SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

1997-98 ANNUAL REPORT

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What is SCPPA?

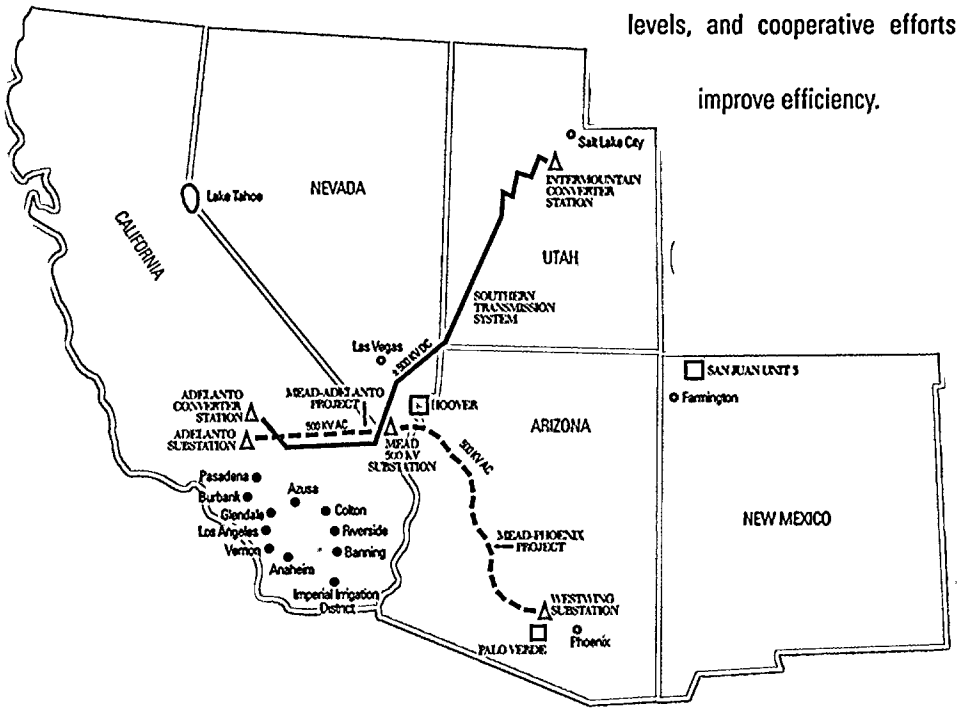
The Southern California Public Power Authority (SCPPA) is a joint powers authority consisting of ten municipal utilities and one irrigation district, who deliver electricity to approximately two million customers over an area of 7,000 square miles, with a total population of 4.8 million.

The members are the municipal utilities of the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District.

SCPPA was formed in 1980 to finance the acquisition of generation and transmission resources for its members. Currently, SCPPA has three generation projects and three transmission projects, bringing power from Arizona, New Mexico, Utah, and Nevada.

The projects were financed through the issuance of tax-exempt bonds, backed by the combined credit of the SCPPA members participating in each project. As of June 30, 1998, SCPPA had issued $8.9 billion in bonds, notes, and refunding bonds, of which $3.02 billion in principal was outstanding.

SCPPA's role has evolved over the years to include advocacy at the state and national levels, and cooperative efforts to reduce member costs and improve efficiency.



SCPPA members

- City of Anaheim
- City of Azusa
- City of Banning
- City of Burbank
- City of Colton
- City of Glendale
- Imperial Irrigation District
- Los Angeles Department of Water and Power
- City of Pasadena
- City of Riverside
- City of Vernon

Southern Transmission System

Mead-Phoenix Transmission Project

Mead-Adelanto Transmission Project

Palo Verde Nuclear Generating Station

Hoover Uprating Project

San Juan Generating Station

Member Agencies

President's Letter

Bernard V. Palk
President

This was a year of consolidation and preparation for SCPPA members – consolidation of our positions of influence with the state and federal legislators, and preparation of our utilities, city councils, and customer/owners for the competition which will be facing us all in the near future.

We are well-represented on the Boards of the Independent System Operator (ISO) and the Power Exchange, and are making progress on the issues which prevent our full participation in the ISO. SCPPA's collective voice, as well as our individual voices, are becoming well-known and well-respected in both Sacramento and Washington, D.C.

The process of educating our city councils and our citizens regarding the difficult choices ahead for consumer-owned utilities continues. Some of us have already decided to open our borders to competition, or have developed timetables for open access. Others are still wrestling with the pros and cons, searching for what's best for their customers. All of us are reducing costs and planning for the new millennium.

SCPPA has been a forum and a catalyst for individual and joint decision making. By sharing the combined experience of the SCPPA membership, we are often able to develop individual solutions to our local versions of common problems.

SCPPA continues to be a valuable resource, and a tool we will all continue to use in building our futures.

Bernard V. Palk
President

Executive Director's Letter

Daniel W. Waters
Executive Director

This year, SCPPA was the mechanism for some of the most effective cooperation yet among SCPPA members and our public power cousins in northern California.

Through SCPPA, 19 California consumer-owned utilities shared the cost and participated in the development of the Public Power Restructuring Education Program. The message of public power's history of lower rates and continuing commitment to service and local control was written into a package of education materials under the combined brand name California Power Network (CalPower) (www.calpower.org). The participants can select from a menu of television, radio, and newspaper ads, bill stuffers, and direct mailings, and insert their own utility names and messages. The participants are free to choose whichever facets of the program fit their local needs and budgets.

SCPPA also coordinated a Request for Proposals for Customer Information Systems on behalf of twelve California consumer-owned utilities. The coming era of competition and the year 2000 present many common problems with billing systems. Four options were solicited, ranging from individual systems to multi-utility service centers. As a result of this process, the participants are all pursuing solutions which will meet their customers' needs.

SCPPA members also cooperated with the Northern California Power Agency and the California Municipal Utilities Association in developing positions on state and federal legislation which could affect us. Many trips to Sacramento and Washington, D.C., ensured that legislators and their staffs understand California consumer-owned utilities' need to be grandfathered in any federal restructuring legislation.

SCPPA Directors: Left to Right
Daniel W. Waters, Executive Director, **Joseph F. Hsu,** Vice President, **Kenneth S. Noller,** Secretary, **Bernard V. Palk,** President

We will continue to pursue opportunities to leverage our members' strengths through cooperation and joint efforts wherever we can reduce costs or increase the efficiency and effectiveness of our members.

Daniel W. Waters
Executive Director

The Eye of the Storm

Compared to the intense activity of Fiscal Year 1996-97 leading up to California's restructuring legislation, this was a year of relative calm. SCPPA members remain very busy preparing for the new era, but for most, the next storm front of real competition will not arrive for several more years.

SCPPA continued to help its members prepare for an uncertain future by working to reduce debt service obligations in the post-2003 timeframe, when the most intense competition is expected to begin. A refinancing of Southern Transmission System bonds lowered costs through 2006. Also, a major restructuring of the Palo Verde debt was accomplished, which will eliminate all fixed rate Palo Verde debt service bills after July 1, 2004. See page 11 for details.

SCPPA members continued their preparations for the coming storm. Downsizing, strategic alliances, rate stabilization accounts, and rate changes to address stranded investments were some of the activities seen this year. All SCPPA members are working closely with their boards and city councils and are reaching out to their customers.

Cooperative efforts included the Public Power Restructuring Education Program and the Customer Information Systems project. Joint contracts for training and year 2000 mitigation are under consideration for next year.

At the close of the fiscal year, storm warnings were up for Proposition 9, an initiative which, if passed, could blow away many of the provisions of the current restructuring legislation, and once again change the landscape of our industry. (In November 1998, the California voters rejected Proposition 9.)

We are currently in the eye of the storm. SCPPA and its members will continue making preparations for the heavy weather ahead.

San Juan Generating Station

The new **limestone scrubber system** will improve the plant's environmental performance and save SCPPA **$3 million** per year...

Operations and Financials

Palo Verde Operations

During Fiscal Year 1997-98, Palo Verde received its second consecutive "Number 1" rating from the Institute of Nuclear Operations (INPO), and another outstanding SALP rating from the Nuclear Regulatory Commission. The plant continues to break site records, many of which were set only last year.

- 29.83 million MWHs – breaking last year's new record of 29.80 million MWHs
- 37-day refueling outage for Unit 2 – breaking last year's record of 37.5 days
- 36-day refueling outage for Unit 1 – still another new site record

Unit 2 completed a record 490 days of continuous operation, the ninth longest uninterrupted run ever recorded by a U.S. nuclear plant.

For calendar 1997, Palo Verde Generating Station was the largest producer of electricity in the United States, and among U.S. nuclear power producers, each individual unit ranked in the top ten, with Unit 1 at the top of the list.

PRODUCTION COST
(Operation and Maintenance plus Nuclear Fuel)

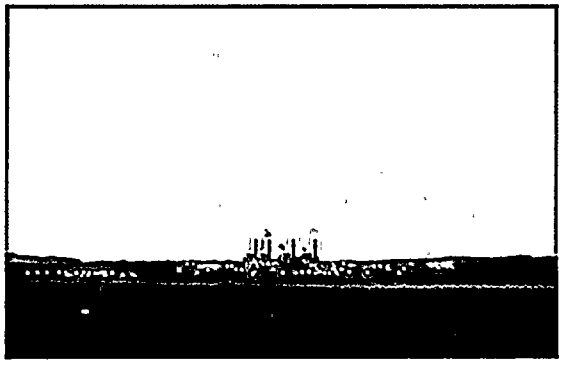
Calendar Year	Cents per kWh
1993	2.02
1994	1.93
1995	1.61
1996	1.45
1997	1.33

1997-98 OPERATIONS

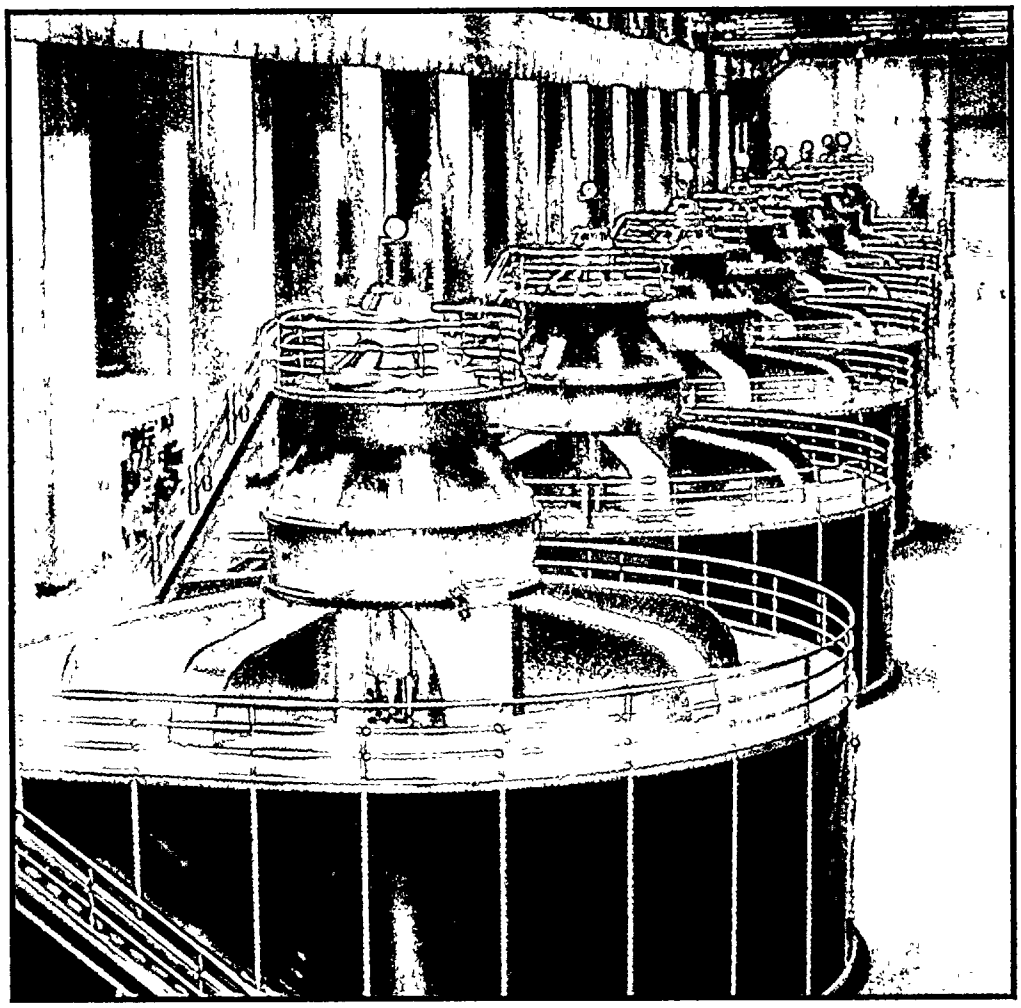
	Generation (Millions of MWHs)	Capacity Utilization (%)
Unit 1	9.6	88.2%
Unit 2	9.4	86.1%
Unit 3	10.8	99.4%
Aggregate	29.8	91.2%

San Juan Unit 3 Operations

Five SCPPA participants own 41.8% of Unit 3 at the San Juan Generating Station in New Mexico. A planned major maintenance outage was completed in the spring of 1998, and the Limestone Conversion Project is nearing completion. The new limestone scrubber system will improve the plant's environmental performance and save SCPPA $3 million per year in operating and maintenance costs. As an added bonus, the net capacity rating of the plant is expected to increase due to reduced auxiliary load.

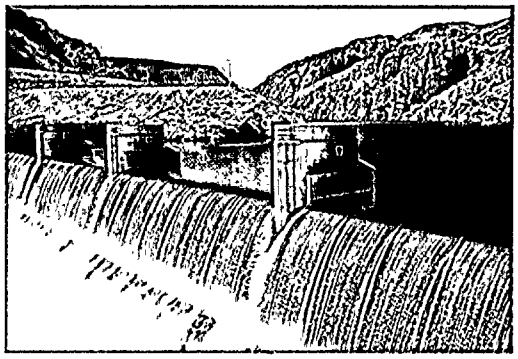


San Juan Generating Station



A SCPPA representative is **active** in the **development** of the Lower Colorado River Multi-Species Conservation Program...

Hoover Dam



Negotiations are continuing toward a new long-term coal supply agreement, and a series of Interim Invoicing Agreements have led to high capacity factors and lower per unit fuel costs.

Mead-Phoenix/Mead-Adelanto Transmission Projects

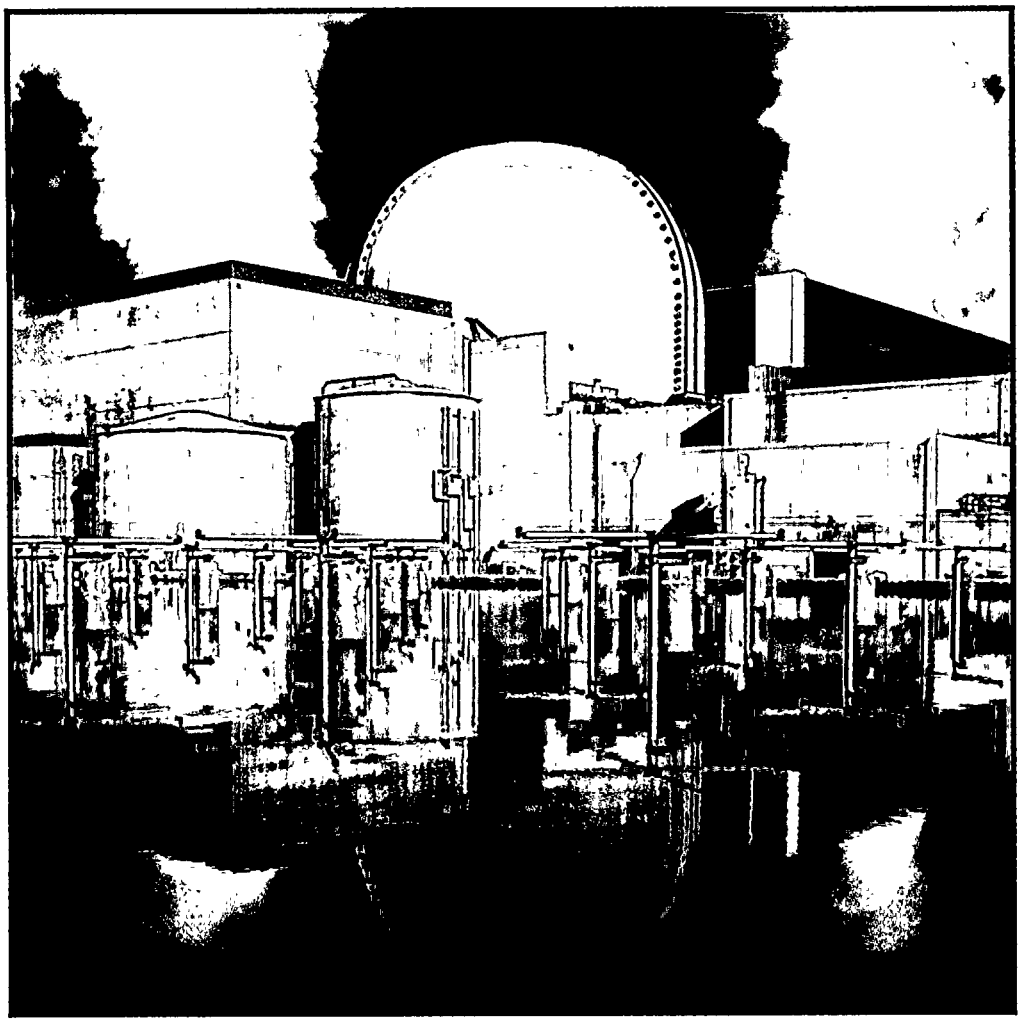
The two 500-kV transmission lines, which connect Phoenix to Las Vegas, and Las Vegas to Southern California, completed their second year of dependable operation for the nine SCPPA members who participate in the projects. The Marketplace-McCullough Interconnection Agreement was signed by SCPPA and the other owners, and the tie-line will be energized once the agreement has been accepted by the Federal Energy Regulatory Commission. The interconnection will increase the opportunities for southwest energy transactions.

Hoover Uprating Project

The Hoover Uprating Project provides six SCPPA members with low-cost, renewable energy. A SCPPA representative is active in the development of the Lower Colorado River Multi-Species Conservation Program, and SCPPA is closely monitoring efforts in Washington, D.C., to change how the Federal Power Marketing Administrations do business.

Southern Transmission System (STS)

As usual, the STS operated with near-perfect availability (99.35%), delivering nearly 14 million MWHs to the six SCPPA members who are participants. The power comes 488 miles from the Intermountain Power Project, in Utah, over the ± 500-kv DC line.



490 days...the **ninth longest** uninterrupted run ever **recorded** by a U.S. nuclear plant.

Palo Verde Nuclear Generating Station

As of June 30, 1998

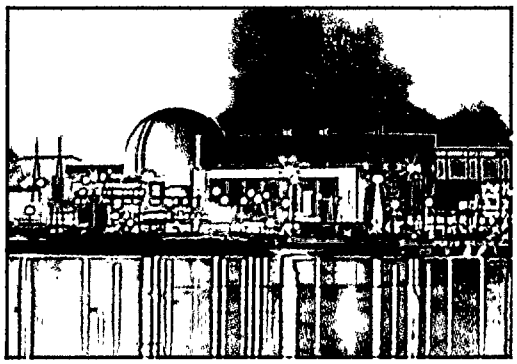
SCPPA BONDS	Outstanding Principal (000s)	Effective Interest Rates(s)	Final Maturity	Bond Ratings: Moody's Investors Service	Bond Ratings: Standard & Poor's
Hoover Uprating Project	$ 30,490	6.2%	2017	Aa3	AA-
Southern Transmission System	$ 1,160,620	4.3 - 7.2%	2023		
Senior Lien Bonds				Aa3	A+
Subordinate Lien Bonds[1]				Aaa/VMIG1	AAA/A-1+
Palo Verde Project[2]	$ 974,495	4.2 - 8.2%	2017		
Senior Lien Bonds				A2	AA-
Subordinate Lien Bonds				Aaa/VMIG1	AAA/A-1+
Multiple Project Revenue Bonds					
Mead-Adelanto	$ 106,700	7.1%	2020	Aa3	A
Mead-Phoenix	$ 38,800	7.1%	2020	Aa3	A
Multiple Project[3]	$ 259,100	7.1%	2020	A3	A
Mead-Adelanto Refunding[4]	$ 173,955	5.3%	2015	Aaa	AAA
Mead-Phoenix Refunding[4]	$ 51,835	5.3%	2015	Aaa	AAA
San Juan Unit 3[5]	$ 225,065	5.6%	2020	Aaa	AAA

[1] *Insured: 1991 Subordinate Variable Rate Bonds (AMBAC); 1996 Subordinate Series A Bonds (MBIA); 1996 Subordinate Variable Rate Series B Bonds (FSA); 1998 Subordinate Series A (MBIA).*
[2] *Insured: 1992 Senior Lien Bonds (AMBAC); 1993 Subordinate Bonds (FGIC); 1996 Subordinate Series A (AMBAC); 1996 Subordinate Variable Rate Series B and C Bonds (AMBAC); 1997 Subordinate Series A and B Bonds (FSA); Installment Deposits to Defease the 1987 and 1989 Bonds (FSA).*
[3] *Uncommitted bond proceeds secured by a guaranteed rate investment contract.*
[4] *Insured: 1994 Series A Bonds (AMBAC).*
[5] *Insured: 1993 Series A Bonds (MBIA).*

Palo Verde Restructuring

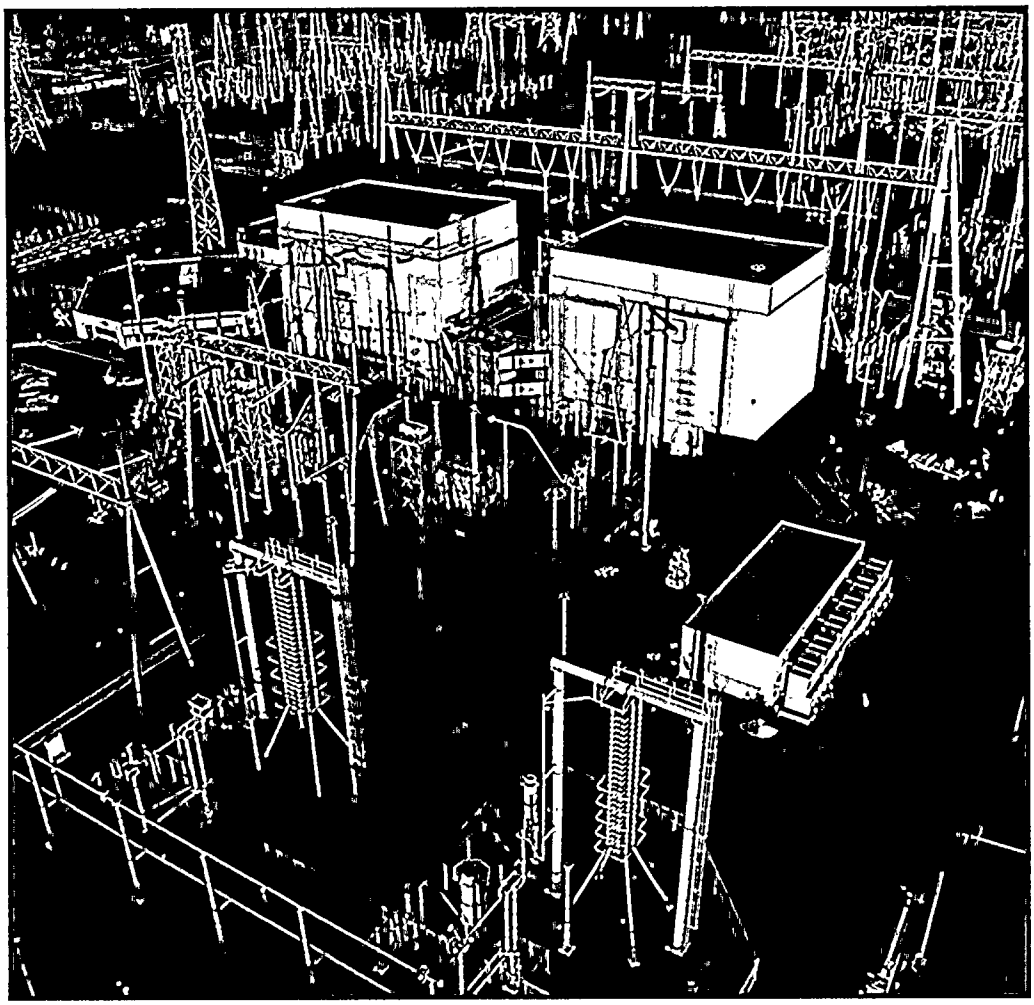
During Fiscal Year 1997-98, SCPPA completed a major restructuring of its Palo Verde Project debt to bring the cost of energy from the nuclear plant to projected market price by 2004.

Through sales of 1997 Series A tax-exempt and 1997 Series B taxable bonds, $451.5 million of long term debt was advance refunded at lower interest rates, with full defeasance of the new bonds expected in 2004. The refunded bonds include portions of the 1989 Series A, the 1992 Series B and C, the 1993 Series A, the 1993 Subordinate, and the 1996 Series A Subordinate bonds.


Palo Verde

On a forward-pricing basis, an additional $59.2 million in 1989 Series A bonds will be refunded in 1999 with the new 1999 Series A bonds, which will be retired in 2004.

The remaining $166.3 million in fixed rate debt, consisting of the 1987 and 1989 bonds maturing in 2017 and 2015, respectively, is being cash defeased by deposits to escrow accounts through 2004. The deposits are being used to purchase securities backed by the U.S. Government. Permitted securities and their yields were preset under forward securities purchase contracts.



The STS **operated** with **near-perfect** availability (99.35%)...

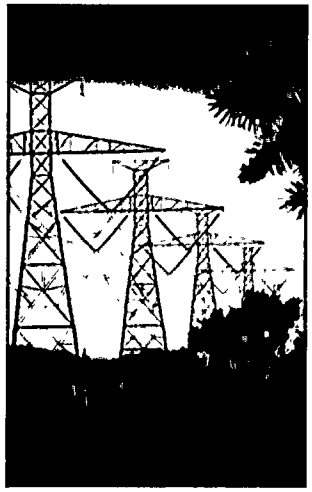
Collectively, these transactions, along with principal payments scheduled through 2004 for $224.8 million in non-refunded debt, will defease all of the project's $902 million of fixed rate debt by 2004. Net cash flow savings to the participants, not including reserve fund releases of $76.2 million and the interest thereon, will amount to $316 million through 2017.

At year-end, the Board was reviewing several alternatives to pay down the project's $148 million variable rate obligations on an accelerated basis.

The restructuring was highly regarded by the financial community and the rating agencies. Standard and Poor's raised its rating on the project's senior lien bonds from A to Aa-, and its rating on the subordinated lien bonds from A- to A+, and changed the project's outlook from negative to stable. Moody's Investors Service assigned an underlying A2 rating to the insured triple-A rated subordinate lien bonds (the same rating it had previously assigned to the senior lien bonds).

Southern Transmission System Refunding

Taking advantage of declining interest rates, SCPPA refunded $96.5 million of its Southern Transmission System bonds. $90.9 million in 1998 Series A bonds were sold at a true interest cost of 4.7%, to produce $5.7 million in net cash flow savings (after allowing for a reserve fund release of nearly $10 million). The savings represent nearly 6% of the refunded bonds.



City of Azusa - **Joseph F. Hsu**, Director of Utilities
The city's electric utility was established in 1898, and for most of its history Azusa has purchased electricity wholesale from Southern California Edison. Since the mid-1980s, through successful litigation against Edison on transmission access, Azusa began to obtain short-and long-term contracts with other utilities, as well as from SCPPA, by participating in Palo Verde Nuclear Generating Station, Hoover Hydroelectric Plant, and San Juan Generating Station Unit #3. By having the ability to diversify its power supply operations, Azusa maintained its retail rates at the 1983 level. These competitive rates will make a less stressful transition toward the deregulated market environment.

Customers Served	14,663
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	0
Purchased	261,970
Sales	
Retail	234,810
Wholesale	27,160
Total Revenues (000s)	$23,409
Operating Costs (000s)	$23,760

City of Anaheim - **Edward K. Aghjayan**, General Manager
In 1894, the citizens of Anaheim voted to create the area's first city-owned electric utility. Over a century later, Anaheim Public Utilities delivers competitively priced electricity to 300,000 plus citizens and $12 billion business community. While a lot has changed, Anaheim Public Utilities remains focused on the *Anaheim Advantage*. Residents own one of Southern California's best-rated electric companies and enjoy the lowest electric rates in Orange County – 15% lower than in any neighboring community. In 1997, through an innovative agreement with the City of Anaheim, FirstWorld Communications, a privately owned company, is constructing, owning, operating, and maintaining a fiber-optic network that provides a variety of broadband services to Anaheim businesses.

Customers - Retail	106,652
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	908,686
Purchased	2,129,613
Total	3,038,299
Total Revenues (000s)	$244,239 (unaudited)
Operating Costs (000s)	$208,740 (unaudited)

City of Banning - **Paul Toor**, Director of Public Works
Established in 1913, the Banning electrical system now serves an area of approximately 21 square miles. The city owns a portion of San Juan Unit 3 and a portion of Mead-Adelanto and Mead-Phoenix transmission lines. Service is provided to Banning customers through the City-owned distribution system. With a power record of reliability, the City is committed to continue to provide quality service to both present and future customers while positioning itself for effective delivery of services in a competitive deregulated environment.

Customers Served	9,400
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	0
Purchased	184,059
Total	184,059
Total Revenues (000s)	$14,192
Operating Costs (000s)	$14,103

City of Burbank - **Ronald V. Stassi**, Director of Utilities
Burbank's Public Service Department began serving both water and electric customers in 1913, and installed on-site generation in response to a surge in industrial and residential growth in the 1940s and 1950s. Today the city receives power from three SCPPA projects, as well as firm and interruptible supplies from other utilities and government agencies, and continues to operate its own local power plant.

Customers Served	51,226
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	126,000
Purchased	990,000
Total	1,116,000
Total Revenues (000s)	$96,812
Operating Costs (000s)	$94,015

City of Colton - **Thomas K. Clarke**, Utility Director
The Colton municipal electric utility was established in 1895, eight years after city incorporation. Since 1986, the electric utility has changed from being solely dependent on Southern California Edison for its purchased power to being actively engaged in purchasing power from several different sources, achieving significant cost savings in the process.

Customers Served	16,204
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	0
Purchased	220,835
Total	220,835
Total Revenues (000s)	$26,394
Operating Costs (000s)	$27,426

City of Glendale - **Bernard V. Palk**, Director, Public Service
Incorporated in 1906, Glendale purchased its electric utility in 1909, obtaining power from outside suppliers. It received its first power from Hoover Dam in 1937 and inaugurated the first unit of its own steam generating plant in 1941. Now called the Grayson Power Plant, this facility today has eight generating units. Glendale continues to purchase 85 percent of its power from outside sources.

Customers Served	82,710
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	186,282
Purchased	1,114,049
Total	1,300,331
Total Revenues (000s)	$125,399
Operating Costs (000s)	$109,093

Imperial Irrigation District

Kristine K. Fontaine, Manager, Finance and Accounting

IID entered the power industry in 1936 and today serves a peak load of 640 MW with 790 MW of generating resources. Among IID-owned resources are 24 MW of low head hydro units along the All American Canal, 307 MW of gas-fired steam and combined cycle units, and 162 MW of peaking gas turbines. In addition to IID's share of SCPPA resources comprising 104 MW at San Juan and 14 MW at Palo Verde, IID has 179 MW of other resources under long-term purchase contracts.

Customers Served	90,261
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	943,126
Purchased	1,731,805
Total	2,674,931
Total Revenues (000s)	$201,574
Operating Costs (000s)	$203,341

Los Angeles Department of Water and Power

Kenneth S. Noller, Budget Director

In 1916, the City of Los Angeles began distributing electric power purchased from the Pasadena Municipal Power Plant, and the following year inaugurated its first generating capacity at San Francisquito Power Plant No. 1. In 1922 the city purchased the remaining distribution system of Southern California Edison Company within the city limits. It is now the largest municipally owned electric utility in the nation and its undergoing a major business restructuring process to prepare for upcoming deregulation.

Customers Served	1,370,095
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	10,231,804
Purchased	14,677,684
Total	24,909,488
Total Revenues (000s)	$2,163,000
Operating Costs (000s)	$1,492,000

City of Pasadena - Rufus Hightower, General Manager

Established in 1906, the city built its first electric generating steam plant in 1907 and took over operation of its municipal street lighting from Edison Electric. In 1909, Pasadena began the extension of its operations to commercial and residential customers that resulted in the replacement of all Edison electric service in the city by 1920. In 1997-98, Pasadena purchased approximately 85 percent of its power needs.

Customers Served	58,070
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	140,624
Purchased	113,251
Total	1,219,483
Total Revenues (000s)	$114,080
Operating Costs (000s)	$99,339

City of Riverside - Bill D. Carnahan, Public Utility Director

Riverside Public Utilities is positioning itself to offer competitive rates in the new deregulated environment. Power and transmission costs constitute the bulk of charges passed on to our customers through rates. Cost reduction and restructuring efforts at SCPPA have had significant impact on Riverside Public Utilities' efforts in meeting our lower operating cost targets. Additional efforts, especially at Palo Verde Nuclear Generating Station, will be required for Riverside to compete in future years.

Customers Served	90,607
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	291,858
Purchased	1,401,416
Total	1,693,274
Total Revenues (000s)	$199,921
Operating Costs (000s)	$171,914

City of Vernon - Kenneth J. De Dario, Director of Utilities

Vernon's Utilities Department began serving industrial customers in 1933, with completion of it's diesel generating plant. In addition to its own power from diesel units and gas turbines, Vernon now receives power from Palo Verde, Hoover, and various suppliers. Vernon's average retail rate is less than five cents per Kilowatt-hour.

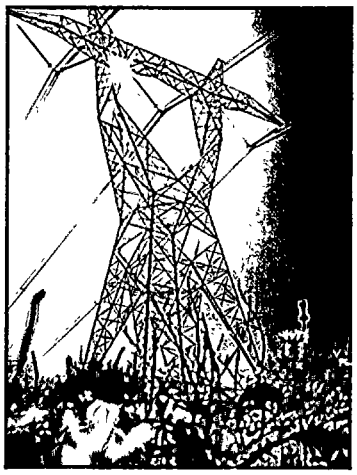
Customers Served	2,041
Power Generated and Purchased (in Megawatt-Hours)	
Self-Generated	1,594
Purchased	1,144,066
Total	1,145,660
Total Revenues (000s)	$59,806 (unaudited)
Operating Costs (000s)	$45,058 (unaudited)

Legislative Advocacy

In 1998, electric utility restructuring issues were again the primary focus of SCPPA educational and advocacy efforts at the federal level. Despite failure to pass federal restructuring legislation this year, both the House and Senate were successful in laying essential legislative groundwork to continue the debate in the 106th Congress.

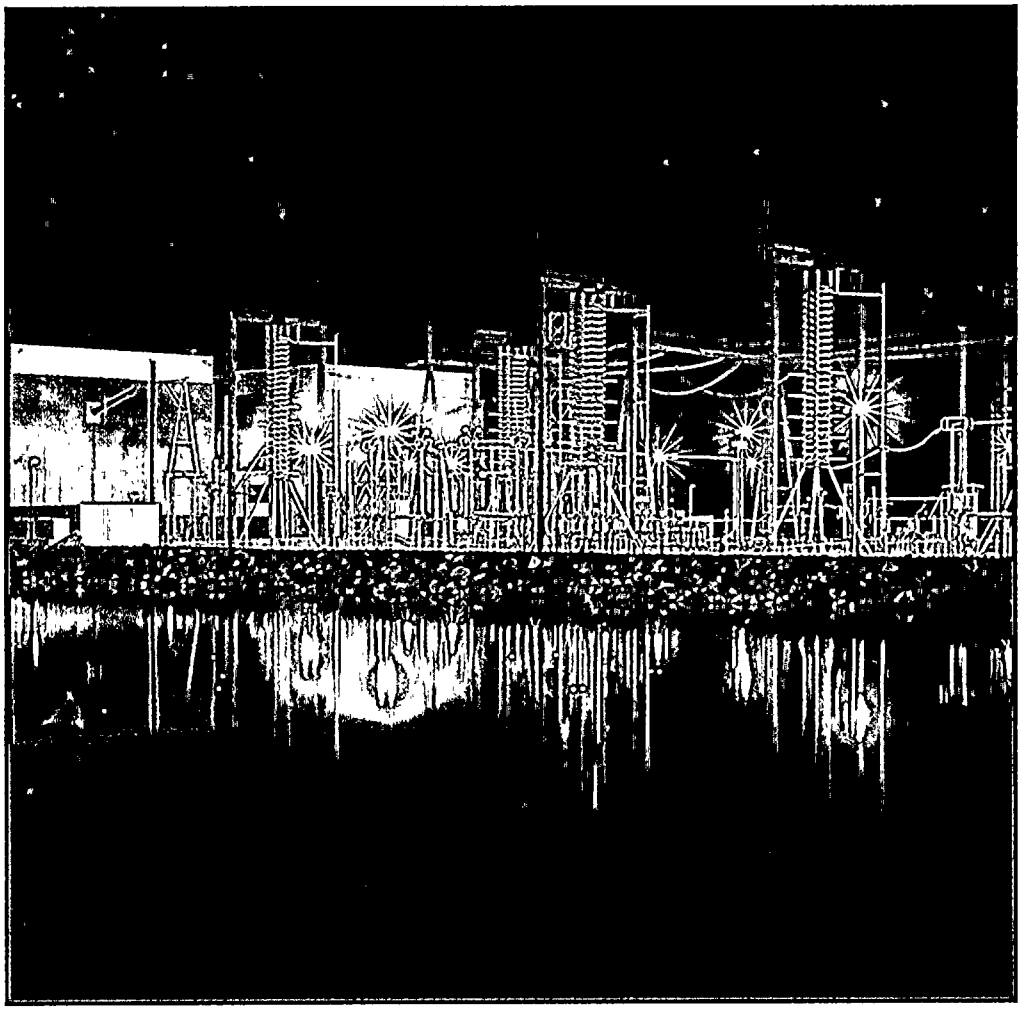
Still to be resolved is whether federal legislation should require retail competition in all states by a specific date, or whether state and local governments should be allowed to make their own decisions about customer choice programs.

No consensus emerged on private use, the knotty issue of how public power systems will deal with tax-exempt financing as the marketplace becomes more competitive. Most of the investor-owned utilities (IOUs) are opposed to any legislation which "grandfathers" municipal bonds which financed existing facilities or allows public power systems to elect a private use remedy. Considerable progress has been made in educating Congress on the problems facing public power.



On a second private use front, SCPPA and other public power supporters were successful in stopping legislation that would have imposed income tax requirements on electricity sales outside a public-owned utility's service area. Based on these skirmishes, the 106th Congress may see a full-blown debate on a number of tax issues related to electric restructuring.

SCPPA and others in public power were successful in ensuring the continued federal ownership and operation of the Power Marketing Administrations (PMAs). Efforts to require the Department of Energy to study PMA sales or implement market-based rates were defeated. The privatization of PMAs remains a popular issue for many lawmakers, however, and it is likely that public power will need to mobilize to thwart new efforts to privatize or weaken the PMAs in the future.



Adelanto Converter Station

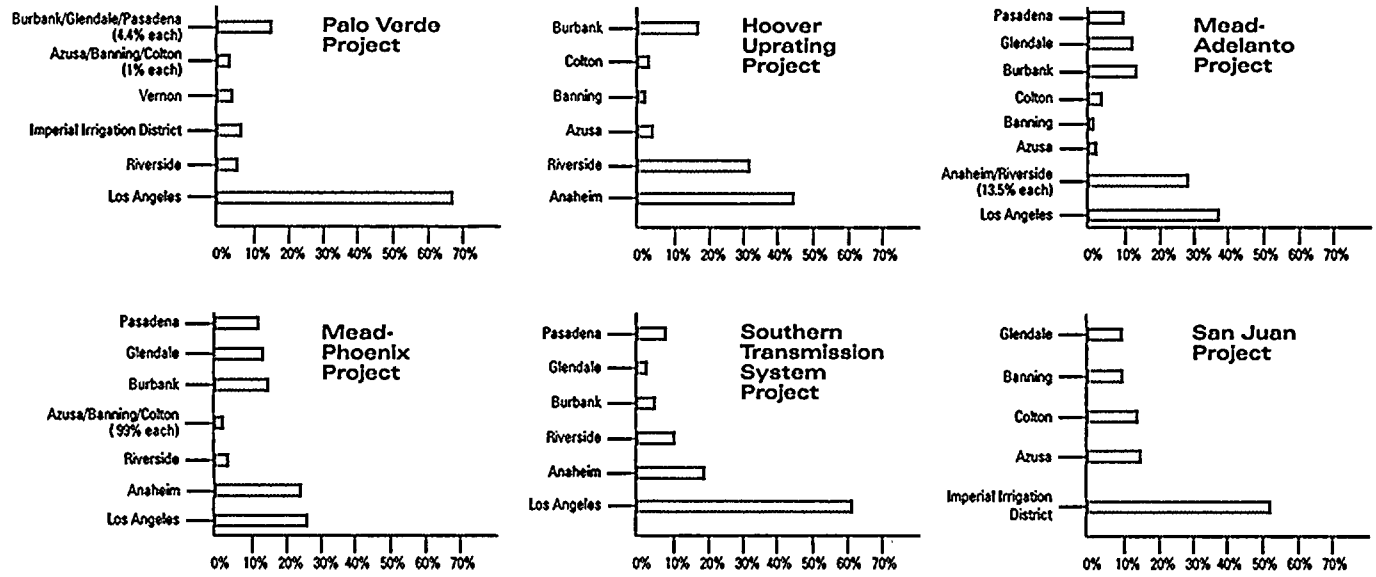
The **Converter Station**
and **Switchyard**
are the end of **both**
the Southern Transmission System
and the Mead-Adelanto line.

SCPPA members and their allies in Washington have continued to work with government leaders to develop an effective and safe nuclear waste storage program. Despite these efforts, however, no interim site has been designated for the disposal of nuclear waste, and a permanent federal waste repository remains many years away.

In addition to action on the legislative front, SCPPA hosted for the fourth consecutive year a group of congressional staff on a fact-finding tour of SCPPA facilities. The tour was designed to increase the staff members' knowledge and understanding of issues relating to the electric utility industry in general and public power in particular, and specific concerns of SCPPA and its member utilities.

The California legislature focused its attention on streamlining the regulatory process to transition to a competitive electric service marketplace. Legislation signed by Governor Wilson encourages enhanced public participation, moves the appeal of California Public Utilities Commission (CPUC) decisions to the State Court of Appeals rather than the State Supreme Court, and requires that changes to CPUC procedures be submitted to the Office of Administrative Law for review and appeal.

Percentage of SCPPA member participation in SCPPA's interest



REPORT OF INDEPENDENT ACCOUNTANTS

September 10, 1998

To the Board of Directors of the Southern California Public Power Authority

In our opinion, the accompanying combined balance sheet and the related combined statements of operations and of cash flows, present fairly, in all material respects, the financial position of the Southern California Public Power Authority (Authority) at June 30, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

In our opinion, the accompanying separate balance sheets and the related separate statements of cash flows of the Authority's Palo Verde Project, Southern Transmission System Project, Hoover Uprating Project, Mead-Phoenix Project, Mead-Adelanto Project, Multiple Project Fund and San Juan Project and the separate statements of operations of the Authority's Palo Verde Project, Southern Transmission System Project, Hoover Uprating Project, Mead-Phoenix Project, Mead-Adelanto Project and San Juan Project, present fairly, in all material respects, the financial position of each of the Projects at June 30, 1998 and 1997, and their cash flows, and the results of operations of the Authority's Palo Verde Project, Southern Transmission System Project, Hoover Uprating Project, Mead-Phoenix Project, Mead-Adelanto Project and San Juan Project for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 9 to the financial statements, the 1997 financial statements have been restated to expense a loss on extinguishment of debt.

As discussed in Note 10 to the financial statements, the Authority changed its method of accounting for investments retroactive to July 1, 1996.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information, as listed on the accompanying index, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Los Angeles, California

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED BALANCE SHEET
(In thousands)

	June 30, 1998								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization and Other Funds	Total
ASSETS									
Utility plant:									
Production	$ 617,404						$ 183,125		$ 800,529
Transmission	14,153	$ 674,606		$ 51,266	$ 170,896				910,921
General	2,655	18,951		2,632	341		7,890		32,469
	634,212	693,557		53,898	171,237		191,015		1,743,919
Less - Accumulated depreciation	308,748	233,559		3,577	10,305		55,573		611,762
	325,464	459,998		50,321	160,932		135,442		1,132,157
Construction work in progress	10,016						6,578		16,594
Nuclear fuel, at amortized cost	15,014								15,014
Net utility plant	350,494	459,998		50,321	160,932		142,020		1,163,765
Special funds:									
Funds at fair value (Note 2):									
Decommissioning fund	54,460								54,460
Investments	77,300	97,513	$ 4,906	19,394	57,884	$ 254,884	21,952	$ 11,352	545,185
Escrow account	34,778	24,413							59,191
Advance to Intermountain Power Agency		11,550							11,550
Advances for capacity and energy, net			23,984						23,984
Interest receivable	2,065	545	79	718	2,138	9,367	417	266	15,595
Cash and cash equivalents	85,792	51,863	2,690	2,676	7,906	76	18,509	7,979	177,491
	254,395	185,884	31,659	22,788	67,928	264,327	40,878	19,597	887,456
Accounts receivable	2,018			3,084	9,090	(8,357)	6,605		12,440
Materials and supplies	7,196		20				3,356		10,572
Costs recoverable from (in excess of) future billings to participants	173,413	260,261	(6,321)	5,017	17,280		33,680		483,330
Unamortized debt expenses, less accumulated amortization of $124,609	128,380	191,221	2,410	8,850	25,155		2,500		358,516
	$ 915,896	$ 1,097,364	$ 27,768	$ 90,060	$ 280,385	$ 255,970	$ 229,039	$ 19,597	$ 2,916,079
LIABILITIES									
Long-term debt	$ 864,345	$ 1,050,209	$ 26,559	$ 86,727	$ 268,918	$ 244,145	$ 210,295		$ 2,751,198
Deferred credits		109				3,569			3,678
Current liabilities:									
Earnings to be distributed								$ 799	799
Long-term debt due within one year	32,015	21,970	550				6,540		61,075
Accrued interest	13,229	21,131	395	2,588	7,884	8,256	5,742		59,225
Accounts payable and accrued expenses	6,307	3,945	264	745	3,583		6,462	18,798	40,104
Total current liabilities	51,551	47,046	1,209	3,333	11,467	8,256	18,744	19,597	161,203
Commitments and contingencies									
	$ 915,896	$ 1,097,364	$ 27,768	$ 90,060	$ 280,385	$ 255,970	$ 229,039	$ 19,597	$ 2,916,079

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED BALANCE SHEET
(In thousands)

	June 30, 1997 (Restated – Notes 9 and 10)								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization and Other Funds	Total
ASSETS									
Utility plant:									
Production	$ 615,214						$ 183,208		$ 798,422
Transmission	14,153	$ 674,606		$ 51,189	$ 170,895				910,843
General	2,656	18,893		2,627	335		7,865		32,376
	632,023	693,499		53,816	171,230		191,073		1,741,641
Less - Accumulated depreciation	279,927	213,844		2,202	5,828		43,112		544,913
	352,096	479,655		51,614	165,402		147,961		1,196,728
Construction work in progress	10,026						210		10,236
Nuclear fuel, at amortized cost	13,514								13,514
Net utility plant	375,636	479,655		51,614	165,402		148,171		1,220,478
Special funds:									
Funds at fair value (Note 2):									
Decommissioning fund	43,943								43,943
Investments	155,763	138,550	$ 4,906	18,586	58,380	$ 252,779	37,431	$ 4,442	670,837
Escrow account		15,484							15,484
Advance to Intermountain Power Agency		11,550							11,550
Advances for capacity and energy, net			24,526						24,526
Interest receivable	1,946	583	6	690	2,057	9,288	134	7	14,711
Cash and cash equivalents	27,396	32,442	2,503	2,761	4,229	73	7,503	10,463	87,370
	229,048	198,609	31,941	22,037	64,666	262,140	45,068	14,912	868,421
Accounts receivable	2,878			2,122	5,386	(7,345)			3,041
Materials and supplies	7,511						3,494		11,005
Costs recoverable from (in excess of) future billings to participants accumulated	231,230	240,210	(6,477)	4,163	14,545		33,709		517,380
Unamortized debt expenses, less accumulated amortization of $118,334	182,491	197,675	2,567	9,368	26,639		2,805		421,545
	$ 1,028,794	$ 1,116,149	$ 28,031	$ 89,304	$ 276,638	$ 254,795	$ 233,247	$ 14,912	$ 3,041,870
LIABILITIES									
Long-term debt	$ 965,151	$ 1,065,877	$ 26,999	$ 86,570	$ 268,456	$ 243,466	$ 216,496		$ 2,873,015
Deferred credits		112				3,073			3,185
Current liabilities:									
Long-term debt due within one year	28,570	21,360	515				6,275		56,720
Accrued interest	22,660	24,394	402	2,588	7,884	8,256	5,873		72,057
Accounts payable and accrued expenses	12,413	4,406	115	146	298		4,603	$ 14,912	36,893
Total current liabilities	63,643	50,160	1,032	2,734	8,182	8,256	16,751	14,912	165,670
Commitments and contingencies									
	$ 1,028,794	$ 1,116,149	$ 28,031	$ 89,304	$ 276,638	$ 254,795	$ 233,247	$ 14,912	$ 3,041,870

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENT OF OPERATIONS
(In thousands)

	Year Ended June 30, 1998								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	San Juan Project	Project Total	Projects' Stabilization and Other Funds	Combined Total
Operating revenues:									
Sales of electric energy	$ 125,706	$ 83,119	$ 2,148			$ 61,465	$ 272,438		$ 272,438
Sales of transmission services				$ 6,347	$ 18,623		24,970		24,970
Reimbursement to participants		(6,787)					(6,787)		(6,787)
Other revenues	65,000						65,000		65,000
Total operating revenues	190,706	76,332	2,148	6,347	18,623	61,465	355,621		355,621
Operating expenses:									
Amortization of nuclear fuel	9,044						9,044		9,044
Other operations	21,126	9,206	2,099	1,561	4,027	304	38,323		38,323
Maintenance	6,135	3,499		127	281	38,732	48,774		48,774
Depreciation	17,955	19,715		1,441	4,477	9,436	53,024		53,024
Decommissioning	11,593					3,113	14,706		14,706
Total operating expenses	65,853	32,420	2,099	3,129	8,785	51,585	163,871		163,871
Operating income	124,853	43,912	49	3,218	9,838	9,880	191,750		191,750
Investment income	8,843	11,254	492	1,509	4,399	2,377	28,874	$ 799	29,673
Income before debt expense	133,696	55,166	541	4,727	14,237	12,257	220,624	799	221,423
Debt expense	75,879	75,217	697	5,581	16,972	12,228	186,574		186,574
Costs recoverable (from) in excess of future billings to participants	$ 57,817	$ (20,051)	$ (156)	$ (854)	$ (2,735)	$ 29	$ 34,050		
Earnings to be distributed								$ 799	
Total Costs recoverable in excess of future billings to participants and Earnings to be distributed									$ 34,849

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENT OF OPERATIONS
(In thousands)

	Year Ended June 30, 1997 (Restated – Notes 9 and 10)						
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	San Juan Project	Project Total
Operating revenues:							
Sales of electric energy	$ 119,507		$ 2,521			$ 58,017	$ 180,045
Sales of transmission services		$ 85,054		$ 3,282	$ 8,194		96,530
Reimbursement to participants		(8,000)					(8,000)
Total operating revenues	119,507	77,054	2,521	3,282	8,194	58,017	268,575
Operating expenses:							
Amortization of nuclear fuel	7,755						7,755
Other operations	21,411	9,997	2,082	507	875	257	35,129
Maintenance	5,818	4,460		73	207	37,181	47,739
Depreciation	18,371	19,717		1,356	4,573	9,139	53,156
Decommissioning	11,593					3,113	14,706
Total operating expenses	64,948	34,174	2,082	1,936	5,655	49,690	158,485
Operating income	54,559	42,880	439	1,346	2,539	8,327	110,090
Investment income	11,146	21,131	69	1,491	4,340	2,242	40,419
Income before debt expense	65,705	64,011	508	2,837	6,879	10,569	150,509
Debt expense	78,553	85,866	1,034	5,597	17,013	12,494	200,557
Costs recoverable from future billings to participants	$ (12,848)	$ (21,855)	$ (526)	$ (2,760)	$ (10,134)	$ (1,925)	$ (50,048)

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENT OF CASH FLOWS
(In thousands)

	June 30, 1998								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization and Other Funds	Total
Cash flows from operating activities:									
Operating income	$ 124,853	$ 43,912	$ 49	$ 3,218	$ 9,838		$ 9,880		$ 191,750
Adjustments to reconcile operating income to net cash provided by operating activities -									
Depreciation	17,955	19,715		1,441	4,477		9,436		53,024
Decommissioning	11,593						3,113		14,706
Advances for capacity and energy, net			1,700						1,700
Amortization of nuclear fuel	9,044								9,044
Changes in assets and liabilities:									
Accounts receivable	860			(962)	(3,704)		(6,605)		(10,411)
Materials and supplies	315						139		454
Other assets	55	(154)	(20)		(6)		30		(95)
Accounts payable and accrued expenses	(6,106)	(461)	149	599	3,285		1,859		(675)
Deferred credits		(3)							(3)
Net cash provided by operating activities	158,569	63,009	1,878	4,296	13,890		17,852		259,494
Cash flows from noncapital financing activities:									
Advances from participants								$ 9,731	9,731
Participant withdrawals								(5,932)	(5,932)
Net cash provided by noncapital financing activities	–	–	–	–	–		–	3,799	3,799
Cash flows from capital and related financing activities:									
Payments for construction of facilities	(13,450)			(148)			(6,398)		(19,996)
Payments of interest on long-term debt	(57,069)	(60,815)	(1,594)	(4,905)	(15,027)	($ 16,512)	(11,746)		(167,668)
Proceeds from sale of bonds	377,849	93,802							471,651
Float forward contract proceeds	3,464								3,464
Payment for defeasance of revenue bonds	(415,581)	(97,485)							(513,066)
Repayment of principal on long-term debt	(28,570)	(21,360)	(515)				(6,275)		(56,720)
Decommissioning fund	(10,517)								(10,517)
Payment for bond issue costs	(5,316)	(1,130)							(6,446)
Net cash used for capital and related financing activities	(149,190)	(86,988)	(2,109)	(5,053)	(15,027)	(16,512)	(24,419)		(299,298)
Cash flows from investing activities:									
Interest received on investments	8,723	11,386	345	1,473	4,318	18,620	2,042	539	47,446
Purchases of investments	(177,665)	(60,457)	(10,725)	(1,026)	(8,560)	(2,105)	(34,511)	(32,290)	(327,339)
Proceeds from sale/maturity of investments	217,959	92,471	10,798	225	9,056		50,042	25,468	406,019
Net cash provided by (used for) investing activities	49,017	43,400	418	672	4,814	16,515	17,573	(6,283)	126,126
Net increase (decrease) in cash and cash equivalents	58,396	19,421	187	(85)	3,677	3	11,006	(2,484)	90,121
Cash and cash equivalents at beginning of year	27,396	32,442	2,503	2,761	4,229	73	7,503	10,463	87,370
Cash and cash equivalents at end of year	$ 85,792	$ 51,863	$ 2,690	$ 2,676	$ 7,906	$ 76	$ 18,509	$ 7,979	$ 177,491

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMBINED STATEMENT OF CASH FLOWS
(In thousands)

	June 30, 1997								
	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	Multiple Project Fund	San Juan Project	Projects' Stabilization and Other Funds	Total
Cash flows from operating activities:									
Operating income	$ 54,559	$ 42,880	$ 439	$ 1,346	$ 2,539		$ 8,327		$ 110,090
Adjustments to reconcile operating income to net cash provided by operating activities -									
Depreciation	18,371	19,717		1,356	4,573		9,139		53,156
Decommissioning	11,593						3,113		14,706
Advances for capacity and energy, net			1,710						1,710
Amortization of nuclear fuel	7,755								7,755
Reimbursement to participants		8,000							8,000
Changes in assets and liabilities:									
Accounts receivable	(2,140)	2,687	19	(372)	(646)		945		493
Materials and supplies	1,729						75		1,804
Other assets	25			26	66				117
Accounts payable and accrued expenses	2,080	4,203	53	(444)	(482)		(896)		4,514
Net cash provided by operating activities	93,972	77,487	2,221	1,912	6,050		20,703		202,345
Cash flows from noncapital financing activities:									
Advances from participants								$ 16,835	16,835
Participant withdrawals								(2,149)	(2,149)
Net cash provided by noncapital financing activities	–	–	–	–	–		–	14,686	14,686
Cash flows from capital and related financing activities:									
Payments for construction of facilities	(10,325)			(422)			(1,623)		(12,370)
Payments of interest on long-term debt	(51,127)	(74,876)	(1,784)	(4,924)	(15,077)	($ 16,512)	(12,002)		(176,302)
Proceeds from sale of bonds	153,034	199,739							352,773
Transfers from escrow account - Crossover series		343,898							343,898
Payment for defeasance/redemption of revenue bonds	(157,015)	(561,565)	(3,637)						(722,217)
Repayment of principal on long-term debt	(25,690)	(10,845)	(1,085)				(6,035)		(43,655)
Decommissioning fund	(10,469)								(10,469)
Payment for bond issue costs	(3,558)	(2,250)							(5,808)
Net cash used for capital and related financing activities	(105,150)	(105,899)	(6,506)	(5,346)	(15,077)	(16,512)	(19,660)		(274,150)
Cash flows from investing activities:									
Interest received on investments	10,989	17,741	140	1,633	4,541	18,475	2,174	219	55,912
Purchases of investments	(111,714)	(161,198)	(10,663)	(939)	(9,276)	(2,030)	(25,553)	(6,767)	(328,140)
Proceeds from sale/maturity of investments	71,420	113,987	15,314	3,953	13,487	140	22,293	2,325	242,919
Net cash provided by (used for) investing activities	(29,305)	(29,470)	4,791	4,647	8,752	16,585	(1,086)	(4,223)	(29,309)
Net increase (decrease) in cash and cash equivalents	(40,483)	(57,882)	506	1,213	(275)	73	(43)	10,463	(86,428)
Cash and cash equivalents at beginning of year	67,879	90,324	1,997	1,548	4,504	–	7,546	–	173,798
Cash and cash equivalents at end of year	$ 27,396	$ 32,442	$ 2,503	$ 2,761	$ 4,229	$ 73	$ 7,503	$ 10,463	$ 87,370

The accompanying notes are an integral part of these financial statements.

Note 1 — Organization and Purpose:
Southern California Public Power Authority (Authority), a public entity organized under the laws of the State of California, was formed by a Joint Powers Agreement dated as of November 1, 1980 pursuant to the Joint Exercise of Powers Act of the State of California. The Authority's participant membership consists of ten Southern California cities and one public district of the State of California. The Authority was formed for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy for sale to its participants. The Joint Powers Agreement has a term of fifty years.

The members have the following participation percentages in the Authority's interest in the projects at June 30, 1998 and 1997:

Participants	Palo Verde	Southern Transmission System	Hoover Uprating	Mead-Phoenix	Mead-Adelanto	San Juan
City of Los Angeles	67.0%	59.5%		24.8%	35.7%	
City of Anaheim		17.6	42.6%	24.2	13.5	
City of Riverside	5.4	10.2	31.9	4.0	13.5	
Imperial Irrigation District	6 5					51.0%
City of Vernon	4.9					
City of Azusa	1.0		4.2	1.0	2.2	14.7
City of Banning	1.0		2.1	1.0	1.3	9.8
City of Colton	1.0		3.2	1.0	2.6	14.7
City of Burbank	4.4	4.5	16.0	15.4	11.5	
City of Glendale	4.4	2.3		14.8	11.1	9.8
City of Pasadena	4.4	5.9		13.8	8.6	
	100 0%	100.0%	100.0%	100.0%	100 0%	100.0%

Mead-Phoenix participation reflects three ownership components (see below).

The members participate in the Projects' Stabilization Fund by making deposits to the fund at their discretion.

The members do not currently participate in the Multiple Project Fund as it was established to provide funding for unspecified future projects.

Palo Verde Project – The Authority, pursuant to an assignment agreement dated as of August 14, 1981 with the Salt River Project (Salt River), purchased a 5.91% interest in the Palo Verde Nuclear Generating Station (PVNGS), a 3,810 megawatt nuclear-fueled generating station near Phoenix, Arizona, and a 6.55% share of the right to use certain portions of the Arizona Nuclear Power Project Valley Transmission System (collectively, the Palo Verde Project).

As of July 1, 1981, ten participants had entered into power sales contracts with the Authority to purchase the Authority's share of PVNGS capacity and energy. Units 1, 2 and 3 of the Palo Verde Project began commercial operations in January 1986, September 1986, and January 1988, respectively.

Southern Transmission System Project – The Authority, pursuant to an agreement dated as of May 1, 1983 with the Intermountain Power Agency (IPA), has made payments-in-aid of construction to IPA to defray all the costs of acquisition and construction of the Southern Transmission System Project (STS), which provides for the transmission of energy from the Intermountain Generating Station in Utah to Southern California. The Authority entered into an agreement also dated as of May 1, 1983 with six of its participants pursuant to which each member assigned its entitlement to capacity of STS to the Authority in return for the Authority's agreement to make payments-in-aid of construction to IPA. STS commenced commercial operations in July 1986. The Department of Water and Power of the City of Los Angeles (LADWP), a member of the Authority, serves as project manager and operating agent of the Intermountain Power Project (IPP).

Hoover Uprating Project – The Authority and six participants entered into an agreement dated as of March 1, 1986, pursuant to which each participant assigned its entitlement to capacity and associated firm energy to the Authority in return for the Authority's agreement to make advance payments to the United States Bureau of Reclamation (USBR) on behalf of such participants. The USBR has declared that the Project is substantially complete. The Authority has an 18.68% interest in the contingent capacity of the Hoover Uprating Project (HU). All seventeen "uprated" generators of the HU have commenced commercial operations.

Mead-Phoenix Project – The Authority entered into an agreement dated as of December 17, 1991 to acquire an interest in the Mead-Phoenix Project (MP), a transmission line extending between the Westwing substation in Arizona and the Marketplace substation in Nevada. The agreement provides the Authority with an 18.31% interest in the Westwing-Mead project component, a 17.76% interest in the Mead Substation project component and a 22.41% interest in the Mead-Marketplace project component. The Authority has entered into transmission service contracts for the entire capability of its interest with nine members of the Authority on a "take or pay" basis. In addition, the Authority has administrative responsibility for accounting for the separate ownership interest in the project by Western Area Power Administration (WAPA), which is providing separate funding ($73,758,000 and $73,011,000 at June 30, 1998 and 1997, respectively) for its interest. Commercial operations of MP commenced in April 1996. Funding was provided by a transfer of funds from the Multiple Project Fund (Note 4).

Mead-Adelanto Project – The Authority entered into an agreement dated as of December 17, 1991 to acquire a 67.92% interest in the Mead-Adelanto Project (MA), a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. The Authority has entered into transmission service contracts for the entire capability of its interest with nine members of the Authority on a "take or pay" basis. In addition, the Authority has administrative responsibility for accounting for the separate ownership interest in the project by WAPA, which is providing separate funding ($17,088,000 at June 30, 1998 and 1997) for its interest. Funding was provided by a transfer of funds from the Multiple Project Fund (Note 4). Commercial operations commenced in April 1996. LADWP serves as both construction manager and operations manager.

Multiple Project Fund – During fiscal year 1990, the Authority issued Multiple Project Revenue Bonds for net proceeds of approximately $600 million to provide funds to finance costs of construction and acquisition of ownership interests or capacity rights in one or more then unspecified projects for the generation or transmission of electric energy.

In August 1992, the Authority's Board of Directors approved a resolution authorizing the use of certain proceeds of Multiple Project Revenue Bonds to finance the Authority's ownership interests in the Mead-Phoenix and Mead-Adelanto projects. Transfers made from the Multiple Project Fund are sufficient to provide for the Authority's share of the estimated costs of acquisition and construction of these two projects, including reimbursement of planning, development and other related costs.

San Juan Project – Effective July 1, 1993, the Authority purchased a 41.80% interest in Unit 3, a 488 megawatt unit and related common facilities, of the San Juan Generating Station (SJGS) from Century Power Corporation. Unit 3 is one unit of a four-unit coal-fired power generating station in New Mexico. The Authority allocated the $193 million purchase price to the estimated fair value of the utility plant ($190 million) and to materials and supplies ($3 million). The purchase has been financed through the issuance of approximately $237 million (par value) of San Juan Project Revenue Bonds. The Authority has entered into power sales contracts for the entire capability of its interest with five members of the Authority on a "take or pay" basis.

Projects' Stabilization Fund – In fiscal 1997 the Authority authorized the creation of a Projects' Stabilization Fund. Deposits may be made into the fund from budget under-runs, after authorization of individual participants, and by direct contributions from the participants. Participants have discretion over the use of their deposits to pay costs and expenses of Authority-related projects. This fund is not a project-related fund, therefore, it is not governed by any project Indenture of Trust.

Note 2 — Summary of Significant Accounting Policies:

The financial statements of the Authority are presented in conformity with generally accepted accounting principles, and are substantially in conformity with accounting principles prescribed by the Federal Energy Regulatory Commission and the California Public Utilities Commission. The Authority is not subject to regulation by either of these regulatory bodies.

The Authority complies with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Authority also complies with authoritative pronouncements applicable to nongovernmental entities (i.e., Financial Accounting Standards Board statements) which do not conflict with GASB pronouncements.

The financial statements represent the Authority's share in each jointly-owned project. The Authority's share of direct expenses of jointly-owned projects are included in the corresponding operating expense of the combined statement of operations. Each owner of the jointly-owned projects is required to provide its own financing.

Utility Plant – The Authority's share of all expenditures, including general administrative and other overhead expenses, payments-in-aid of construction, interest net of related investment income, deferred cost amortization and the fair value of test power generated and delivered to the participants are capitalized as utility plant construction work in progress until a facility commences commercial operation.

The Authority's share of construction and betterment costs associated with PVNGS is included as utility plant. Depreciation expense is computed using the straight-line method based on the estimated service life of thirty-five years. Nuclear fuel is amortized and charged to expense on the basis of actual thermal energy produced relative to total thermal energy expected to be produced over the life of the fuel. Under the provisions of the Nuclear Waste Policy Act of 1982, the Authority is charged one mill per kilowatt-hour, by the federal government, on its share of electricity produced by PVNGS, and such funds will eventually be utilized by the federal government to provide for PVNGS' nuclear waste disposal. The Authority records this charge as a current year expense.

The Authority's share of construction and betterment costs associated with STS, MP, MA and SJGS are included as utility plant. Depreciation expense is computed using the straight-line method based on the estimated service lives, principally thirty-five years for STS, MA and MP and twenty-one years for SJGS.

Advances for Capacity and Energy – Advance payments to USBR for the uprating of the 17 generators at the Hoover Power Plant are included in advances for capacity and energy. These advances are being reduced by the principal portion of the credits on billings to the Authority for energy and capacity.

Nuclear Decommissioning – Decommissioning of PVNGS is projected to commence subsequent to the year 2022. Based upon an updated study performed by an independent engineering firm, the Authority's share of the estimated decommissioning costs is $85.5 million in 1995 dollars ($390 million in 2022 dollars assuming a 6% estimated annual inflation rate). The Authority is providing for its share of the estimated future decommissioning costs over the remaining life of the nuclear power plant (25 to 27 years) through annual charges to expense which amounted to $11.6 million in fiscal 1998 and 1997. The decommissioning liability is included as a component of accumulated depreciation and was $111.3 million and $99.7 million at June 30, 1998 and 1997, respectively.

A Decommissioning Fund has been established and partially funded at $54.5 million at June 30, 1998. The Decommissioning Fund earned interest income of $2,841,000 and $2,690,000 during fiscal 1998 and 1997, respectively.

Demolition and Site Reclamation – Demolition and site reclamation of SJGS, which involves restoring the site to a "green" condition which existed prior to SJGS construction, is projected to commence subsequent to the year 2014. Based upon a study performed by an independent engineering firm, the Authority's share of the estimated demolition and site reclamation costs is $18.7 million in 1992 dollars ($65.3 million in 2014 dollars assuming a 6% estimated annual inflation rate). The Authority is providing for its share of the estimated future demolition costs over the remaining life of the power plant (17 years) through annual charges to expense of $3.1 million. The demolition liability is included as a component of accumulated depreciation and totaled $15.6 and $12.5 million at June 30, 1998 and 1997, respectively.

As of June 30, 1998, the Authority has not billed participants for the cost of demolition nor has it established a demolition fund.

Unamortized Debt Expenses – Unamortized debt issue costs, including the loss on refundings, are being amortized over the shorter of the terms of the respective issues or the remaining terms of the bonds refunded, and are reported net of accumulated amortization. Total deferred loss on refundings, net of accumulated

amortization, was $297,224,000 and $394,575,000 at June 30, 1998 and 1997, respectively.

Investments – Investments include United States Government and governmental agency securities and repurchase agreements which are collateralized by such securities. Additionally, the Mead-Phoenix Project, the Mead-Adelanto Project and the Multiple Project Fund's investments are comprised of an investment agreement with a financial institution earning a guaranteed rate of return. The Southern Transmission System Project has debt service reserve funds associated with the 1991 and 1992 Subordinate Refunding Series Bonds invested with a financial institution under a specific investment agreement allowed under the Bond Indenture earning a guaranteed rate of return.

Investments are carried at aggregate fair value and changes in unrealized gains and losses are recorded in the statement of operations (Note 10). Investments are reduced to estimated net realizable value when necessary for declines in value considered to be other than temporary. Gains and losses realized on the sale of investments are generally determined using the specific identification method. As discussed in Note 3, all of the investments are restricted as to their use.

Cash and Cash Equivalents – Cash and cash equivalents include cash and all investments with original maturities less than 90 days.

Revenues – Revenues consist of billings to participants for the sales of electric energy and of transmission service in accordance with the participation agreements. Generally, revenues are fixed at a level to recover all operating and debt service costs over the commercial life of the property (see Note 6).

In March 1997, the Palo Verde Project participants approved a board resolution which instructs the Authority to increase fiscal 1998 and future billings to Palo Verde participants so as to fully amortize the costs recoverable from future billings to participants balance of $231,230,000 at June 30, 1997 by June 30, 2003 and to prevent the further accumulation of costs recoverable from future billings to participants. In fiscal 1998, total billings to participants for this purpose were $65,000,000.

Debt Expense – Debt expense includes interest on debt and the amortization of bond discounts, debt issuance expense and loss on refunding costs.

Arbitrage Rebate – A rebate payable to the Internal Revenue Service (IRS) results from the investment of the proceeds from the Multiple Project Revenue Bond offering in a taxable financial instrument that yields a higher rate of interest income than the cost of the associated funds. The excess of interest income over costs is payable to the IRS within five years of the date of the bond offering and each consecutive five years thereafter. The Authority made a payment of $3.8 million at the end of the initial rebate period during fiscal year 1995. The next rebate payment to the IRS, if any, is due in fiscal year 2000. As of June 30, 1998 and 1997, the Authority had no liability relating to Arbitrage Rebate.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made in the fiscal year 1997 financial statements to conform to the fiscal year 1998 presentation.

Note 3 — Special Funds:

The Bond Indentures for the six projects and the Multiple Project Fund require the following special funds to be established to account for the Authority's receipts and disbursements. The moneys and investments held in these funds are restricted in use to the purposes stipulated in the Bond Indentures. A summary of these funds follows:

Fund	Purpose
Construction	To disburse funds for the acquisition and construction of the Project.
Debt Service	To pay interest and principal related to the Revenue Bonds.
Revenue	To initially receive all revenues and disburse them to other funds.
Operating	To pay operating expenses.
Reserve and Contingency	To pay capital improvements and make up deficiencies in other funds.
General Reserve	To make up any deficiencies in other funds.
Advance Payments	To disburse funds for the cost of acquisition of capacity.
Proceeds Account	To initially receive the proceeds of the sale of the Multiple Project Revenue Bonds.
Earnings Account	To receive investment earnings on the Multiple Project Revenue Bonds.
Revolving Fund	To pay the Authority's operating expenses.
Decommissioning Fund	To accumulate funds related to the future decommissioning of PVNGS.
Issue Fund	To initially receive pledged revenues associated with the applicable subordinated refunding series' Indenture of Trust and pay the related interest and principal.
Escrow account – Subordinate Refunding	To initially receive pledged revenues associated with Subordinate Refunding Indenture of Trust and pay the related interest and principal.
Acquisition Account	To disburse funds for the acquisition and construction of the Mead-Phoenix, Mead-Adelanto and San Juan projects.
Surplus Fund	To make up any deficiencies in other funds of the Mead-Adelanto and Mead-Phoenix projects.
Costs of Issuance	To pay costs associated with the issuance of bonds.
Deposit Installment	To accumulate funds related to the purchase of bond obligations.
Deposit Installment Reserve	To make up deficiencies in the Deposit Installment account.
Renewal and Replacement	To pay costs associated with capital improvements.

All of the funds listed above, except for the Revolving Fund, are held by the respective trustees.

Palo Verde Project – The balances of the funds required by the Bond Indenture are as follows, in thousands:

	June 30,			
	1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt Service Fund -				
Debt Service Account	$ 41,257	$ 40,946	$ 42,377	$ 41,695
Debt Service Reserve Account	39,183	39,098	67,317	67,332
Revenue Fund	9	9	1	1
Operating Fund	28,918	28,860	25,812	25,830
Reserve and Contingency Fund	24,983	24,927	24,911	24,982
Decommissioning Trust Fund	55,234	55,219	44,399	44,418
Issue Fund	23,414	23,300	24,912	24,738
Escrow Account – Subordinate Refunding	38,395	34,779		
1997 Deposit Installment	6,171	6,164		
1997 Deposit Installment Reserve	1,001	1,001		
Revolving Fund	92	92	52	52
	$ 258,657	$ 254,395	$ 229,781	$ 229,048
Contractual maturities:				
Within one year	$ 110,083	$ 110,392		
After one year through five years	110,181	108,505		
After five years through ten years	8,068	6,160		
After ten years	30,325	29,338		
	$ 258,657	$ 254,395		

Southern Transmission System Project – The balances in the special funds required by the Bond Indenture are as follows, in thousands:

	June 30,			
	1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Construction fund –				
Initial Facilities Account	$ –	$ –	$ 246	$ 246
Debt Service Fund -				
Debt Service Account	961	961	2,587	2,587
Debt Service Reserve Account	11,365	11,322	21,339	21,379
Operating Fund	5,191	5,191	6,545	6,545
General Reserve Fund	2,580	2,580	11,772	11,772
Issue Fund	129,504	129,820	128,000	129,031
Escrow Account - Subordinate Refunding Crossover Series	23,679	24,428	15,439	15,484
Revolving Fund	32	32	15	15
	$ 173,312	$ 174,334	$ 185,943	$ 187,059
Contractual maturities:				
Within one year	$ 57,136	$ 57,576		
After one year through five years	58,368	59,091		
After five years through ten years	6,686	6,545		
After ten years	51,122	51,122		
	$ 173,312	$ 174,334		

In addition, at June 30, 1998 and 1997, the Authority had non-interest bearing advances outstanding to IPA of $11,550,000.

Hoover Uprating Project – The balances in the special funds required by the Bond Indenture are as follows, in thousands:

	June 30,			
	1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Operating - Working Capital Fund	$ 1,479	$ 1,479	$ 1,724	$ 1,721
Debt Service Fund -				
Debt Service Account	1,168	1,168	753	753
Debt Service Reserve Account	3,126	3,125	3,126	3,081
General Reserve Fund	1,870	1,869	1,871	1,845
Revolving Fund	34	34	15	15
	$ 7,677	$ 7,675	$ 7,489	$ 7,415
Contractual maturities:				
Within one year	$ 2,704	$ 2,770		
After one year through five years	4,973	4,905		
	$ 7,677	$ 7,675		

In addition, at June 30, 1998 and 1997, the Authority had advances to USBR of $23,984,000 and $24,526,000, respectively.

Mead-Phoenix Project – The balances in the special funds required by the Bond Indenture are as follows, in thousands:

	June 30,			
	1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Acquisition Account	$ 13,594	$ 13,594	$ 12,830	$ 12,830
Debt Service Fund -				
Debt Service Account	1,409	1,409	2,904	2,904
Debt Service Reserve Account	6,132	6,132	6,132	6,132
Issue Fund	1,325	1,325		
Renewal and Replacement	62	62		
Operating Fund	254	254	79	79
Surplus Fund	4	4	88	88
Revolving Fund	8	8	4	4
	$ 22,788	$ 22,788	$ 22,037	$ 22,037
Contractual maturities:				
Within one year	$ 22,788	$ 22,788		

Mead-Adelanto Project – The balances in the special funds required by the Bond Indenture are as follows, in thousands:

	June 30,			
	1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Acquisition Account	$ 42,303	$ 42,303	$ 39,386	$ 39,387
Debt Service Fund -				
Debt Service Account	4,091	4,091	8,322	8,322
Debt Service Reserve Account	16,865	16,865	16,865	16,865
Issue Fund	4,411	4,411	–	–
Revenue Fund	1	1	–	–
Operating Fund	243	243	–	–
Surplus Fund	4	4	88	88
Revolving Fund	10	10	4	4
	$ 67,928	$ 67,928	$ 64,665	$ 64,666
Contractual maturities:				
Within one year	$ 67,928	$ 67,928		

Multiple Project Fund – The balances in the special funds required by the Bond Indenture are as follows, in thousands:

	June 30,			
	1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Proceeds Account	$ 256,831	$ 256,831	$ 256,903	$ 256,903
Earnings Account	7,496	7,496	5,237	5,237
	$ 264,327	$ 264,327	$ 262,140	$ 262,140
Contractual maturities:				
After ten years	$ 264,327	$ 264,327		

San Juan Project – The balances in the special funds required by the Bond Indenture are as follows, in thousands:

	June 30,			
	1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Operating Fund	$ 5,980	$ 5,993	$ 1,932	$ 1,932
Operating Reserve Fund	3	3	7	7
Project Fund	115	115	553	553
Debt Service Fund -				
Debt Service Account	8,802	8,837	9,088	9,088
Debt Service Reserve Account	18,049	18,049	18,026	18,026
Reserve and Contingency	7,857	7,857	15,455	15,452
Revolving	24	24	10	10
	$ 40,830	$ 40,878	$ 45,071	$ 45,068
Contractual maturities:				
Within one year	$ 17,080	$ 16,971		
After one year through five years	5,740	5,862		
After ten years	18,010	18,045		
	$ 40,830	$ 40,878		

Projects' Stabilization Fund and Other Funds – At June 30, 1998, the Projects' Stabilization Fund investments had amortized cost and fair value of $19,451,000 and $19,424,000 respectively. All contractual maturities as of June 30, 1998 are within one year. At June 30, 1997, the Projects' Stabilization Fund investments had amortized cost and fair value of $14,896,000 and $14,871,000 respectively. Other Funds of the Authority include cash of $173,000 and $41,000 at June 30, 1998 and 1997, respectively.

Project Investment Sales – There were no proceeds from sales of investments during fiscal 1998 or 1997.

Note 4 — Long-term Debt:

Reference is made below to the Combined Schedule of Long-term Debt at June 30, 1998 for details related to all of the Authority's outstanding bonds.

Palo Verde Project – To finance the purchase and construction of the Authority's share of the Palo Verde Project, the Authority issued Power Project Revenue Bonds pursuant to the Authority's Indenture of Trust dated as of July 1, 1981 (Senior Indenture), as amended and supplemented. The Authority also has issued and has outstanding Power Project Subordinate Refunding Series Bonds issued under an Indenture of Trust dated as of January 1, 1993 (Subordinate Indenture). The Subordinate Refunding Bonds were issued to advance refund certain bonds previously issued under the Senior Indenture.

The bond indentures provide that the Revenue Bonds and Subordinate Refunding Bonds shall be special, limited obligations of the Authority payable solely from and secured solely by (1) proceeds from the sale of bonds, (2) all revenues, incomes, rents and receipts attributable to the Palo Verde Project (see Note 6) and interest on all moneys or securities (other than in the Construction Fund) held pursuant to the Bond Indenture and (3) all funds established by the Bond Indenture.

After the purchase of securities (consisting of non-callable direct obligations of, or unconditionally guaranteed by, the United States of America) pursuant to a 1997 Series B Forward Purchase Agreement ("Defeasance Obligations"), the principal of and interest on the Palo Verde 1997 Subordinate Refunding Series B Bonds will be payable solely from and secured by the Defeasance Obligations. The 1997 Series B Forward Purchase Agreement provides that Defeasance Obligations must be purchased monthly in specified amounts. The Authority expects that all of the Defeasance Obligations aggregating $290,568,000 will be purchased by July 1, 2004. It is expected that the Series B Subordinate Bonds will be defeased once all of the Defeasance Obligations have been purchased pursuant to the 1997 Series B Forward Purchase Agreement.

Pursuant to a Forward Securities Purchase Contract, the collection of additional revenues by the Authority under the Senior Indenture, together with other available moneys, will be used to purchase non-callable direct obligations of, or unconditionally guaranteed by the United States of America, to defease, on or about July 1, 2004, approximately $166,350,000 of the outstanding 1987 Series A and 1989 Series A revenue bonds, maturing on July 1, 2011 through 2017.

At the option of the Authority, all outstanding Power Project Revenue Bonds and Subordinate Refunding Term Bonds are subject to redemption prior to maturity, except for the 1996 Subordinate Refunding Series A and portions of the 1989A, 1992A, 1992B and 1993A Series bonds which are not redeemable.

The Bond Indenture requires mandatory sinking fund installments to be made beginning in fiscal year 2003 (1986 Series A Bonds and 1987 Series A Bonds), 2005 (1989 Series A Bonds), 2010 (1993 Series A Bonds), and 2008 (1996 Subordinate Refunding Series B). Scheduled principal maturities for the Palo Verde Project during the five fiscal years following June 30, 1998 are $32,015,000 in 1999, $35,305,000 in 2000, $37,075,000 in 2001, $31,500,000 in 2002, and $40,250,000 in 2003. The average interest rate on outstanding debt during fiscal year 1998 and 1997 was 5.0% and 5.8%, respectively.

Southern Transmission System Project — To finance payments-in-aid of construction to IPA for construction of the STS, the Authority issued Transmission Project Revenue Bonds pursuant to the Authority's Indenture of Trust dated as of May 1, 1983 (Senior Indenture), as amended and supplemented. The Authority also has issued and has outstanding Transmission Project Revenue Bonds 1991 and 1992 Subordinate Refunding Series issued under Indentures of Trust dated as of March 1, 1991 and June 1, 1992, respectively. The 1991 and 1992 subordinated bonds were issued to advance refund certain bonds previously issued under the Senior Indenture.

The bond indentures provide that the Revenue Bonds and the Subordinate Refunding Series Bonds shall be special, limited obligations of the Authority payable solely from and secured solely by (1) proceeds from the sale of bonds, (2) all revenues, incomes,

rents and receipts attributable to STS (see Note 6) and interest on all moneys or securities (other than in the Construction Fund) held pursuant to the Bond Indenture and (3) all funds established by the Bond Indenture.

At the option of the Authority, all outstanding Transmission Project Revenue and Refunding Bonds are subject to redemption prior to maturity, except for the 1996 Subordinate Refunding Series A which is not redeemable.

The Bond Indenture requires mandatory sinking fund installments to be made beginning in fiscal year 2019 (for the 1996 Series B Bonds). Scheduled principal maturities for STS during the five fiscal years following June 30, 1998 are $21,970,000 in 1999, $19,275,000 in 2000, $24,205,000 in 2001, $19,210,000 in 2002, and $23,170,000 in 2003. The average interest rate on outstanding debt during fiscal year 1998 and 1997 was 5.4% and 5.6%, respectively.

Hoover Uprating Project – To finance advance payments to USBR for application to the costs of the Hoover Uprating Project, the Authority issued Hydroelectric Power Project Revenue Bonds pursuant to the Authority's Indenture of Trust dated as of March 1, 1986 (Bond Indenture).

The Bond Indenture provides that the Revenue Bonds shall be special, limited obligations of the Authority payable solely from and secured solely by (1) the proceeds from the sale of the bonds, (2) all revenues from sales of energy to participants (see Note 6), (3) interest or other receipts derived from any moneys or securities held pursuant to the Bond Indenture and (4) all funds established by the Bond Indenture (except for the Interim Advance Payments Account in the Advance Payments Fund).

At the option of the Authority, all outstanding Hydroelectric Power Project Revenue Bonds are subject to redemption prior to maturity.

The Bond Indenture requires mandatory sinking fund installments to be made beginning in fiscal year 2007 for the 1991 Series A Bonds maturing on October 1, 2010 and fiscal year 2011 for the 1991 Series A Bonds maturing on October 1, 2017. Scheduled principal maturities for the Hoover Uprating Project during the five fiscal years following June 30, 1998 are $550,000 in 1999, $580,000 in 2000, $615,000 in 2001, $650,000 in 2002, and $1,145,000 in 2003. The average interest rate on outstanding debt during fiscal year 1998 and 1997 was 5.8% and 5.7%, respectively.

Multiple Project Fund – To finance costs of construction and acquisition of ownership interests or capacity rights in one or more projects expected to be undertaken within five years after issuance, the Authority issued Multiple Project Revenue Bonds pursuant to the Authority's Indenture of Trust dated as of August 1, 1989 (Bond Indenture), as amended and supplemented.

The Bond Indenture provides that the Revenue Bonds shall be special, limited obligations of the Authority payable solely from, and secured solely by, (1) proceeds from the sale of bonds, (2) with respect to each authorized project, the revenues of such authorized project, and (3) all funds established by the Bond Indenture.

In October 1992, $103,640,000 and $285,010,000 of the Multiple Project Revenue Bonds were transferred to the Mead-Phoenix Project and the Mead-Adelanto Project, respectively, to finance the estimated costs of acquisition and construction of the projects.

A total of $153,500,000 of the outstanding Multiple Project Revenue Bonds are not subject to redemption prior to maturity. At the option of the Authority, the balance of the outstanding bonds are subject to redemption prior to maturity.

The Bond Indenture requires mandatory sinking fund installments to be made beginning in fiscal year 2006 for the 1989 Series Bonds. The first scheduled principal maturities for the Multiple Project Revenue Bonds for fiscal years following June 30, 1998 are $5,400,000 in 2000, $5,800,000 in 2001, $6,200,000 in 2002, and $6,600,000 in 2003. The average interest rate on outstanding debt during fiscal year 1998 and 1997 was 6.7%.

Mead-Phoenix Project – To finance the Authority's ownership interest in the estimated cost of the project, $103,640,000 of the Multiple Project Revenue Bonds were transferred to the Mead-Phoenix Project in October 1992. In March 1994, the Authority issued and has outstanding $51,835,000 of Mead-Phoenix Revenue Bonds under an Indenture of Trust dated as of January 1, 1994 (Bond Indenture). The proceeds from the Revenue Bonds, together with drawdowns from the Debt Service Fund and Project Acquisition Fund, were used to advance refund $64,840,000 of the Multiple Project Revenue Bonds previously transferred to the Mead-Phoenix Project.

The Bond Indenture provides that the Revenue Bonds shall be special, limited obligations of the Authority payable solely from, and secured solely by, (1) proceeds from the sale of bonds, (2) all revenues, incomes, rents and receipts attributable to Mead-Phoenix (see Note 6) and interest on all moneys or securities and (3) all funds established by the Bond Indenture.

At the option of the Authority, all outstanding Mead-Phoenix Revenue Bonds are subject to redemption prior to maturity.

The Bond Indenture requires mandatory sinking fund installments to be made beginning in fiscal year 2018 for the 1994 Series Bonds. The first scheduled principal maturities for the Mead-Phoenix Revenue Bonds for fiscal years following June 30, 1998 are $2,160,000 in 2000, $2,320,000 in 2001, $2,480,000 in 2002 and $2,640,000 in 2003. The average interest rate on outstanding debt during fiscal year 1998 and 1997 was 5.6%.

Mead-Adelanto Project – To finance the Authority's ownership interest in the estimated cost of the project, $285,010,000 of the Multiple Project Revenue Bonds were transferred to the Mead-Adelanto Project in October 1992. In March 1994, the Authority issued and has outstanding $173,955,000 of Mead-Adelanto Revenue Bonds under an Indenture of Trust dated as of January 1, 1994 (Bond Indenture). The proceeds of the Revenue Bonds, together with drawdowns from the Debt Service Fund and Project Acquisition Fund, were used to advance refund $178,310,000 of the Multiple Project Revenue Bonds previously transferred to the Mead-Adelanto Project.

The Bond Indenture provides that the Revenue Bonds shall be special, limited obligations of the Authority payable solely from, and secured solely by, 1) proceeds from the sale of bonds, (2) all revenues, incomes, rents and receipts attributable to Mead-Adelanto (see Note 6) and interest on all moneys or securities and (3) all funds established by the Bond Indenture.

At the option of the Authority, all outstanding Mead-Adelanto Revenue Bonds are subject to redemption prior to maturity.

The Bond Indenture requires mandatory sinking fund installments to be made beginning in fiscal year 2018 for the 1994 Series Bonds. The first scheduled principal maturities for the Mead-Adelanto Revenue Bonds for fiscal years following June 30, 1998 are $5,940,000 in 2000, $6,380,000 in 2001, $6,820,000 in 2002,

and $7,260,000 in 2003. The average interest rate on outstanding debt during fiscal year 1998 and 1997 was 5.6%.

San Juan Project – To finance the costs of acquisition of an ownership interest in Unit 3 of the SJGS, the Authority issued San Juan Project Revenue Bonds pursuant to the Authority's Indenture of Trust dated as of January 1, 1993 (Bond Indenture).

The Bond Indenture provides that the Revenue Bonds shall be special, limited obligations of the Authority payable solely from, and secured solely by, (1) proceeds from the sale of bonds, (2) all revenues, incomes, rents and receipts attributable to San Juan (see Note 6) and interest on all moneys or securities and (3) all funds established by the Bond Indenture.

At the option of the Authority, all outstanding San Juan Project Revenue Bonds are subject to redemption prior to maturity.

The Bond Indenture requires mandatory sinking fund installments to be made beginning in fiscal year 2012 for the 1993 Series A Bonds. The scheduled principal maturities for the San Juan Project Revenue Bonds during the five fiscal years following June 30, 1998 are $6,540,000 in 1999, $6,825,000 in 2000, $7,140,000 in 2001, $7,480,000 in 2002, and $7,845,000 in 2003. The average interest rate on outstanding debt during fiscal year 1998 and 1997 was 5.3%.

Refunding Bonds – In October 1997, the Authority issued $29,975,000 of Palo Verde Revenue Bonds 1997 Subordinate Refunding Series A and $375,650,000 of Palo Verde Revenue Bonds 1997 Subordinate Refunding Series B to refund $28,690,000 and $422,845,000 of previously issued bonds, respectively. These refundings were implemented to reduce interest costs, to free up debt service reserves and to accelerate the repayment of debt. These refundings are expected to reduce total debt service payments in the future by $297,103,000. The transactions will not result in any material net present value savings.

In June 1998, the Authority issued $90,900,000 of Southern Transmission Project Revenue Bonds 1998 Subordinate Refunding Series A to refund $96,520,000 of the Southern Transmission Project 1988 Refunding Series A Bonds. The refunding is expected to reduce total debt service payments over the next seven years by approximately $15,364,200 (the difference between the debt service payments on the old and new debt) and is expected to result in a net present value savings of approximately $7,548,000.

In July 1992, the Authority issued $475,000,000 of Southern Transmission Project Revenue Bonds to refund $385,385,000 of previously issued bonds. Principal and interest with respect to the 1992 bonds were allocated into four separate components. Each of components 1, 2 and 3 were secured by, and payable from, investments in its escrow fund until scheduled crossover dates. Component 4 proceeds of $14,100,000 were used to advance refund approximately $9,000,000 of bonds in fiscal year 1993. On the Component 1 Crossover date (January 1, 1994), Component 1 proceeds of $13,959,000 were used in fiscal 1994 to advance refund $13,455,000 of previously issued bonds. On the Component 2 Crossover date (January 1, 1995), Component 2 proceeds of $5,519,000 were used in fiscal 1995 to advance refund $5,335,000 of previously issued bonds. On the Component 3 Crossover date (July 1, 1996), Component 3 proceeds of $321,069,000 were used in fiscal 1997 to advance refund $313,050,000 of previously issued bonds.

In September 1996, the Authority issued $42,245,000 of Southern Transmission Project Revenue Bonds, 1996 Subordinate Refunding Series A and $121,065,000 of Southern Transmission Project Revenue Bonds, 1996 Subordinate Refunding Series B to refund $68,720,000 and $127,100,000 of the STS 1986 Refunding Series A and B, respectively. The refunding is expected to reduce total debt service payments over the next 26 years by approximately $125,382,000 (the difference between the debt service payments on the old and new debt) and is expected to result in a net present value savings of approximately $32,526,000.

In January 1992, $70,680,000 of Palo Verde Special Obligation Crossover Series Bonds were issued, the proceeds of which were placed in an irrevocable trust to redeem $69,125,000 of previously issued bonds. On July 1, 1996, trust assets held in escrow of $63,415,000 were used to advance refund $62,000,000 of previously issued bonds.

In August 1996, the Authority issued $89,570,000 of Palo Verde 1996 Subordinate Refunding Series C bonds to refund $95,015,000 of 1986 Refunding Series B bonds. The refunding is expected to reduce total debt service payments over the next 20 years by approximately $24,713,000 (the difference between the debt service payments on the old and new debt) and is expected to result in a net present value savings of approximately $16,955,000.

In April 1996, the Authority issued $152,905,000 of Palo Verde 1996 Subordinate Refunding Series A Bonds to refund $163,355,000 of previously issued Palo Verde 1987 Refunding Series A Bonds and issued $58,870,000 of Palo Verde 1996 Subordinate Refunding Series B Bonds to refund $18,555,000 and $40,315,000 of previously issued Palo Verde 1986 Refunding Series B and 1987 Refunding Series A Bonds, respectively. The refunding is expected to reduce total debt service payments over the next 13 years by approximately $50,967,000 (the difference between the debt service payments on the old and new debt) and is expected to result in a net present value savings of approximately $29,537,000.

In March 1994, the Authority issued $51,835,000 of Mead-Phoenix Project Revenue Bonds and $173,955,000 of Mead-Adelanto Project Revenue Bonds to refund $243,150,000 of previously issued Multiple Project Revenue Bonds which were transferred to the Mead-Phoenix and Mead-Adelanto projects during fiscal year 1993. The partial refunding of the original issue within five years of its issuance triggered a recalculation of the arbitrage yield. The recalculation resulted in a higher arbitrage yield which reduced the rebate liability of the Authority. At June 30, 1998, cumulative savings due to the rebate calculation amounted to $8,356,000. This amount was allocated $2,228,000 and $6,128,000 to the Mead-Phoenix and Mead-Adelanto Projects, respectively, and is recorded as accounts receivable in the accompanying combined balance sheet.

At June 30, 1998, the aggregate amount of debt in all projects considered to be defeased and outstanding was $970,635,000.

Interest Rate Swap – In fiscal year 1991, the Authority entered into an Interest Rate Swap agreement with a third party for the purpose of hedging against interest rate fluctuations arising from the issuance of the Southern Transmission Project Revenue Bonds, 1991 Subordinate Refunding Series as variable rate obligations. The notional amount of the Swap Agreement is equal to the par value of the bond ($290,500,000 and $291,000,000 at June 30, 1998 and 1997, respectively). The Swap Agreement provides for the Authority to make payments to the third party on a fixed rate basis at 6.38%, and for the third party to make reciprocal payments based on a variable rate basis (3.1% and 3.9% at June 30, 1998 and 1997, respectively). The bonds mature in 2019.

COMBINED SCHEDULE OF LONG-TERM DEBT
AT JUNE 30, 1998
(In thousands)

Project	Series	Date of Sale	Effective Interest Rate	Maturity on July 1	Total
Principal:					
Palo Verde Project Revenue and Refunding Bonds	1986A	03/13/86	8.2%	1998 to 2006	$ 6,200
	1987A	02/11/87	6.9%	1998 to 2017	40,140
	1989A	02/15/89	7.2%	1998 to 2015	241,465
	1992A	01/01/92	6.0%	1998 to 2010	5,145
	1992B	01/01/92	6.0%	1998 to 2006	52,785
	1992C	01/01/92	6.0%	1998 to 2010	2,810
	1993A	03/01/93	5.5%	1998 to 2017	29,045
	1996A	02/13/96	4.4%	1998 to 2017	72,815
	1996B	02/29/96	4.4%	1998 to 2017	58,870
	1996C	08/22/96	4.2%	2016 to 2017	89,570
	1997A	10/09/97	4.3%	1998 to 2004	29,975
	1997B	10/09/97	6.9%	2017	345,675
					974,495
Southern Transmission System Project Revenue and Refunding Bonds	1988A	11/22/88	7.2%	1998 to 2015	57,565
	1991A	04/17/91	6.4%	2019	290,500
	1992 Comp 1, 2, 4	07/20/92	6.1%	1998 to 2021	34,831
	1992 Comp 3	07/20/92	6.1%	1998 to 2021	413,189
	1993A	07/01/93	5.4%	1998 to 2023	113,320
	1996A	09/12/96	4.9%	1998 to 2006	39,250
	1996B	09/12/96	4.3%	2019 to 2023	121,065
	1998A	06/04/98	4.6%	1999 to 2011	90,900
					1,160,620
Hoover Uprating Project Revenue and Refunding Bonds	1991	08/01/91	6.2%	1998 to 2017	30,490
Multiple Project Revenue Bonds					
Mead-Phoenix Project	1989	01/04/90	7.1%	1999 to 2020	38,800
Mead-Adelanto Project	1989	01/04/90	7.1%	1999 to 2020	106,700
Multiple Project	1989	01/04/90	7.1%	1999 to 2020	259,100
					404,600
Mead-Phoenix Project Revenue Bonds	1994A	03/01/94	5.3%	2006 to 2015	51,835
Mead-Adelanto Project Revenue Bonds	1994A	03/01/94	5.3%	2006 to 2015	173,955
San Juan Project Revenue Bonds	1993	06/01/93	5.6%	1998 to 2020	225,065
Total principal amount					3,021,060
Unamortized bond discount:					
Palo Verde Project					(78,136)
Southern Transmission System Project					(88,441)
Hoover Uprating Project					(3,381)
Mead-Phoenix Project					(3,908)
Mead-Adelanto Project					(11,737)
Multiple Project Fund					(14,954)
San Juan Project					(8,230)
Total unamortized bond discount					(208,787)
Long-term debt due within one year					(61,075)
Total long-term debt, net					$ 2,751,198

Note - bonds which have been refunded are excluded from this schedule.

Note 5 — Disclosures about Fair Value of Financial Instruments:
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents – The carrying value approximates fair value because of the short maturity of those instruments.

Investments/Decommissioning fund/Escrow account - Subordinate Refunding – The fair values of investments are estimated based on quoted market prices for the same or similar investments.

Long-term debt – The fair value of the Authority's debt is estimated based on the quoted market prices for the same or similar issues or on the current average rates offered to the Authority for debt of approximately the same remaining maturities, net of the effect of a related interest rate swap agreement.

The fair values of the Authority's financial instruments are as follows (in thousands):

	June 30,			
	1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Assets:				
Cash and cash equivalents	$ 177,491	$ 177,491	$ 87,370	$ 87,370
Escrow account - Subordinate Refunding	62,074	59,191	15,439	15,484
Decommissioning fund	55,234	54,460	43,924	43,943
Investments	538,348	545,185	670,711	670,837
Liabilities:				
Debt	2,812,273	3,169,592	2,929,735	3,211,927

Note 6 — Power Sales and Transmission Service Contracts:
The Authority has power sales contracts with ten participants of the Palo Verde Project (see Note 1). Under the terms of the contracts, the participants are entitled to power output from the PVNGS and are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service whether or not the Palo Verde Project or any part thereof has been completed, is operating or is operable, or its service is suspended, interfered with, reduced or curtailed or terminated in whole or in part. The contracts expire in 2030 and, as long as any Power Project Revenue Bonds are outstanding, cannot be terminated or amended in any manner which will impair or adversely affect the rights of the bondholders.

The Authority has transmission service contracts with six participants of the Southern Transmission System Project (see Note 1). Under the terms of the contracts, the participants are entitled to transmission service utilizing the Southern Transmission System Project and are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service whether or not the Southern Transmission System Project or any part thereof has been completed, is operating or is operable, or its service is suspended, interfered with, reduced or curtailed or terminated in whole or in part. The contracts expire in 2027 and, as long as any Transmission Project Revenue Bonds are outstanding, cannot be terminated or amended in any manner which will impair or adversely affect the rights of the bondholders.

In March 1986, the Authority entered into power sales contracts with six participants of the Hoover Uprating Project (see Note 1). Under the terms of the contracts, the participants are entitled to capacity and associated firm energy of the Hoover Uprating Project and are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service whether or not the Hoover Uprating Project or any part thereof has been completed, is operating or is operable, or its service is suspended, interfered with, reduced or curtailed or terminated in whole or in part. The contracts expire in 2018, and as long as any Hydroelectric Power Project Revenue Bonds are outstanding, cannot be terminated or amended in any manner which will impair or adversely affect the rights of the bondholders.

In August 1992, the Authority entered into transmission service contracts with nine participants of the Mead-Phoenix Project (see Note 1). Under the terms of the contracts, the participants are entitled to transmission service utilizing the Mead-Phoenix Project and are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service on the Multiple Project and Mead-Phoenix Revenue Bonds and other debt, whether or not the Mead-Phoenix Project or any part thereof has been completed, is operating or is operable, or its service is suspended, interfered with, reduced or curtailed or terminated in whole or in part. The contracts expire in 2030 and, as long as any Multiple Project and Mead-Phoenix Revenue Bonds are outstanding, cannot be terminated or amended in any manner which will impair or adversely affect the rights of the bondholders.

In August 1992, the Authority entered into transmission service contracts with nine participants of the Mead-Adelanto Project (see Note 1). Under the terms of the contracts, the participants are entitled to transmission service utilizing the Mead-Adelanto Project and are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service on the Multiple Project and Mead-Adelanto Revenue Bonds and other debt, whether or not the Mead-Adelanto Project or any part thereof has been completed, is operating or is operable, or its service is suspended, interfered with, reduced or curtailed or terminated in whole or in part. The contracts expire in 2030 and, as long as any Multiple Project and Mead-Adelanto Revenue Bonds are outstanding, cannot be terminated or amended in any manner which will impair or adversely affect the rights of the bondholders.

In January 1993, the Authority entered into power sales contracts with five participants of Unit 3 of the San Juan Project (see Note 1). Under the terms of the contracts, the participants are entitled to their proportionate share of the power output of the San Juan Project and are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service on the San Juan Revenue Bonds, whether or not Unit 3 of the San Juan Project or any part thereof is operating or is operable, or its service is suspended, interfered with, reduced or curtailed or terminated in whole or in part. The contracts expire in 2030 and, as long as any San Juan Revenue Bonds are outstanding, cannot be terminated or amended in any manner which will impair or adversely affect the rights of the bondholders.

Note 7 — Costs Recoverable from Future Billings to Participants:
Billings to participants are designed to recover "costs" as defined by the power sales and transmission service agreements. The billings are structured to systematically provide for debt service require-

ments, operating funds and reserves in accordance with these agreements. Those expenses, according to generally accepted accounting principles (GAAP), which are not included as "costs" are deferred to such periods when it is intended that they be recovered through billings for the repayment of principal on related debt.

Costs recoverable from future billings to participants are comprised of the following (in thousands):

	Balance June 30, 1997	Fiscal 1998 Activity	Balance June 30, 1998
GAAP items not included in billings to participants:			
Depreciation of plant	$ 450,807	$ 53,022	$ 503,829
Amortization of bond discount, debt issue costs, and loss on refundings	327,357	49,345	376,702
Nuclear fuel amortization	19,548	–	19,548
Decommissioning expense	89,545	6,702	96,247
Interest expense	40,668	798	41,466
Bond requirements included in billings to participants:			
Operations and maintenance, net of investment income	(102,574)	(7,057)	(109,631)
Costs of acquisition of capacity - STS	(18,350)	–	(18,350)
Billings to amortize costs recoverable	–	(65,000)	(65,000)
Reduction in debt service billings due to transfer of excess funds	67,658	(1,042)	66,616
Principal repayments	(317,775)	(60,393)	(378,168)
Other	(39,504)	(10,425)	(49,929)
	$ 517,380	$ (34,050)	$ 483,330

In March 1997, the Palo Verde Project participants approved a board resolution which instructs the Authority to increase fiscal 1998 and future billings to Palo Verde participants so as to fully amortize the costs recoverable from future billings to participants balance of $231,230,000 at June 30, 1997 by June 30, 2003 and to prevent the further accumulation of costs recoverable from future billings to participants. In fiscal 1998, total billings to participants for this purpose were $65,000,000.

Note 8 — Commitments and Contingencies:

In September 1996, Assembly Bill 1890 (Bill) was given final approval. The Bill, which provides for broad deregulation of the power generation industry in California, requires the participation of the state's investor-owned utilities. Consumer-owned utilities can participate on a voluntary basis but must hold public hearings as part of their decision making process. The Bill, which was supported by the Authority, authorizes the collection of a transition charge for generation when a consumer-owned utility opens its service area to competition and participates in the independent transmission system established by the legislation. The Bill also mandates the collection of a public benefit charge from all electric utility customers in the state. Although these funds (currently estimated at 2.5% of gross revenues) must be spent on renewable resources, conservation, research and development, or low income rate subsidies, the governing authority of each consumer-owned utility will control actual expenditures.

The Price-Anderson Act (the "Act") requires that all utilities with nuclear generating facilities share in payment for claims resulting from a nuclear incident. The Act limits liability from third-party claims to $8.9 billion per incident. Participants in the Palo Verde Nuclear Generating Station currently insure potential claims and liability through commercial insurance with a $200 million limit; the remainder of the potential liability is covered by the industry-wide retrospective assessment program provided under the Act. This program limits assessments to $88.0 million for each licensee for each nuclear incident occurring at any nuclear reactor in the United States; payments under the program are limited to $10 million, per incident, per year. Based on the Authority's 5.91% interest in Palo Verde, the Authority would be responsible for a maximum assessment of $5.2 million, limited to payments of $591,000 per incident, per year.

The Authority is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material effect on the financial position of the Authority or the respective separate projects.

Note 9 — Restatement of Prior Years Comparative Financial Statements:

Hoover Uprating Project – The Authority has restated prior year comparative financial statements for the Hoover Uprating Project to expense a loss on bonds tendered associated with the early redemption of a portion of the Hoover Uprating Project Refunding 1991 Series A Bonds.

The effect of the restatement on Costs recoverable from future billings to participants in the statement of operations for the year ended June 30, 1997 is as follows (in thousands):

	Hoover Uprating Project
Costs recoverable from future billings to participants as previously reported	$ (484)
Adjustment for effect of restatement	29
Adjustment for effect of accounting change (Note 10)	(71)
Costs recoverable from future billings to participants as adjusted	$ (526)

Unamortized debt expenses, net and Costs recovered in excess of future billings to participants at July 1, 1996 have also been reduced by $520 to reflect the retroactive effect of the restatement on beginning Unamortized debt expenses, net and Costs recovered in excess of future billings to participants.

Combined Total – The effect of this restatement on the combined total of costs recoverable from future billings to participants in the statement of operations for the year ended June 30, 1997 is as follows (in thousands):

	Combined Total
Costs recoverable from future billings to participants as previously reported	$ (53,747)
Adjustment for effect of restatement	29
Adjustment for effect of accounting change (Note 10)	3,670
Costs recoverable from future billings to participants as adjusted	$ (50,048)

Unamortized debt expenses, net and Costs recoverable from future billings to participants at July 1, 1996 have also been reduced and increased, respectively, by $520 to reflect the retroactive effect of the restatement on beginning Unamortized debt expenses, net and Costs recoverable from future billings to participants.

Note 10 — Accounting Change

On July 1, 1997, the Authority adopted Governmental Accounting Standards Board Statement No.31 (GAS 31) "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement requires that investments be adjusted to market value at the end of each accounting period. Unrealized market value gains and losses are charged to the statement of operations. Prior year financial statements have been restated to apply GAS 31 retroactively. Prior to the adoption of GAS 31, changes in unrealized gains and losses on available for sale investments were recorded separately in the balance sheet.

The effect of the accounting change on fiscal 1998 Costs recoverable (from) in excess of future billings and on fiscal 1997 Costs recoverable from future billings ("Costs Recoverable") as previously reported in the statement of operations is as follows (in thousands):

	Loss (Gain) For the year ended June 30, 1998	1997
Costs Recoverable and Earnings to be distributed:		
Palo Verde Project	$ 3,530	$ 277
Southern Transmission System Project	94	(3,981)
Hoover Uprating Project	(76)	71
Mead-Phoenix Project	–	(9)
Mead-Adelanto Project	(1)	(27)
San Juan Project	(52)	(1)
Projects' Stabilization and Other Funds	(88)	
Combined Total	$ 3,407	($ 3,670)

The beginning balances of Costs recoverable from (in excess of) future billings at July 1, 1996 and 1997 have been adjusted for the effect of applying retroactively the new method of accounting as follows (in thousands):

	Palo Verde Project	Southern Transmission System Project	Hoover Uprating Project	Mead-Phoenix Project	Mead-Adelanto Project	San Juan Project	Combined Total
July 1, 1996							
Balance at beginning of year, as previously reported	$ 217,926	$ 215,490	($ 7,526)	$ 1,394	$ 4,383	$ 31,780	$ 463,447
Add cumulative effect on prior years of applying retroactively the new method of accounting	456	2,865	3	9	28	4	3,365
Adjustment for effect of restatement (Note 9)			520				520
Balance at beginning of year as adjusted	$ 218,382	$ 218,355	$ (7,003)	$ 1,403	$ 4,411	$ 31,784	$ 467,332
July 1, 1997							
Balance at beginning of year, as previously reported	$ 230,497	$ 241,326	$ (7,042)	$ 4,163	$ 14,544	$ 33,706	$ 517,194
Add cumulative effect on prior years of applying retroactively the new method of accounting	733	(1,116)	74		1	3	(305)
Adjustment for effect of restatement (Note 9)			491				491
Balance at beginning of year as adjusted	$ 231,230	$ 240,210	$ (6,477)	$ 4,163	$ 14,545	$ 33,709	$ 517,380

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SUPPLEMENTAL FINANCIAL INFORMATION
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Palo Verde Project

Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1998

Southern Transmission System Project

Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1998

Hoover Uprating Project

Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1998

Mead-Phoenix Project

Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1998

Mead-Adelanto Project

Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1998

Multiple Project Fund

Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1998

San Juan Project

Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1998.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
PALO VERDE PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 1998
(In thousands)

	Debt Service Fund	Revenue Fund	Operating Fund	Reserve & Contingency Fund	Issue Fund	Decommissioning Trust Fund	Escrow Account	Deposit Installment Funds	Total
Balance at June 30, 1997	$ 108,048	$ –	$ 25,570	$ 24,551	$ 24,735	$ 43,886	$ –	$ –	$ 226,790
Additions:									
Investment earnings	3,449	103	1,061	1,309	435	2,363		41	8,761
Discount on investment purchases	1,001	10	365	284	737	195		35	2,627
Distribution of investment earnings	(4,595)	8,838	(1,627)	(1,579)	(961)			(76)	–
Revenue from power sales		185,333							185,333
Distribution of revenues	65,518	(195,512)	36,781	3,822	35,378	8,000	38,153	7,860	–
Transfers to escrow for refundings	(27,755)				(9,977)				(37,732)
Transfer from escrow for principal and interest payments	44,091								44,091
Transfer to issue fund for debt service payment	(20,752)				20,752				–
Other	(13)	1,237	(404)	(1,274)					(454)
Total	60,944	9	36,176	2,562	46,364	10,558	38,153	7,860	202,626
Deductions:									
Construction expenditures				6,981					6,981
Operating expenditures			22,908		245	5			23,158
Fuel costs			10,538						10,538
Bond issue costs					5,316				5,316
Payment of principal	22,955				5,615				28,570
Interest paid	22,543				34,575				57,118
Premium and interest paid on investments	109		36	46	47	12			250
Payment of principal and interest on escrow bonds	44,091								44,091
Total	89,698	–	33,482	7,027	45,798	17	–	–	176,022
Balance at June 30, 1998	$ 79,294	$ 9	$ 28,264	$ 20,086	$ 25,301	$ 54,427	$ 38,153	$ 7,860	$ 253,394

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable of $1,307 and $1,471, and Decommissioning Fund accrued interest receivable of $758 and $475 at June 30, 1998 and 1997, respectively, nor do they include total amortized net investment discounts of $3,199 and $1,045 at June 30, 1998 and 1997, respectively. These balances also do not include unrealized loss on investments in funds available for sale of $4,263 and $733 at June 30, 1998 and 1997, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SOUTHERN TRANSMISSION SYSTEM PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 1998
(In thousands)

	Revenue Fund	Construction Fund-Initial Facilities Account	Debt Service Fund	Operating Fund	General Reserve Fund	Issue Fund	Escrow Fund	Total
Balance at June 30, 1997	$ –	$ 245	$ 23,546	$ 6,536	$ 11,719	$ 123,947	$ 14,444	$ 180,437
Additions:								
Investment earnings	326	10	1,542	397	474	6,469	73	9,291
Distribution of investment earnings	8,915	(255)	(1,542)	(397)	(476)	(6,245)		–
Revenue from transmission sales	76,203							76,203
Distribution of revenue	(85,444)		8,258	2,239		74,947		–
Transfer from escrow for principal and interest payments			100,667					100,667
Transfer to escrow fund required by refunding bonds issuance			(13,165)				13,165	–
Other transfers				9,144	(9,144)	(1,063)	1,063	–
Total	–	(245)	95,760	11,383	(9,146)	74,108	14,301	186,161
Deductions:								
Operating expenses				12,712				12,712
Payment of principal						21,360		21,360
Interest paid			6,548			48,902		55,450
Payment for defeasance of revenue bonds							7,262	7,262
Payment of principal and interest on escrow bonds			100,667					100,667
Premium and interest paid on investment purchases						875	65	940
Bond issue costs						2,138		2,138
Total	–	–	107,215	12,712	–	73,275	7,327	200,529
Balance at June 30, 1998	$ –	$ –	$ 12,091	$ 5,207	$ 2,573	$ 124,780	$ 21,418	$ 166,069

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable of $545 and $583 at June 30, 1998 and 1997, respectively, nor do they include total amortized net investment discounts of $6,698 and $4,923 at June 30, 1998 and 1997, respectively. These balances do not include unrealized (gain) loss on investments in funds available for sale of $1,022 and ($1,116) at June 30, 1998 and 1997, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
HOOVER UPRATING PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 1998
(In thousands)

	Advance Payment Funds	Operating Fund	Revenue Fund	Operating Working Capital Fund	Debt Service Account	Debt Service Reserve Account	General Reserve Fund	Total
Balance at June 30, 1997	$ –	$ 1,172	$ –	$ 560	$ 750	$ 3,083	$ 1,845	$ 7,410
Additions:								
Investment earnings		27	7	28	31	96	58	247
Discount on investment purchases		16				89	53	158
Distribution of investment earnings		(56)	411	(28)	(31)	(185)	(111)	–
Revenue from power sales			2,264					2,264
Distribution of revenues		159	(2,264)		2,105			–
Miscellaneous transfers			(418)		418			–
Total	–	146	–	–	2,523	–	–	2,669
Deductions:								
Payment of principal					515			515
Administrative expenditures		406						406
Interest paid					1,564			1,564
Total	–	406	–	–	2,079	–	–	2,485
Balance at June 30, 1998	$ –	$ 912	$ –	$ 560	$ 1,194	$ 3,083	$ 1,845	$ 7,594

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable of $79 and $6 at June 30, 1998 and 1997 respectively, nor do they include total amortized net investment discount of $73 at June 30, 1997. These balances also do not include unrealized loss on investments in funds available for sale of $2 and $74 at June 30, 1998 and 1997, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MEAD-PHOENIX PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 1998
(In thousands)

	Acquisition Fund	Debt Service Account	Debt Service Reserve Account	Revenue Fund	Issue Fund	Operating Fund	Surplus Fund	Renewal & Replacement Fund	Total
Balance at June 30, 1997	$ 12,377	$ 1,490	$ 5,916	$ –	$ 1,380	$ 78	$ 88	$ –	$ 21,329
Additions:									
Investment earnings	902	51	435	63	47	3	2	1	1,504
Transfer of investments		435	(435)						–
Transmission revenue				5,640					5,640
Transfer of revenues		2,044		(5,789)	2,436	1,230		79	–
Other transfers				86			(86)		–
Total	902	2,530	–	–	2,483	1,233	(84)	80	7,144
Deductions:									
Construction expenditures	165							19	184
Interest paid		2,642			2,534				5,176
Premium and interest paid on investment purchases					4				4
Operating expenses						1,048			1,048
Total	165	2,642	–	–	2,538	1,048	–	19	6,412
Balance at June 30, 1998	$ 13,114	$ 1,378	$ 5,916	$ –	$ 1,325	$ 263	$ 4	$ 61	$ 22,061

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable of $718 and $690 at June 30, 1998 and 1997, respectively, nor do they include total amortized net investment discount of $9 and $18 at June 30, 1998 and 1997, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MEAD-ADELANTO PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 1998
(In thousands)

	Acquisition Account	Debt Service Account	Debt Service Reserve Account	Operating Fund	Issue Fund	Revenue Fund	Surplus Fund	Total
Balance at June 30, 1997	$ 37,968	$ 3,856	$ 16,267	$ 28	$ 4,349	$ –	$ 88	$ 62,556
Additions:								
Investment earnings	2,835	168	1,196	4	117	18	2	4,340
Distribution of investment earnings		1,196	(1,196)					–
Transmission revenue						15,708		15,708
Distribution of revenues		6,073	–	1,283	8,456	(15,812)		–
Other transfers						86	(86)	–
Total	2,835	7,437	–	1,287	8,573	–	(84)	20,048
Deductions:								
Interest paid		7,264			8,505			15,769
Premium and interest paid on investment purchases					6			6
Operating expenses				1,062				1,062
Total	–	7,264	–	1,062	8,511	–	–	16,837
Balance at June 30, 1998	$ 40,803	$ 4,029	$ 16,267	$ 253	$ 4,411	$ –	$ 4	$ 65,767

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable of $2,138 and $2,057 at June 30, 1998 and 1997, respectively, nor do they include total amortized net investment discount of $23 and $53 at June 30, 1998 and 1997, respectively. These balances do not include unrealized loss on investments in funds available for sale of $1 at June 30, 1997.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SAN JUAN PROJECT
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 1998
(In thousands)

	Revenue Fund	Operating Fund	Operating Reserve Fund	Project Fund	Debt Service Account	Debt Service Reserve Account	Reserve & Contingency Fund	Total
Balance at June 30, 1997	$ –	$ 1,939	$ 5	$ 552	$ 9,012	$ 18,025	$ 15,344	$ 44,877
Additions:								
Investment earnings	50	184		35	76	1,043	437	1,825
Distribution of investment earnings	1,930	(226)		(17)	(320)	(1,043)	(324)	–
Discount on investment purchases	3	56			244			303
Revenue from power sales	55,278							55,278
Distribution of revenues	(57,261)	36,851			17,741	2	2,667	–
Transfer of investments for capital purchases		6,017					(6,017)	–
Total	–	42,882	–	18	17,741	2	(3,237)	57,406
Deductions:								
Administrative expenditures		38,944		447			4,330	43,721
Interest paid					11,747			11,747
Premium and interest on investment purchases				7	4	12	7	30
Principal payment					6,275			6,275
Total		38,944		454	18,026	12	4,337	61,773
Balance at June 30, 1998	$ –	$ 5,877	$ 5	$ 116	$ 8,727	$ 18,015	$ 7,770	$ 40,510

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of cash and investments at original cost. These balances do not include accrued interest receivable of $417 and $134 at June 30, 1998 and 1997, respectively, nor do they include total amortized net investment discount of $60 at June 30, 1997. These balances do not include unrealized gain on investments in funds available for sale of $49 and an unrealized loss of $3 at June 30, 1998 and 1997, respectively.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
MULTIPLE PROJECT FUND
SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS
REQUIRED BY THE BOND INDENTURE FOR THE YEAR ENDED JUNE 30, 1998
(In thousands)

	Proceeds Account	Debt Service Account	Earnings Account	Total
Balance at June 30, 1997	$ 247,727	$ –	$ 5,125	$ 252,852
Additions:				
Investment earnings	18,208		412	18,620
Transfer of investment earnings to earnings account	(18,208)		18,208	–
Transfer to debt service account		16,512	(16,512)	–
Total	–	16,512	2,108	18,620
Deductions:				
Interest paid		16,512		16,512
Total		16,512		16,512
Balance at June 30, 1998	$ 247,727	$ –	$ 7,233	$ 254,960

This schedule summarizes the receipts and disbursements in funds required under the Bond Indenture and has been prepared from the trust statements. The balances in the funds consist of investments at original cost. These balances do not include accrued interest receivable of $9,367 and $9,288 at June 30, 1998 and 1997, respectively.