	13	0	-153,556	7,676,749	0	-269,287	22,626,768
DEC 31, 1994	0	16,871	7,349,900	16	0	9,010	7,626,000	14	0	-12,449	7,664,300	0	13,432	22,640,200
JUN 30, 1995	0	486,265	7,836,165	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	1,240,620	520,171	33	1,320,660	539,457	38,375,205	31	1,440,720	656,148	42,128,785	4,002,000	1,715,776	118,018,383
DEC 31, 2003	36	1,240,620	524,746	34	1,320,660	514,822	40,210,687	32	1,440,720	602,307	44,171,813	4,002,000	1,641,876	123,662,258
JUN 30, 2004	37	1,240,620	1,341,404	35	1,320,660	1,373,195	41,627,698	33	1,440,720	1,508,467	45,811,926	4,002,000	4,223,066	128,144,497
DEC 31, 2004	38	0	1,390,071	36	0	1,421,586	42,598,008	34	0	1,564,477	46,984,800	-	4,376,135	131,414,381
JUN 30, 2005	39	(219,415)	1,428,548	37	(92,915)	1,454,722	43,959,815	35	(292,981)	1,604,531	48,296,351	(605,311)	4,487,801	135,296,871
DEC 31, 2005	40	(219,415)	1,469,840	38	(92,915)	1,501,228	45,368,128	36	(292,981)	1,649,320	49,652,690	(605,311)	4,620,388	139,311,948
JUN 30, 2006	41	(219,415)	1,512,542	39	(92,915)	1,549,322	46,824,534	37	(292,981)	1,695,639	51,055,349	(605,311)	4,757,503	143,464,139
DEC 31, 2006	42	(219,415)	1,556,702	40	(92,915)	1,599,058	48,330,677	38	(292,981)	1,743,540	52,505,908	(605,311)	4,899,300	147,758,128
JUN 30, 2007	43	(219,415)	1,602,371	41	(92,915)	1,650,493	49,888,254	39	(292,981)	1,793,077	54,006,004	(605,311)	5,045,940	152,198,757
DEC 31, 2007	44	(219,415)	1,649,599	42	(92,915)	1,703,684	51,499,023	40	(292,981)	1,844,305	55,557,329	(605,311)	5,197,588	156,791,034
JUN 30, 2008	45	(219,415)	1,698,439	43	(92,915)	1,758,692	53,164,800	41	(292,981)	1,897,283	57,161,631	(605,311)	5,354,414	161,540,136
DEC 31, 2008	46	(219,415)	1,748,948	44	(92,915)	1,815,578	54,887,462	42	(292,981)	1,952,070	58,820,720	(605,311)	5,516,596	166,451,421
JUN 30, 2009	47	(219,415)	1,801,182	45	(92,915)	1,874,407	56,668,954	43	(292,981)	2,008,728	60,536,467	(605,311)	5,684,316	171,530,426
DEC 31, 2009	48	(219,415)	1,855,199	46	(92,915)	1,935,245	58,511,284	44	(292,981)	2,067,320	62,310,806	(605,311)	5,857,764	176,782,878

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	
JUN 30, 2010	49	(219,415)	1,911,061	57,652,434	47	(92,915)	1,998,160	60,416,529	45	(292,981)	2,127,914	64,145,740	(605,311)	6,037,135	182,214,703
DEC 31, 2010	50	(219,415)	1,968,831	59,401,849	48	(92,915)	2,063,224	62,386,838	46	(292,981)	2,190,577	66,043,336	(605,311)	6,222,632	187,832,023
JUN 30, 2011	51	(219,415)	2,028,573	61,211,007	49	(92,915)	2,130,511	64,424,434	47	(292,981)	2,255,380	68,005,735	(605,311)	6,414,464	193,641,176
DEC 31, 2011	52	(219,415)	2,090,356	63,081,947	50	(92,915)	2,200,094	66,531,613	48	(292,981)	2,322,396	70,035,151	(605,311)	6,612,846	199,648,711
JUN 30, 2012	53	(219,415)	2,154,248	65,016,780	51	(92,915)	2,272,055	68,710,753	49	(292,981)	2,391,700	72,133,870	(605,311)	6,818,003	205,861,403
DEC 31, 2012	54	(219,415)	2,220,323	67,017,688	52	(92,915)	2,346,472	70,964,310	50	(292,981)	2,463,372	74,304,261	(605,311)	7,030,167	212,286,259
JUN 30, 2013	55	(219,415)	2,288,654	69,086,926	53	(92,915)	2,423,431	73,294,826	51	(292,981)	2,537,491	76,548,771	(605,311)	7,249,576	218,930,523
DEC 31, 2013	56	(219,415)	2,359,319	71,226,830	54	(92,915)	2,503,018	75,704,929	52	(292,981)	2,614,141	78,869,931	(605,311)	7,476,477	225,801,689
JUN 30, 2014	57	(219,415)	2,432,396	73,439,810	55	(92,915)	2,585,323	78,197,337	53	(292,981)	2,693,408	81,270,358	(605,311)	7,711,128	232,907,506
DEC 31, 2014	58	(219,415)	2,507,970	75,728,365	56	(92,915)	2,670,439	80,774,861	54	(292,981)	2,775,383	83,752,760	(605,311)	7,953,791	240,255,986
JUN 30, 2015	59	(219,415)	2,586,124	78,095,073	57	(92,915)	2,758,462	83,440,408	55	(292,981)	2,860,157	86,319,936	(605,311)	8,204,742	247,855,417
DEC 31, 2015	60	(219,415)	2,666,947	80,542,604	58	(92,915)	2,849,490	86,196,983	56	(292,981)	2,947,826	88,974,781	(605,311)	8,464,262	255,714,368
JUN 30, 2016	61	(219,415)	2,750,530	83,073,719	59	(92,915)	2,943,627	89,047,694	57	(292,981)	3,038,489	91,720,290	(605,311)	8,732,646	263,841,703
DEC 31, 2016	62	(219,415)	2,836,967	85,691,271	60	(92,915)	3,040,979	91,995,758	58	(292,981)	3,132,248	94,559,557	(605,311)	9,010,194	272,246,586
JUN 30, 2017	63	(219,415)	2,926,357	88,398,212	61	(92,915)	3,141,655	95,044,498	59	(292,981)	3,229,209	97,495,785	(605,311)	9,297,221	280,938,495
DEC 31, 2017	64	(219,415)	3,018,799	91,197,596	62	(92,915)	3,245,770	98,197,353	60	(292,981)	3,329,481	100,532,285	(605,311)	9,594,050	289,927,234
JUN 30, 2018	65	(219,415)	3,114,398	94,092,578	63	(92,915)	3,353,440	101,457,877	61	(292,981)	3,433,178	103,672,482	(605,311)	9,901,015	299,222,937
DEC 31, 2018	66	(219,415)	3,213,262	97,086,424	64	(92,915)	3,464,787	104,829,749	62	(292,981)	3,540,415	106,919,917	(605,311)	10,218,463	308,836,090
JUN 30, 2019	67	(219,415)	3,315,501	100,182,510	65	(92,915)	3,579,936	108,316,769	63	(292,981)	3,651,315	110,278,251	(605,311)	10,546,752	318,777,531
DEC 31, 2019	68	(219,415)	3,421,233	103,384,328	66	(92,915)	3,699,018	111,922,872	64	(292,981)	3,766,002	113,751,273	(605,311)	10,886,253	329,058,472
JUN 30, 2020	69	(219,415)	3,530,575	106,695,487	67	(92,915)	3,822,166	115,652,123	65	(292,981)	3,884,606	117,342,898	(605,311)	11,237,347	339,690,508
DEC 31, 2020	70	(219,415)	3,643,651	110,119,723	68	(92,915)	3,949,520	119,508,728	66	(292,981)	4,007,260	121,057,177	(605,311)	11,600,431	350,685,628
JUN 30, 2021					69	(92,915)	4,081,223	123,497,036	67	(292,981)	4,134,103	124,898,299	(385,896)	8,215,326	248,395,335
DEC 31, 2021					70	(92,915)	4,217,424	127,621,544	68	(292,981)	4,265,277	128,870,595	(385,896)	8,482,701	256,492,140
JUN 30, 2022									69	(292,981)	4,400,931	132,978,545	(292,981)	4,400,931	132,978,545
DEC 31, 2022									70	(292,981)	4,541,217	137,226,782	(292,981)	4,541,217	137,226,782

SCPPA PALO VERDE UNIT 1 FUNDING PLAN

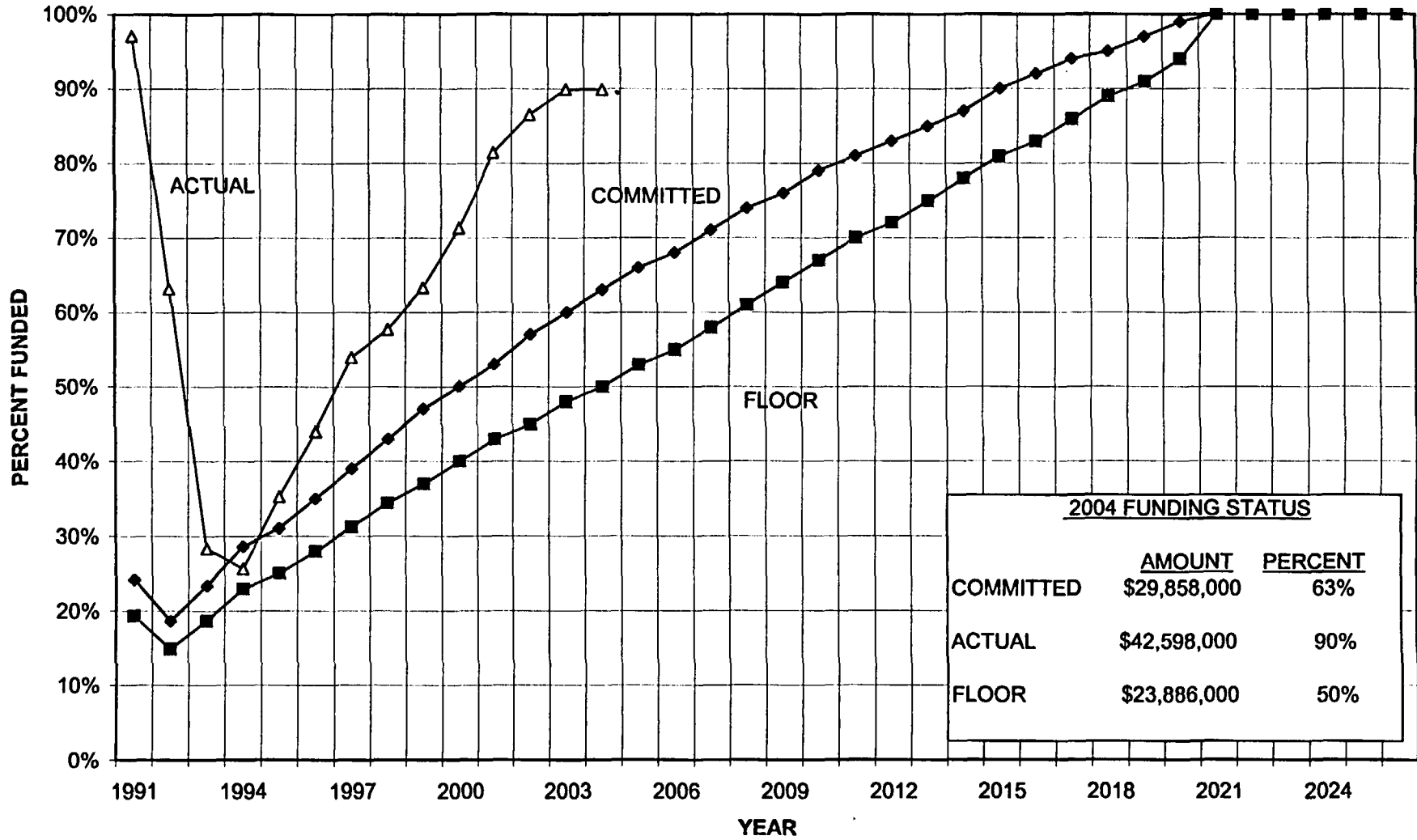


<u>2004 FUNDING STATUS</u>		
	<u>AMOUNT</u>	<u>PERCENT</u>
COMMITTED	\$26,009,000	60%
ACTUAL	\$41,832,000	97%
FLOOR	\$20,807,000	48%

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
2004 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	39,280	40,895	96%
DEC 2004	26,009	43,348	60%	80%	48%	20,807	41,832	43,348	97%
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			

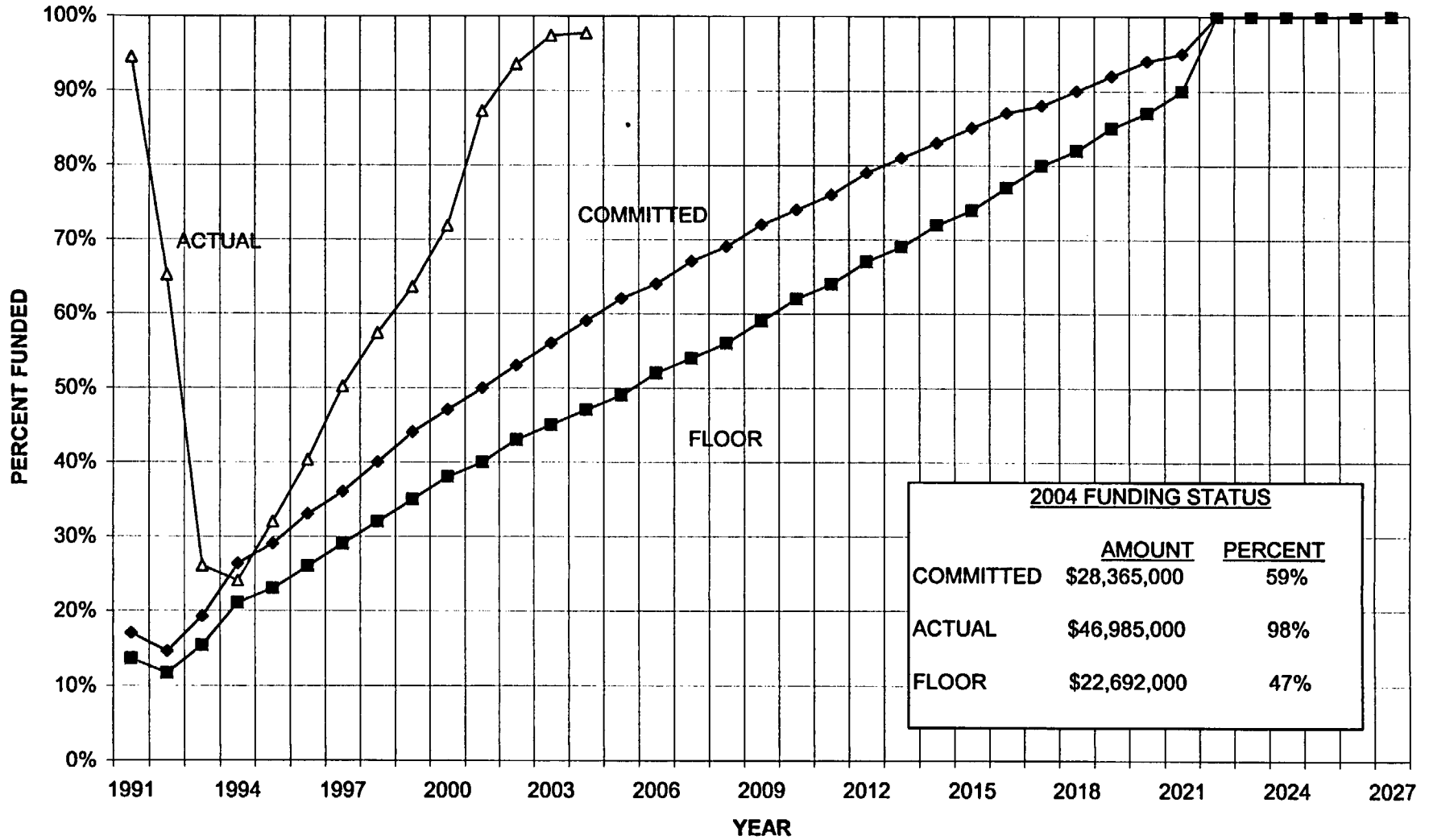
SCPPA PALO VERDE UNIT 2 FUNDING PLAN



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
2004 PALO VERDE UNIT - 2 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	\$3,966	\$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	40,211	44,711	90%
DEC 2004	29,858	47,394	63%	80%	50%	23,886	42,598	47,394	90%
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			

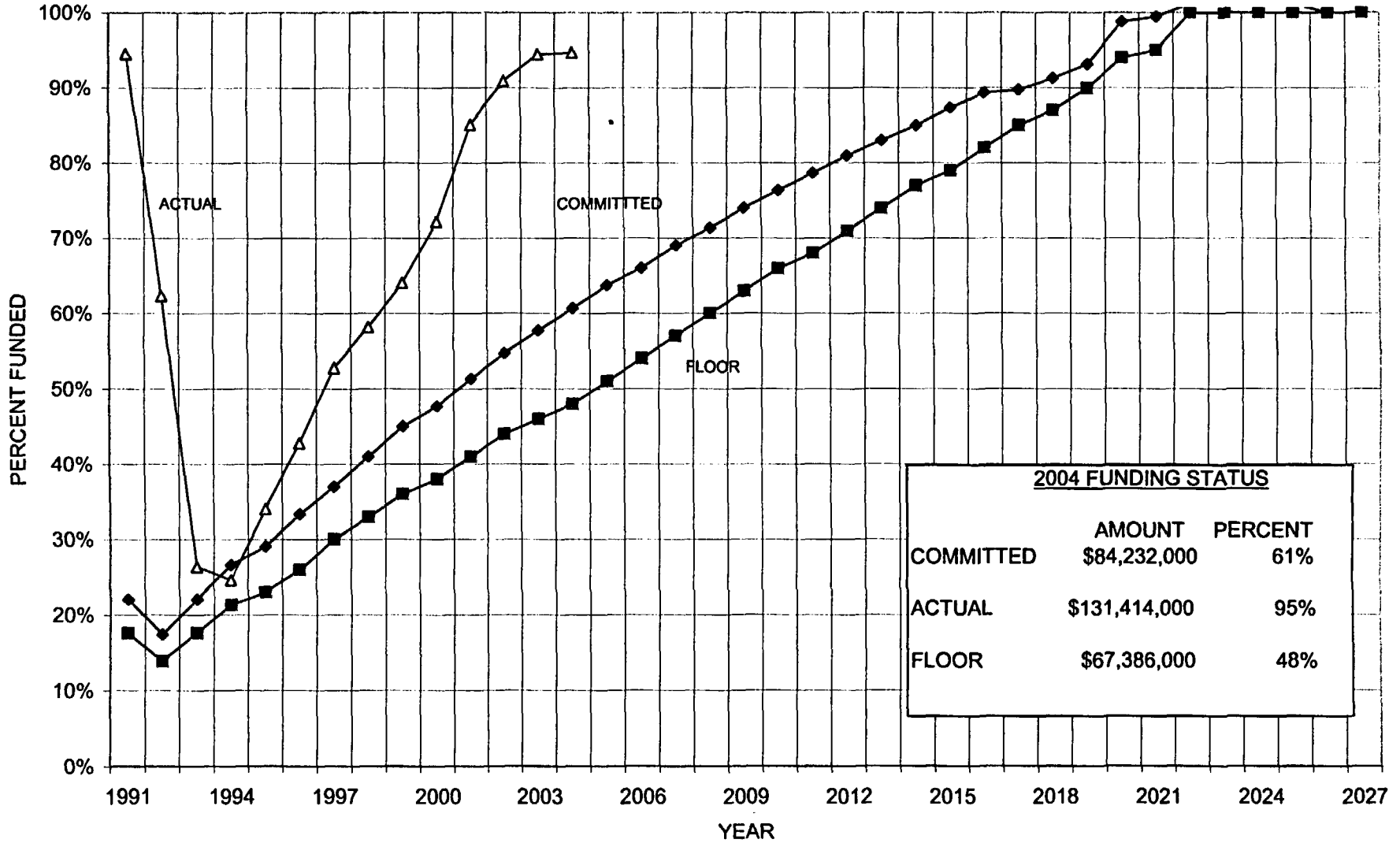
SCPPA PALO VERDE UNIT 3 FUNDING PLAN



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
2004 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	44,172	45,355	97%
DEC 2004	28,365	48,077	59%	80%	47%	22,692	46,985	48,077	98%
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
2004 PALO VERDE ALL UNITS FUNDING STATUS
TERMINATION COST FUNDING
(IN THOUSANDS)**

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	\$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	123,663	130,961	94%
DEC 2004	84,232	138,819	61%	80%	48%	67,386	131,414	138,819	95%
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 2004 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

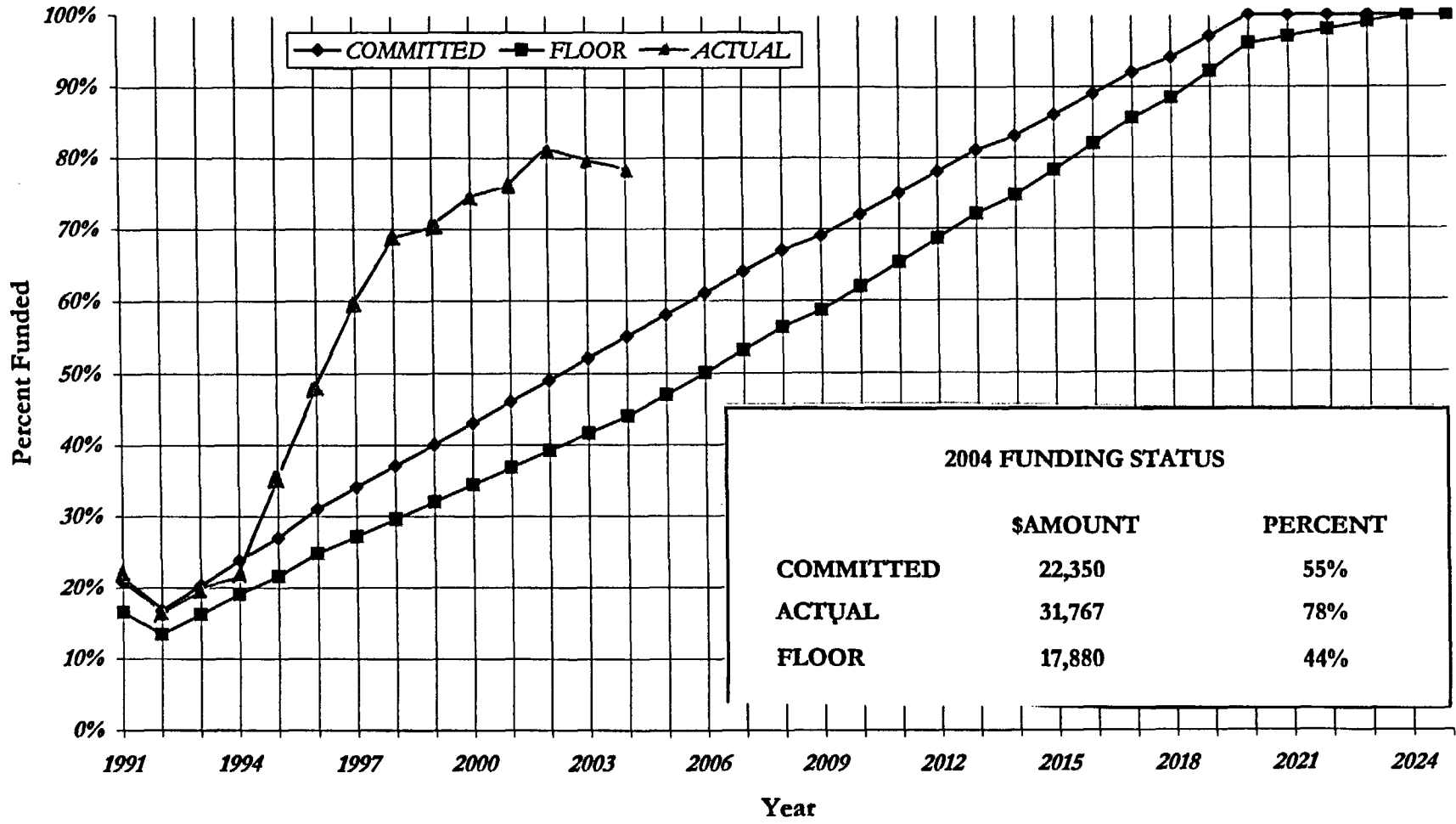
**Department of Water & Power
Palo Verde Project
Termination Cost Funding**

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	0	538,487	30,460,554	33	0	697,317	30,805,503	31	0	600,265	30,541,532	0	1,836,069	91,807,589
12/31/2003	36	0	300,726	30,761,280	34	0	133,416	30,938,919	32	0	159,788	30,701,320	0	593,930	92,401,519
6/30/2004	37	0	64,765	30,826,045	35	0	44,503	30,983,422	33	0	69,003	30,770,323	0	178,271	92,579,789
12/31/2004	38	0	941,281	31,767,326	36	0	696,407	31,679,829	34	0	963,229	31,733,552	0	2,600,917	95,180,707
6/30/2005	39	(118,803)	1,111,856	32,760,379	37	(3,237)	1,108,794	32,785,386	35	(14,657)	1,110,674	32,829,569	(136,697)	3,331,325	98,375,334
12/31/2005	40	(118,803)	1,146,613	33,788,189	38	(3,237)	1,147,489	33,929,638	36	(14,657)	1,149,035	33,963,947	(136,697)	3,443,137	101,681,774
6/30/2006	41	(118,803)	1,182,587	34,851,972	39	(3,237)	1,187,537	35,113,938	37	(14,657)	1,188,738	35,138,028	(136,697)	3,558,862	105,103,938
12/31/2006	42	(118,803)	1,219,819	35,952,988	40	(3,237)	1,228,988	36,339,689	38	(14,657)	1,229,831	36,353,202	(136,697)	3,678,638	108,645,879
6/30/2007	43	(118,803)	1,258,355	37,092,539	41	(3,237)	1,271,889	37,608,341	39	(14,657)	1,272,362	37,610,907	(136,697)	3,802,606	112,311,788
12/31/2007	44	(118,803)	1,298,239	38,271,975	42	(3,237)	1,316,292	38,921,397	40	(14,657)	1,316,382	38,912,632	(136,697)	3,930,913	116,106,003
6/30/2008	45	(118,803)	1,339,519	39,492,691	43	(3,237)	1,362,249	40,280,408	41	(14,657)	1,361,942	40,259,917	(136,697)	4,063,710	120,033,016

**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
12/31/2008	46	(118,803)	1,382,244	40,756,131	44	(3,237)	1,409,814	41,686,986	42	(14,657)	1,409,097	41,654,357	(136,697)	4,201,156	124,097,474
6/30/2009	47	(118,803)	1,426,465	42,063,793	45	(3,237)	1,459,045	43,142,793	43	(14,657)	1,457,902	43,097,602	(136,697)	4,343,412	128,304,189
12/31/2009	48	(118,803)	1,472,233	43,417,222	46	(3,237)	1,509,998	44,649,554	44	(14,657)	1,508,416	44,591,361	(136,697)	4,490,647	132,658,138
6/30/2010	49	(118,803)	1,519,603	44,818,022	47	(3,237)	1,562,734	46,209,052	45	(14,657)	1,560,698	46,137,402	(136,697)	4,643,035	137,164,476
12/31/2010	50	(118,803)	1,568,631	46,267,849	48	(3,237)	1,617,317	47,823,132	46	(14,657)	1,614,809	47,737,554	(136,697)	4,800,757	141,828,535
6/30/2011	51	(118,803)	1,619,375	47,768,421	49	(3,237)	1,673,810	49,493,704	47	(14,657)	1,670,814	49,393,712	(136,697)	4,963,999	146,655,837
12/31/2011	52	(118,803)	1,671,895	49,321,512	50	(3,237)	1,732,280	51,222,747	48	(14,657)	1,728,780	51,107,834	(136,697)	5,132,954	151,652,094
6/30/2012	53	(118,803)	1,726,253	50,928,962	51	(3,237)	1,792,796	53,012,307	49	(14,657)	1,788,774	52,881,952	(136,697)	5,307,823	156,823,220
12/31/2012	54	(118,803)	1,782,514	52,592,672	52	(3,237)	1,855,431	54,864,500	50	(14,657)	1,850,868	54,718,163	(136,697)	5,488,813	162,175,335
6/30/2013	55	(118,803)	1,840,744	54,314,612	53	(3,237)	1,920,258	56,781,521	51	(14,657)	1,915,136	56,618,642	(136,697)	5,676,137	167,714,775
12/31/2013	56	(118,803)	1,901,011	56,096,821	54	(3,237)	1,987,353	58,765,637	52	(14,657)	1,981,652	58,585,637	(136,697)	5,870,017	173,448,095
6/30/2014	57	(118,803)	1,963,389	57,941,406	55	(3,237)	2,056,797	60,819,198	53	(14,657)	2,050,497	60,621,477	(136,697)	6,070,683	179,382,081
12/31/2014	58	(118,803)	2,027,949	59,850,552	56	(3,237)	2,128,672	62,944,633	54	(14,657)	2,121,752	62,728,572	(136,697)	6,278,373	185,523,757
6/30/2015	59	(118,803)	2,094,769	61,826,518	57	(3,237)	2,203,062	65,144,458	55	(14,657)	2,195,500	64,909,415	(136,697)	6,493,331	191,880,391
12/31/2015	60	(118,803)	2,163,928	63,871,643	58	(3,237)	2,280,056	67,421,277	56	(14,657)	2,271,830	67,166,587	(136,697)	6,715,814	198,459,507
6/30/2016	61	(118,803)	2,235,507	65,988,347	59	(3,237)	2,359,745	69,777,785	57	(14,657)	2,350,831	69,502,761	(136,697)	6,946,083	205,268,893
12/31/2016	62	(118,803)	2,309,592	68,179,136	60	(3,237)	2,442,222	72,216,770	58	(14,657)	2,432,597	71,920,701	(136,697)	7,184,411	212,316,607
6/30/2017	63	(118,803)	2,386,270	70,446,602	61	(3,237)	2,527,587	74,741,121	59	(14,657)	2,517,225	74,423,268	(136,697)	7,431,081	219,610,991
12/31/2017	64	(118,803)	2,465,631	72,793,430	62	(3,237)	2,615,939	77,353,823	60	(14,657)	2,604,814	77,013,426	(136,697)	7,686,385	227,160,679
6/30/2018	65	(118,803)	2,547,770	75,222,397	63	(3,237)	2,707,384	80,057,970	61	(14,657)	2,695,470	79,694,238	(136,697)	7,950,624	234,974,605
12/31/2018	66	(118,803)	2,632,784	77,736,378	64	(3,237)	2,802,029	82,856,762	62	(14,657)	2,789,298	82,468,880	(136,697)	8,224,111	243,062,019
6/30/2019	67	(118,803)	2,720,773	80,338,348	65	(3,237)	2,899,987	85,753,512	63	(14,657)	2,886,411	85,340,633	(136,697)	8,507,171	251,432,493
12/31/2019	68	(118,803)	2,811,842	83,031,386	66	(3,237)	3,001,373	88,751,648	64	(14,657)	2,986,922	88,312,899	(136,697)	8,800,137	260,095,933
6/30/2020	69	(118,803)	2,906,099	85,818,682	67	(3,237)	3,106,308	91,854,718	65	(14,657)	3,090,951	91,389,193	(136,697)	9,103,358	269,062,593
12/31/2020	70	(118,803)	3,003,654	88,703,533	68	(3,237)	3,214,915	95,066,397	66	(14,657)	3,198,622	94,573,158	(136,697)	9,417,191	278,343,087
6/30/2021					69	(3,237)	3,327,324	98,390,484	67	(14,657)	3,310,061	97,868,561	(17,894)	6,637,384	196,259,045
12/31/2021					70	(3,237)	3,443,667	101,830,913	68	(14,657)	3,425,400	101,279,304	(17,894)	6,869,067	203,110,217
6/30/2022									69	(14,657)	3,544,776	104,809,423	(14,657)	3,544,776	104,809,423
12/31/2022									70	(14,657)	3,668,330	108,463,096	(14,657)	3,668,330	108,463,096

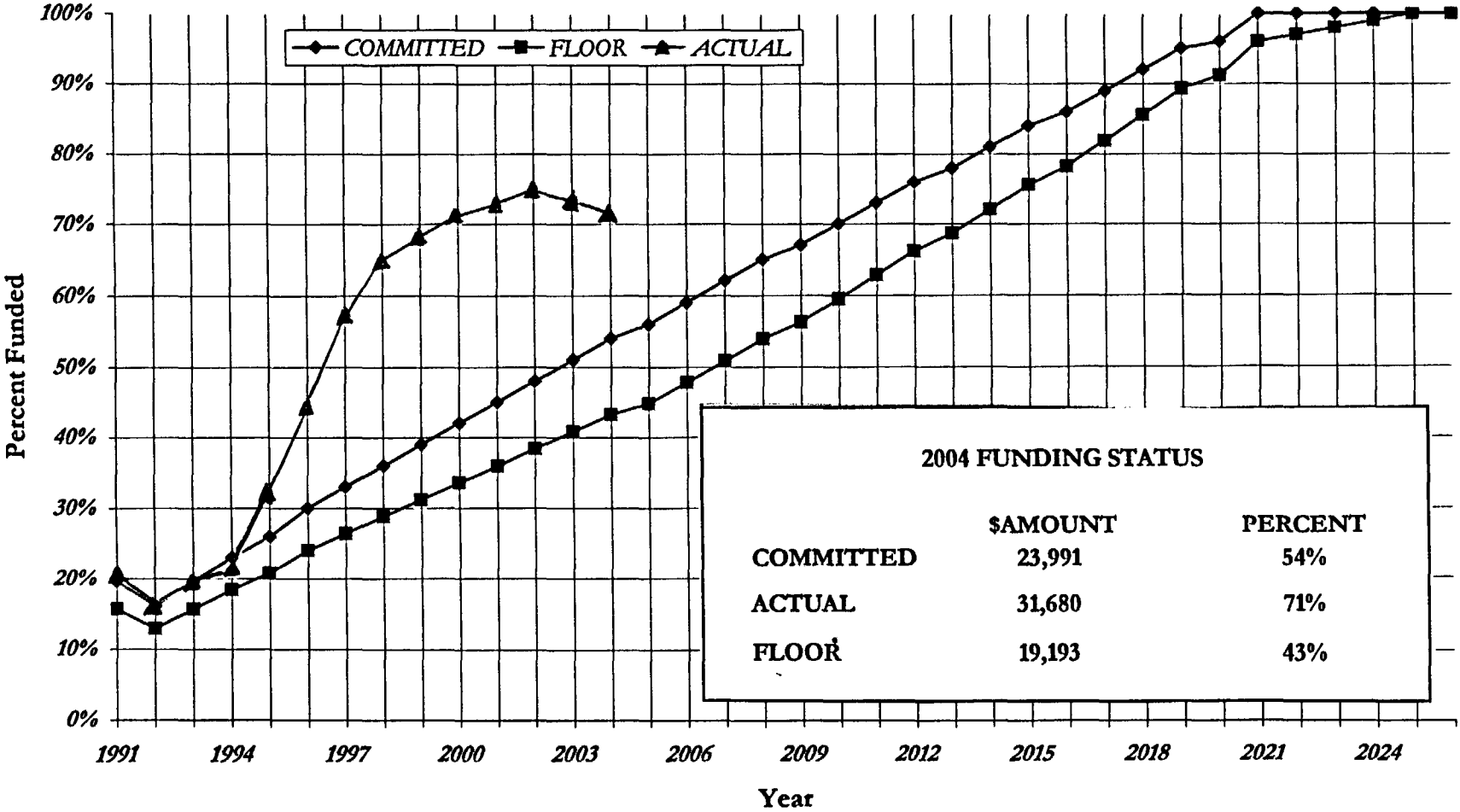
DWP PALO VERDE UNIT 1 FUNDING PLAN



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

Month	Year	(1) Authorized Funding Plan			(4) Funding Floor Curve			(7) Actual Funding		
		Fund (2) X (3)	Est. Cost	% Funded	Criteria	Percent (3) X (4)	\$ Amount (1) X (4)	Fund	Est. Cost	% Funded (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	30,761	38,701	79%
DEC	2004	22,350	40,636	55%	80%	44%	17,880	31,767	40,636	78%
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			

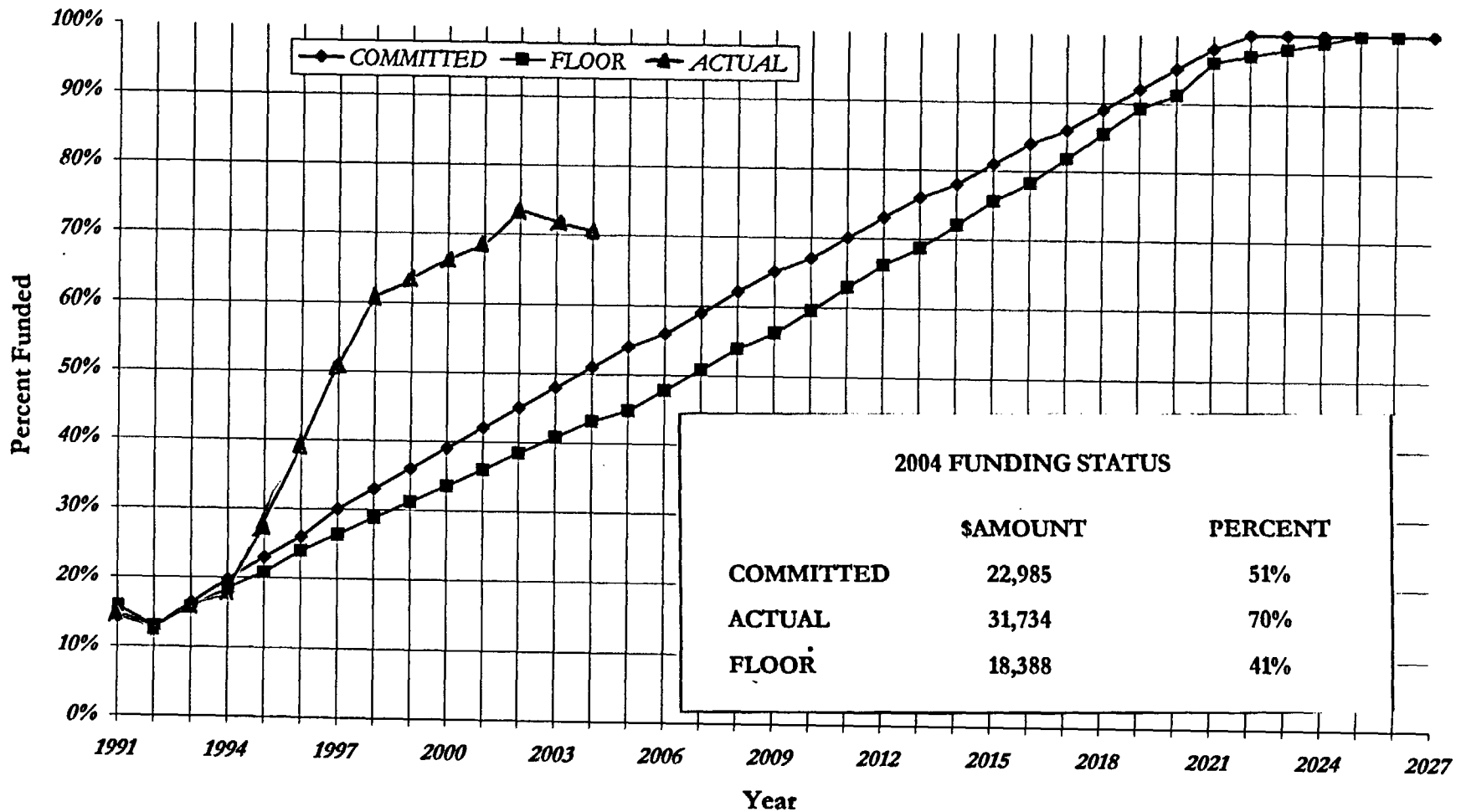
DWP PALO VERDE UNIT 2 FUNDING PLAN



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 (2) X (3)	Est. Cost	% Funded	Criteria	Percent (3) X (4)	\$ Amount (1) X (4)	Fund	Est. Cost	% Funded (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	30,939	42,313	73%
DEC	2004	23,991	44,429	54%	80%	43%	19,193	31,680	44,429	71%
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			

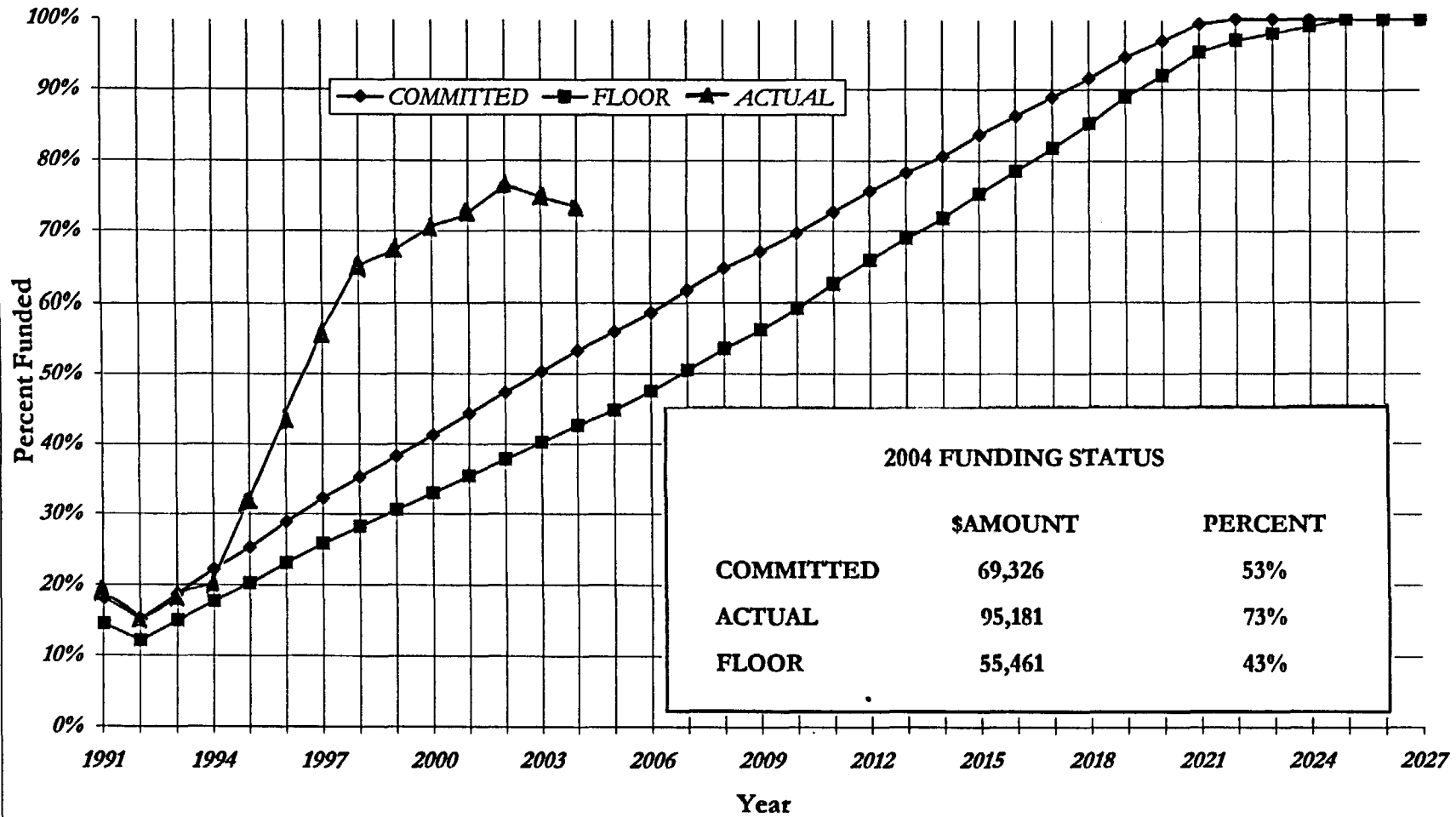
DWP PALO VERDE UNIT 3 FUNDING PLAN



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

Month	Year	(1) (2) (3) Authorized Funding Plan			(4) (5) (6) Funding Floor Curve			(7) (8) (9) Actual Funding		
		Fund (2) X (3)	Est. Cost	% Funded	Criteria	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	30,701	42,923	72%
DEC	2004	22,985	45,069	51%	80%	41%	18,388	31,734	45,069	70%
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) Authorized Funding Plan			(4) (5) (6) Funding Floor Curve			(7) (8) (9) Actual Funding		
		Fund (2) X (3)	Est. Cost	% Funded	Criteria	Percent (3) X (4)	\$ Amount (1) X (4)	Fund	Est. Cost	% Funded (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	92,401	123,937	75%
DEC	2004	69,326	130,134	53%	80%	43%	55,461	95,181	130,134	73%
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 2004 Annual Funding Status Report

APS reports that its Master Trust Agreement was amended December 19, 2003.
A copy of the amendment is enclosed.

AMENDMENT NO. 4
Decommissioning Trust Agreement
(PVNGS Unit 1)

This Amendment No. 4 dated as of December 19, 2003, 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, Amendment No. 2 thereto dated as of December 16, 1996, and Amendment No. 3 thereto dated as of March 18, 2002 (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").

R E C I T A L S :

WHEREAS, the parties hereto wish to amend the Decommissioning Trust 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) A new Section 29 will be added at the end of the Decommissioning Trust Agreement and will read in full as follows:

Section 29. Notice Regarding Disbursements or Payments. Notwithstanding anything to the contrary in this Agreement, except for (i) payments of ordinary administrative costs (including taxes) and other incidental expenses of the Funds (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the Funds, (ii) withdrawals being made under 10 CFR 50.82(a)(8), and (iii) transfers between the Funds in accordance with the provisions of this Agreement, no disbursement or payment may be made from the Funds until written notice of the intention to make a disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment. The disbursement or payment from the Funds, if it is otherwise in compliance with the terms and conditions of this Agreement, may be made following the 30-working day notice period if no written notice of objection from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, is received by the Decommissioning Trustee or APS within the notice period. The required notice may be made by the Decommissioning Trustee or on the Decommissioning Trustee's behalf. No such notice is required for withdrawals being made pursuant to 10 CFR 50.82(a)(8)(ii), including withdrawals made during the operating life of Unit 1 to be used

for decommissioning planning. In addition, no such notice is required to be made to the NRC after decommissioning has begun and withdrawals are being made under 10 CFR 50.82(a)(8). This Section 29 is intended to qualify each and every provision of this Agreement allowing distributions from the Funds, including but not limited to Section 10 hereof, and in the event of any conflict between any such provision and this Section 29, the provisions of this Section 29 shall control.

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. 4 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. 4 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. 4 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. Jancy
Title: Treasurer

MELLON BANK, N.A. as Decommissioning
Trustee

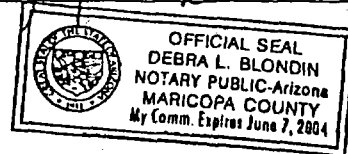
By: Carl Paul
Title: VICE PRESIDENT

STATE OF ARIZONA)
) ss:
County of Maricopa)

The foregoing instrument was acknowledged before me this 17th day of December, 2003, by Barbara M. Gore the Treasurer of ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, on behalf of said corporation.

Debra L. Blondin

Notary Public



My commission expires:

COMMONWEALTH OF PENNSYLVANIA)
) ss:
County of Allegheny)

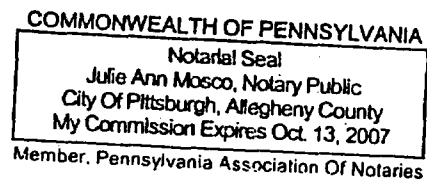
The foregoing instrument was acknowledged before me this 19th day of December, 2003, by Carlos Pacheco a Vice President of Mellon Bank, N.A. a national banking association having trust powers, as Decommissioning Trustee, on behalf of said national banking association.

Julie Ann Mosco

Notary Public

My commission expires:

October 13, 2007



AMENDMENT NO. 7
Decommissioning Trust Agreement
(PVNGS Unit 2)

This Amendment No. 7 dated as of December 19, 2003, 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, Amendment No. 5 thereto dated as of June 30, 2000 and Amendment No. 6 thereto dated as of March 18, 2002 (the "Decommissioning Trust Agreement", terms used herein as therein defined), is entered into between Arizona Public Service Company ("APS"), U.S. Bank National Association, as successor to 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").

R E C I T A L S:

WHEREAS, the parties hereto wish to amend the Decommissioning Trust 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) A new Section 34 will be added at the end of the Decommissioning Trust Agreement and will read in full as follows:

Section 34. Notice Regarding Disbursements or Payments. Notwithstanding anything to the contrary in this Agreement, except for (i) payments of ordinary administrative costs (including taxes) and other incidental expenses of the Funds (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the Funds, (ii) withdrawals being made under 10 CFR 50.82(a)(8), and (iii) transfers between the Funds in accordance with the provisions of this Agreement, no disbursement or payment may be made from the Funds until written notice of the intention to make a disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment. The disbursement or payment from the Funds, if it is otherwise in compliance with the terms and conditions of this Agreement, may be made following the 30-working day notice period if no written notice of objection from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, is received by the Decommissioning Trustee or APS within the notice period. The required notice may be made by the Decommissioning

Trustee or on the Decommissioning Trustee's behalf. No such notice is required for withdrawals being made pursuant to 10 CFR 50.82(a)(8)(ii), including withdrawals made during the operating life of Unit 2 to be used for decommissioning planning. In addition, no such notice is required to be made to the NRC after decommissioning has begun and withdrawals are being made under 10 CFR 50.82(a)(8). This Section 34 is intended to qualify each and every provision of this Agreement allowing distributions from the Funds, including but not limited to Section 11 and Section 12 hereof, and in the event of any conflict between any such provision and this Section 34, the provisions of this Section 34 shall control.

(b) Paragraph (l) of Exhibit B to the Decommissioning Trust Agreement is hereby deleted and is replaced in its entirety by the following:

(l) (x) corporate equity securities, including, but not limited to, investment of 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 forty percent (40%) during the period from January 1, 2004 through December 31, 2006, and no more than twenty percent (20%) 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.

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. 7 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. 7 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. 7 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. Gonyea
Title: Treasurer

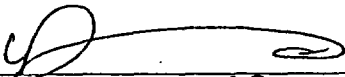
MELLON BANK, N.A. as Decommissioning Trustee

By: Carl P. [Signature]
Title: VICE PRESIDENT

U.S. BANK NATIONAL ASSOCIATION, 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: [Signature]
Title: Trust officer

U.S. BANK NATIONAL ASSOCIATION, as
Owner Trustee under a Trust Agreement with
Emerson Finance LLC and as Lessor under a
Facility Lease with Arizona Public Service
Company

By: 
Title: Trust Officer

[COMMONWEALTH OF MASSACHUSETTS])
) ss:
County of Suffolk)

The foregoing instrument was acknowledged before me this 17th day of December, 2003, by Peter M. Murphy, a Trust officer of U.S. Bank National Association, 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.

Maria I. Arguello
Notary Public

My commission expires:

MARIA I. ARGUELLO
NOTARY PUBLIC
MY COMMISSION EXPIRES
SEPTEMBER 9, 2005

[COMMONWEALTH OF MASSACHUSETTS])
) ss:
County of Suffolk)

The foregoing instrument was acknowledged before me this 17th day of December, 2003, by Peter M. Murphy, a Trust officer of U.S. Bank National Association, in its capacity as Owner Trustee under a Trust Agreement with Emerson Finance LLC and as Lessor under a Facility Lease with Arizona Public Service Company, on behalf of said association in such capacities.

Maria I. Arguello
Notary Public

My commission expires:

MARIA I. ARGUELLO
NOTARY PUBLIC
MY COMMISSION EXPIRES
SEPTEMBER 9, 2005

AMENDMENT NO. 4
Decommissioning Trust Agreement
(PVNGS Unit 3)

This Amendment No. 4 dated as of December 19, 2003, 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, Amendment No. 2 thereto dated as of December 16, 1996, and Amendment No. 3 thereto dated as of March 18, 2002 (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").

R E C I T A L S:

WHEREAS, the parties hereto wish to amend the Decommissioning Trust 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) A new Section 29 will be added at the end of the Decommissioning Trust Agreement and will read in full as follows:

Section 29. Notice Regarding Disbursements or Payments. Notwithstanding anything to the contrary in this Agreement, except for (i) payments of ordinary administrative costs (including taxes) and other incidental expenses of the Funds (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the Funds, (ii) withdrawals being made under 10 CFR 50.82(a)(8), and (iii) transfers between the Funds in accordance with the provisions of this Agreement, no disbursement or payment may be made from the Funds until written notice of the intention to make a disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment. The disbursement or payment from the Funds, if it is otherwise in compliance with the terms and conditions of this Agreement, may be made following the 30-working day notice period if no written notice of objection from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, is received by the Decommissioning Trustee or APS within the notice period. The required notice may be made by the Decommissioning Trustee or on the Decommissioning Trustee's behalf. No such notice is required for withdrawals being made pursuant to 10 CFR 50.82(a)(8)(ii), including withdrawals made during the operating life of Unit 3 to be used

for decommissioning planning. In addition, no such notice is required to be made to the NRC after decommissioning has begun and withdrawals are being made under 10 CFR 50.82(a)(8). This Section 29 is intended to qualify each and every provision of this Agreement allowing distributions from the Funds, including but not limited to Section 10 hereof, and in the event of any conflict between any such provision and this Section 29, the provisions of this Section 29 shall control.

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. 4 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. 4 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. 4 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. Long
Title: Treasurer

MELLON BANK, N.A. as Decommissioning
Trustee

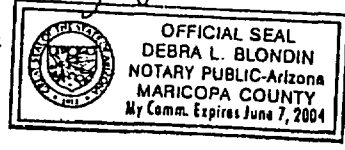
By: Carl P.
Title: VICE PRESIDENT

STATE OF ARIZONA)
) ss:
County of Maricopa)

The foregoing instrument was acknowledged before me this 12th day of December, 2003, by Barbara M. Gove the Treasurer of ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, on behalf of said corporation.

Debra L. Blondin

Notary Public



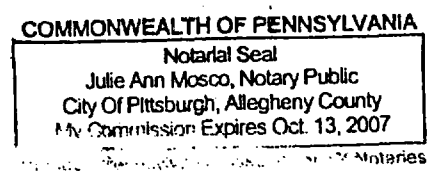
My commission expires:

COMMONWEALTH OF PENNSYLVANIA)
) ss:
County of Allegheny)

The foregoing instrument was acknowledged before me this 19th day of December, 2003, by Carlos Pacheco, 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:
October 13, 2007



SRP 2004 Annual Funding Status Report

SRP reports that its Master Trust Agreement was amended November 19, 2003.
A copy of the amendment is enclosed.

AMENDMENT NO. 1 TO THE
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER
DISTRICT DECOMMISSIONING TRUST FUND AGREEMENT

This Amendment is effective as of this 19th day of November, 2003 by and between SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an agricultural improvement district organized under the laws of the State of Arizona ("Grantor"), and MARSHALL & ILSLEY TRUST COMPANY N.A., a national association having trust powers, as successor in interest to M & I MARSHALL & ILSLEY TRUST COMPANY OF ARIZONA, a banking corporation having trust powers and organized under the laws of the State of Arizona ("Trustee").

RECITALS

This Amendment Number 1 to the Salt River Project Agricultural Improvement and Power District Decommissioning Trust Fund Agreement is made with reference to the following fact among others:

To meet new requirements established by the Nuclear Regulatory Commission under 10 CFR § 50.75, the Grantor and Trustee have reached an understanding resulting in the following modification and addition to the Salt River Project Agricultural Improvement and Power District Decommissioning Trust Fund Agreement dated July 6, 1990 (the "Agreement").

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, the Grantor and Trustee agree that the Agreement be and is hereby amended as follows:

1. NEW SECTION 2.03

Section 2.03 is deleted in its entirety and a new section 2.03 is hereby substituted therefore; new Section 2.03 reads as follows:

2.03 Adjustments for Excess Contributions. The Trustee and the Grantor understand and agree that the value of the assets in the Trust Fund, including earnings thereon, from time to time may exceed the greater of the minimum amount than required to be maintained under the Regulations or under the ANPPPA (such excess is hereinafter referred to as for the purposes of this Agreement as the "Excess Contribution"). Subject to the provisions of Section 2.08 below, upon Certification of the amount of any Excess Contribution, the Trustee shall pay the amount requested in the Certificate to the person or persons specified (which may be the Grantor). In no event shall the amount so paid exceed the amount of the Excess Contribution specified by the Certificate.

2. NEW SECTION 2.08

A new Section 2.08 is hereby added, which Section reads as follows:

2.08 Notice Regarding Disbursements or Payments. Except for (i) payments of ordinary administrative costs (including taxes) and other incidental expenses of the fund (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the fund, and (ii) withdrawals being made under 10 CFR § 50.82(a)(8), no disbursement or payment may be made from the trust until written notice of the intention to make a disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment. The disbursement or payment from the trust may be made following the 30-working day notice period if no written notice of objection from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, is received by the Trustee or the Company within the notice period. The required notice may be made by the Trustee or on the Trustee's behalf. No such notice is required for withdrawals being made pursuant to 10 CFR § 50.82(a)(8)(ii), including withdrawals made during the operating life of the plant to be used for decommissioning planning. In addition, no such notice is required to be made to the NRC after decommissioning has begun and withdrawals are being made under 10 CFR § 50.82(a)(8).

3. NO OTHER MODIFICATION:

- A) Except as specifically set forth otherwise in this Amendment, the terms and conditions of the Agreement shall apply to this Amendment. In case of a conflict in the provisions, the terms of this Amendment shall control.
- B) In all other respects the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the Grantor and Trustee have executed this Amendment as of the dates set forth below, with the understanding that the Amendment is effective as of the day and year first written above.

GRANTOR:

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

By: William P. Schrader
William P. Schrader

Its: President

Date: 11/19/03

APPROVED AS TO FORM
Salt River Project Legal Services Department:

By: Steven R. Levi
Date: 11/19/03

TRUSTEE:

MARSHALL & ILSLEY
TRUST COMPANY N.A.

By: Annaliese J. Argo

Its: Vice President AVP

Date: 11/13/03 11-13-03

EPE 2004 Annual Funding Status Report

EPE reports that its Master Trust Agreement was amended December 18, 2003.
A copy of the amendment is enclosed.

COPY

DECOMMISSIONING TRUST AGREEMENT

Dated as of December 18, 2003

between

EL PASO ELECTRIC COMPANY

and

BANK OF AMERICA, N.A.

As Decommissioning Trustee

for

Palo Verde Unit 1

**DECOMMISSIONING TRUST AGREEMENT
FOR PALO VERDE NUCLEAR GENERATING STATION
UNIT 1**

This Decommissioning Trust Agreement (the "Agreement"), to be effective as of December 24, 2003 (the "Effective Date"), between Bank of America, N.A., a national banking association ("Decommissioning Trustee") and El Paso Electric Company, a Texas corporation ("El Paso").

The Nuclear Regulatory Commission ("NRC"), an agency of the United States of America, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations codified in Title 10, Chapter 1 of the Code of Federal Regulations, Part 50, as amended. These regulations, applicable to El Paso, require that each holder of a license issued pursuant thereto must provide assurance that funds will be available for Decommissioning.

El Paso and others entered into the Arizona Nuclear Power Project Participation Agreement executed as of August 23, 1973 (the "ANPP Participation Agreement"). Amendment 13 to the ANPP Participation Agreement, effective June 15, 1991, requires El Paso to establish and maintain funds for the accumulation, over a period not in excess of the remaining term of the operating license for Unit 1 and the period thereafter until completion of Decommissioning, of funds sufficient to pay Decommissioning Cost.

In addition, El Paso is required by the Public Utility Commission of Texas ("PUCT"), the New Mexico Public Regulation Commission ("NMPRC"), the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission to establish a source of funds to pay for Decommissioning.

Under Applicable Tax Law, certain federal income tax benefits are available to El Paso from establishing and making contributions to a "Nuclear Decommissioning Reserve Fund" for Unit 1. In order to satisfy its obligations under the ANPP Participation Agreement, to comply with the requirements of the governmental authorities referred to above, and to obtain such federal income tax benefits, on April 1, 1986, El Paso entered into a Decommissioning Trust Agreement, which was amended by Amendment No. 1 dated September 1, 1991 (the "Original Agreement"), creating two decommissioning trust funds to provide external funds for Decommissioning, for purposes of this Agreement designated as the Decommissioning Trust Fund and the Second Fund. The Decommissioning Trust Fund is intended at all times to qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law.

On January 9, 1996, in Cause No. 92-10148-FM, styled *In re: El Paso Electric Company*, the United States Bankruptcy Court for the Western District of Texas (Austin Division) entered an order confirming the Fourth Amended Plan of Reorganization of El Paso (the "Plan"). In accordance with the Plan, which became effective on February 12, 1996, El Paso and Decommissioning Trustee restated and amended the Original Agreement to ensure that the Decommissioning Trust Fund and the Second Fund would continue to be held, managed and distributed, without interruption, in accordance with the terms of the Original Agreement, Applicable Law, and Applicable Tax Law.

This Agreement, in turn, amends and restates the Original Agreement, as restated and amended effective February 12, 1996, to read in its entirety as follows and continues the Decommissioning Trust Fund and the Second Fund.

Therefore, in consideration of the foregoing premises, the acceptance by Decommissioning Trustee of the trusts created, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto restate and amend the Original Agreement, as restated and amended effective February 12, 1996, as follows:

SECTION 1. Definitions; References to Sections. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth in Appendix A hereto. Unless otherwise stated, references to a "Section" are to a section of this Agreement.

SECTION 2. Creation of Trust Funds. El Paso has established and hereby confirms the establishment with Decommissioning Trustee of the Decommissioning Trust Fund and the Second Fund (each a "Fund" and together the "Funds"). Each Fund shall include: (A) all cash and investments thereof, as more specifically described in Section 7; (B) all dividends, interest, cash, instruments, and other property from time to time received, receivable, or otherwise distributed or distributable in respect of or in exchange for any or all such investments; (C) all rights and privileges with respect to such investments; and (D) all proceeds of any of the foregoing and any property of any character whatsoever into which any of the foregoing may be converted.

SECTION 3. Purpose of Trust Funds; Tax Qualification. The Funds are for the accumulation and funding of amounts to pay costs, liabilities, and expenses of Decommissioning, including the accumulation, over a period not in excess of the remaining term of the operating license for Unit 1 and the period thereafter until completion of Decommissioning, of amounts which are sufficient to pay Decommissioning Cost. The Decommissioning Trust Fund, but not the Second Fund, is intended at all times to qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law. El Paso and the applicable Fiduciary Investment Manager(s), if any, and Decommissioning Trustee (but with respect to Decommissioning Trustee only as to those assets of the Funds that are not under the direction of a Fiduciary Investment Manager) shall seek to obtain the best possible tax treatment of amounts collected for nuclear plant decommissioning; and in this regard, El Paso and the applicable Fiduciary Investment Manager(s), if any, and Decommissioning Trustee (but with respect to Decommissioning Trustee only as to those assets of the Funds that are not under the direction of a Fiduciary Investment Manager) shall take maximum advantage of tax deductions and credits when it is consistent with sound business practices to do so. The assets of the Decommissioning Trust Fund must be used as authorized by section 468A of the Code and shall be used exclusively:

(A) subject to the limitations and conditions of Section 9, to satisfy, in whole or in part, El Paso's obligation to pay for Decommissioning;

(B) subject to the limitations and conditions of Section 8, to pay Expenses; and

(C) to the extent not currently required for the uses described in (A) and (B) above, and subject to the limitations and conditions of Section 7, for investment in Qualified Investments.

The Funds shall be used exclusively for Decommissioning of Unit 1. This Agreement may not be amended so as to violate section 468A of the Code or the regulations there under.

SECTION 4. Declaration and Acceptance of Trust. Decommissioning Trustee accepts the trusts created hereby and declares that it will hold and administer all estate, right, title, and interest in and to each Fund upon the trusts set forth herein, but only on the terms of this Agreement, and agrees to receive and disburse all moneys and investments constituting any part of each Fund in accordance with this Agreement. No implied duties or obligations shall be read into this Agreement against Decommissioning Trustee. Decommissioning Trustee shall not commit any act, enter into any transaction, or permit any act or transaction to occur that is an "act of self dealing" between the Decommissioning Trust Fund and "a disqualified person" as those terms are defined by Applicable Tax Law, and, if such an act occurs, Decommissioning Trustee shall promptly take all necessary steps to correct it as soon as it has knowledge of the occurrence.

SECTION 5. Ownership of Funds. Not in limitation of its fiduciary duty hereunder, title to any and all property held in each Fund shall be held by Decommissioning Trustee in its name as trustee as owner of record. At all times, Decommissioning Trustee shall follow the directives of (A) the applicable Fiduciary Investment Manager, if any, with respect to exercising any and all corresponding voting, consensual, and other rights accruing to the owner of such property in connection with such property, and, except as provided in this subsection 5.(A), (B) El Paso with respect to exercising any and all such voting, consensual, and other rights. Decommissioning Trustee shall have the right, in its name, as trustee upon prior written notice to El Paso, to settle, compromise, prosecute, or defend any action, claim, or proceeding with respect to any and all property held in each Fund. Subject to the provisions of this Agreement, Decommissioning Trustee may sell, assign, endorse, pledge, transfer, and make any agreement respecting, or otherwise deal with, any and all property held in each Fund; provided, however, that except as required by Section 7, nothing herein contained shall be construed as requiring or obligating Decommissioning Trustee to make any inquiry as to the nature or sufficiency of any payment received by it, to present or file any claim or notice, or to take any action with respect to any of the property held in each Fund. It is not the duty of Decommissioning Trustee or a Fiduciary Investment Manager to ensure that the Funds are adequate to pay for Decommissioning.

SECTION 6. Payments into the Funds. From time to time, but not less than yearly, El Paso shall pay amounts into one or both of the Funds. El Paso may deposit all or any part of any payment entirely into the Decommissioning Trust Fund, entirely into the Second Fund, or partly into each in whatever proportion El Paso shall determine in its discretion; except that, if a deduction is allowed under Applicable Tax Law for payments into the Decommissioning Trust Fund, El Paso shall not make, and Decommissioning Trustee shall not accept, any payment into such Fund unless such payment (a) is in cash, to the extent Applicable Tax Law requires the payment to be in cash, and (b) complies with the amount limitation imposed by Applicable Tax Law and a deduction pursuant to Applicable Tax Law is allowed for the entire payment. Decommissioning Trustee may accept from El Paso, as proof that these conditions are satisfied, a certificate executed by El Paso as to compliance with the amount limitation and deductibility of such payment, and, unless Decommissioning Trustee has actual knowledge to the contrary, Decommissioning Trustee may rely on such certificate without further inquiry or verification.

SECTION 7. Investment of Funds.

(A) Decommissioning Trustee. Any amounts held by Decommissioning Trustee in each Fund shall be invested and reinvested by it from time to time, but only in Qualified Investments; provided, however, if El Paso has delivered to Decommissioning Trustee a copy of an order of a state or federal regulatory agency that El Paso certifies is binding on El Paso and limits the investments in which all or a part of either Fund may be invested, the investment of such Fund shall not violate such order. A Fiduciary Investment Manager appointed by El Paso may direct investments and reinvestments of the Funds by written direction which shall certify that the directed investment qualifies as an investment in Qualified Investments and is within the limitation set forth in the preceding sentence. Decommissioning Trustee may rely upon such direction and certification without further inquiry or verification unless Decommissioning Trustee has actual knowledge that the directed investment does not satisfy the conditions and limitations of this Section 7.

In performing its duties and exercising its powers as Decommissioning Trustee hereunder, and in performing any investment management functions hereunder, Decommissioning Trustee shall comply with the following:

(i) it shall add all income, including interest, earned on the corpus of each Fund to such corpus as a part thereof, and shall owe the same duties with regard to such income as it owes with regard to such corpus;

(ii) it shall have the continuing duty to review the assets of each Fund to determine the appropriateness of the investments consistent with all terms, provisions and limitations of this Agreement, including without limitation to ensure compliance with the provisions of the investment guidelines of this Section 7, any order of a state or regulatory agency limiting investments that El Paso has delivered and certified to Decommissioning Trustee as provided above, and any other applicable governing regulations;

(iii) it shall not lend all or any part of either Fund to itself or to any of its officers or directors or permit any act of "self-dealing" prohibited by Applicable Tax Law;

(iv) it shall not invest or reinvest amounts in either Fund with, or in any instrument or security issued by, itself or any of its officers or directors, except that, if El Paso directs it to do so in writing, it may invest or reinvest amounts in the Funds in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, and except that, if El Paso directs it to do so in writing, it may invest amounts in the Funds in mutual funds that contain securities issued by Decommissioning Trustee provided such securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment;

(v) it shall not invest or reinvest amounts in either Fund with, or in any instrument or security issued by, El Paso, its subsidiaries or affiliates or their successors or assigns, except that, if El Paso approves in writing, it may invest or reinvest amounts in the Funds in mutual funds that contain securities issued by El Paso provided such

securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment; and

(vi) Notwithstanding anything to the contrary in this Agreement, if directed by El Paso, Decommissioning Trustee shall hold and maintain one or both of the Funds in a segregated account and invest and administer such Fund(s) separately from the assets of Decommissioning Trustee or other trusts.

(B) Fiduciary Investment Manager. Any amount of each Fund directed to be invested by a Fiduciary Investment Manager shall be invested and reinvested by Decommissioning Trustee as directed by such Fiduciary Investment Manager from time to time, but only in Qualified Investments; provided, however, if El Paso has delivered to a Fiduciary Investment Manager a copy of an order of a state or federal regulatory agency that El Paso certifies is binding on El Paso and limits the investments in which all or a part of a Fund may be invested, the investment of such Fund shall not violate such order. A Fiduciary Investment Manager appointed by El Paso may direct investments and reinvestments of the Funds by written direction which shall certify that the directed investment qualifies as an investment in Qualified Investments and is within the limitation set forth in the preceding sentence. Decommissioning Trustee may rely upon such written direction and certification without further inquiry or verification unless Decommissioning Trustee has actual knowledge that the directed investment does not satisfy the conditions and limitations of this Section 7.

In performing its duties and exercising its powers as a Fiduciary Investment Manager hereunder, a Fiduciary Investment Manager shall comply with the following:

(i) it shall direct the addition of all income, including interest, earned on the corpus of each Fund subject to its direction to such corpus as a part thereof, and shall owe the same duties with regard to such income as it owes with regard to such corpus;

(ii) it shall have a continuing duty to review the assets of each Fund subject to its direction to determine the appropriateness of the investments consistent with all terms, provisions and limitations of this Agreement, including without limitation to ensure compliance with the provisions of the investment guidelines of this Section 7, any order of a state or regulatory agency limiting investments that El Paso has delivered to such Fiduciary Investment Manager as hereinabove provided and any other applicable governing regulations;

(iii) it shall not direct the lending of all or any part of either Fund to itself or to any of its officers or directors or permit any act of "self-dealing" prohibited by Applicable Tax Law;

(iv) it shall not direct the investment or reinvestment of amounts in either Fund with, or in any instrument or security issued by, itself or any of its officers or directors;

(v) it shall not invest or reinvest amounts in either Fund with, or in any instrument or security issued by, Decommissioning Trustee or any of Decommissioning Trustee's officers or directors, except that, if El Paso directs it to do so in writing, it may invest or reinvest amounts in the Funds in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, and except that, if El Paso directs it to do

so in writing, it may invest amounts in the Funds in mutual funds that contain securities issued by Decommissioning Trustee provided such securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment;

(vi) it shall not direct the investment or reinvestment of amounts in either Fund with, or in any instrument or security issued by El Paso, its subsidiaries or affiliates or associates or their successors or assigns of El Paso, except that, if El Paso approves in writing, it may direct the investment or reinvestment of amounts in the Funds in mutual funds that contain securities issued by El Paso provided such securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment; and

(vii) it shall provide Decommissioning Trustee directives concerning voting, consensual, and other rights and powers accruing in connection with assets of the Funds subject to such Fiduciary Investment Manager's direction.

(C) General. It is the intent of El Paso that neither Decommissioning Trustee nor a Fiduciary Investment Manager shall have any powers that are greater than those provided to trustees under the Texas Trust Code or that are inconsistent with the limitations that are set out in this Section 7.

(D) Investments Standards. To the extent not inconsistent with the other provisions of this Section 7 and to the extent that Decommissioning Trustee does not currently require the assets of the Funds for the purpose of satisfying the liability of El Paso for Decommissioning and to pay Expenses:

(i) Decommissioning Trustee shall, in connection with investing and reinvesting assets of the Funds, exercise the same standard of care that a reasonable person would exercise in the same circumstances; provided, however, that this subsection 7.(D)(i) shall apply only as to those assets of the Funds that are not subject to the direction of a Fiduciary Investment Manager; and

(ii) a Fiduciary Investment Manager appointed to direct the investment and reinvestment of all or any portion of the assets of the Funds shall, with respect to such assets subject to its direction, exercise the same degree of care that a reasonable person would exercise in the same circumstances.

For purposes of this subsection entitled "Investment Standards", a "reasonable person" means a prudent investor as described in Chapter 117, Uniform Prudent Investor Act, of the Texas Property Code.

(E) Qualified Investments. Qualified Investments include those investments meeting the investment standards, limitations, conditions, and requirements prescribed in the foregoing subsections of this Section 7 and the following criteria which may be amended by El Paso upon written notice to Decommissioning Trustee and each Fiduciary Investment Manager.

(i) Investment Portfolio Goals. The Funds shall be invested consistent with the goals set forth in this subsection 7.(E)(i).

- (a) Assets of the Decommissioning Trust Fund shall be invested only as permitted for a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law.
- (b) Assets of the Funds shall be invested with a goal of earning a reasonable return commensurate with the need to preserve the value of the assets of the Funds.
- (c) In keeping with prudent investment practices, the portfolio of securities held in the Funds shall be diversified to the extent reasonably feasible given the size of the Funds.
- (d) Asset allocation and the acceptable risk level of the assets of the Funds should take into account market conditions, the time horizon remaining before the commencement and completion of Decommissioning, and the funding status of the Funds. While maintaining an acceptable risk level consistent with the goal referenced in subsection 7.(E)(i)(b) of this Section 7, the investment emphasis when the remaining life of the liability, as defined in subsection 7.(E)(ii)(d)(4) of this subsection, exceeds five years should be to maximize net long-term earnings. The investment emphasis in the remaining investment period of the Funds should be on current income and the preservation of each Fund's assets.
- (e) In selecting investments, the impact of the investment on the volatility and expected return of the assets of the Funds, net of fees, commissions, expenses, and taxes should be considered.

(ii) **General Requirements.** The restrictions contained in this subsection 7.(E)(ii) apply to the Decommissioning Trust Fund and Second Fund in the aggregate. For purposes of this subsection 7.(E)(ii), a commingled funds is defined as a professionally managed investment fund of fixed-income or equity securities established by an investment company regulated by the Securities Exchange Commission or a bank regulated by the Office of the Comptroller of the Currency.

- (a) **Diversification.** For the purpose of this subsection 7.(E)(ii)(a), a commingled or mutual fund is not considered a security; rather, the diversification standard applies to all securities, including the individual securities held in commingled or mutual funds. Once the portfolio of securities (including those held in commingled or mutual funds) held in the Funds contains securities with an aggregate value in excess of \$20 million, it shall be diversified such that:
 - (1) no more than five percent (5%) of the securities held may be issued by one entity, with the exception of the federal government, its agencies and instrumentalities; and

- (2) the portfolio shall contain at least 20 different issues of securities, and municipal securities and real estate investments shall be diversified as to geographic region.
- (b) Derivatives. The use of derivative securities in the Funds is limited to those whose purpose is to enhance returns of the Funds without a corresponding increase in risk or to reduce risk of the assets of the Funds. Derivatives may not be used to increase the value of the assets of the Funds by any amount greater than the value of the underlying securities. Prohibited derivative securities include, but are not limited to, mortgage strips; inverse floating rate securities; leveraged investments or internally leveraged securities; residual and support tranches of collateralized mortgage obligations; tiered index bonds or other structured notes whose return characteristics are tied to non-market events; uncovered call/put options; large counter-party risk through over-the-counter options, forwards and swaps; and instruments with similar high-risk characteristics.
- (c) Leverage. The use of leverage (borrowing) to purchase securities or the purchase of securities on margin for a Fund is prohibited.
- (d) Investment limits in equity securities. The following investment limits shall apply to the percentage of the aggregate market value of all non-fixed income investments relative to the total portfolio market value:
 - (1) except as noted in subsection 7.(E)(2)(b), when the weighted average remaining life of the liability exceeds 5 years, the equity cap shall be sixty percent (60%);
 - (2) when the weighted average remaining life of the liability ranges between 5 years and 2.5 years, the equity cap shall be thirty percent (30%). Additionally, during all years in which expenditures for Decommissioning occur, the equity cap shall also be thirty percent (30%);
 - (3) when the weighted average remaining life of the liability is less than 2.5 years, the equity cap shall be zero percent (0%);
 - (4) for purposes of this subsection 7.(E)(ii)(4), the weighted average remaining life in any given year is defined as the weighted average of years between the given year and the years of each Decommissioning outlay, where the weights are based on each year's expected Decommissioning expenditures divided by the amount of the remaining liability in that year; and

- (5) should the market value of non-fixed income investments, measured monthly, exceed the appropriate cap due to market fluctuations, the market value of the non-fixed income investments shall be reduced below the cap as soon as practicable. Such reductions may be accomplished by investing all future contributions to a Fund in debt securities as is necessary to reduce the market value of the non-fixed income investments below the cap, or if prudent, by the sale of equity securities.

(iii) **Specific Investment Restrictions.** The restrictions contained in this subsection 7.(E)(iii). apply to the Decommissioning Trust Fund and the Second Fund in the aggregate.

- (a) **Fixed-income investments.** Assets of the Funds shall not be invested in corporate or municipal debt securities that have a bond rating below investment grade "BBB-" by Standard & Poor's Corporation or "Baa3" by Moody's Investor's Service) at the time that the securities are purchased. If the debt rating of a company or municipality issuing the particular debt security falls below investment grade at some time after the security was purchased, the appropriateness of continuing to hold such security shall be reexamined. The overall portfolio of debt instruments shall have a quality level, measured quarterly not below an "AA" grade by Standard & Poor's Corporation or "Aa2" by Moody's Investor's Service. In calculating the quality of the overall portfolio, debt securities issued by the federal government shall be considered as having an "AAA" rating.

(b) **Equity Investments.**

- (1) At least seventy percent (70%) of the aggregate market value of the equity assets of the Funds, including the individual securities in commingled funds, shall have a quality ranking from a major rating service such as the earnings and dividend ranking for common stock by Standard and Poor's or the quality rating of Ford Investor Services. Further, the overall portfolio of ranked equities shall have a weighted average quality rating equivalent to the composite rating of the Standard and Poor's 500 Index assuming equal weighting of each ranked security in the Index. If the quality rating, measured quarterly, falls below the minimum quality standard, the quality level of the equity assets of the Funds shall be increased to the required level as soon as is practicable and prudent: and

- (2) assets of the Funds shall not be invested in equity securities if the issuer has a capitalization of less than \$100 million.

- (c) **Commingled funds.** The following guidelines shall apply to the investments made through commingled funds. Examples of commingled funds appropriate for investment by nuclear decommissioning trust funds include United States equity-indexed funds, actively managed United States equity funds, balanced funds, bond funds, real estate investment trusts, and international funds.
- (1) The commingled funds should be selected consistent with the investment goals specified in subsection 7.(E)(i) and the general requirements in subsection 7.(E)(ii);
 - (2) in evaluating the appropriateness of a particular commingled fund, the following duties shall be of a continuing nature:
 - (I) a duty to determine whether the fund manager's fee schedule for managing the fund is reasonable, when compared to fee schedules of other such managers;
 - (II) a duty to investigate and determine whether the past performance of the investment manager in managing the commingled fund has been reasonable relative to prudent investment and utility decommissioning trust practices and standards; and
 - (III) a duty to investigate the reasonableness of the net after-tax return and risk of the commingled fund relative to similar funds, and the appropriateness of the commingled fund within all of the assets of the Funds;
 - (3) the payment of load fees shall be avoided; and
 - (4) commingled funds focused on specific market sectors or concentrated in a few holdings shall be used only as necessary to balance the Funds' overall investment portfolio mix.

Notwithstanding any other provision of this Section 7, nothing in this Section 7 shall be construed to permit any investment otherwise prohibited by any other provision of this Agreement, Applicable Law, or Applicable Tax Law. This Agreement and the investments of the Funds shall be interpreted and construed in a manner consistent with the parties' intention that this Agreement and the Funds at all times comply with all requirements of the Nuclear Regulatory Commission and other applicable governmental regulations and rules, including without limitation the rules of the PUCT, the NMPRC, and the Federal Energy Regulatory Commission, including but not limited to the "Final Rule" regarding the formation, organization and purposes of nuclear plant decommissioning trust funds and for fund investments issued June 16, 1995, as may be amended from time to time.

SECTION 8. Expenses; Indemnification. El Paso shall pay all Expenses and, subject to Section 9.(D), may direct Decommissioning Trustee, in writing, to pay specified Expenses of a Fund from such Fund. El Paso shall certify in writing to Decommissioning Trustee whether and the extent to which an item is an Expense of a specified Fund and whether Applicable Tax Law permits its payment out of the assets of the Fund; and Decommissioning Trustee may, unless it has actual knowledge to the contrary, rely upon such certification without further inquiry or verification.

Except to the extent Decommissioning Trustee has actual knowledge to the contrary, Decommissioning Trustee shall be fully protected in relying upon the existence of any fact or state of facts represented to it in writing by El Paso or a duly appointed Fiduciary Investment Manager.

Except with respect to liability or fiduciary responsibility for any error or loss that may result by reason of the exercise or non-exercise of the duties, obligations, and/or fiduciary responsibility which are allocated to Decommissioning Trustee herein which is determined to be the result of Decommissioning Trustee's own negligence or willful misconduct, El Paso shall indemnify Decommissioning Trustee, directly from El Paso's own assets (including the proceeds of any insurance policy the premiums of which are paid from El Paso's own assets), from and against any and all claims, demands, losses, damages, expenses (including, by way of illustration and not limitation, reasonable attorneys' fees and other legal and litigation costs), judgments, and liabilities arising from, out of, or in connection with the administration or investment of the Funds. Decommissioning Trustee shall not be liable for any action taken by Decommissioning Trustee or any failure to act by Decommissioning Trustee if the action taken or the failure to act was directed by El Paso or a Fiduciary Investment Manager, if Decommissioning Trustee reasonably relied on such direction. This Section 8 shall survive the termination of this Agreement.

SECTION 9. Payments and Distributions from the Funds.

(A) Subject to the other provisions of this Section 9, Decommissioning Trustee shall make payments out of the Funds upon presentation by El Paso of (A) a certificate signed by El Paso (i) instructing Decommissioning Trustee to disburse amounts in the Funds in a manner designated in such certificate for purposes of paying for Decommissioning and (ii) certifying that disbursements, if any, directed to be made from assets of the Decommissioning Trust Fund are for payment of only those costs, liabilities, and expenses of Decommissioning that qualify as "nuclear decommissioning costs" under Applicable Tax law, and (B) documentation reasonably acceptable to Decommissioning Trustee that such payment for Decommissioning is due and payable.

(B) Upon termination of the Decommissioning Trust Fund under Applicable Tax Law, El Paso may direct Decommissioning Trustee to transfer all property remaining in the Decommissioning Trust Fund to El Paso for disbursement or distribution as may then be provided by law. In addition, upon its receipt of a certificate signed by El Paso certifying that Decommissioning has been completed under Applicable Law and all costs of Decommissioning have been paid in full, all property then held in both Funds shall be paid by Decommissioning Trustee to El Paso for disbursement or distribution as may then be provided by law and the Funds shall terminate.

(C) At any time and from time to time El Paso may direct Decommissioning Trustee in writing to, and upon receipt of such direction Decommissioning Trustee shall, subject to the applicable provisions of Section 9.(D), distribute to El Paso for disbursement or distribution as then may be provided or permitted by law or transfer from the Decommissioning Trust Fund to the Second Fund any:

(i) Deemed Distribution Amount that El Paso certifies in writing is deemed distributed under Applicable Tax Law;

(ii) Excess Contribution that El Paso certifies in writing (a) has occurred under Applicable Tax Law, and (b) is being transferred within the time permitted for withdrawal or transfer of such Excess Contribution by Applicable Tax Law; and

(iii) amount that El Paso certifies in writing may be transferred to the Second Fund in accordance with Applicable Law and Applicable Tax Law by reason of the disposition of all or a part of El Paso's interest in or license to possess Unit 1.

(D) Notwithstanding any other provision in this Agreement, except for (i) payments made under Section 8 for Expenses, (ii) to the extent allowed by Applicable Law, Deemed Distribution Amounts and Excess Contributions transferred to the Second Fund or distributed to El Paso under Section 9.(C), and (iii) withdrawals made pursuant to 10 C.F.R. 50.82(a)(8) no disbursement or payment from the Funds shall be made unless (a) thirty (30) business days prior written notice of the intention to make such disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, and the Director, Office of Nuclear Material Safety and Safeguards, and (b) Decommissioning Trustee has not received written notice of an objection during such thirty (30) day period from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards,. The notices required by this Section 9.(D) may be made by or on behalf of Decommissioning Trustee.

(E) Unless Decommissioning Trustee has actual knowledge to the contrary, Decommissioning Trustee shall be fully protected in relying upon any certificate described in Section 9 without further inquiry or verification.

SECTION 10. Further Assurances. El Paso agrees that it will, at its sole expense, do all such further acts and things and execute and deliver all such additional conveyances, assignments, agreements, and instruments, as may be necessary or desirable or as Decommissioning Trustee may at any time reasonably request in connection with the administration and enforcement of this Agreement, or relative to the Funds or any part thereof, or in order to assure and confirm unto Decommissioning Trustee its rights, powers, and remedies hereunder.

El Paso may provide general investment policies in writing to Decommissioning Trustee or a Fiduciary Investment Manager, but may not engage in the day-to-day management of the Funds or mandate, or itself make, individual investment decisions except to the extent that El Paso retains the right under this Agreement to approve investments in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, in mutual funds that contain securities issued by Decommissioning Trustee (subject to the limitations elsewhere herein set forth), or in mutual funds that contain securities issued by El Paso, its subsidiaries or affiliates or their successors or assigns (subject to the limitations elsewhere herein set forth).

El Paso will regularly supply to Decommissioning Trustee and to each Fiduciary Investment Manager, and regularly update, essential information about Unit 1, including its description, useful life, the Decommissioning plan that El Paso intends to follow, El Paso's anticipated liquidity needs once Decommissioning begins, and any other information that Decommissioning Trustee and a Fiduciary Investment Manager need to construct and maintain, over time, a sound investment plan for the Funds.

SECTION 11. Irrevocability and Modification. This Agreement is irrevocable and may not be amended or modified except by a writing signed by the parties hereto and approved, to the extent required by Applicable Law, by applicable regulatory authority(s). The parties agree that they will execute any amendments requested by El Paso that are necessary to secure and maintain the qualification of the Decommissioning Trust Fund as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law and the deduction of contributions to such Fund as provided by such law, or to comply with Applicable Law.

Not in limitation of the foregoing, if and to the extent that, now or in the future, federal tax law may extend certain tax benefits to a trust fund or funds that are created and maintained by El Paso for creation of a reserve or funds for costs associated with Decommissioning (hereinafter in this Section 11 referred to as such "other trusts") which such other trusts would qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law, including without limitation, Internal Revenue Code section 468A, only if established and maintained pursuant to a single trust agreement for a particular nuclear power plant, the parties hereto, upon the creation of such other trusts may amend this Agreement by attaching hereto as an allonge the governing instruments by which such other trusts may be created. In such event, such other trusts shall be administered under the terms of this Agreement to the extent not inconsistent with the governing instruments by which such other trusts may be created and such other trusts shall thereafter be administered as separate funds under the terms of this Agreement.

SECTION 12. Obligation for Decommissioning. Nothing in this Agreement and no act or omission relating to the Funds shall be read, construed, understood, or interpreted to place any obligation whatsoever on Decommissioning Trustee or a Fiduciary Investment Manager relating to Decommissioning or any Decommissioning Cost, all of which shall at all times remain the sole obligation of El Paso.

SECTION 13. Governing Law. This Agreement shall be deemed to be a contract made in Texas for all purposes and shall be construed in accordance with and governed by the laws of such State, including the provisions of the Texas Trust Code, with respect to all matters of construction, validity, and performance.

SECTION 14. Resignation and Replacement of Decommissioning Trustee or Fiduciary Investment Manager.

(A) Decommissioning Trustee may resign at any time without cause by giving at least 30 days prior written notice to El Paso, and El Paso may remove Decommissioning Trustee at any time with or without cause by giving written notice to Decommissioning Trustee, such resignation or removal to be effective on the acceptance of appointment by a successor Decommissioning Trustee under this Section 14. In case of the resignation or removal of Decommissioning Trustee, El Paso may appoint a successor Decommissioning Trustee by an

instrument signed by El Paso. If a successor Decommissioning Trustee shall not have been appointed by El Paso within 30 days after the giving of such written notice of resignation or removal, Decommissioning Trustee or El Paso may apply to any court of competent jurisdiction to appoint a successor Decommissioning Trustee to act until such time, if any, as a successor Decommissioning Trustee shall have been appointed by El Paso and shall have accepted its appointment under this Section 14. Any successor Decommissioning Trustee so appointed by such court shall immediately and without further act be superseded by any successor Decommissioning Trustee appointed by El Paso as provided above.

(i) In appointing a Decommissioning Trustee, El Paso shall have the following duties which will be of a continuing nature:

- (a) a duty to determine whether Decommissioning Trustee's fee schedule for administering the trust is reasonable when compared to other institutional trustees rendering similar services;
- (b) a duty to investigate and determine whether the past administration of trusts by Decommissioning Trustee has been reasonable;
- (c) a duty to investigate and determine whether the financial stability and strength of Decommissioning Trustee is adequate;
- (d) a duty to investigate and determine whether Decommissioning Trustee is in compliance with the requirements of this Agreement; and
- (e) a duty to investigate any other factors which may bear on whether Decommissioning Trustee is suitable.

(ii) Any successor Decommissioning Trustee, however appointed, shall execute and deliver to the predecessor Decommissioning Trustee an instrument accepting such appointment, and thereupon such successor Decommissioning Trustee, without further act, shall become vested with all the estates, properties, rights, powers, duties, and trusts of the predecessor Decommissioning Trustee with like effect as if originally named as Decommissioning Trustee herein; and such predecessor Decommissioning Trustee shall duly assign, transfer, deliver, and pay over to such successor Decommissioning Trustee all moneys or other property then held by such predecessor Decommissioning Trustee upon the trusts expressed in this Agreement, shall do all acts necessary to vest title of record in such successor Decommissioning Trustee, and shall transfer and deliver to such successor Decommissioning Trustee copies of all records pertaining to the Funds and this Agreement. In addition, upon the written request of such successor Decommissioning Trustee, such predecessor Decommissioning Trustee shall execute and deliver to such successor Decommissioning Trustee an instrument transferring to such successor Decommissioning Trustee, upon the trusts expressed in this Agreement, all the estates, properties, rights, power, duties, and trusts of such predecessor Decommissioning Trustee.

(iii) Any successor Decommissioning Trustee, however appointed, shall be a bank or trust company with trust powers incorporated and doing business in the United

States of America and having net worth of at least \$150,000,000, if there be such an institution willing, able and legally qualified to perform the duties of Decommissioning Trustee hereunder upon reasonable or customary terms; provided however, that in calculating the \$150,000,000 net worth requirement, the net worth of the Decommissioning Trustee's parent corporation and/or affiliates may be taken into account only if such entities guarantee Decommissioning Trustee's responsibilities to the Funds.

(iv) Any corporation into which Decommissioning Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Decommissioning Trustee shall be a party, or any corporation to which substantially all the corporate trust business of Decommissioning Trustee may be transferred, shall, subject to the terms of subsection 14(A)(iii), be Decommissioning Trustee under this Agreement without further act.

(v) No successor Decommissioning Trustee (other than a successor by reason of an event described in Section 14(A)(iv)) shall be liable for any act, omission or breach of trust by a predecessor Decommissioning Trustee, whether or not such successor Decommissioning Trustee knows or should have known of such act, omission, or breach of trust, and shall have no duty to compel redress of any breach of trust by a predecessor Decommissioning Trustee.

(B) If a Fiduciary Investment Manager is appointed by El Paso hereunder, such appointment shall be made in writing; however, El Paso may not serve as a Fiduciary Investment Manager. A Fiduciary Investment Manager may resign at any time without cause by giving at least thirty (30) days prior written notice to El Paso, and El Paso may remove a Fiduciary Investment Manager at any time with or without cause by giving written notice to such Fiduciary Investment Manager. The resignation or removal of a Fiduciary Investment Manager is not conditioned on the acceptance of appointment by a successor Fiduciary Investment Manager under this Section 14; provided, however, that if a Fiduciary Investment Manager other than the Decommissioning Trustee resigns or is removed and is not replaced by El Paso, Decommissioning Trustee shall, at that time, assume all investment responsibilities of such Fiduciary Investment Manager.

(i) In appointing a Fiduciary Investment Manager, El Paso shall have the following duties which will be of a continuing nature:

- (a) a duty to determine whether such Fiduciary Investment Manager's fee schedule for investment management services is reasonable when compared to other such managers;
- (b) a duty to investigate and determine whether the past performance of such Fiduciary Investment Manager in managing investments has been reasonable;
- (c) a duty to investigate and determine whether the financial stability and strength of such Fiduciary Investment Manager is adequate for purposes of liability;

- (d) a duty to investigate and determine whether such Fiduciary Investment Manager is in compliance with the requirements of its investment management agreement and this Agreement as it relates to investments and to such Fiduciary Investment Manager; and
- (e) a duty to investigate any other factors which may bear on whether such Fiduciary Investment Manager is suitable.

SECTION 15. Successors and Assigns; Additional Parties. This Agreement shall be binding upon and inure to the benefit of each party and its successors and permitted assigns.

SECTION 16. Termination of Funds. If not otherwise terminated sooner in accordance with the terms of this Agreement, each Fund shall end on the earlier of (A) the date specified in a written agreement between El Paso and Decommissioning Trustee and (B) the date that is twenty-one (21) years less one day after the death of the last survivor of the descendants living on the Effective Date of this Agreement of Joseph P. Kennedy, the father of president John F. Kennedy. Upon such termination, all of the assets of the Funds shall be distributed to El Paso. Notwithstanding the foregoing provisions of this Section 16, if one or both of the Funds shall be or become valid under Applicable Law for a period subsequent to the date set out in Section 16(B) (or, without limiting the generality of the foregoing, if legislation shall become effective providing for the validity or permitting the creation of such a fund for a period in gross exceeding the period for which such Fund is hereinabove stated to extend and be valid), then such Fund shall not terminate as aforesaid but shall extend to and continue in effect until (but only if such nontermination and extension shall then be valid under Applicable Law) such time as such Fund shall, under Applicable Law, cease to be valid.

SECTION 17. Accountings; Tax Returns and Reports; Audits. Decommissioning Trustee shall keep accurate and detailed records and accounts of all investments, receipts, disbursements and other transactions of the Funds. All accounts, books, and records relating to the Funds shall be open to inspection and audit at all reasonable times by El Paso, its designee or an applicable governmental agency having jurisdiction over the Funds.

Within thirty (30) business days after the end of each calendar month and within thirty (30) business days after the close of each annual accounting period of each Fund, and as soon as reasonably practicable after the resignation or removal of a Decommissioning Trustee has become effective, Decommissioning Trustee shall furnish to El Paso a written account setting forth all (A) investments, receipts, disbursements, and other transactions effected by it during such month or year, as applicable, or during the part of the month or year to the date any such resignation or removal is effective, as applicable, and containing a description of all assets, including but not limited to all securities, purchased and sold (the description of the securities purchased must state the price at which each individual security was purchased), the cost or net proceeds of sale, and the securities and investments held at the end of such period, (B) the gains or losses realized by each Fund upon sales or other disposition of its assets, (C) the increase or decrease in the value of each Fund, (D) the fair market values of each Fund, and (E) the liabilities (excluding liability for Decommissioning) of the Funds incurred or unpaid at the end of such period. Within three (3) business days after the end of each calendar month and within three (3) business days after the close of each annual accounting period of each Fund, and as soon as reasonably practicable after the resignation or removal of a Decommissioning Trustee

has become effective, Decommissioning Trustee shall also provide El Paso secured web-based access to the information described in clauses (A) – (E) of this Section 17. The accounting shall also furnish El Paso such other information as Decommissioning Trustee may possess and as may be necessary for El Paso, Decommissioning Trustee and/or a Fiduciary Investment Manager to comply with any reporting requirements applicable to any of such parties and/or the Funds. If the fair market value of an asset in a Fund is not available, when necessary for accounting or reporting purposes the fair market value of the asset shall be determined in good faith by Decommissioning Trustee, assuming an orderly liquidation at the time of such determination. In addition, upon the written request of El Paso, which may be at any time and from time to time, Decommissioning Trustee shall provide El Paso the fair market value of the assets in a Fund as of a date other than the last day of a month or an annual accounting period of a Fund. If there is a disagreement between the Decommissioning Trustee, a Fiduciary Investment Manager and/or any other party as to any act or transaction reported in an accounting, Decommissioning Trustee or the Fiduciary Investment Manager, as applicable, shall have the right to have such disagreement settled by a court of competent jurisdiction. Decommissioning Trustee shall make such other reports as may be agreed upon in writing with El Paso.

Decommissioning Trustee shall retain its records and accountings related to the Funds as long as necessary for the proper administration thereof and at least for any period required by any applicable law, but with respect to each record and account for not less than six (6) years following the creation thereof.

El Paso shall have the right to cause the books, records, and accounts of Decommissioning Trustee that relate to the Funds to be examined and audited by independent auditors designated by El Paso at such times as El Paso may determine, and Decommissioning Trustee shall make such books, records, and accounts available for such purposes at all reasonable times.

El Paso shall, with the cooperation of Decommissioning Trustee, prepare or, upon agreement of Decommissioning Trustee, authorize Decommissioning Trustee to prepare, such tax returns and other reports for or with respect to each Fund as may be required from time to time by Applicable Law.

SECTION 18. Rights of Decommissioning Trustee.

(A) Decommissioning Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement or required by the Texas Trust Code, and no implied duties or obligations shall be read into this Agreement against Decommissioning Trustee except such as are required by the Texas Trust Code.

(B) Decommissioning Trustee shall not have any obligation to invest, manage, control, make any payment from, or otherwise deal with, the Funds except as expressly provided herein or in written guidelines or instructions received pursuant to the terms hereof.

(C) Decommissioning Trustee may rely and shall be protected in acting upon any certificate, statement, notice, or other writing believed by it to be genuine and to have been signed or presented by the proper party or parties, and unless it has actual knowledge to the contrary, Decommissioning Trustee shall not be bound to make any investigation into the facts or matters stated in any certificate, statement, notice, or other writing received by it.

(D) In the administration of the Funds hereunder, Decommissioning Trustee may execute any of the trusts or powers hereof and perform its powers and duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and employed by it, and Decommissioning Trustee shall not be liable for anything done or omitted by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons to the extent permitted by law and to the extent no such action or omission constitutes negligence or willful misconduct by Decommissioning Trustee.

(E) With respect to any obligation of El Paso hereunder to indemnify Decommissioning Trustee, Decommissioning Trustee shall look solely to El Paso and shall not have any lien upon the assets of the Funds to secure such obligation.

SECTION 19. Notices.

(A) Except as otherwise provided in this Agreement, all notices under this Agreement shall be in writing and be effective upon receipt if delivered by (1) hand, (2) certified or registered United States Mail postage prepaid, or (3) facsimile, provided that service by facsimile after 5:00 p.m. local time of the recipient shall be deemed delivered on the following business day, as follows:

If notice is to the Trustee:

Bank of America
Attention: El Paso Electric Company Relationship Manager
303 West Wall
P.O. Box 270
Midland, TX 79702-0270

If notice is to the Grantor:

El Paso Electric Company
Attention: Controller
123 W. Mills Avenue
El Paso, Texas 79901
Facsimile (915) 521-4772

and, if the notice is sent for the purposes described in Sections 5, 14(A), 14(B), and 19(B), with a copy to:

El Paso Electric Company
Office of the General Counsel
123 W. Mills Avenue
El Paso, Texas 79901
Facsimile (915) 521-4747

(B) Each person may change its address for purposes of notice under this Agreement

by notice complying with Section 20(A).

Any notice required under this Agreement may be waived in writing by the party entitled thereto.

SECTION 20. Counterpart Execution. This Agreement may be executed in any number of counterparts and by each of the parties hereto on separate counterparts; all such counterparts shall together constitute but one and the same instrument.

SECTION 21. Effective Date. This Agreement shall become effective on the "Effective Date" as defined herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as of the day and year above written.

EL PASO:

EL PASO ELECTRIC COMPANY

By: Scott Wilson
Title: Controller

DECOMMISSIONING TRUSTEE:

BANK OF AMERICA, N.A., a national banking association

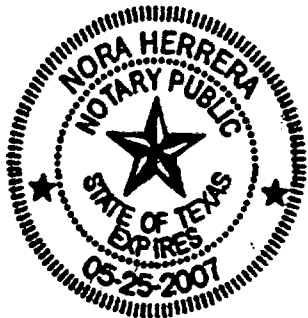
By: John R. Peterson
Title: Vice President

STATE OF TEXAS §
 § ss.
COUNTY OF EL PASO §

The foregoing instrument was acknowledged before me this 18th day of December by Scott Wilson, Controller of EL PASO ELECTRIC COMPANY, a Texas corporation, on behalf of said corporation.

Nora Herrera
Notary Public

My commission expires:
May 25, 2007

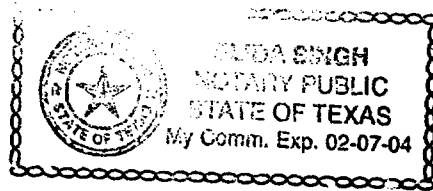


STATE OF TEXAS §
 § ss.
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 19th day of December, 2003 by John R. Peterson, Vice President of BANK OF AMERICA, N.A., a national banking association, on behalf of said association.

Elida Singh
Notary Public

My commission expires:
02-07-04



Appendix A
to
Decommissioning Trust Agreement
for Palo Verde Nuclear Generating Station
Unit 1

DEFINITION OF TERMS

ANPP Participation Agreement shall mean the Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended, among Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, Southern California Edison Company, Public Service Company of New Mexico, Southern California Public Power Authority, Department of Water and Power of The City of Los Angeles, and El Paso.

Applicable Law shall mean all applicable laws, statutes, treaties, rules, codes, ordinances, regulations, permits, certificates, orders, interpretations, licenses, and permits of any federal, state, county, municipal, foreign, international, regional, or other governmental authority, agency, board, body, instrumentality, or court, and judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator, or other judicial or quasi-judicial tribunal (including those pertaining to health, safety, the environment, or otherwise).

Applicable Tax Law shall mean Code Section 468A, any comparable subsequent provisions of the Code, the United States Treasury regulations promulgated under such section or provisions, and other provisions of the Code relating to the federal taxation of the Funds.

Code shall mean the Internal Revenue Code of 1986, as amended, or any successor law.

Decommissioning shall mean the decommissioning and retirement from service of Unit 1, and the related possession, maintenance, and disposal of material, radioactive or otherwise used in or produced by or relating to Unit 1, including, without limitation: (i) placement and maintenance in a state of protective storage; (ii) in-place entombment and maintenance; (iii) dismantlement; (iv) removal, decontamination and disposition of equipment and fixtures; (v) razing; (vi) removal and disposition of debris related to Unit 1 from the PVNGS Site; (vii) restoration of the PVNGS Site related to Unit 1 for unrestricted use; (viii) any other actions relating to decommissioning and retirement from service of Unit 1 required by the NRC; and (ix) all activities undertaken incident to the implementation thereof.

Decommissioning Cost shall mean El Paso's pro-rata share, under the ANPP Participation Agreement, of the greater of (i) the latest estimate of Termination Costs (as that term is defined by the ANPP Participation Agreement) for Unit 1 or (ii) the minimum amount required by the NRC to be funded for the decommissioning of Unit 1.

Deemed Distribution Amount shall mean an amount in the Decommissioning Trust Fund that is treated by Applicable Tax Law as having been distributed by reason of the disqualification of all or a part of such Fund.

Excess Contribution shall mean the amount by which cash payments made (or deemed made) by El Paso into the Decommissioning Trust Fund during any taxable year of El Paso exceeds the payment limitation imposed by Applicable Tax Law.

Expenses shall mean: (a) in the case of the Decommissioning Trust Fund, (i) the tax imposed by Code Section 468A(e)(2); (ii) any state or local tax imposed on the income or the assets of such Fund; and (iii) legal, accounting, and actuarial fees and expenses, trustee's fees and expenses, and all other ordinary administrative costs and incidental expenses, incurred by Decommissioning Trustee, a Fiduciary Investment Manager, or El Paso in connection with the operation of such Fund, but in each case only to the extent permitted by Code Section 468A(e)(4)(B) or other Applicable Tax Law to be paid from the assets of a "Nuclear Decommissioning Reserve Fund," as that term is used in Applicable Tax Law; and (b) in the case of the Second Fund, (i) any federal, state, or local tax actually paid by El Paso with respect to the income or the assets of such Fund including a payment to El Paso of the federal income tax (at the statutory rate) with respect to the taxable income of such Fund required to be included on El Paso's federal income tax return; and (ii) legal, accounting and actuarial expenses, trustee's fees and expenses, and all other ordinary administrative costs and incidental expenses, incurred by Decommissioning Trustee, a Fiduciary Investment Manager, or El Paso in connection with the operation of such Fund; provided, however, Expenses shall not include taxes on or with respect to fees paid to Decommissioning Trustee or a Fiduciary Investment Manager and taxes that Code Section 4951 requires be paid by Decommissioning Trustee.

Fiduciary Investment Manager shall mean any institution or professional appointed by El Paso, other than Decommissioning Trustee, who is responsible for the investment and reinvestment of the Funds.

License shall mean NRC Facility Operating License No. NPF-41, issued December 31, 1984, as the same may be amended, modified, extended, renewed or superseded from time to time.

NRC shall mean the Nuclear Regulatory Commission of the United States of America or any successor agency.

PVNGS shall mean the Palo Verde Nuclear Generating Station, which is located on the PVNGS Site.

PVNGS Site shall mean the real property located in Maricopa County, Arizona, approximately 36 miles west of the City of Phoenix, Arizona and approximately 16 miles west of the City of Buckeye, Arizona, which legal description is contained in Appendix B to the ANPP Participation Agreement.

Qualified Investments shall mean investments that meet the intent, standards, liabilities, and general and specific requirements and conditions on investments as set forth in Section 7 herein.

Unit 1 shall mean the 1,270 megawatt unit, commonly known as Unit 1, at PVNGS.

DECOMMISSIONING TRUST AGREEMENT
Dated as of December 18, 2003

COPY

between

EL PASO ELECTRIC COMPANY

and

BANK OF AMERICA, N.A.

As Decommissioning Trustee

for

Palo Verde Unit 2

**DECOMMISSIONING TRUST AGREEMENT
FOR PALO VERDE NUCLEAR GENERATING STATION
UNIT 2**

This Decommissioning Trust Agreement (the "**Agreement**"), to be effective as of December 24, 2003 (the "**Effective Date**"), between Bank of America, N.A., a national banking association ("**Decommissioning Trustee**") and El Paso Electric Company, a Texas corporation ("**El Paso**").

The Nuclear Regulatory Commission ("**NRC**"), an agency of the United States of America, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations codified in Title 10, Chapter 1 of the Code of Federal Regulations, Part 50, as amended. These regulations, applicable to El Paso, require that each holder of a license issued pursuant thereto must provide assurance that funds will be available for Decommissioning.

El Paso and others entered into the Arizona Nuclear Power Project Participation Agreement executed as of August 23, 1973 (the "**ANPP Participation Agreement**"). Amendment 13 to the ANPP Participation Agreement, effective June 15, 1991, requires El Paso to establish and maintain funds for the accumulation, over a period not in excess of the remaining term of the operating license for Unit 2 and the period thereafter until completion of Decommissioning, of funds sufficient to pay Decommissioning Cost.

In addition, El Paso is required by the Public Utility Commission of Texas ("**PUCT**"), the New Mexico Public Regulation Commission ("**NMPRC**"), the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission to establish a source of funds to pay for Decommissioning.

Under Applicable Tax Law, certain federal income tax benefits are available to El Paso from establishing and making contributions to a "Nuclear Decommissioning Reserve Fund" for Unit 2. In order to satisfy its obligations under the ANPP Participation Agreement, to comply with the requirements of the governmental authorities referred to above, and to obtain such federal income tax benefits, on April 1, 1986, El Paso entered into a Decommissioning Trust Agreement, which was amended by Amendment No. 1 dated September 1, 1991 (the "**Original Agreement**"), creating two decommissioning trust funds to provide external funds for Decommissioning, for purposes of this Agreement designated as the Decommissioning Trust Fund and the Second Fund. The Decommissioning Trust Fund is intended at all times to qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law.

On January 9, 1996, in Cause No. 92-10148-FM, styled *In re: El Paso Electric Company*, the United States Bankruptcy Court for the Western District of Texas (Austin Division) entered an order confirming the Fourth Amended Plan of Reorganization of El Paso (the "**Plan**"). In accordance with the Plan, which became effective on February 12, 1996, El Paso and Decommissioning Trustee restated and amended the Original Agreement to ensure that the Decommissioning Trust Fund and the Second Fund would continue to be held, managed and distributed, without interruption, in accordance with the terms of the Original Agreement, Applicable Law, and Applicable Tax Law.

This Agreement, in turn, amends and restates the Original Agreement, as restated and amended effective February 12, 1996, to read in its entirety as follows and continues the Decommissioning Trust Fund and the Second Fund.

Therefore, in consideration of the foregoing premises, the acceptance by Decommissioning Trustee of the trusts created, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto restate and amend the Original Agreement, as restated and amended effective February 12, 1996, as follows:

SECTION 1. Definitions; References to Sections. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth in Appendix A hereto. Unless otherwise stated, references to a "Section" are to a section of this Agreement.

SECTION 2. Creation of Trust Funds. El Paso has established and hereby confirms the establishment with Decommissioning Trustee of the Decommissioning Trust Fund and the Second Fund (each a "Fund" and together the "Funds"). Each Fund shall include: (A) all cash and investments thereof, as more specifically described in Section 7; (B) all dividends, interest, cash, instruments, and other property from time to time received, receivable, or otherwise distributed or distributable in respect of or in exchange for any or all such investments; (C) all rights and privileges with respect to such investments; and (D) all proceeds of any of the foregoing and any property of any character whatsoever into which any of the foregoing may be converted.

SECTION 3. Purpose of Trust Funds; Tax Qualification. The Funds are for the accumulation and funding of amounts to pay costs, liabilities, and expenses of Decommissioning, including the accumulation, over a period not in excess of the remaining term of the operating license for Unit 2 and the period thereafter until completion of Decommissioning, of amounts which are sufficient to pay Decommissioning Cost. The Decommissioning Trust Fund, but not the Second Fund, is intended at all times to qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law. El Paso and the applicable Fiduciary Investment Manager(s), if any, and Decommissioning Trustee (but with respect to Decommissioning Trustee only as to those assets of the Funds that are not under the direction of a Fiduciary Investment Manager) shall seek to obtain the best possible tax treatment of amounts collected for nuclear plant decommissioning; and in this regard, El Paso and the applicable Fiduciary Investment Manager(s), if any, and Decommissioning Trustee (but with respect to Decommissioning Trustee only as to those assets of the Funds that are not under the direction of a Fiduciary Investment Manager) shall take maximum advantage of tax deductions and credits when it is consistent with sound business practices to do so. The assets of the Decommissioning Trust Fund must be used as authorized by section 468A of the Code and shall be used exclusively:

(A) subject to the limitations and conditions of Section 9, to satisfy, in whole or in part, El Paso's obligation to pay for Decommissioning;

(B) subject to the limitations and conditions of Section 8, to pay Expenses; and

(C) to the extent not currently required for the uses described in (A) and (B) above, and subject to the limitations and conditions of Section 7, for investment in Qualified Investments.

The Funds shall be used exclusively for Decommissioning of Unit 2. This Agreement may not be amended so as to violate section 468A of the Code or the regulations there under.

SECTION 4. Declaration and Acceptance of Trust. Decommissioning Trustee accepts the trusts created hereby and declares that it will hold and administer all estate, right, title, and interest in and to each Fund upon the trusts set forth herein, but only on the terms of this Agreement, and agrees to receive and disburse all moneys and investments constituting any part of each Fund in accordance with this Agreement. No implied duties or obligations shall be read into this Agreement against Decommissioning Trustee. Decommissioning Trustee shall not commit any act, enter into any transaction, or permit any act or transaction to occur that is an "act of self dealing" between the Decommissioning Trust Fund and "a disqualified person" as those terms are defined by Applicable Tax Law, and, if such an act occurs, Decommissioning Trustee shall promptly take all necessary steps to correct it as soon as it has knowledge of the occurrence.

SECTION 5. Ownership of Funds. Not in limitation of its fiduciary duty hereunder, title to any and all property held in each Fund shall be held by Decommissioning Trustee in its name as trustee as owner of record. At all times, Decommissioning Trustee shall follow the directives of (A) the applicable Fiduciary Investment Manager, if any, with respect to exercising any and all corresponding voting, consensual, and other rights accruing to the owner of such property in connection with such property, and, except as provided in this subsection 5.(A), (B) El Paso with respect to exercising any and all such voting, consensual, and other rights. Decommissioning Trustee shall have the right, in its name, as trustee upon prior written notice to El Paso, to settle, compromise, prosecute, or defend any action, claim, or proceeding with respect to any and all property held in each Fund. Subject to the provisions of this Agreement, Decommissioning Trustee may sell, assign, endorse, pledge, transfer, and make any agreement respecting, or otherwise deal with, any and all property held in each Fund; provided, however, that except as required by Section 7, nothing herein contained shall be construed as requiring or obligating Decommissioning Trustee to make any inquiry as to the nature or sufficiency of any payment received by it, to present or file any claim or notice, or to take any action with respect to any of the property held in each Fund. It is not the duty of Decommissioning Trustee or a Fiduciary Investment Manager to ensure that the Funds are adequate to pay for Decommissioning.

SECTION 6. Payments into the Funds. From time to time, but not less than yearly, El Paso shall pay amounts into one or both of the Funds. El Paso may deposit all or any part of any payment entirely into the Decommissioning Trust Fund, entirely into the Second Fund, or partly into each in whatever proportion El Paso shall determine in its discretion; except that, if a deduction is allowed under Applicable Tax Law for payments into the Decommissioning Trust Fund, El Paso shall not make, and Decommissioning Trustee shall not accept, any payment into such Fund unless such payment (a) is in cash, to the extent Applicable Tax Law requires the payment to be in cash, and (b) complies with the amount limitation imposed by Applicable Tax Law and a deduction pursuant to Applicable Tax Law is allowed for the entire payment. Decommissioning Trustee may accept from El Paso, as proof that these conditions are satisfied, a certificate executed by El Paso as to compliance with the amount limitation and deductibility of such payment, and, unless Decommissioning Trustee has actual knowledge to the contrary, Decommissioning Trustee may rely on such certificate without further inquiry or verification.

SECTION 7. Investment of Funds.

(A) Decommissioning Trustee. Any amounts held by Decommissioning Trustee in each Fund shall be invested and reinvested by it from time to time, but only in Qualified Investments; provided, however, if El Paso has delivered to Decommissioning Trustee a copy of an order of a state or federal regulatory agency that El Paso certifies is binding on El Paso and limits the investments in which all or a part of either Fund may be invested, the investment of such Fund shall not violate such order. A Fiduciary Investment Manager appointed by El Paso may direct investments and reinvestments of the Funds by written direction which shall certify that the directed investment qualifies as an investment in Qualified Investments and is within the limitation set forth in the preceding sentence. Decommissioning Trustee may rely upon such direction and certification without further inquiry or verification unless Decommissioning Trustee has actual knowledge that the directed investment does not satisfy the conditions and limitations of this Section 7.

In performing its duties and exercising its powers as Decommissioning Trustee hereunder, and in performing any investment management functions hereunder, Decommissioning Trustee shall comply with the following:

(i) it shall add all income, including interest, earned on the corpus of each Fund to such corpus as a part thereof, and shall owe the same duties with regard to such income as it owes with regard to such corpus;

(ii) it shall have the continuing duty to review the assets of each Fund to determine the appropriateness of the investments consistent with all terms, provisions and limitations of this Agreement, including without limitation to ensure compliance with the provisions of the investment guidelines of this Section 7, any order of a state or regulatory agency limiting investments that El Paso has delivered and certified to Decommissioning Trustee as provided above, and any other applicable governing regulations;

(iii) it shall not lend all or any part of either Fund to itself or to any of its officers or directors or permit any act of "self-dealing" prohibited by Applicable Tax Law;

(iv) it shall not invest or reinvest amounts in either Fund with, or in any instrument or security issued by, itself or any of its officers or directors, except that, if El Paso directs it to do so in writing, it may invest or reinvest amounts in the Funds in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, and except that, if El Paso directs it to do so in writing, it may invest amounts in the Funds in mutual funds that contain securities issued by Decommissioning Trustee provided such securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment;

(v) it shall not invest or reinvest amounts in either Fund with, or in any instrument or security issued by, El Paso, its subsidiaries or affiliates or their successors or assigns, except that, if El Paso approves in writing, it may invest or reinvest amounts in the Funds in mutual funds that contain securities issued by El Paso provided such

securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment; and

(vi) Notwithstanding anything to the contrary in this Agreement, if directed by El Paso, Decommissioning Trustee shall hold and maintain one or both of the Funds in a segregated account and invest and administer such Fund(s) separately from the assets of Decommissioning Trustee or other trusts.

(B) Fiduciary Investment Manager. Any amount of each Fund directed to be invested by a Fiduciary Investment Manager shall be invested and reinvested by Decommissioning Trustee as directed by such Fiduciary Investment Manager from time to time, but only in Qualified Investments; provided, however, if El Paso has delivered to a Fiduciary Investment Manager a copy of an order of a state or federal regulatory agency that El Paso certifies is binding on El Paso and limits the investments in which all or a part of a Fund may be invested, the investment of such Fund shall not violate such order. A Fiduciary Investment Manager appointed by El Paso may direct investments and reinvestments of the Funds by written direction which shall certify that the directed investment qualifies as an investment in Qualified Investments and is within the limitation set forth in the preceding sentence. Decommissioning Trustee may rely upon such written direction and certification without further inquiry or verification unless Decommissioning Trustee has actual knowledge that the directed investment does not satisfy the conditions and limitations of this Section 7.

In performing its duties and exercising its powers as a Fiduciary Investment Manager hereunder, a Fiduciary Investment Manager shall comply with the following:

(i) it shall direct the addition of all income, including interest, earned on the corpus of each Fund subject to its direction to such corpus as a part thereof, and shall owe the same duties with regard to such income as it owes with regard to such corpus;

(ii) it shall have a continuing duty to review the assets of each Fund subject to its direction to determine the appropriateness of the investments consistent with all terms, provisions and limitations of this Agreement, including without limitation to ensure compliance with the provisions of the investment guidelines of this Section 7, any order of a state or regulatory agency limiting investments that El Paso has delivered to such Fiduciary Investment Manager as hereinabove provided and any other applicable governing regulations;

(iii) it shall not direct the lending of all or any part of either Fund to itself or to any of its officers or directors or permit any act of "self-dealing" prohibited by Applicable Tax Law;

(iv) it shall not direct the investment or reinvestment of amounts in either Fund with, or in any instrument or security issued by, itself or any of its officers or directors;

(v) it shall not invest or reinvest amounts in either Fund with, or in any instrument or security issued by, Decommissioning Trustee or any of Decommissioning Trustee's officers or directors, except that, if El Paso directs it to do so in writing, it may invest or reinvest amounts in the Funds in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, and except that, if El Paso directs it to do

so in writing, it may invest amounts in the Funds in mutual funds that contain securities issued by Decommissioning Trustee provided such securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment;

(vi) it shall not direct the investment or reinvestment of amounts in either Fund with, or in any instrument or security issued by El Paso, its subsidiaries or affiliates or associates or their successors or assigns of El Paso, except that, if El Paso approves in writing, it may direct the investment or reinvestment of amounts in the Funds in mutual funds that contain securities issued by El Paso provided such securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment; and

(vii) it shall provide Decommissioning Trustee directives concerning voting, consensual, and other rights and powers accruing in connection with assets of the Funds subject to such Fiduciary Investment Manager's direction.

(C) General. It is the intent of El Paso that neither Decommissioning Trustee nor a Fiduciary Investment Manager shall have any powers that are greater than those provided to trustees under the Texas Trust Code or that are inconsistent with the limitations that are set out in this Section 7.

(D) Investments Standards. To the extent not inconsistent with the other provisions of this Section 7 and to the extent that Decommissioning Trustee does not currently require the assets of the Funds for the purpose of satisfying the liability of El Paso for Decommissioning and to pay Expenses:

(i) Decommissioning Trustee shall, in connection with investing and reinvesting assets of the Funds, exercise the same standard of care that a reasonable person would exercise in the same circumstances; provided, however, that this subsection 7.(D)(i) shall apply only as to those assets of the Funds that are not subject to the direction of a Fiduciary Investment Manager; and

(ii) a Fiduciary Investment Manager appointed to direct the investment and reinvestment of all or any portion of the assets of the Funds shall, with respect to such assets subject to its direction, exercise the same degree of care that a reasonable person would exercise in the same circumstances.

For purposes of this subsection entitled "Investment Standards", a "reasonable person" means a prudent investor as described in Chapter 117, Uniform Prudent Investor Act, of the Texas Property Code.

(E) Qualified Investments. Qualified Investments include those investments meeting the investment standards, limitations, conditions, and requirements prescribed in the foregoing subsections of this Section 7 and the following criteria which may be amended by El Paso upon written notice to Decommissioning Trustee and each Fiduciary Investment Manager.

(i) Investment Portfolio Goals. The Funds shall be invested consistent with the goals set forth in this subsection 7.(E)(i).

- (a) Assets of the Decommissioning Trust Fund shall be invested only as permitted for a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law.
- (b) Assets of the Funds shall be invested with a goal of earning a reasonable return commensurate with the need to preserve the value of the assets of the Funds.
- (c) In keeping with prudent investment practices, the portfolio of securities held in the Funds shall be diversified to the extent reasonably feasible given the size of the Funds.
- (d) Asset allocation and the acceptable risk level of the assets of the Funds should take into account market conditions, the time horizon remaining before the commencement and completion of Decommissioning, and the funding status of the Funds. While maintaining an acceptable risk level consistent with the goal referenced in subsection 7.(E)(i)(b) of this Section 7, the investment emphasis when the remaining life of the liability, as defined in subsection 7.(E)(ii)(d)(4) of this subsection, exceeds five years should be to maximize net long-term earnings. The investment emphasis in the remaining investment period of the Funds should be on current income and the preservation of each Fund's assets.
- (e) In selecting investments, the impact of the investment on the volatility and expected return of the assets of the Funds, net of fees, commissions, expenses, and taxes should be considered.

(ii) **General Requirements.** The restrictions contained in this subsection 7.(E)(ii) apply to the Decommissioning Trust Fund and Second Fund in the aggregate. For purposes of this subsection 7.(E)(ii), a commingled funds is defined as a professionally managed investment fund of fixed-income or equity securities established by an investment company regulated by the Securities Exchange Commission or a bank regulated by the Office of the Comptroller of the Currency.

- (a) **Diversification.** For the purpose of this subsection 7.(E)(ii)(a), a commingled or mutual fund is not considered a security; rather, the diversification standard applies to all securities, including the individual securities held in commingled or mutual funds. Once the portfolio of securities (including those held in commingled or mutual funds) held in the Funds contains securities with an aggregate value in excess of \$20 million, it shall be diversified such that:
 - (1) no more than five percent (5%) of the securities held may be issued by one entity, with the exception of the federal government, its agencies and instrumentalities; and

- (2) the portfolio shall contain at least 20 different issues of securities, and municipal securities and real estate investments shall be diversified as to geographic region.
- (b) Derivatives. The use of derivative securities in the Funds is limited to those whose purpose is to enhance returns of the Funds without a corresponding increase in risk or to reduce risk of the assets of the Funds. Derivatives may not be used to increase the value of the assets of the Funds by any amount greater than the value of the underlying securities. Prohibited derivative securities include, but are not limited to, mortgage strips; inverse floating rate securities; leveraged investments or internally leveraged securities; residual and support tranches of collateralized mortgage obligations; tiered index bonds or other structured notes whose return characteristics are tied to non-market events; uncovered call/put options; large counter-party risk through over-the-counter options, forwards and swaps; and instruments with similar high-risk characteristics.
 - (c) Leverage. The use of leverage (borrowing) to purchase securities or the purchase of securities on margin for a Fund is prohibited.
 - (d) Investment limits in equity securities. The following investment limits shall apply to the percentage of the aggregate market value of all non-fixed income investments relative to the total portfolio market value:
 - (1) except as noted in subsection 7.(E)(2)(b), when the weighted average remaining life of the liability exceeds 5 years, the equity cap shall be sixty percent (60%);
 - (2) when the weighted average remaining life of the liability ranges between 5 years and 2.5 years, the equity cap shall be thirty percent (30%). Additionally, during all years in which expenditures for Decommissioning occur, the equity cap shall also be thirty percent (30%);
 - (3) when the weighted average remaining life of the liability is less than 2.5 years, the equity cap shall be zero percent (0%);
 - (4) for purposes of this subsection 7.(E)(ii)(4), the weighted average remaining life in any given year is defined as the weighted average of years between the given year and the years of each Decommissioning outlay, where the weights are based on each year's expected Decommissioning expenditures divided by the amount of the remaining liability in that year; and

- (5) should the market value of non-fixed income investments, measured monthly, exceed the appropriate cap due to market fluctuations, the market value of the non-fixed income investments shall be reduced below the cap as soon as practicable. Such reductions may be accomplished by investing all future contributions to a Fund in debt securities as is necessary to reduce the market value of the non-fixed income investments below the cap, or if prudent, by the sale of equity securities.

(iii) **Specific Investment Restrictions.** The restrictions contained in this subsection 7.(E)(iii). apply to the Decommissioning Trust Fund and the Second Fund in the aggregate.

- (a) **Fixed-income investments.** Assets of the Funds shall not be invested in corporate or municipal debt securities that have a bond rating below investment grade "BBB-" by Standard & Poor's Corporation or "Baa3" by Moody's Investor's Service) at the time that the securities are purchased. If the debt rating of a company or municipality issuing the particular debt security falls below investment grade at some time after the security was purchased, the appropriateness of continuing to hold such security shall be reexamined. The overall portfolio of debt instruments shall have a quality level, measured quarterly not below an "AA" grade by Standard & Poor's Corporation or "Aa2" by Moody's Investor's Service. In calculating the quality of the overall portfolio, debt securities issued by the federal government shall be considered as having an "AAA" rating.

(b) **Equity Investments.**

- (1) At least seventy percent (70%) of the aggregate market value of the equity assets of the Funds, including the individual securities in commingled funds, shall have a quality ranking from a major rating service such as the earnings and dividend ranking for common stock by Standard and Poor's or the quality rating of Ford Investor Services. Further, the overall portfolio of ranked equities shall have a weighted average quality rating equivalent to the composite rating of the Standard and Poor's 500 Index assuming equal weighting of each ranked security in the Index. If the quality rating, measured quarterly, falls below the minimum quality standard, the quality level of the equity assets of the Funds shall be increased to the required level as soon as is practicable and prudent: and
- (2) assets of the Funds shall not be invested in equity securities if the issuer has a capitalization of less than \$100 million.

- (c) Commingled funds. The following guidelines shall apply to the investments made through commingled funds. Examples of commingled funds appropriate for investment by nuclear decommissioning trust funds include United States equity-indexed funds, actively managed United States equity funds, balanced funds, bond funds, real estate investment trusts, and international funds.
- (1) The commingled funds should be selected consistent with the investment goals specified in subsection 7.(E)(i) and the general requirements in subsection 7.(E)(ii);
 - (2) in evaluating the appropriateness of a particular commingled fund, the following duties shall be of a continuing nature:
 - (I) a duty to determine whether the fund manager's fee schedule for managing the fund is reasonable, when compared to fee schedules of other such managers;
 - (II) a duty to investigate and determine whether the past performance of the investment manager in managing the commingled fund has been reasonable relative to prudent investment and utility decommissioning trust practices and standards; and
 - (III) a duty to investigate the reasonableness of the net after-tax return and risk of the commingled fund relative to similar funds, and the appropriateness of the commingled fund within all of the assets of the Funds;
 - (3) the payment of load fees shall be avoided; and
 - (4) commingled funds focused on specific market sectors or concentrated in a few holdings shall be used only as necessary to balance the Funds' overall investment portfolio mix.

Notwithstanding any other provision of this Section 7, nothing in this Section 7 shall be construed to permit any investment otherwise prohibited by any other provision of this Agreement, Applicable Law, or Applicable Tax Law. This Agreement and the investments of the Funds shall be interpreted and construed in a manner consistent with the parties' intention that this Agreement and the Funds at all times comply with all requirements of the Nuclear Regulatory Commission and other applicable governmental regulations and rules, including without limitation the rules of the PUCT, the NMPRC, and the Federal Energy Regulatory Commission, including but not limited to the "Final Rule" regarding the formation, organization and purposes of nuclear plant decommissioning trust funds and for fund investments issued June 16, 1995, as may be amended from time to time.

SECTION 8. Expenses; Indemnification. El Paso shall pay all Expenses and, subject to Section 9.(D), may direct Decommissioning Trustee, in writing, to pay specified Expenses of a Fund from such Fund. El Paso shall certify in writing to Decommissioning Trustee whether and the extent to which an item is an Expense of a specified Fund and whether Applicable Tax Law permits its payment out of the assets of the Fund; and Decommissioning Trustee may, unless it has actual knowledge to the contrary, rely upon such certification without further inquiry or verification.

Except to the extent Decommissioning Trustee has actual knowledge to the contrary, Decommissioning Trustee shall be fully protected in relying upon the existence of any fact or state of facts represented to it in writing by El Paso or a duly appointed Fiduciary Investment Manager.

Except with respect to liability or fiduciary responsibility for any error or loss that may result by reason of the exercise or non-exercise of the duties, obligations, and/or fiduciary responsibility which are allocated to Decommissioning Trustee herein which is determined to be the result of Decommissioning Trustee's own negligence or willful misconduct, El Paso shall indemnify Decommissioning Trustee, directly from El Paso's own assets (including the proceeds of any insurance policy the premiums of which are paid from El Paso's own assets), from and against any and all claims, demands, losses, damages, expenses (including, by way of illustration and not limitation, reasonable attorneys' fees and other legal and litigation costs), judgments, and liabilities arising from, out of, or in connection with the administration or investment of the Funds. Decommissioning Trustee shall not be liable for any action taken by Decommissioning Trustee or any failure to act by Decommissioning Trustee if the action taken or the failure to act was directed by El Paso or a Fiduciary Investment Manager, if Decommissioning Trustee reasonably relied on such direction. This Section 8 shall survive the termination of this Agreement.

SECTION 9. Payments and Distributions from the Funds.

(A) Subject to the other provisions of this Section 9, Decommissioning Trustee shall make payments out of the Funds upon presentation by El Paso of (A) a certificate signed by El Paso (i) instructing Decommissioning Trustee to disburse amounts in the Funds in a manner designated in such certificate for purposes of paying for Decommissioning and (ii) certifying that disbursements, if any, directed to be made from assets of the Decommissioning Trust Fund are for payment of only those costs, liabilities, and expenses of Decommissioning that qualify as "nuclear decommissioning costs" under Applicable Tax law, and (B) documentation reasonably acceptable to Decommissioning Trustee that such payment for Decommissioning is due and payable.

(B) Upon termination of the Decommissioning Trust Fund under Applicable Tax Law, El Paso may direct Decommissioning Trustee to transfer all property remaining in the Decommissioning Trust Fund to El Paso for disbursement or distribution as may then be provided by law. In addition, upon its receipt of a certificate signed by El Paso certifying that Decommissioning has been completed under Applicable Law and all costs of Decommissioning have been paid in full, all property then held in both Funds shall be paid by Decommissioning Trustee to El Paso for disbursement or distribution as may then be provided by law and the Funds shall terminate.

(C) At any time and from time to time El Paso may direct Decommissioning Trustee in writing to, and upon receipt of such direction Decommissioning Trustee shall, subject to the applicable provisions of Section 9.(D), distribute to El Paso for disbursement or distribution as then may be provided or permitted by law or transfer from the Decommissioning Trust Fund to the Second Fund any:

(i) Deemed Distribution Amount that El Paso certifies in writing is deemed distributed under Applicable Tax Law;

(ii) Excess Contribution that El Paso certifies in writing (a) has occurred under Applicable Tax Law, and (b) is being transferred within the time permitted for withdrawal or transfer of such Excess Contribution by Applicable Tax Law; and

(iii) amount that El Paso certifies in writing may be transferred to the Second Fund in accordance with Applicable Law and Applicable Tax Law by reason of the disposition of all or a part of El Paso's interest in or license to possess Unit 2.

(D) Notwithstanding any other provision in this Agreement, except for (i) payments made under Section 8 for Expenses, (ii) to the extent allowed by Applicable Law, Deemed Distribution Amounts and Excess Contributions transferred to the Second Fund or distributed to El Paso under Section 9.(C), and (iii) withdrawals made pursuant to 10 C.F.R. 50.82(a)(8) no disbursement or payment from the Funds shall be made unless (a) thirty (30) business days prior written notice of the intention to make such disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, and the Director, Office of Nuclear Material Safety and Safeguards, and (b) Decommissioning Trustee has not received written notice of an objection during such thirty (30) day period from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards,. The notices required by this Section 9.(D) may be made by or on behalf of Decommissioning Trustee.

(E) Unless Decommissioning Trustee has actual knowledge to the contrary, Decommissioning Trustee shall be fully protected in relying upon any certificate described in Section 9 without further inquiry or verification.

SECTION 10. Further Assurances. El Paso agrees that it will, at its sole expense, do all such further acts and things and execute and deliver all such additional conveyances, assignments, agreements, and instruments, as may be necessary or desirable or as Decommissioning Trustee may at any time reasonably request in connection with the administration and enforcement of this Agreement, or relative to the Funds or any part thereof, or in order to assure and confirm unto Decommissioning Trustee its rights, powers, and remedies hereunder.

El Paso may provide general investment policies in writing to Decommissioning Trustee or a Fiduciary Investment Manager, but may not engage in the day-to-day management of the Funds or mandate, or itself make, individual investment decisions except to the extent that El Paso retains the right under this Agreement to approve investments in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, in mutual funds that contain securities issued by Decommissioning Trustee (subject to the limitations elsewhere herein set forth), or in mutual funds that contain securities issued by El Paso, its subsidiaries or affiliates or their successors or assigns (subject to the limitations elsewhere herein set forth).

El Paso will regularly supply to Decommissioning Trustee and to each Fiduciary Investment Manager, and regularly update, essential information about Unit 2 including its description, useful life, the Decommissioning plan that El Paso intends to follow, El Paso's anticipated liquidity needs once Decommissioning begins, and any other information that Decommissioning Trustee and a Fiduciary Investment Manager need to construct and maintain, over time, a sound investment plan for the Funds.

SECTION 11. Irrevocability and Modification. This Agreement is irrevocable and may not be amended or modified except by a writing signed by the parties hereto and approved, to the extent required by Applicable Law, by applicable regulatory authority(s). The parties agree that they will execute any amendments requested by El Paso that are necessary to secure and maintain the qualification of the Decommissioning Trust Fund as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law and the deduction of contributions to such Fund as provided by such law, or to comply with Applicable Law.

Not in limitation of the foregoing, if and to the extent that, now or in the future, federal tax law may extend certain tax benefits to a trust fund or funds that are created and maintained by El Paso for creation of a reserve or funds for costs associated with Decommissioning (hereinafter in this Section 11 referred to as such "other trusts") which such other trusts would qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law, including without limitation, Internal Revenue Code section 468A, only if established and maintained pursuant to a single trust agreement for a particular nuclear power plant, the parties hereto, upon the creation of such other trusts may amend this Agreement by attaching hereto as an allonge the governing instruments by which such other trusts may be created. In such event, such other trusts shall be administered under the terms of this Agreement to the extent not inconsistent with the governing instruments by which such other trusts may be created and such other trusts shall thereafter be administered as separate funds under the terms of this Agreement.

SECTION 12. Obligation for Decommissioning. Nothing in this Agreement and no act or omission relating to the Funds shall be read, construed, understood, or interpreted to place any obligation whatsoever on Decommissioning Trustee or a Fiduciary Investment Manager relating to Decommissioning or any Decommissioning Cost, all of which shall at all times remain the sole obligation of El Paso.

SECTION 13. Governing Law. This Agreement shall be deemed to be a contract made in Texas for all purposes and shall be construed in accordance with and governed by the laws of such State, including the provisions of the Texas Trust Code, with respect to all matters of construction, validity, and performance.

SECTION 14. Resignation and Replacement of Decommissioning Trustee or Fiduciary Investment Manager.

(A) Decommissioning Trustee may resign at any time without cause by giving at least 30 days prior written notice to El Paso, and El Paso may remove Decommissioning Trustee at any time with or without cause by giving written notice to Decommissioning Trustee, such resignation or removal to be effective on the acceptance of appointment by a successor Decommissioning Trustee under this Section 14. In case of the resignation or removal of Decommissioning Trustee, El Paso may appoint a successor Decommissioning Trustee by an

instrument signed by El Paso. If a successor Decommissioning Trustee shall not have been appointed by El Paso within 30 days after the giving of such written notice of resignation or removal, Decommissioning Trustee or El Paso may apply to any court of competent jurisdiction to appoint a successor Decommissioning Trustee to act until such time, if any, as a successor Decommissioning Trustee shall have been appointed by El Paso and shall have accepted its appointment under this Section 14. Any successor Decommissioning Trustee so appointed by such court shall immediately and without further act be superseded by any successor Decommissioning Trustee appointed by El Paso as provided above.

(i) In appointing a Decommissioning Trustee, El Paso shall have the following duties which will be of a continuing nature:

- (a) a duty to determine whether Decommissioning Trustee's fee schedule for administering the trust is reasonable when compared to other institutional trustees rendering similar services;
- (b) a duty to investigate and determine whether the past administration of trusts by Decommissioning Trustee has been reasonable;
- (c) a duty to investigate and determine whether the financial stability and strength of Decommissioning Trustee is adequate;
- (d) a duty to investigate and determine whether Decommissioning Trustee is in compliance with the requirements of this Agreement; and
- (e) a duty to investigate any other factors which may bear on whether Decommissioning Trustee is suitable.

(ii) Any successor Decommissioning Trustee, however appointed, shall execute and deliver to the predecessor Decommissioning Trustee an instrument accepting such appointment, and thereupon such successor Decommissioning Trustee, without further act, shall become vested with all the estates, properties, rights, powers, duties, and trusts of the predecessor Decommissioning Trustee with like effect as if originally named as Decommissioning Trustee herein; and such predecessor Decommissioning Trustee shall duly assign, transfer, deliver, and pay over to such successor Decommissioning Trustee all moneys or other property then held by such predecessor Decommissioning Trustee upon the trusts expressed in this Agreement, shall do all acts necessary to vest title of record in such successor Decommissioning Trustee, and shall transfer and deliver to such successor Decommissioning Trustee copies of all records pertaining to the Funds and this Agreement. In addition, upon the written request of such successor Decommissioning Trustee, such predecessor Decommissioning Trustee shall execute and deliver to such successor Decommissioning Trustee an instrument transferring to such successor Decommissioning Trustee, upon the trusts expressed in this Agreement, all the estates, properties, rights, power, duties, and trusts of such predecessor Decommissioning Trustee.

(iii) Any successor Decommissioning Trustee, however appointed, shall be a bank or trust company with trust powers incorporated and doing business in the United

States of America and having net worth of at least \$150,000,000, if there be such an institution willing, able and legally qualified to perform the duties of Decommissioning Trustee hereunder upon reasonable or customary terms; provided however, that in calculating the \$150,000,000 net worth requirement, the net worth of the Decommissioning Trustee's parent corporation and/or affiliates may be taken into account only if such entities guarantee Decommissioning Trustee's responsibilities to the Funds.

(iv) Any corporation into which Decommissioning Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Decommissioning Trustee shall be a party, or any corporation to which substantially all the corporate trust business of Decommissioning Trustee may be transferred, shall, subject to the terms of subsection 14(A)(iii), be Decommissioning Trustee under this Agreement without further act.

(v) No successor Decommissioning Trustee (other than a successor by reason of an event described in Section 14(A)(iv)) shall be liable for any act, omission or breach of trust by a predecessor Decommissioning Trustee, whether or not such successor Decommissioning Trustee knows or should have known of such act, omission, or breach of trust, and shall have no duty to compel redress of any breach of trust by a predecessor Decommissioning Trustee.

(B) If a Fiduciary Investment Manager is appointed by El Paso hereunder, such appointment shall be made in writing; however, El Paso may not serve as a Fiduciary Investment Manager. A Fiduciary Investment Manager may resign at any time without cause by giving at least thirty (30) days prior written notice to El Paso, and El Paso may remove a Fiduciary Investment Manager at any time with or without cause by giving written notice to such Fiduciary Investment Manager. The resignation or removal of a Fiduciary Investment Manager is not conditioned on the acceptance of appointment by a successor Fiduciary Investment Manager under this Section 14; provided, however, that if a Fiduciary Investment Manager other than the Decommissioning Trustee resigns or is removed and is not replaced by El Paso, Decommissioning Trustee shall, at that time, assume all investment responsibilities of such Fiduciary Investment Manager.

(i) In appointing a Fiduciary Investment Manager, El Paso shall have the following duties which will be of a continuing nature:

- (a) a duty to determine whether such Fiduciary Investment Manager's fee schedule for investment management services is reasonable when compared to other such managers;
- (b) a duty to investigate and determine whether the past performance of such Fiduciary Investment Manager in managing investments has been reasonable;
- (c) a duty to investigate and determine whether the financial stability and strength of such Fiduciary Investment Manager is adequate for purposes of liability;

- (d) a duty to investigate and determine whether such Fiduciary Investment Manager is in compliance with the requirements of its investment management agreement and this Agreement as it relates to investments and to such Fiduciary Investment Manager; and
- (e) a duty to investigate any other factors which may bear on whether such Fiduciary Investment Manager is suitable.

SECTION 15. Successors and Assigns; Additional Parties. This Agreement shall be binding upon and inure to the benefit of each party and its successors and permitted assigns.

SECTION 16. Termination of Funds. If not otherwise terminated sooner in accordance with the terms of this Agreement, each Fund shall end on the earlier of (A) the date specified in a written agreement between El Paso and Decommissioning Trustee and (B) the date that is twenty-one (21) years less one day after the death of the last survivor of the descendants living on the Effective Date of this Agreement of Joseph P. Kennedy, the father of president John F. Kennedy. Upon such termination, all of the assets of the Funds shall be distributed to El Paso. Notwithstanding the foregoing provisions of this Section 16, if one or both of the Funds shall be or become valid under Applicable Law for a period subsequent to the date set out in Section 16(B) (or, without limiting the generality of the foregoing, if legislation shall become effective providing for the validity or permitting the creation of such a fund for a period in gross exceeding the period for which such Fund is hereinabove stated to extend and be valid), then such Fund shall not terminate as aforesaid but shall extend to and continue in effect until (but only if such nontermination and extension shall then be valid under Applicable Law) such time as such Fund shall, under Applicable Law, cease to be valid.

SECTION 17. Accountings; Tax Returns and Reports; Audits. Decommissioning Trustee shall keep accurate and detailed records and accounts of all investments, receipts, disbursements and other transactions of the Funds. All accounts, books, and records relating to the Funds shall be open to inspection and audit at all reasonable times by El Paso, its designee or an applicable governmental agency having jurisdiction over the Funds.

Within thirty (30) business days after the end of each calendar month and within thirty (30) business days after the close of each annual accounting period of each Fund, and as soon as reasonably practicable after the resignation or removal of a Decommissioning Trustee has become effective, Decommissioning Trustee shall furnish to El Paso a written account setting forth all (A) investments, receipts, disbursements, and other transactions effected by it during such month or year, as applicable, or during the part of the month or year to the date any such resignation or removal is effective, as applicable, and containing a description of all assets, including but not limited to all securities, purchased and sold (the description of the securities purchased must state the price at which each individual security was purchased), the cost or net proceeds of sale, and the securities and investments held at the end of such period, (B) the gains or losses realized by each Fund upon sales or other disposition of its assets, (C) the increase or decrease in the value of each Fund, (D) the fair market values of each Fund, and (E) the liabilities (excluding liability for Decommissioning) of the Funds incurred or unpaid at the end of such period. Within three (3) business days after the end of each calendar month and within three (3) business days after the close of each annual accounting period of each Fund, and as soon as reasonably practicable after the resignation or removal of a Decommissioning Trustee

has become effective, Decommissioning Trustee shall also provide El Paso secured web-based access to the information described in clauses (A) – (E) of this Section 17. The accounting shall also furnish El Paso such other information as Decommissioning Trustee may possess and as may be necessary for El Paso, Decommissioning Trustee and/or a Fiduciary Investment Manager to comply with any reporting requirements applicable to any of such parties and/or the Funds. If the fair market value of an asset in a Fund is not available, when necessary for accounting or reporting purposes the fair market value of the asset shall be determined in good faith by Decommissioning Trustee, assuming an orderly liquidation at the time of such determination. In addition, upon the written request of El Paso, which may be at any time and from time to time, Decommissioning Trustee shall provide El Paso the fair market value of the assets in a Fund as of a date other than the last day of a month or an annual accounting period of a Fund. If there is a disagreement between the Decommissioning Trustee, a Fiduciary Investment Manager and/or any other party as to any act or transaction reported in an accounting, Decommissioning Trustee or the Fiduciary Investment Manager, as applicable, shall have the right to have such disagreement settled by a court of competent jurisdiction. Decommissioning Trustee shall make such other reports as may be agreed upon in writing with El Paso.

Decommissioning Trustee shall retain its records and accountings related to the Funds as long as necessary for the proper administration thereof and at least for any period required by any applicable law, but with respect to each record and account for not less than six (6) years following the creation thereof.

El Paso shall have the right to cause the books, records, and accounts of Decommissioning Trustee that relate to the Funds to be examined and audited by independent auditors designated by El Paso at such times as El Paso may determine, and Decommissioning Trustee shall make such books, records, and accounts available for such purposes at all reasonable times.

El Paso shall, with the cooperation of Decommissioning Trustee, prepare or, upon agreement of Decommissioning Trustee, authorize Decommissioning Trustee to prepare, such tax returns and other reports for or with respect to each Fund as may be required from time to time by Applicable Law.

SECTION 18. Rights of Decommissioning Trustee.

(A) Decommissioning Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement or required by the Texas Trust Code, and no implied duties or obligations shall be read into this Agreement against Decommissioning Trustee except such as are required by the Texas Trust Code.

(B) Decommissioning Trustee shall not have any obligation to invest, manage, control, make any payment from, or otherwise deal with, the Funds except as expressly provided herein or in written guidelines or instructions received pursuant to the terms hereof.

(C) Decommissioning Trustee may rely and shall be protected in acting upon any certificate, statement, notice, or other writing believed by it to be genuine and to have been signed or presented by the proper party or parties, and unless it has actual knowledge to the contrary, Decommissioning Trustee shall not be bound to make any investigation into the facts or matters stated in any certificate, statement, notice, or other writing received by it.

(D) In the administration of the Funds hereunder, Decommissioning Trustee may execute any of the trusts or powers hereof and perform its powers and duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and employed by it, and Decommissioning Trustee shall not be liable for anything done or omitted by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons to the extent permitted by law and to the extent no such action or omission constitutes negligence or willful misconduct by Decommissioning Trustee.

(E) With respect to any obligation of El Paso hereunder to indemnify Decommissioning Trustee, Decommissioning Trustee shall look solely to El Paso and shall not have any lien upon the assets of the Funds to secure such obligation.

SECTION 19. Notices.

(A) Except as otherwise provided in this Agreement, all notices under this Agreement shall be in writing and be effective upon receipt if delivered by (1) hand, (2) certified or registered United States Mail postage prepaid, or (3) facsimile, provided that service by facsimile after 5:00 p.m. local time of the recipient shall be deemed delivered on the following business day, as follows:

If notice is to the Trustee:

Bank of America
Attention: El Paso Electric Company Relationship Manager
303 West Wall
P.O. Box 270
Midland, TX 79702-0270

If notice is to the Grantor:

El Paso Electric Company
Attention: Controller
123 W. Mills Avenue
El Paso, Texas 79901
Facsimile (915) 521-4772

and, if the notice is sent for the purposes described in Sections 5, 14(A), 14(B), and 19(B), with a copy to:

El Paso Electric Company
Office of the General Counsel
123 W. Mills Avenue
El Paso, Texas 79901
Facsimile (915) 521-4747

(B) Each person may change its address for purposes of notice under this Agreement

by notice complying with Section 20(A).

Any notice required under this Agreement may be waived in writing by the party entitled thereto.

SECTION 20. Counterpart Execution. This Agreement may be executed in any number of counterparts and by each of the parties hereto on separate counterparts; all such counterparts shall together constitute but one and the same instrument.

SECTION 21. Effective Date. This Agreement shall become effective on the "Effective Date" as defined herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as of the day and year above written.

EL PASO:

EL PASO ELECTRIC COMPANY

By: Scott Wilson
Title: Controller

DECOMMISSIONING TRUSTEE:

BANK OF AMERICA, N.A., a national banking association

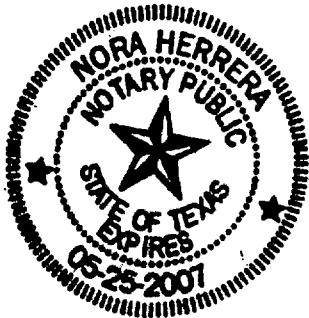
By: John R. Peterson
Title: Vice President

STATE OF TEXAS §
 § ss.
COUNTY OF EL PASO §

The foregoing instrument was acknowledged before me this 18th day of December by Scott Wilson, Controller of EL PASO ELECTRIC COMPANY, a Texas corporation, on behalf of said corporation.

Nora Herrera
Notary Public

My commission expires:
May 25, 2007

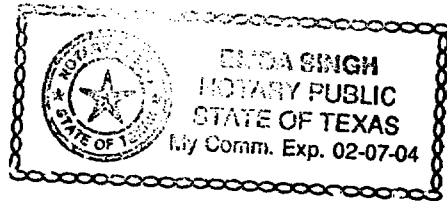


STATE OF TEXAS §
 § ss.
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 19th day of December, 2003 by John R. Peterson, Vice President of BANK OF AMERICA, N.A., a national banking association, on behalf of said association.

Elida Singh
Notary Public

My commission expires:
02-07-04



Appendix A
to
Decommissioning Trust Agreement
for Palo Verde Nuclear Generating Station
Unit 2

DEFINITION OF TERMS

ANPP Participation Agreement shall mean the Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended, among Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, Southern California Edison Company, Public Service Company of New Mexico, Southern California Public Power Authority, Department of Water and Power of The City of Los Angeles, and El Paso.

Applicable Law shall mean all applicable laws, statutes, treaties, rules, codes, ordinances, regulations, permits, certificates, orders, interpretations, licenses, and permits of any federal, state, county, municipal, foreign, international, regional, or other governmental authority, agency, board, body, instrumentality, or court, and judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator, or other judicial or quasi-judicial tribunal (including those pertaining to health, safety, the environment, or otherwise).

Applicable Tax Law shall mean Code Section 468A, any comparable subsequent provisions of the Code, the United States Treasury regulations promulgated under such section or provisions, and other provisions of the Code relating to the federal taxation of the Funds.

Code shall mean the Internal Revenue Code of 1986, as amended, or any successor law.

Decommissioning shall mean the decommissioning and retirement from service of Unit 2, and the related possession, maintenance, and disposal of material, radioactive or otherwise used in or produced by or relating to Unit 2, including, without limitation: (i) placement and maintenance in a state of protective storage; (ii) in-place entombment and maintenance; (iii) dismantlement; (iv) removal, decontamination and disposition of equipment and fixtures; (v) razing; (vi) removal and disposition of debris related to Unit 2 from the PVNGS Site; (vii) restoration of the PVNGS Site related to Unit 2 for unrestricted use; (viii) any other actions relating to decommissioning and retirement from service of Unit 2 required by the NRC; and (ix) all activities undertaken incident to the implementation thereof.

Decommissioning Cost shall mean El Paso's pro-rata share, under the ANPP Participation Agreement, of the greater of (i) the latest estimate of Termination Costs (as that term is defined by the ANPP Participation Agreement) for Unit 2 or (ii) the minimum amount required by the NRC to be funded for the decommissioning of Unit 2.

Deemed Distribution Amount shall mean an amount in the Decommissioning Trust Fund that is treated by Applicable Tax Law as having been distributed by reason of the disqualification of all or a part of such Fund.

Excess Contribution shall mean the amount by which cash payments made (or deemed made) by El Paso into the Decommissioning Trust Fund during any taxable year of El Paso exceeds the payment limitation imposed by Applicable Tax Law.

Expenses shall mean: (a) in the case of the Decommissioning Trust Fund, (i) the tax imposed by Code Section 468A(e)(2); (ii) any state or local tax imposed on the income or the assets of such Fund; and (iii) legal, accounting, and actuarial fees and expenses, trustee's fees and expenses, and all other ordinary administrative costs and incidental expenses, incurred by Decommissioning Trustee, a Fiduciary Investment Manager, or El Paso in connection with the operation of such Fund, but in each case only to the extent permitted by Code Section 468A(e)(4)(B) or other Applicable Tax Law to be paid from the assets of a "Nuclear Decommissioning Reserve Fund," as that term is used in Applicable Tax Law; and (b) in the case of the Second Fund, (i) any federal, state, or local tax actually paid by El Paso with respect to the income or the assets of such Fund including a payment to El Paso of the federal income tax (at the statutory rate) with respect to the taxable income of such Fund required to be included on El Paso's federal income tax return; and (ii) legal, accounting and actuarial expenses, trustee's fees and expenses, and all other ordinary administrative costs and incidental expenses, incurred by Decommissioning Trustee, a Fiduciary Investment Manager, or El Paso in connection with the operation of such Fund; provided, however, Expenses shall not include taxes on or with respect to fees paid to Decommissioning Trustee or a Fiduciary Investment Manager and taxes that Code Section 4951 requires be paid by Decommissioning Trustee.

Fiduciary Investment Manager shall mean any institution or professional appointed by El Paso, other than Decommissioning Trustee, who is responsible for the investment and reinvestment of the Funds.

License shall mean NRC Facility Operating License No. NPF-41, issued December 31, 1984, as the same may be amended, modified, extended, renewed or superseded from time to time.

NRC shall mean the Nuclear Regulatory Commission of the United States of America or any successor agency.

PVNGS shall mean the Palo Verde Nuclear Generating Station, which is located on the PVNGS Site.

PVNGS Site shall mean the real property located in Maricopa County, Arizona, approximately 36 miles west of the City of Phoenix, Arizona and approximately 16 miles west of the City of Buckeye, Arizona, which legal description is contained in Appendix B to the ANPP Participation Agreement.

Qualified Investments shall mean investments that meet the intent, standards, liabilities, and general and specific requirements and conditions on investments as set forth in Section 7 herein.

Unit 2 shall mean the 1,270 megawatt unit, commonly known as Unit 2, at PVNGS.

DECOMMISSIONING TRUST AGREEMENT

Dated as of December 18, 2003

copy

between

EL PASO ELECTRIC COMPANY

and

BANK OF AMERICA, N.A.

As Decommissioning Trustee

for

Palo Verde Unit 3

**DECOMMISSIONING TRUST AGREEMENT
FOR PALO VERDE NUCLEAR GENERATING STATION
UNIT 3**

This Decommissioning Trust Agreement (the "**Agreement**"), to be effective as of December 24, 2003 (the "**Effective Date**"), between Bank of America, N.A., a national banking association ("**Decommissioning Trustee**") and El Paso Electric Company, a Texas corporation ("**El Paso**").

The Nuclear Regulatory Commission ("**NRC**"), an agency of the United States of America, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations codified in Title 10, Chapter 1 of the Code of Federal Regulations, Part 50, as amended. These regulations, applicable to El Paso, require that each holder of a license issued pursuant thereto must provide assurance that funds will be available for Decommissioning.

El Paso and others entered into the Arizona Nuclear Power Project Participation Agreement executed as of August 23, 1973 (the "**ANPP Participation Agreement**"). Amendment 13 to the ANPP Participation Agreement, effective June 15, 1991, requires El Paso to establish and maintain funds for the accumulation, over a period not in excess of the remaining term of the operating license for Unit 3 and the period thereafter until completion of Decommissioning, of funds sufficient to pay Decommissioning Cost.

In addition, El Paso is required by the Public Utility Commission of Texas ("**PUCT**"), the New Mexico Public Regulation Commission ("**NMPRC**"), the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission to establish a source of funds to pay for Decommissioning.

Under Applicable Tax Law, certain federal income tax benefits are available to El Paso from establishing and making contributions to a "Nuclear Decommissioning Reserve Fund" for Unit 3. In order to satisfy its obligations under the ANPP Participation Agreement, to comply with the requirements of the governmental authorities referred to above, and to obtain such federal income tax benefits, on April 1, 1986, El Paso entered into a Decommissioning Trust Agreement, which was amended by Amendment No. 1 dated September 1, 1991 (the "**Original Agreement**"), creating two decommissioning trust funds to provide external funds for Decommissioning, for purposes of this Agreement designated as the Decommissioning Trust Fund and the Second Fund. The Decommissioning Trust Fund is intended at all times to qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law.

On January 9, 1996, in Cause No. 92-10148-FM, styled *In re: El Paso Electric Company*, the United States Bankruptcy Court for the Western District of Texas (Austin Division) entered an order confirming the Fourth Amended Plan of Reorganization of El Paso (the "**Plan**"). In accordance with the Plan, which became effective on February 12, 1996, El Paso and Decommissioning Trustee restated and amended the Original Agreement to ensure that the Decommissioning Trust Fund and the Second Fund would continue to be held, managed and distributed, without interruption, in accordance with the terms of the Original Agreement, Applicable Law, and Applicable Tax Law.

This Agreement, in turn, amends and restates the Original Agreement, as restated and amended effective February 12, 1996, to read in its entirety as follows and continues the Decommissioning Trust Fund and the Second Fund.

Therefore, in consideration of the foregoing premises, the acceptance by Decommissioning Trustee of the trusts created, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto restate and amend the Original Agreement, as restated and amended effective February 12, 1996, as follows:

SECTION 1. Definitions; References to Sections. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth in Appendix A hereto. Unless otherwise stated, references to a "Section" are to a section of this Agreement.

SECTION 2. Creation of Trust Funds. El Paso has established and hereby confirms the establishment with Decommissioning Trustee of the Decommissioning Trust Fund and the Second Fund (each a "Fund" and together the "Funds"). Each Fund shall include: (A) all cash and investments thereof, as more specifically described in Section 7; (B) all dividends, interest, cash, instruments, and other property from time to time received, receivable, or otherwise distributed or distributable in respect of or in exchange for any or all such investments; (C) all rights and privileges with respect to such investments; and (D) all proceeds of any of the foregoing and any property of any character whatsoever into which any of the foregoing may be converted.

SECTION 3. Purpose of Trust Funds; Tax Qualification. The Funds are for the accumulation and funding of amounts to pay costs, liabilities, and expenses of Decommissioning, including the accumulation, over a period not in excess of the remaining term of the operating license for Unit 3 and the period thereafter until completion of Decommissioning, of amounts which are sufficient to pay Decommissioning Cost. The Decommissioning Trust Fund, but not the Second Fund, is intended at all times to qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law. El Paso and the applicable Fiduciary Investment Manager(s), if any, and Decommissioning Trustee (but with respect to Decommissioning Trustee only as to those assets of the Funds that are not under the direction of a Fiduciary Investment Manager) shall seek to obtain the best possible tax treatment of amounts collected for nuclear plant decommissioning; and in this regard, El Paso and the applicable Fiduciary Investment Manager(s), if any, and Decommissioning Trustee (but with respect to Decommissioning Trustee only as to those assets of the Funds that are not under the direction of a Fiduciary Investment Manager) shall take maximum advantage of tax deductions and credits when it is consistent with sound business practices to do so. The assets of the Decommissioning Trust Fund must be used as authorized by section 468A of the Code and shall be used exclusively:

(A) subject to the limitations and conditions of Section 9, to satisfy, in whole or in part, El Paso's obligation to pay for Decommissioning;

(B) subject to the limitations and conditions of Section 8, to pay Expenses; and

(C) to the extent not currently required for the uses described in (A) and (B) above, and subject to the limitations and conditions of Section 7, for investment in Qualified Investments.

The Funds shall be used exclusively for Decommissioning of Unit 3. This Agreement may not be amended so as to violate section 468A of the Code or the regulations there under.

SECTION 4. Declaration and Acceptance of Trust. Decommissioning Trustee accepts the trusts created hereby and declares that it will hold and administer all estate, right, title, and interest in and to each Fund upon the trusts set forth herein, but only on the terms of this Agreement, and agrees to receive and disburse all moneys and investments constituting any part of each Fund in accordance with this Agreement. No implied duties or obligations shall be read into this Agreement against Decommissioning Trustee. Decommissioning Trustee shall not commit any act, enter into any transaction, or permit any act or transaction to occur that is an "act of self dealing" between the Decommissioning Trust Fund and "a disqualified person" as those terms are defined by Applicable Tax Law, and, if such an act occurs, Decommissioning Trustee shall promptly take all necessary steps to correct it as soon as it has knowledge of the occurrence.

SECTION 5. Ownership of Funds. Not in limitation of its fiduciary duty hereunder, title to any and all property held in each Fund shall be held by Decommissioning Trustee in its name as trustee as owner of record. At all times, Decommissioning Trustee shall follow the directives of (A) the applicable Fiduciary Investment Manager, if any, with respect to exercising any and all corresponding voting, consensual, and other rights accruing to the owner of such property in connection with such property, and, except as provided in this subsection 5.(A), (B) El Paso with respect to exercising any and all such voting, consensual, and other rights. Decommissioning Trustee shall have the right, in its name, as trustee upon prior written notice to El Paso, to settle, compromise, prosecute, or defend any action, claim, or proceeding with respect to any and all property held in each Fund. Subject to the provisions of this Agreement, Decommissioning Trustee may sell, assign, endorse, pledge, transfer, and make any agreement respecting, or otherwise deal with, any and all property held in each Fund; provided, however, that except as required by Section 7, nothing herein contained shall be construed as requiring or obligating Decommissioning Trustee to make any inquiry as to the nature or sufficiency of any payment received by it, to present or file any claim or notice, or to take any action with respect to any of the property held in each Fund. It is not the duty of Decommissioning Trustee or a Fiduciary Investment Manager to ensure that the Funds are adequate to pay for Decommissioning.

SECTION 6. Payments into the Funds. From time to time, but not less than yearly, El Paso shall pay amounts into one or both of the Funds. El Paso may deposit all or any part of any payment entirely into the Decommissioning Trust Fund, entirely into the Second Fund, or partly into each in whatever proportion El Paso shall determine in its discretion; except that, if a deduction is allowed under Applicable Tax Law for payments into the Decommissioning Trust Fund, El Paso shall not make, and Decommissioning Trustee shall not accept, any payment into such Fund unless such payment (a) is in cash, to the extent Applicable Tax Law requires the payment to be in cash, and (b) complies with the amount limitation imposed by Applicable Tax Law and a deduction pursuant to Applicable Tax Law is allowed for the entire payment. Decommissioning Trustee may accept from El Paso, as proof that these conditions are satisfied, a certificate executed by El Paso as to compliance with the amount limitation and deductibility of such payment, and, unless Decommissioning Trustee has actual knowledge to the contrary, Decommissioning Trustee may rely on such certificate without further inquiry or verification.

SECTION 7. Investment of Funds.

(A) Decommissioning Trustee. Any amounts held by Decommissioning Trustee in each Fund shall be invested and reinvested by it from time to time, but only in Qualified Investments; provided, however, if El Paso has delivered to Decommissioning Trustee a copy of an order of a state or federal regulatory agency that El Paso certifies is binding on El Paso and limits the investments in which all or a part of either Fund may be invested, the investment of such Fund shall not violate such order. A Fiduciary Investment Manager appointed by El Paso may direct investments and reinvestments of the Funds by written direction which shall certify that the directed investment qualifies as an investment in Qualified Investments and is within the limitation set forth in the preceding sentence. Decommissioning Trustee may rely upon such direction and certification without further inquiry or verification unless Decommissioning Trustee has actual knowledge that the directed investment does not satisfy the conditions and limitations of this Section 7.

In performing its duties and exercising its powers as Decommissioning Trustee hereunder, and in performing any investment management functions hereunder, Decommissioning Trustee shall comply with the following:

(i) it shall add all income, including interest, earned on the corpus of each Fund to such corpus as a part thereof, and shall owe the same duties with regard to such income as it owes with regard to such corpus;

(ii) it shall have the continuing duty to review the assets of each Fund to determine the appropriateness of the investments consistent with all terms, provisions and limitations of this Agreement, including without limitation to ensure compliance with the provisions of the investment guidelines of this Section 7, any order of a state or regulatory agency limiting investments that El Paso has delivered and certified to Decommissioning Trustee as provided above, and any other applicable governing regulations;

(iii) it shall not lend all or any part of either Fund to itself or to any of its officers or directors or permit any act of "self-dealing" prohibited by Applicable Tax Law;

(iv) it shall not invest or reinvest amounts in either Fund with, or in any instrument or security issued by, itself or any of its officers or directors, except that, if El Paso directs it to do so in writing, it may invest or reinvest amounts in the Funds in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, and except that, if El Paso directs it to do so in writing, it may invest amounts in the Funds in mutual funds that contain securities issued by Decommissioning Trustee provided such securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment;

(v) it shall not invest or reinvest amounts in either Fund with, or in any instrument or security issued by, El Paso, its subsidiaries or affiliates or their successors or assigns, except that, if El Paso approves in writing, it may invest or reinvest amounts in the Funds in mutual funds that contain securities issued by El Paso provided such

securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment; and

(vi) Notwithstanding anything to the contrary in this Agreement, if directed by El Paso, Decommissioning Trustee shall hold and maintain one or both of the Funds in a segregated account and invest and administer such Fund(s) separately from the assets of Decommissioning Trustee or other trusts.

(B) Fiduciary Investment Manager. Any amount of each Fund directed to be invested by a Fiduciary Investment Manager shall be invested and reinvested by Decommissioning Trustee as directed by such Fiduciary Investment Manager from time to time, but only in Qualified Investments; provided, however, if El Paso has delivered to a Fiduciary Investment Manager a copy of an order of a state or federal regulatory agency that El Paso certifies is binding on El Paso and limits the investments in which all or a part of a Fund may be invested, the investment of such Fund shall not violate such order. A Fiduciary Investment Manager appointed by El Paso may direct investments and reinvestments of the Funds by written direction which shall certify that the directed investment qualifies as an investment in Qualified Investments and is within the limitation set forth in the preceding sentence. Decommissioning Trustee may rely upon such written direction and certification without further inquiry or verification unless Decommissioning Trustee has actual knowledge that the directed investment does not satisfy the conditions and limitations of this Section 7.

In performing its duties and exercising its powers as a Fiduciary Investment Manager hereunder, a Fiduciary Investment Manager shall comply with the following:

(i) it shall direct the addition of all income, including interest, earned on the corpus of each Fund subject to its direction to such corpus as a part thereof, and shall owe the same duties with regard to such income as it owes with regard to such corpus;

(ii) it shall have a continuing duty to review the assets of each Fund subject to its direction to determine the appropriateness of the investments consistent with all terms, provisions and limitations of this Agreement, including without limitation to ensure compliance with the provisions of the investment guidelines of this Section 7, any order of a state or regulatory agency limiting investments that El Paso has delivered to such Fiduciary Investment Manager as hereinabove provided and any other applicable governing regulations;

(iii) it shall not direct the lending of all or any part of either Fund to itself or to any of its officers or directors or permit any act of "self-dealing" prohibited by Applicable Tax Law;

(iv) it shall not direct the investment or reinvestment of amounts in either Fund with, or in any instrument or security issued by, itself or any of its officers or directors;

(v) it shall not invest or reinvest amounts in either Fund with, or in any instrument or security issued by, Decommissioning Trustee or any of Decommissioning Trustee's officers or directors, except that, if El Paso directs it to do so in writing, it may invest or reinvest amounts in the Funds in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, and except that, if El Paso directs it to do

so in writing, it may invest amounts in the Funds in mutual funds that contain securities issued by Decommissioning Trustee provided such securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment;

(vi) it shall not direct the investment or reinvestment of amounts in either Fund with, or in any instrument or security issued by El Paso, its subsidiaries or affiliates or associates or their successors or assigns of El Paso, except that, if El Paso approves in writing, it may direct the investment or reinvestment of amounts in the Funds in mutual funds that contain securities issued by El Paso provided such securities constitute no more than five percent (5%) of the fair market value of the assets of such mutual funds at the time of the investment; and

(vii) it shall provide Decommissioning Trustee directives concerning voting, consensual, and other rights and powers accruing in connection with assets of the Funds subject to such Fiduciary Investment Manager's direction.

(C) General. It is the intent of El Paso that neither Decommissioning Trustee nor a Fiduciary Investment Manager shall have any powers that are greater than those provided to trustees under the Texas Trust Code or that are inconsistent with the limitations that are set out in this Section 7.

(D) Investments Standards. To the extent not inconsistent with the other provisions of this Section 7 and to the extent that Decommissioning Trustee does not currently require the assets of the Funds for the purpose of satisfying the liability of El Paso for Decommissioning and to pay Expenses:

(i) Decommissioning Trustee shall, in connection with investing and reinvesting assets of the Funds, exercise the same standard of care that a reasonable person would exercise in the same circumstances; provided, however, that this subsection 7.(D)(i) shall apply only as to those assets of the Funds that are not subject to the direction of a Fiduciary Investment Manager; and

(ii) a Fiduciary Investment Manager appointed to direct the investment and reinvestment of all or any portion of the assets of the Funds shall, with respect to such assets subject to its direction, exercise the same degree of care that a reasonable person would exercise in the same circumstances.

For purposes of this subsection entitled "Investment Standards", a "reasonable person" means a prudent investor as described in Chapter 117, Uniform Prudent Investor Act, of the Texas Property Code.

(E) Qualified Investments. Qualified Investments include those investments meeting the investment standards, limitations, conditions, and requirements prescribed in the foregoing subsections of this Section 7 and the following criteria which may be amended by El Paso upon written notice to Decommissioning Trustee and each Fiduciary Investment Manager.

(i) Investment Portfolio Goals. The Funds shall be invested consistent with the goals set forth in this subsection 7.(E)(i).

- (a) Assets of the Decommissioning Trust Fund shall be invested only as permitted for a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law.
- (b) Assets of the Funds shall be invested with a goal of earning a reasonable return commensurate with the need to preserve the value of the assets of the Funds.
- (c) In keeping with prudent investment practices, the portfolio of securities held in the Funds shall be diversified to the extent reasonably feasible given the size of the Funds.
- (d) Asset allocation and the acceptable risk level of the assets of the Funds should take into account market conditions, the time horizon remaining before the commencement and completion of Decommissioning, and the funding status of the Funds. While maintaining an acceptable risk level consistent with the goal referenced in subsection 7.(E)(i)(b) of this Section 7, the investment emphasis when the remaining life of the liability, as defined in subsection 7.(E)(ii)(d)(4) of this subsection, exceeds five years should be to maximize net long-term earnings. The investment emphasis in the remaining investment period of the Funds should be on current income and the preservation of each Fund's assets.
- (e) In selecting investments, the impact of the investment on the volatility and expected return of the assets of the Funds, net of fees, commissions, expenses, and taxes should be considered.

(ii) **General Requirements.** The restrictions contained in this subsection 7.(E)(ii) apply to the Decommissioning Trust Fund and Second Fund in the aggregate. For purposes of this subsection 7.(E)(ii), a commingled funds is defined as a professionally managed investment fund of fixed-income or equity securities established by an investment company regulated by the Securities Exchange Commission or a bank regulated by the Office of the Comptroller of the Currency.

- (a) **Diversification.** For the purpose of this subsection 7.(E)(ii)(a), a commingled or mutual fund is not considered a security; rather, the diversification standard applies to all securities, including the individual securities held in commingled or mutual funds. Once the portfolio of securities (including those held in commingled or mutual funds) held in the Funds contains securities with an aggregate value in excess of \$20 million, it shall be diversified such that:
 - (1) no more than five percent (5%) of the securities held may be issued by one entity, with the exception of the federal government, its agencies and instrumentalities; and

- (2) the portfolio shall contain at least 20 different issues of securities, and municipal securities and real estate investments shall be diversified as to geographic region.
- (b) Derivatives. The use of derivative securities in the Funds is limited to those whose purpose is to enhance returns of the Funds without a corresponding increase in risk or to reduce risk of the assets of the Funds. Derivatives may not be used to increase the value of the assets of the Funds by any amount greater than the value of the underlying securities. Prohibited derivative securities include, but are not limited to, mortgage strips; inverse floating rate securities; leveraged investments or internally leveraged securities; residual and support tranches of collateralized mortgage obligations; tiered index bonds or other structured notes whose return characteristics are tied to non-market events; uncovered call/put options; large counter-party risk through over-the-counter options, forwards and swaps; and instruments with similar high-risk characteristics.
- (c) Leverage. The use of leverage (borrowing) to purchase securities or the purchase of securities on margin for a Fund is prohibited.
- (d) Investment limits in equity securities. The following investment limits shall apply to the percentage of the aggregate market value of all non-fixed income investments relative to the total portfolio market value:
- (1) except as noted in subsection 7.(E)(2)(b), when the weighted average remaining life of the liability exceeds 5 years, the equity cap shall be sixty percent (60%);
 - (2) when the weighted average remaining life of the liability ranges between 5 years and 2.5 years, the equity cap shall be thirty percent (30%). Additionally, during all years in which expenditures for Decommissioning occur, the equity cap shall also be thirty percent (30%);
 - (3) when the weighted average remaining life of the liability is less than 2.5 years, the equity cap shall be zero percent (0%);
 - (4) for purposes of this subsection 7.(E)(ii)(4), the weighted average remaining life in any given year is defined as the weighted average of years between the given year and the years of each Decommissioning outlay, where the weights are based on each year's expected Decommissioning expenditures divided by the amount of the remaining liability in that year; and

- (5) should the market value of non-fixed income investments, measured monthly, exceed the appropriate cap due to market fluctuations, the market value of the non-fixed income investments shall be reduced below the cap as soon as practicable. Such reductions may be accomplished by investing all future contributions to a Fund in debt securities as is necessary to reduce the market value of the non-fixed income investments below the cap, or if prudent, by the sale of equity securities.

(iii) **Specific Investment Restrictions.** The restrictions contained in this subsection 7.(E)(iii). apply to the Decommissioning Trust Fund and the Second Fund in the aggregate.

- (a) **Fixed-income investments.** Assets of the Funds shall not be invested in corporate or municipal debt securities that have a bond rating below investment grade "BBB-" by Standard & Poor's Corporation or "Baa3" by Moody's Investor's Service) at the time that the securities are purchased. If the debt rating of a company or municipality issuing the particular debt security falls below investment grade at some time after the security was purchased, the appropriateness of continuing to hold such security shall be reexamined. The overall portfolio of debt instruments shall have a quality level, measured quarterly not below an "AA" grade by Standard & Poor's Corporation or "Aa2" by Moody's Investor's Service. In calculating the quality of the overall portfolio, debt securities issued by the federal government shall be considered as having an "AAA" rating.

(b) **Equity Investments.**

- (1) At least seventy percent (70%) of the aggregate market value of the equity assets of the Funds, including the individual securities in commingled funds, shall have a quality ranking from a major rating service such as the earnings and dividend ranking for common stock by Standard and Poor's or the quality rating of Ford Investor Services. Further, the overall portfolio of ranked equities shall have a weighted average quality rating equivalent to the composite rating of the Standard and Poor's 500 Index assuming equal weighting of each ranked security in the Index. If the quality rating, measured quarterly, falls below the minimum quality standard, the quality level of the equity assets of the Funds shall be increased to the required level as soon as is practicable and prudent: and
- (2) assets of the Funds shall not be invested in equity securities if the issuer has a capitalization of less than \$100 million.

- (c) **Commingled funds.** The following guidelines shall apply to the investments made through commingled funds. Examples of commingled funds appropriate for investment by nuclear decommissioning trust funds include United States equity-indexed funds, actively managed United States equity funds, balanced funds, bond funds, real estate investment trusts, and international funds.
- (1) The commingled funds should be selected consistent with the investment goals specified in subsection 7.(E)(i) and the general requirements in subsection 7.(E)(ii);
 - (2) in evaluating the appropriateness of a particular commingled fund, the following duties shall be of a continuing nature:
 - (I) a duty to determine whether the fund manager's fee schedule for managing the fund is reasonable, when compared to fee schedules of other such managers;
 - (II) a duty to investigate and determine whether the past performance of the investment manager in managing the commingled fund has been reasonable relative to prudent investment and utility decommissioning trust practices and standards; and
 - (III) a duty to investigate the reasonableness of the net after-tax return and risk of the commingled fund relative to similar funds, and the appropriateness of the commingled fund within all of the assets of the Funds;
 - (3) the payment of load fees shall be avoided; and
 - (4) commingled funds focused on specific market sectors or concentrated in a few holdings shall be used only as necessary to balance the Funds' overall investment portfolio mix.

Notwithstanding any other provision of this Section 7, nothing in this Section 7 shall be construed to permit any investment otherwise prohibited by any other provision of this Agreement, Applicable Law, or Applicable Tax Law. This Agreement and the investments of the Funds shall be interpreted and construed in a manner consistent with the parties' intention that this Agreement and the Funds at all times comply with all requirements of the Nuclear Regulatory Commission and other applicable governmental regulations and rules, including without limitation the rules of the PUCT, the NMPRC, and the Federal Energy Regulatory Commission, including but not limited to the "Final Rule" regarding the formation, organization and purposes of nuclear plant decommissioning trust funds and for fund investments issued June 16, 1995, as may be amended from time to time.

SECTION 8. Expenses; Indemnification. El Paso shall pay all Expenses and, subject to Section 9.(D), may direct Decommissioning Trustee, in writing, to pay specified Expenses of a Fund from such Fund. El Paso shall certify in writing to Decommissioning Trustee whether and the extent to which an item is an Expense of a specified Fund and whether Applicable Tax Law permits its payment out of the assets of the Fund; and Decommissioning Trustee may, unless it has actual knowledge to the contrary, rely upon such certification without further inquiry or verification.

Except to the extent Decommissioning Trustee has actual knowledge to the contrary, Decommissioning Trustee shall be fully protected in relying upon the existence of any fact or state of facts represented to it in writing by El Paso or a duly appointed Fiduciary Investment Manager.

Except with respect to liability or fiduciary responsibility for any error or loss that may result by reason of the exercise or non-exercise of the duties, obligations, and/or fiduciary responsibility which are allocated to Decommissioning Trustee herein which is determined to be the result of Decommissioning Trustee's own negligence or willful misconduct, El Paso shall indemnify Decommissioning Trustee, directly from El Paso's own assets (including the proceeds of any insurance policy the premiums of which are paid from El Paso's own assets), from and against any and all claims, demands, losses, damages, expenses (including, by way of illustration and not limitation, reasonable attorneys' fees and other legal and litigation costs), judgments, and liabilities arising from, out of, or in connection with the administration or investment of the Funds. Decommissioning Trustee shall not be liable for any action taken by Decommissioning Trustee or any failure to act by Decommissioning Trustee if the action taken or the failure to act was directed by El Paso or a Fiduciary Investment Manager, if Decommissioning Trustee reasonably relied on such direction. This Section 8 shall survive the termination of this Agreement.

SECTION 9. Payments and Distributions from the Funds.

(A) Subject to the other provisions of this Section 9, Decommissioning Trustee shall make payments out of the Funds upon presentation by El Paso of (A) a certificate signed by El Paso (i) instructing Decommissioning Trustee to disburse amounts in the Funds in a manner designated in such certificate for purposes of paying for Decommissioning and (ii) certifying that disbursements, if any, directed to be made from assets of the Decommissioning Trust Fund are for payment of only those costs, liabilities, and expenses of Decommissioning that qualify as "nuclear decommissioning costs" under Applicable Tax law, and (B) documentation reasonably acceptable to Decommissioning Trustee that such payment for Decommissioning is due and payable.

(B) Upon termination of the Decommissioning Trust Fund under Applicable Tax Law, El Paso may direct Decommissioning Trustee to transfer all property remaining in the Decommissioning Trust Fund to El Paso for disbursement or distribution as may then be provided by law. In addition, upon its receipt of a certificate signed by El Paso certifying that Decommissioning has been completed under Applicable Law and all costs of Decommissioning have been paid in full, all property then held in both Funds shall be paid by Decommissioning Trustee to El Paso for disbursement or distribution as may then be provided by law and the Funds shall terminate.

(C) At any time and from time to time El Paso may direct Decommissioning Trustee in writing to, and upon receipt of such direction Decommissioning Trustee shall, subject to the applicable provisions of Section 9.(D), distribute to El Paso for disbursement or distribution as then may be provided or permitted by law or transfer from the Decommissioning Trust Fund to the Second Fund any:

(i) Deemed Distribution Amount that El Paso certifies in writing is deemed distributed under Applicable Tax Law;

(ii) Excess Contribution that El Paso certifies in writing (a) has occurred under Applicable Tax Law, and (b) is being transferred within the time permitted for withdrawal or transfer of such Excess Contribution by Applicable Tax Law; and

(iii) amount that El Paso certifies in writing may be transferred to the Second Fund in accordance with Applicable Law and Applicable Tax Law by reason of the disposition of all or a part of El Paso's interest in or license to possess Unit 3.

(D) Notwithstanding any other provision in this Agreement, except for (i) payments made under Section 8 for Expenses, (ii) to the extent allowed by Applicable Law, Deemed Distribution Amounts and Excess Contributions transferred to the Second Fund or distributed to El Paso under Section 9.(C), and (iii) withdrawals made pursuant to 10 C.F.R. 50.82(a)(8) no disbursement or payment from the Funds shall be made unless (a) thirty (30) business days prior written notice of the intention to make such disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, and the Director, Office of Nuclear Material Safety and Safeguards, and (b) Decommissioning Trustee has not received written notice of an objection during such thirty (30) day period from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards,. The notices required by this Section 9.(D) may be made by or on behalf of Decommissioning Trustee.

(E) Unless Decommissioning Trustee has actual knowledge to the contrary, Decommissioning Trustee shall be fully protected in relying upon any certificate described in Section 9 without further inquiry or verification.

SECTION 10. Further Assurances. El Paso agrees that it will, at its sole expense, do all such further acts and things and execute and deliver all such additional conveyances, assignments, agreements, and instruments, as may be necessary or desirable or as Decommissioning Trustee may at any time reasonably request in connection with the administration and enforcement of this Agreement, or relative to the Funds or any part thereof, or in order to assure and confirm unto Decommissioning Trustee its rights, powers, and remedies hereunder.

El Paso may provide general investment policies in writing to Decommissioning Trustee or a Fiduciary Investment Manager, but may not engage in the day-to-day management of the Funds or mandate, or itself make, individual investment decisions except to the extent that El Paso retains the right under this Agreement to approve investments in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, in mutual funds that contain securities issued by Decommissioning Trustee (subject to the limitations elsewhere herein set forth), or in mutual funds that contain securities issued by El Paso, its subsidiaries or affiliates or their successors or assigns (subject to the limitations elsewhere herein set forth).

El Paso will regularly supply to Decommissioning Trustee and to each Fiduciary Investment Manager, and regularly update, essential information about Unit 3 including its description, useful life, the Decommissioning plan that El Paso intends to follow, El Paso's anticipated liquidity needs once Decommissioning begins, and any other information that Decommissioning Trustee and a Fiduciary Investment Manager need to construct and maintain, over time, a sound investment plan for the Funds.

SECTION 11. Irrevocability and Modification. This Agreement is irrevocable and may not be amended or modified except by a writing signed by the parties hereto and approved, to the extent required by Applicable Law, by applicable regulatory authority(s). The parties agree that they will execute any amendments requested by El Paso that are necessary to secure and maintain the qualification of the Decommissioning Trust Fund as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law and the deduction of contributions to such Fund as provided by such law, or to comply with Applicable Law.

Not in limitation of the foregoing, if and to the extent that, now or in the future, federal tax law may extend certain tax benefits to a trust fund or funds that are created and maintained by El Paso for creation of a reserve or funds for costs associated with Decommissioning (hereinafter in this Section 11 referred to as such "other trusts") which such other trusts would qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law, including without limitation, Internal Revenue Code section 468A, only if established and maintained pursuant to a single trust agreement for a particular nuclear power plant, the parties hereto, upon the creation of such other trusts may amend this Agreement by attaching hereto as an allonge the governing instruments by which such other trusts may be created. In such event, such other trusts shall be administered under the terms of this Agreement to the extent not inconsistent with the governing instruments by which such other trusts may be created and such other trusts shall thereafter be administered as separate funds under the terms of this Agreement.

SECTION 12. Obligation for Decommissioning. Nothing in this Agreement and no act or omission relating to the Funds shall be read, construed, understood, or interpreted to place any obligation whatsoever on Decommissioning Trustee or a Fiduciary Investment Manager relating to Decommissioning or any Decommissioning Cost, all of which shall at all times remain the sole obligation of El Paso.

SECTION 13. Governing Law. This Agreement shall be deemed to be a contract made in Texas for all purposes and shall be construed in accordance with and governed by the laws of such State, including the provisions of the Texas Trust Code, with respect to all matters of construction, validity, and performance.

SECTION 14. Resignation and Replacement of Decommissioning Trustee or Fiduciary Investment Manager.

(A) Decommissioning Trustee may resign at any time without cause by giving at least 30 days prior written notice to El Paso, and El Paso may remove Decommissioning Trustee at any time with or without cause by giving written notice to Decommissioning Trustee, such resignation or removal to be effective on the acceptance of appointment by a successor Decommissioning Trustee under this Section 14. In case of the resignation or removal of Decommissioning Trustee, El Paso may appoint a successor Decommissioning Trustee by an

instrument signed by El Paso. If a successor Decommissioning Trustee shall not have been appointed by El Paso within 30 days after the giving of such written notice of resignation or removal, Decommissioning Trustee or El Paso may apply to any court of competent jurisdiction to appoint a successor Decommissioning Trustee to act until such time, if any, as a successor Decommissioning Trustee shall have been appointed by El Paso and shall have accepted its appointment under this Section 14. Any successor Decommissioning Trustee so appointed by such court shall immediately and without further act be superseded by any successor Decommissioning Trustee appointed by El Paso as provided above.

(i) In appointing a Decommissioning Trustee, El Paso shall have the following duties which will be of a continuing nature:

- (a) a duty to determine whether Decommissioning Trustee's fee schedule for administering the trust is reasonable when compared to other institutional trustees rendering similar services;
- (b) a duty to investigate and determine whether the past administration of trusts by Decommissioning Trustee has been reasonable;
- (c) a duty to investigate and determine whether the financial stability and strength of Decommissioning Trustee is adequate;
- (d) a duty to investigate and determine whether Decommissioning Trustee is in compliance with the requirements of this Agreement; and
- (e) a duty to investigate any other factors which may bear on whether Decommissioning Trustee is suitable.

(ii) Any successor Decommissioning Trustee, however appointed, shall execute and deliver to the predecessor Decommissioning Trustee an instrument accepting such appointment, and thereupon such successor Decommissioning Trustee, without further act, shall become vested with all the estates, properties, rights, powers, duties, and trusts of the predecessor Decommissioning Trustee with like effect as if originally named as Decommissioning Trustee herein; and such predecessor Decommissioning Trustee shall duly assign, transfer, deliver, and pay over to such successor Decommissioning Trustee all moneys or other property then held by such predecessor Decommissioning Trustee upon the trusts expressed in this Agreement, shall do all acts necessary to vest title of record in such successor Decommissioning Trustee, and shall transfer and deliver to such successor Decommissioning Trustee copies of all records pertaining to the Funds and this Agreement. In addition, upon the written request of such successor Decommissioning Trustee, such predecessor Decommissioning Trustee shall execute and deliver to such successor Decommissioning Trustee an instrument transferring to such successor Decommissioning Trustee, upon the trusts expressed in this Agreement, all the estates, properties, rights, power, duties, and trusts of such predecessor Decommissioning Trustee.

(iii) Any successor Decommissioning Trustee, however appointed, shall be a bank or trust company with trust powers incorporated and doing business in the United

States of America and having net worth of at least \$150,000,000, if there be such an institution willing, able and legally qualified to perform the duties of Decommissioning Trustee hereunder upon reasonable or customary terms; provided however, that in calculating the \$150,000,000 net worth requirement, the net worth of the Decommissioning Trustee's parent corporation and/or affiliates may be taken into account only if such entities guarantee Decommissioning Trustee's responsibilities to the Funds.

(iv) Any corporation into which Decommissioning Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Decommissioning Trustee shall be a party, or any corporation to which substantially all the corporate trust business of Decommissioning Trustee may be transferred, shall, subject to the terms of subsection 14(A)(iii), be Decommissioning Trustee under this Agreement without further act.

(v) No successor Decommissioning Trustee (other than a successor by reason of an event described in Section 14(A)(iv)) shall be liable for any act, omission or breach of trust by a predecessor Decommissioning Trustee, whether or not such successor Decommissioning Trustee knows or should have known of such act, omission, or breach of trust, and shall have no duty to compel redress of any breach of trust by a predecessor Decommissioning Trustee.

(B) If a Fiduciary Investment Manager is appointed by El Paso hereunder, such appointment shall be made in writing; however, El Paso may not serve as a Fiduciary Investment Manager. A Fiduciary Investment Manager may resign at any time without cause by giving at least thirty (30) days prior written notice to El Paso, and El Paso may remove a Fiduciary Investment Manager at any time with or without cause by giving written notice to such Fiduciary Investment Manager. The resignation or removal of a Fiduciary Investment Manager is not conditioned on the acceptance of appointment by a successor Fiduciary Investment Manager under this Section 14; provided, however, that if a Fiduciary Investment Manager other than the Decommissioning Trustee resigns or is removed and is not replaced by El Paso, Decommissioning Trustee shall, at that time, assume all investment responsibilities of such Fiduciary Investment Manager.

(i) In appointing a Fiduciary Investment Manager, El Paso shall have the following duties which will be of a continuing nature:

- (a) a duty to determine whether such Fiduciary Investment Manager's fee schedule for investment management services is reasonable when compared to other such managers;
- (b) a duty to investigate and determine whether the past performance of such Fiduciary Investment Manager in managing investments has been reasonable;
- (c) a duty to investigate and determine whether the financial stability and strength of such Fiduciary Investment Manager is adequate for purposes of liability;

- (d) a duty to investigate and determine whether such Fiduciary Investment Manager is in compliance with the requirements of its investment management agreement and this Agreement as it relates to investments and to such Fiduciary Investment Manager; and
- (e) a duty to investigate any other factors which may bear on whether such Fiduciary Investment Manager is suitable.

SECTION 15. Successors and Assigns; Additional Parties. This Agreement shall be binding upon and inure to the benefit of each party and its successors and permitted assigns.

SECTION 16. Termination of Funds. If not otherwise terminated sooner in accordance with the terms of this Agreement, each Fund shall end on the earlier of (A) the date specified in a written agreement between El Paso and Decommissioning Trustee and (B) the date that is twenty-one (21) years less one day after the death of the last survivor of the descendants living on the Effective Date of this Agreement of Joseph P. Kennedy, the father of president John F. Kennedy. Upon such termination, all of the assets of the Funds shall be distributed to El Paso. Notwithstanding the foregoing provisions of this Section 16, if one or both of the Funds shall be or become valid under Applicable Law for a period subsequent to the date set out in Section 16(B) (or, without limiting the generality of the foregoing, if legislation shall become effective providing for the validity or permitting the creation of such a fund for a period in gross exceeding the period for which such Fund is hereinabove stated to extend and be valid), then such Fund shall not terminate as aforesaid but shall extend to and continue in effect until (but only if such nontermination and extension shall then be valid under Applicable Law) such time as such Fund shall, under Applicable Law, cease to be valid.

SECTION 17. Accountings; Tax Returns and Reports; Audits. Decommissioning Trustee shall keep accurate and detailed records and accounts of all investments, receipts, disbursements and other transactions of the Funds. All accounts, books, and records relating to the Funds shall be open to inspection and audit at all reasonable times by El Paso, its designee or an applicable governmental agency having jurisdiction over the Funds.

Within thirty (30) business days after the end of each calendar month and within thirty (30) business days after the close of each annual accounting period of each Fund, and as soon as reasonably practicable after the resignation or removal of a Decommissioning Trustee has become effective, Decommissioning Trustee shall furnish to El Paso a written account setting forth all (A) investments, receipts, disbursements, and other transactions effected by it during such month or year, as applicable, or during the part of the month or year to the date any such resignation or removal is effective, as applicable, and containing a description of all assets, including but not limited to all securities, purchased and sold (the description of the securities purchased must state the price at which each individual security was purchased), the cost or net proceeds of sale, and the securities and investments held at the end of such period, (B) the gains or losses realized by each Fund upon sales or other disposition of its assets, (C) the increase or decrease in the value of each Fund, (D) the fair market values of each Fund, and (E) the liabilities (excluding liability for Decommissioning) of the Funds incurred or unpaid at the end of such period. Within three (3) business days after the end of each calendar month and within three (3) business days after the close of each annual accounting period of each Fund, and as soon as reasonably practicable after the resignation or removal of a Decommissioning Trustee

has become effective, Decommissioning Trustee shall also provide El Paso secured web-based access to the information described in clauses (A) – (E) of this Section 17. The accounting shall also furnish El Paso such other information as Decommissioning Trustee may possess and as may be necessary for El Paso, Decommissioning Trustee and/or a Fiduciary Investment Manager to comply with any reporting requirements applicable to any of such parties and/or the Funds. If the fair market value of an asset in a Fund is not available, when necessary for accounting or reporting purposes the fair market value of the asset shall be determined in good faith by Decommissioning Trustee, assuming an orderly liquidation at the time of such determination. In addition, upon the written request of El Paso, which may be at any time and from time to time, Decommissioning Trustee shall provide El Paso the fair market value of the assets in a Fund as of a date other than the last day of a month or an annual accounting period of a Fund. If there is a disagreement between the Decommissioning Trustee, a Fiduciary Investment Manager and/or any other party as to any act or transaction reported in an accounting, Decommissioning Trustee or the Fiduciary Investment Manager, as applicable, shall have the right to have such disagreement settled by a court of competent jurisdiction. Decommissioning Trustee shall make such other reports as may be agreed upon in writing with El Paso.

Decommissioning Trustee shall retain its records and accountings related to the Funds as long as necessary for the proper administration thereof and at least for any period required by any applicable law, but with respect to each record and account for not less than six (6) years following the creation thereof.

El Paso shall have the right to cause the books, records, and accounts of Decommissioning Trustee that relate to the Funds to be examined and audited by independent auditors designated by El Paso at such times as El Paso may determine, and Decommissioning Trustee shall make such books, records, and accounts available for such purposes at all reasonable times.

El Paso shall, with the cooperation of Decommissioning Trustee, prepare or, upon agreement of Decommissioning Trustee, authorize Decommissioning Trustee to prepare, such tax returns and other reports for or with respect to each Fund as may be required from time to time by Applicable Law.

SECTION 18. Rights of Decommissioning Trustee.

(A) Decommissioning Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement or required by the Texas Trust Code, and no implied duties or obligations shall be read into this Agreement against Decommissioning Trustee except such as are required by the Texas Trust Code.

(B) Decommissioning Trustee shall not have any obligation to invest, manage, control, make any payment from, or otherwise deal with, the Funds except as expressly provided herein or in written guidelines or instructions received pursuant to the terms hereof.

(C) Decommissioning Trustee may rely and shall be protected in acting upon any certificate, statement, notice, or other writing believed by it to be genuine and to have been signed or presented by the proper party or parties, and unless it has actual knowledge to the contrary, Decommissioning Trustee shall not be bound to make any investigation into the facts or matters stated in any certificate, statement, notice, or other writing received by it.

(D) In the administration of the Funds hereunder, Decommissioning Trustee may execute any of the trusts or powers hereof and perform its powers and duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and employed by it, and Decommissioning Trustee shall not be liable for anything done or omitted by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons to the extent permitted by law and to the extent no such action or omission constitutes negligence or willful misconduct by Decommissioning Trustee.

(E) With respect to any obligation of El Paso hereunder to indemnify Decommissioning Trustee, Decommissioning Trustee shall look solely to El Paso and shall not have any lien upon the assets of the Funds to secure such obligation.

SECTION 19. Notices.

(A) Except as otherwise provided in this Agreement, all notices under this Agreement shall be in writing and be effective upon receipt if delivered by (1) hand, (2) certified or registered United States Mail postage prepaid, or (3) facsimile, provided that service by facsimile after 5:00 p.m. local time of the recipient shall be deemed delivered on the following business day, as follows:

If notice is to the Trustee:

Bank of America
Attention: El Paso Electric Company Relationship Manager
303 West Wall
P.O. Box 270
Midland, TX 79702-0270

If notice is to the Grantor:

El Paso Electric Company
Attention: Controller
123 W. Mills Avenue
El Paso, Texas 79901
Facsimile (915) 521-4772

and, if the notice is sent for the purposes described in Sections 5, 14(A), 14(B), and 19(B), with a copy to:

El Paso Electric Company
Office of the General Counsel
123 W. Mills Avenue
El Paso, Texas 79901
Facsimile (915) 521-4747

(B) Each person may change its address for purposes of notice under this Agreement

by notice complying with Section 20(A).

Any notice required under this Agreement may be waived in writing by the party entitled thereto.

SECTION 20. Counterpart Execution. This Agreement may be executed in any number of counterparts and by each of the parties hereto on separate counterparts; all such counterparts shall together constitute but one and the same instrument.

SECTION 21. Effective Date. This Agreement shall become effective on the "Effective Date" as defined herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as of the day and year above written.

EL PASO:

EL PASO ELECTRIC COMPANY

By: Sott Wilson
Title: Controller

DECOMMISSIONING TRUSTEE:

BANK OF AMERICA, N.A., a national banking association

By: John R. Peterson
Title: Vice President

STATE OF TEXAS §
 § ss.
COUNTY OF EL PASO §

The foregoing instrument was acknowledged before me this 18th day of December by Sott Wilson, Controller of EL PASO ELECTRIC COMPANY, a Texas corporation, on behalf of said corporation.

Nora Herrera
Notary Public

My commission expires:
May 25, 2007



Appendix A
to
Decommissioning Trust Agreement
for Palo Verde Nuclear Generating Station
Unit 3

DEFINITION OF TERMS

ANPP Participation Agreement shall mean the Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended, among Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, Southern California Edison Company, Public Service Company of New Mexico, Southern California Public Power Authority, Department of Water and Power of The City of Los Angeles, and El Paso.

Applicable Law shall mean all applicable laws, statutes, treaties, rules, codes, ordinances, regulations, permits, certificates, orders, interpretations, licenses, and permits of any federal, state, county, municipal, foreign, international, regional, or other governmental authority, agency, board, body, instrumentality, or court, and judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator, or other judicial or quasi-judicial tribunal (including those pertaining to health, safety, the environment, or otherwise).

Applicable Tax Law shall mean Code Section 468A, any comparable subsequent provisions of the Code, the United States Treasury regulations promulgated under such section or provisions, and other provisions of the Code relating to the federal taxation of the Funds.

Code shall mean the Internal Revenue Code of 1986, as amended, or any successor law.

Decommissioning shall mean the decommissioning and retirement from service of Unit 3, and the related possession, maintenance, and disposal of material, radioactive or otherwise used in or produced by or relating to Unit 3, including, without limitation: (i) placement and maintenance in a state of protective storage; (ii) in-place entombment and maintenance; (iii) dismantlement; (iv) removal, decontamination and disposition of equipment and fixtures; (v) razing; (vi) removal and disposition of debris related to Unit 3 from the PVNGS Site; (vii) restoration of the PVNGS Site related to Unit 3 for unrestricted use; (viii) any other actions relating to decommissioning and retirement from service of Unit 3 required by the NRC; and (ix) all activities undertaken incident to the implementation thereof.

Decommissioning Cost shall mean El Paso's pro-rata share, under the ANPP Participation Agreement, of the greater of (i) the latest estimate of Termination Costs (as that term is defined by the ANPP Participation Agreement) for Unit 3 or (ii) the minimum amount required by the NRC to be funded for the decommissioning of Unit 3.

Deemed Distribution Amount shall mean an amount in the Decommissioning Trust Fund that is treated by Applicable Tax Law as having been distributed by reason of the disqualification of all or a part of such Fund.

Excess Contribution shall mean the amount by which cash payments made (or deemed made) by El Paso into the Decommissioning Trust Fund during any taxable year of El Paso exceeds the payment limitation imposed by Applicable Tax Law.

Expenses shall mean: (a) in the case of the Decommissioning Trust Fund, (i) the tax imposed by Code Section 468A(e)(2); (ii) any state or local tax imposed on the income or the assets of such Fund; and (iii) legal, accounting, and actuarial fees and expenses, trustee's fees and expenses, and all other ordinary administrative costs and incidental expenses, incurred by Decommissioning Trustee, a Fiduciary Investment Manager, or El Paso in connection with the operation of such Fund, but in each case only to the extent permitted by Code Section 468A(e)(4)(B) or other Applicable Tax Law to be paid from the assets of a "Nuclear Decommissioning Reserve Fund," as that term is used in Applicable Tax Law; and (b) in the case of the Second Fund, (i) any federal, state, or local tax actually paid by El Paso with respect to the income or the assets of such Fund including a payment to El Paso of the federal income tax (at the statutory rate) with respect to the taxable income of such Fund required to be included on El Paso's federal income tax return; and (ii) legal, accounting and actuarial expenses, trustee's fees and expenses, and all other ordinary administrative costs and incidental expenses, incurred by Decommissioning Trustee, a Fiduciary Investment Manager, or El Paso in connection with the operation of such Fund; provided, however, Expenses shall not include taxes on or with respect to fees paid to Decommissioning Trustee or a Fiduciary Investment Manager and taxes that Code Section 4951 requires be paid by Decommissioning Trustee.

Fiduciary Investment Manager shall mean any institution or professional appointed by El Paso, other than Decommissioning Trustee, who is responsible for the investment and reinvestment of the Funds.

License shall mean NRC Facility Operating License No. NPF-41, issued December 31, 1984, as the same may be amended, modified, extended, renewed or superseded from time to time.

NRC shall mean the Nuclear Regulatory Commission of the United States of America or any successor agency.

PVNGS shall mean the Palo Verde Nuclear Generating Station, which is located on the PVNGS Site.

PVNGS Site shall mean the real property located in Maricopa County, Arizona, approximately 36 miles west of the City of Phoenix, Arizona and approximately 16 miles west of the City of Buckeye, Arizona, which legal description is contained in Appendix B to the ANPP Participation Agreement.

Qualified Investments shall mean investments that meet the intent, standards, liabilities, and general and specific requirements and conditions on investments as set forth in Section 7 herein.

Unit 3 shall mean the 1,270 megawatt unit, commonly known as Unit 3, at PVNGS.

SCE 2004 Annual Funding Status Report

SCE reports that its Master Trust Agreement was amended December 23, 2003.
A copy of the amendment is enclosed.

AMENDMENT NO. 1

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

WHEREAS, the California Public Utilities Commission, the Southern California Edison Company, and Mellon Bank, N.A. (the "Parties") have executed the 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 (the "Master Trust Agreement") and the Parties desire to amend the Master Trust Agreement;

NOW, THEREFORE, the Master Trust Agreement is amended as provided herein below effective December 23, 2003.

The introductory text of Article II is amended to read as follows:

II. DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Master Trust as provided in this Article II. Except for payments or disbursements made pursuant to Section 2.01 or as otherwise permitted under paragraph 50.82(a)(8) of Title 10 of the Code of Federal Regulations, no disbursement or payment may be made from the Master Trust until written

notice of the intention to make disbursement or payment has been given to the Nuclear Regulatory Commission Director of the Office of Nuclear Regulation, or Director of the Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 1 effective December 23, 2003.

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: Walt Aher
Title: Executive Director

SOUTHERN CALIFORNIA EDISON COMPANY

By: [Signature]
Title: SVP & CFO

Attest: [Signature]
Title: Secretary

MELLON BANK, N.A.

By: Paul R. Kraus
Title: VP

Attest: [Signature]
Title: TRUST OFFICER

PNM 2004 Annual Funding Status Report

PNM reports that its Master Trust Agreement was amended December 16, 2003.
A copy of the amendment is enclosed.

**AMENDMENT NUMBER TWO
TO THE
PUBLIC SERVICE COMPANY OF NEW MEXICO
MASTER DECOMMISSIONING TRUST AGREEMENT
FOR
PALO VERDE NUCLEAR GENERATING STATION**

*To DEC
Carolyn
Winton
1/15/04*

This Amendment Number Two to the Public Service Company of New Mexico Master Decommissioning Trust Agreement for Palo Verde Nuclear Generating Station (the "Agreement") made this 16th day of December, 2003, by and between Public Service Company of New Mexico, a corporation organized and existing under the laws of the State of New Mexico (the "Company"), and Mellon Bank, N.A., a national banking association having trust powers (the "Trustee").

WITNESSETH:

WHEREAS, the Company entered into the Agreement with the Trustee on March 15, 1996 to satisfy the Company's obligation to accumulate funds for the payment of its share of Termination Costs for Palo Verde Unit 1, Palo Verde Unit 2 and Palo Verde Unit 3, in accordance with the requirements of Section 8A.7.2 of the ANPP Participation Agreement; and

WHEREAS, the Company and Trustee amended the Agreement on January 24, 1997; and

WHEREAS, the Company is subject to regulation by the Nuclear Regulatory Commission ("NRC"); and

WHEREAS, the NRC has issued amendments (the "NRC Amendments") to its regulations relating to disbursements or payments, as published in the *Federal Register* and to become effective on December 24, 2003; and

WHEREAS, Section 2.11 of the Agreement allows the Trustee and the Company to amend the Agreement consistent with the purposes of the Agreement; and

WHEREAS, it is appropriate at this time to amend the Agreement to conform to the NRC Amendments prior to the NRC deadline.

NOW THEREFORE, the Company and the Trustee hereby amend the Agreement, as amended, to include said amendments to NRC regulations:

1. The following Paragraph (5) shall be added to Section 2.01:

Notwithstanding anything to the contrary in this Agreement, except for (i) payments of ordinary administrative costs (including taxes) and other

incidental expenses of the Funds (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the Funds, (ii) withdrawals being made under 10 CFR 50.82(a)(8), and (iii) transfers between Qualified and Nonqualified Funds in accordance with the provisions of this Agreement, no disbursement or payment may be made from the Funds until written notice of the intention to make a disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment. The disbursement or payment from the Funds, if it is otherwise in compliance with the terms and conditions of this Agreement, may be made following the 30-working day notice period if no written notice of objection from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, is received by the Trustee or the Company within the notice period. The required notice may be made by the Trustee or on the Trustee's behalf. This Paragraph 2.01(5) is intended to qualify each and every provision of this Agreement allowing distributions from the Funds, and in the event of any conflict between any such provision and this Paragraph, this Paragraph shall control.

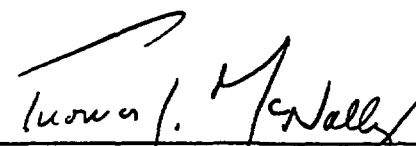
2. Except as set forth herein, the Agreement is hereby ratified and confirmed and remains in full force and effect.
3. Each of the parties represents and warrants to the other parties that it has full authority to enter into this Amendment upon the terms and conditions hereof and that the individual executing this Amendment on its behalf has the requisite authority to bind the respective parties to this Amendment.

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have hereunto set their hands and seals as of the day and year first above written.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: 
Name: Terry R. Horn
Title: Vice President & Treasurer

MELLON BANK, N.A.

By: 
Name: THOMAS J. McNALLY
Title: VICE PRESIDENT

SCPPA 2004 Annual Funding Status Report

SCPPA reports that its Master Trust Agreement was amended November 1, 2003.
A copy of the amendment is enclosed.

**AMENDMENT NO. 2
TO DECOMMISSIONING TRUST FUND
AGREEMENT I**

By and Between

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY,
as Grantor**

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

This Amendment No. 2 to Decommissioning Trust Fund Agreement I is entered into as of November 1, 2003, by and between Southern California Public Power Authority (the "Authority" or the "Grantor"), a public entity organized pursuant to the laws of the State of California, and U.S. Bank National Association, a national banking association having trust powers and organized under the laws of the United States, as successor Trustee (the "Trustee").

WHEREAS, the Authority and the Trustee have heretofore entered into a Decommissioning Trust Fund Agreement I dated as of July 13, 1990 (as amended by Amendment No. 1 to Decommissioning Trust Fund Agreement I dated October 27, 1992, the "Decommissioning Trust Fund Agreement I");

WHEREAS, the Authority has determined that it is necessary and desirable to enter into this Amendment No. 2 to Decommissioning Trust Fund Agreement I to better conform such Agreement to new amendments to the federal regulations of the United States Nuclear Regulatory Commission relating to decommissioning trust funds for nuclear power plants.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the parties agree as follows:

SECTION 1. The Decommissioning Trust Fund Agreement I is hereby amended to add the following new Section 2.08 thereto, as follows:


2.08 Notice of Withdrawals from Trust Fund. Notwithstanding anything to the contrary in this Agreement, except for payments for administrative costs (including taxes) and other incidental expenses of the Trust Fund (including legal, accounting, actuarial, and Trustee expenses) in connection with the operation of the Trust Fund, no disbursements or payments from the Trust Fund shall be made: (1) unless 30 working days prior written notice of such disbursement or payment has been made by the Grantor or the Trustee to the NRC or (2) if the Trustee receives written notice of an objection from the NRC's Director of the Office of Nuclear Reactor Regulation or the Director of the Office of Nuclear Material Safety and Safeguards, as applicable, to such disbursement or payment; provided, however, that the foregoing shall not apply if the Grantor is making a withdrawal pursuant to Section 50.82(a)(8) of the Regulations (or any successor section of the Regulations). If the Trustee receives such a notice of objection from the NRC, then the Trustee shall immediately provide to the Grantor a copy of the written objection, and the Grantor shall take such actions, if any, as it determines appropriate with respect to such notice of objection. Written notices of disbursement or payment made as described above shall include the name and address of the Trustee and the name of a contact person at the Trustee. In addition, if the Trustee is uncertain as to whether a proposed disbursement or payment is exempt from the restrictions on disbursements or payments from the Trust Fund, then upon the written request of the Trustee to the Grantor, the Grantor shall provide to the Trustee such information or certifications as are reasonably requested by the Trustee.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 to Decommissioning Trust Fund Agreement I by their duly authorized officers on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

SOUTHERN CALIFORNIA PUBLIC
POWER AUTHORITY

By: 
Authorized Officer

By: 
President

Attest: 
Secretary

**AMENDMENT NO. 2
TO DECOMMISSIONING TRUST FUND
AGREEMENT II**

By and Between

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY,
as Grantor**

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

This Amendment No. 2 to Decommissioning Trust Fund Agreement II is entered into as of November 1, 2003, by and between Southern California Public Power Authority (the "Authority" or the "Grantor"), a public entity organized pursuant to the laws of the State of California, and U.S. Bank National Association, a national banking association having trust powers and organized under the laws of the United States, as successor Trustee (the "Trustee").

WHEREAS, the Authority and the Trustee have heretofore entered into a Decommissioning Trust Fund Agreement II dated as of July 13, 1990 (as amended by Amendment No. 1 to Decommissioning Trust Fund Agreement II dated October 27, 1992, the "Decommissioning Trust Fund Agreement II");

WHEREAS, the Authority has determined that it is necessary and desirable to enter into this Amendment No. 2 to Decommissioning Trust Fund Agreement II to better conform such Agreement to new amendments to the federal regulations of the United States Nuclear Regulatory Commission relating to decommissioning trust funds for nuclear power plants.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the parties agree as follows:

SECTION 1. The Decommissioning Trust Fund Agreement II is hereby amended to add the following new Section 2.08 thereto, as follows:

2.08 Notice of Withdrawals from Trust Fund. Notwithstanding anything to the contrary in this Agreement, except for payments for administrative costs (including taxes) and other incidental expenses of the Trust Fund (including legal, accounting, actuarial, and Trustee expenses) in connection with the operation of the Trust Fund; no disbursements or payments from the Trust Fund shall be made: (1) unless 30 working days prior written notice of such disbursement or payment has been made by the Grantor or the Trustee to the NRC or (2) if the Trustee receives written notice of an objection from the NRC's Director of the Office of Nuclear Reactor Regulation or the Director of the Office of Nuclear Material Safety and Safeguards, as applicable, to such disbursement or payment; provided, however, that the foregoing shall not apply if the Grantor is making a withdrawal pursuant to Section 50.82(a)(8) of the Regulations (or any successor section of the Regulations). If the Trustee receives such a notice of objection from the NRC, then the Trustee shall immediately provide to the Grantor a copy of the written objection, and the Grantor shall take such actions, if any, as it determines appropriate with respect to such notice of objection. Written notices of disbursement or payment made as described above shall include the name and address of the Trustee and the name of a contact person at the Trustee. In addition, if the Trustee is uncertain as to whether a proposed disbursement or payment is exempt from the restrictions on disbursements or payments from the Trust Fund, then upon the written request of the Trustee to the Grantor, the Grantor shall provide to the Trustee such information or certifications as are reasonably requested by the Trustee.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 to Decommissioning Trust Fund Agreement II by their duly authorized officers on the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: 
Authorized Officer

SOUTHERN CALIFORNIA PUBLIC
POWER AUTHORITY

By: 
President

Attest: 
Secretary

LADWP 2004 Annual Funding Status Report

LADWP reports that its Master Trust Agreement was amended February 4, 2004.
A copy of the amendment is enclosed.

**AMENDMENT NO. 2 TO THE
DECOMMISSIONING TRUST FUND AGREEMENT II**

This Amendment No. 2 to Decommissioning Trust Fund Agreement II is entered into between the City of Los Angeles acting by and through the Los Angeles Department of Water and Power ("LADWP"), and U.S. Bank National Association, a national banking association having trust powers and organized under the laws of the United States, as successor trustee (the "Trustee").

WHEREAS, LADWP and Security Pacific National Bank, as predecessor trustee, entered into a Decommissioning Trust Fund Agreement II dated as of July 17, 1990 (as amended by Amendment No. 1 to Decommissioning Trust Fund Agreement II dated February 20, 1991, the "Decommissioning Trust Fund Agreement II") to establish a trust fund to provide financial assurance required by the United States Nuclear Regulatory Commission and the Arizona Nuclear Power Project Participation Agreement for decommissioning activities with respect to LADWP's interest in the Palo Verde Nuclear Generating Station; and

WHEREAS, U.S. Bank National Association is the successor by merger to U.S. Bank Trust National Association, successor trustee to Bank of America National Trust and Savings Association, successor by merger to Security Pacific National Bank; and

WHEREAS, LADWP has determined that it is necessary and desirable to enter into this Amendment No. 2 to Decommissioning Trust Fund Agreement II to better conform such Agreement to new amendments to the federal regulations of the United States Nuclear Regulatory Commission relating to decommissioning trust funds for nuclear power plants, to reflect the current addresses for delivery of any notices required under the Agreement, and to update the Agreement to better conform with LADWP's business policies.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. Section 2.01.b is amended to read as follows:

2.01.b Disbursements. The Trustee shall apply amounts on deposit in the Trust Fund to the payment or reimbursement of Decommissioning Costs upon receipt by the Trustee of a Certificate stating with respect to each application for payment: (1) The name and address of the person to whom payment is due, which may be LADWP; (2) the amount of money to be paid; (3) that the obligation to be paid is a Decommissioning Cost; (4) that such payment is in accordance with the Decommissioning Plan; and (5) whether notice to the NRC of such payment, pursuant to Section 2.09 hereof, is required or has previously been made.

2. Section 2.09 is added to read as follows:

2.09 Notice of Withdrawals from Trust Fund. Notwithstanding anything to the contrary in this Agreement, except for payments for administrative costs (including taxes) and other incidental expenses of the Trust Fund (including

legal, accounting, actuarial, and Trustee expenses) in connection with the operation of the Trust Fund, no disbursements or payments from the Trust Fund shall be made: (1) unless 30 working days prior written notice of such disbursement or payment has been made by LADWP or the Trustee to the NRC or (2) if the Trustee receives written notice of an objection from the NRC's Director of the Office of Nuclear Reactor Regulation or the Director of the Office of Nuclear Material Safety and Safeguards, as applicable, to such disbursement or payment; provided, however, that the foregoing shall not apply if LADWP is making a withdrawal pursuant to Section 50.82(a)(8) of the Regulations (or any successor section of the Regulations). If the Trustee receives such a notice of objection from the NRC, then the Trustee shall immediately provide to LADWP a copy of the written objection, and LADWP shall take such actions, if any, as it determines appropriate with respect to such notice of objection. Written notices of disbursement or payment made as described above shall include the name and address of the Trustee and the name of a contact person at the Trustee.

3. Section 8.06 is amended to read as follows:

8.06 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to LADWP or the Trustee shall be personally delivered, sent by overnight courier, telecommunicated, or mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to LADWP:

Los Angeles Department of Water and Power
111 North Hope Street, Room 456
Los Angeles, CA 90012
Attention: Chief Financial Officer
Fax: (213) 367-3909

If to the Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Corporate Trust Services
Fax: (213) 615-6196

LADWP or the Trustee may change its address, or add additional addresses for notices to be given to it hereunder by delivering notice thereof in writing to the other party.

4. Section 8.13 is amended to read as follows:

8.13 Affirmative Action Plan. The Trustee shall comply with the Los Angeles City Affirmative Action requirements for non-construction contractors, in accordance with Trustee's affirmative action plan on file with and approved by the Office of Contract Compliance of said City.

5. Section 8.14 is amended to read as follows:

8.14 Service Contract Worker Retention and Living Wage Policy. The Trustee is subject to the Service Contractor Worker Retention Ordinance and the Living Wage Ordinance of the Los Angeles Administrative Code. The Ordinances require that, unless specific exemptions apply, employers who are awarded service contracts that involve expenditures in excess of \$25,000 and have a duration of at least three months shall comply with the provisions of the Ordinances.

6. Section 8.15 is added to read as follows:

8.15 Child Support Policy. The Trustee must comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code. The Trustee must certify that such compliance will be maintained throughout the term of this Agreement.

7. This Amendment No. 2 and Decommissioning Trust Fund Agreement II, as amended on February 20, 1991, represents the complete agreement of the parties with respect to the subject matter thereof, and supercedes all prior agreements and understandings with respect to such subject matter.
8. Except as provided herein, Decommissioning Trust Fund Agreement II, as amended on February 20, 1991, shall remain in full force and effect.
9. Each party was represented by legal counsel during the negotiation and execution of this Amendment No. 2.
10. The Signatories hereto represent that they have been appropriately authorized to enter this Amendment No. 2 on behalf of the Party for whom they signed.
11. Effective Date. This Amendment shall be effective upon execution by the parties to this Amendment.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 to Decommissioning Trust Fund Agreement II on _____, 2003.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES

By

BOARD OF WATER AND POWER COMMISSIONERS
OF THE CITY OF LOS ANGELES

Dated: _____

APPROVED AS TO FORM AND LEGALITY
ROCKARD J. DELGADILLO, CITY ATTORNEY

OCT 16 2003

BY *L. A. Chu*
PAK A. CHU
Deputy City Attorney

By: *David H. Wiggs*
David H. Wiggs, General Manager

And *James C. Parks*
Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated: February 4, 2004

By: *Linda Verstuyft*
Linda Verstuyft
Vice President

AUTHORIZED BY RES. 004 130
DEC 0 2 2003

REQUIRES CITY COUNCIL
APPROVAL

AMENDMENT NO. 2 TO THE DECOMMISSIONING TRUST FUND AGREEMENT I

This Amendment No. 2 to Decommissioning Trust Fund Agreement I is entered into between the City of Los Angeles acting by and through the Los Angeles Department of Water and Power ("LADWP"), and U.S. Bank National Association, a national banking association having trust powers and organized under the laws of the United States, as successor trustee (the "Trustee").

WHEREAS, LADWP and Security Pacific National Bank, as predecessor trustee, entered into a Decommissioning Trust Fund Agreement I dated as of July 17, 1990 (as amended by Amendment No. 1 to Decommissioning Trust Fund Agreement I dated February 20, 1991, the "Decommissioning Trust Fund Agreement I") to establish a trust fund to provide financial assurance required by the United States Nuclear Regulatory Commission and the Arizona Nuclear Power Project Participation Agreement for decommissioning activities with respect to LADWP's interest in the Palo Verde Nuclear Generating Station; and

WHEREAS, U.S. Bank National Association is the successor by merger to U.S. Bank Trust National Association, successor trustee to Bank of America National Trust and Savings Association, successor by merger to Security Pacific National Bank; and

WHEREAS, LADWP has determined that it is necessary and desirable to enter into this Amendment No. 2 to Decommissioning Trust Fund Agreement I to better conform such Agreement to new amendments to the federal regulations of the United States Nuclear Regulatory Commission relating to decommissioning trust funds for nuclear power plants, to reflect the current addresses for delivery of any notices required under the Agreement, and to update the Agreement to better conform with LADWP's business policies.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. Section II, Dispositive Provisions, 1.01 is renumbered as 2.01 and shall read as follows:

2.01 Payment of Decommissioning Costs. The Trustee shall make payments of the Decommissioning Costs in accordance with the procedures described below.

- a. **Authorized Representative.** LADWP shall promptly notify the Trustee in writing of (a) the identity of its Authorized Representatives, and (b) the termination of any Authorized Representative's authority. The Trustee shall have no duty to inquire into or investigate the continued authority of such persons to act as the Authorized Representative
- b. **Disbursements.** The Trustee shall apply amounts on deposit in the Trust Fund to the payment or reimbursement of Decommissioning Costs upon receipt by the Trustee of a Certificate stating with respect to each application for payment: (1) The name and address of the person to whom payment is due, which may be LADWP; (2) the

amount of money to be paid; (3) that the obligation to be paid is a Decommissioning Cost; (4) that such payment is in accordance with the Decommissioning Plan; and (5) whether notice to the NRC of such payment, pursuant to Section 2.09 hereof, is required or has previously been made.

2. Section 2.09 is added to read as follows:

2.09 Notice of Withdrawals from Trust Fund. Notwithstanding anything to the contrary in this Agreement, except for payments for administrative costs (including taxes) and other incidental expenses of the Trust Fund (including legal, accounting, actuarial, and Trustee expenses) in connection with the operation of the Trust Fund, no disbursements or payments from the Trust Fund shall be made: (1) unless 30 working days prior written notice of such disbursement or payment has been made by LADWP or the Trustee to the NRC or (2) if the Trustee receives written notice of an objection from the NRC's Director of the Office of Nuclear Reactor Regulation or the Director of the Office of Nuclear Material Safety and Safeguards, as applicable, to such disbursement or payment; provided, however, that the foregoing shall not apply if LADWP is making a withdrawal pursuant to Section 50.82(a)(8) of the Regulations (or any successor section of the Regulations). If the Trustee receives such a notice of objection from the NRC, then the Trustee shall immediately provide to LADWP a copy of the written objection, and LADWP shall take such actions, if any, as it determines appropriate with respect to such notice of objection. Written notices of disbursement or payment made as described above shall include the name and address of the Trustee and the name of a contact person at the Trustee.

3. Section 8.06 is amended to read as follows:

8.06 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to LADWP or the Trustee shall be personally delivered, sent by overnight courier, telecommunicated, or mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to LADWP:

Los Angeles Department of Water and Power
111 North Hope Street, Room 456
Los Angeles, CA 90012
Attention: Chief Financial Officer
Fax: (213) 367-3909

If to the Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Corporate Trust Services
Fax: (213) 615-6196

LADWP or the Trustee may change its address, or add additional addresses for notices to be given to it hereunder by delivering notice thereof in writing to the other party.

4. Section 8.13 is amended to read as follows:

8.13 Affirmative Action Plan. The Trustee shall comply with the Los Angeles City Affirmative Action requirements for non-construction contractors, in accordance with Trustee's affirmative action plan on file with and approved by the Office of Contract Compliance of said City.

5. Section 8.14 is amended to read as follows:

8.14 Service Contract Worker Retention and Living Wage Policy. The Trustee is subject to the Service Contractor Worker Retention Ordinance and the Living Wage Ordinance of the Los Angeles Administrative Code. The Ordinances require that, unless specific exemptions apply, employers who are awarded service contracts that involve expenditures in excess of \$25,000 and have a duration of at least three months shall comply with the provisions of the Ordinances.

6. Section 8.15 is added to read as follows:

8.15 Child Support Policy. The Trustee must comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code. The Trustee must certify that such compliance will be maintained throughout the term of this Agreement.

7. This Amendment No. 2 and Decommissioning Trust Fund Agreement I, as amended on February 20, 1991, represents the complete agreement of the parties with respect to the subject matter thereof, and supercedes all prior agreements and understandings with respect to such subject matter.

8. Except as provided herein, Decommissioning Trust Fund Agreement I, as amended on February 20, 1991, shall remain in full force and effect.

9. Each party was represented by legal counsel during the negotiation and execution of this Amendment No. 2.

10. The Signatories hereto represent that they have been appropriately authorized to enter this Amendment No. 2 on behalf of the Party for whom they signed.

11. **Effective Date.** This Amendment shall be effective upon execution by the parties to this Amendment.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 to Decommissioning Trust Fund Agreement I on _____, 2003.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES

By

BOARD OF WATER AND POWER COMMISSIONERS
OF THE CITY OF LOS ANGELES

Dated: _____

APPROVED AS TO FORM AND LEGALITY
ROCKARD J. DELGADILLO, CITY ATTORNEY

OCT 16 2003

BY Fay A. Chu
FAY A. CHU
Deputy City Attorney

By: David H. Wiggs
David H. Wiggs, General Manager

And James C. Harris
Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated: February 4, 2004

By: Linda Verstuyft
Linda Verstuyft
Vice President

REQUIRES CITY COUNCIL
APPROVAL

AUTHORIZED BY RES. 004 130
DEC 02 2003