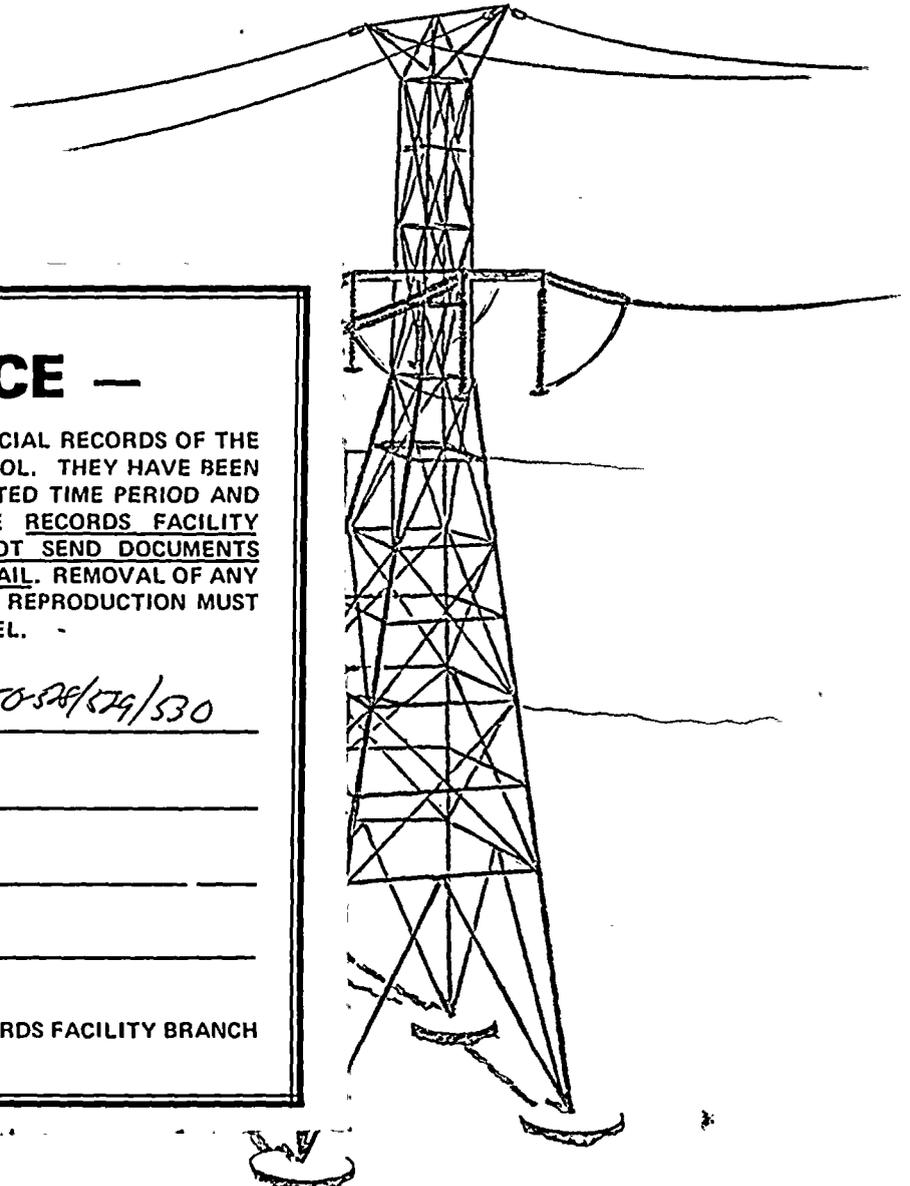


S C P P A

Southern  
California  
Public Power  
Authority  
1985-86  
Annual  
Report



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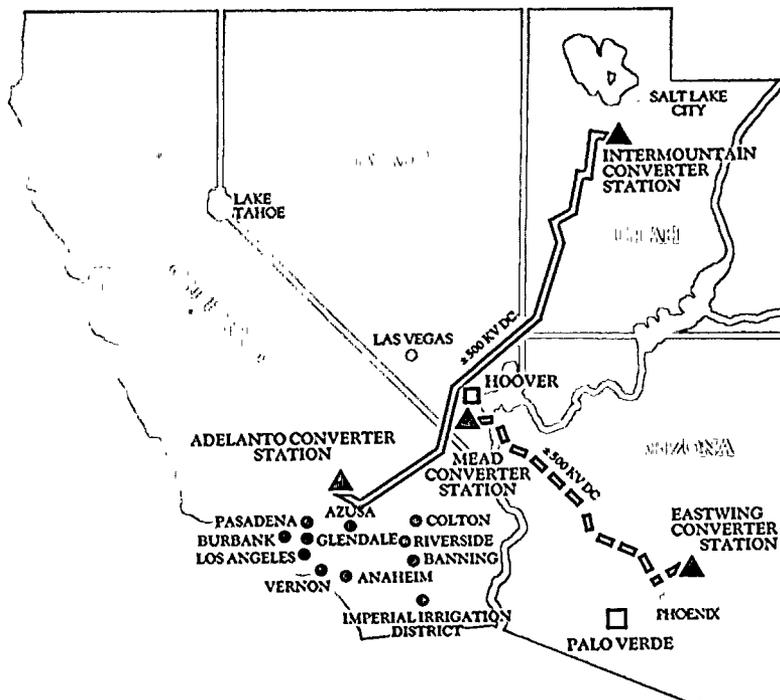
**President**  
*Gale A. Drews has been electrical utility director for the city of Colton since 1978. He formerly served as vice president of the Authority.*

**Vice President**  
*W. E. Cameron has been director of public services for the city of Glendale since 1984.*

**Secretary**  
*Eldon A. Cotton has been employed by the Los Angeles Department of Water and Power since 1965 and has served as the assistant chief engineer-power since 1985.*

**Assistant Secretary**  
*Frank Salas has been employed by the Los Angeles Department of Water and Power for more than 20 years and has been engineer of power contracts since 1985.*

**Executive Director**  
*Arthur T. Devine has been directing the management of the Authority since 1982. He previously served with the Los Angeles Department of Water and Power as an electrical engineer and then as an assistant city attorney.*



- IPP SOUTHERN TRANSMISSION SYSTEM
- - - MEAD-PHOENIX DC INTERTIE (Proposed)
- PALO VERDE NUCLEAR GENERATING STATION (Under Construction)
- HOOPER UPRATING PROJECT
- MEMBER AGENCIES



Gale A. Drews, President



W. E. Cameron, Vice President



Eldon A. Cotton, Secretary



Frank Salas, Assistant Secretary



Arthur T. Devine, Executive Director

## Introduction

One of the largest joint action agencies in the nation, the Southern California Public Power Authority was established in 1980 to finance projects for the generation or transmission of electric energy for its members. All 11 public power agencies in Southern California are members of the Authority and benefit from the reliable and economical energy brought to their communities through the agency.

The Authority has issued more than \$4 billion in bonds and notes including refunding issues since initially going to the market in 1982. This has been possible due to the high level of acceptance of the Authority by the financial community.

Member agencies serve about 1.7 million customers. They receive in excess of \$1.8 billion in combined annual revenue derived

from sales. The combined membership has sales of more than 30 million megawatt-hours, which had non-coincidental peak requirements of more than 7,000 megawatts.

The Authority is comprised of the Imperial Irrigation District and the municipalities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside and Vernon.

## President's Message

Since its formation six years ago, the Southern California Public Power Authority has directed its efforts toward meeting the future energy needs of its member agencies. It seems as if the future has arrived for the Authority in the form of two projects which have come on-line during the year to provide power to the member agencies.

The first and second units of the Palo Verde Nuclear Generating Station went into commercial operation in January and September 1986, respectively. Unit 3 is scheduled for completion in the third quarter of 1987. Ten of the members are benefitting from this power source.

In June 1986 the first unit of the Intermountain Power Project in Utah brought energy and capacity to six members over the Southern Transmission System which was financed by the Authority. In mid-1987 the second unit will go into commercial operation.

Financing has taken place for the Hoover Upgrading Project. Six members are among those financing this project of the federal government through the Authority to increase the rating of the generators at Hoover Power Plant. Completion of the project is expected in 1992.

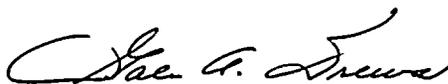
The Authority is still studying a direct current transmission system that will offer members access to additional and more economical

energy resources in the Southwest. The Mead-Phoenix DC Intertie would be constructed in the early 1990s if studies prove the project feasible.

We have been able to take advantage of lower interest rates to issue refunding bonds on two projects. These issues have reduced costs by more than \$500 million over the life of the two projects.

I am proud that our two major projects began operation during my administration. I must share this honor with those who came before me and worked toward this end, and with those who have worked on a day-to-day basis to ensure success.

My association with the Authority has been a highly rewarding one. This is mainly due to the professionalism of the staff, Board of Directors and others. Through the hard work and cooperative spirit of everyone associated with the Authority, we will continue to maintain the reputation of having an efficient organization serving the needs of its members.



Gale A. Drews  
President

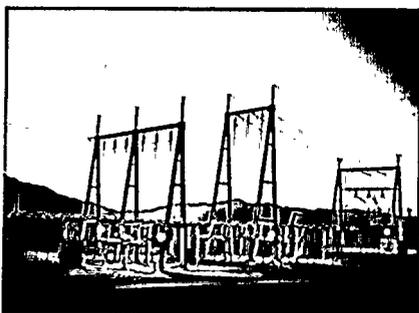


Kenneth S. Noller  
Assistant Power Manager  
Coachella Power Division  
Imperial Irrigation District  
Imperial, California



Gordon W. Hoyt  
General Manager  
Anaheim Public  
Utilities Department  
Anaheim, California

**Imperial Irrigation District**—  
Serving one of the most productive agricultural areas in the nation, the Imperial Irrigation District (IID) provides power to 60,000 customers in Imperial and Riverside counties.



Imperial Irrigation District provides power to 60,000 customers in two counties.

The IID was formed in 1911 to deliver water to nearly 500,000 acres of farmland in Imperial County from distribution canals. IID entered the power business in 1936 when hydroelectric plants were developed along the waterways. In 1943 the properties of a private power company were purchased and IID became the sole distributor of electric energy in Imperial County and part of the Coachella Valley of Riverside County.

In addition to its hydroelectric plants, IID generates power from oil-fired units, gas turbines and diesel. It is receiving power from the Palo Verde Generating Station, has geothermal generation from the Heber Plant and purchases power from other utilities in the Southwest.

During the year, the IID had a peak of 413 megawatts while producing and purchasing 1,393,000 megawatt-hours.

Because of the extremely hot summers and mild winters that characterizes the desert region serviced by IID, the power system

must accommodate a wide variance between summer and winter peak demands. The summer peak demand generally is more than double that of the winter peak. The average power consumption by its customers is one of the highest in the nation since all homes and businesses are equipped with temperature-controlled air conditioning which is needed throughout most of the year.

**Anaheim**—In 1894, true to the pioneer spirit of the immigrant German winegrowers who settled Anaheim 37 years earlier, the community established one of the first municipally-owned electric systems in California. The city generated its own power through the early part of the century and again in the late 1920s. Since then, until the early 1980s, the city relied mostly on wholesale power purchased from Southern California Edison.

The city became a generating utility once again in 1983 with



Disneyland draws millions of visitors to Anaheim.



Joseph F. Hsu  
Director of Utilities  
Azusa, California



Eldridge Sinclair  
Public Utilities Director  
Banning, California

power from its ownership interest in San Onofre Nuclear Generating Station Units 2 and 3. Buying 20% of its supply from non-firm sources, the city is also supplied by the Intermountain Generating Station. The record system peak demand is 483 megawatts. In fiscal 1986, power purchases and generation of 2,199,000 megawatt-hours were required to meet the needs of Anaheim's 94,000 customers.

The same pioneer spirit that helped build Anaheim more than a century ago is very much alive and well today. Anaheim, located 25 miles southeast of Los Angeles, is nationally recognized as an aggressive community, its economic base firmly anchored in the high-tech defense and tourism industries. Anaheim's population of 238,000 ranks it as the largest city in Orange County, one of the fastest growing population centers in the United States.

International fame came to the city as a result of, of all things, a mouse. Mickey Mouse and his friends at the Magic Kingdom of Disneyland attract millions of tourists each year. Nearby is an industry consisting of hundreds of hotel and motel rooms as well as restaurants, the 685,000 gross square foot Anaheim Convention Center and the 70,500-seat Anaheim Stadium, home of the California Angels of the American Baseball League and the Los Angeles Rams of the National Football League.

**Azusa** — Long before the Spanish explorers and settlers came to the region, Azusa had a settlement. A tribe of Shoshonean Indians made their home near the mouth of the San Gabriel Canyon in a village known as Asuksa-gna.

An Englishman named Henry Dalton purchased a league of land called "El Suza" or "The Azusa" in 1844. He built a rancho with a winery, stable and flour mill, but he soon lost his funds through court battles over his land and it was purchased by Jonathan Slau-son in 1886. He formed the Azusa Land and Water Company and began selling lots in the town of Azusa in 1887. By 1898 the city of Azusa had incorporated.

The city has a population of 30,000, has 11 square miles and is situated about 20 miles east of Los Angeles. Its electric rates are set by city council.

Azusa had been almost exclusively dependent on wholesale power from Southern California Edison until receiving its Palo Verde Generating Station entitlement to help displace some of the purchases. Last year, the utility had a peak of 43 megawatts and sold approximately 167,000 megawatt-hours.



A large Azusa nursery lies in the foothills of the Angeles National Forest.



A small stream typifies the beauty of the hills above Banning.

**Banning** — In 1824 the padres from San Gabriel Mission established a ranch and called it San Gorgonio. By 1854 an adobe building was built on the land and was used as a stagecoach station. The little town that grew up around the station was named after Gen. Phineas T. Banning, who had a stage line that operated in the area.

The stagecoach was replaced by the railroad in 1876, but Banning is still known as "Stagecoach Town U.S.A." Located about 85 miles east of Los Angeles, the city is bordered by two scenic mountain ranges—the San Gorgonios to the north and the San Jacintos to the south. Agriculture, light manufacturing and recreation are the economic mainstays for Banning.

The city was incorporated in 1913 and now has a population of 14,000 living within its 17 square miles. Banning is governed and has its electric rates set by the city council.

The city has relied on Southern California Edison as its only firm supplier of electric power which has been purchased at wholesale rates. Banning is using



**Thomas H. McCauley**  
General Manager  
Burbank Public  
Service Department  
Burbank, California



**Gale A. Drews**  
Electrical Utility Director  
Colton, California



**W. E. Cameron**  
Director of Public  
Service  
Glendale Public  
Service Department  
Glendale, California

its entitlement from the Palo Verde Generating Station to offset some of its purchased power. It had a peak of 18 megawatts during the year and sold approximately 68,000 megawatt-hours.

**Burbank** — Nestled in the eastern San Fernando Valley along the base of the Verdugo Mountains is the city of Burbank. It was originally part of a Mexican land grant which was purchased in 1870 by Dr. David Burbank, a dentist from New Hampshire. He raised sheep on the property for 16 years before selling the land to the Providencia Land, Water and Development Company. His acreage was com-



*Burbank is the home of movie and television studios.*

combined with other land to form the city of Burbank in 1887.

The city had a population of 400 when it was incorporated. In 1927 it adopted the present council-manager form of government.

Today Burbank boasts a population of about 85,000 within its borders. It is the home of Walt Disney Productions, National Broad-

casting Company, Warner Bros., Columbia Pictures, the Burbank Studios and Lockheed Aircraft. Industry in Burbank employs 70,000 people.

Burbank supplies electricity to its customers through a combination of oil-and gas-fueled generating facilities in the Los Angeles Basin, entitlement from Hoover Power Plant, Palo Verde Generating Station, the Intermountain Generating Station, and purchases from the Bonneville Power Administration and other utilities in the Northwest and Southwest.

The city had a peak load of 228 megawatts during the year while generating and purchasing 981,000 megawatt-hours of energy.

**Colton** — Located about 55 miles east of Los Angeles in San Bernardino County, Colton is known as the "Hub City" since it is on the main line of three major railroads



*Major railroads run through the historic city of Colton.*

and the meeting point of three major highways. Colton has a population of 28,000 and covers an area of 16 square miles.

Colton took root as a city in 1875 when one square mile of land was deeded to the Southern Pacific Railroad by an association. In

return, the railroad was obligated to make Colton its headquarters for the area and to layout and improve townsites while sharing the proceeds of the sale of lots with the original owner.

Wyatt Earp and his family moved into the area in 1864 and did much of their hunting in what was to become Colton. His brother Virgil became marshal of Colton in 1887, the same year the city was incorporated. Virgil later retired from office to open up a gambling hall in town.

Colton has a peak power requirement of 35 megawatts and total energy requirements of 143,000 megawatt-hours. The city purchases the majority of its energy from Southern California Edison and additional energy requirements are met through its entitlement in the Palo Verde Generating Station. The city council establishes electric rates for Colton.

**Glendale** — The actual history of Glendale began in 1798 when Corporal Jose Maria Verdugo obtained title to the Rancho San Rafael from the King of Spain. Many years later the rancho was divided and then split again into smaller parcels.

Homes were being built in the area and one of the parcels being developed was named Glendale in 1884. Six individuals contributed land to create the original 150-acre townsite. By 1906 the city which had grown almost ten times in size was incorporated. Today, through annexations, Glendale has grown to more than 30 square miles with a population in excess of 154,000. Located just north of Los Angeles, Glendale is still known as the "Jewel of the Verdugos."



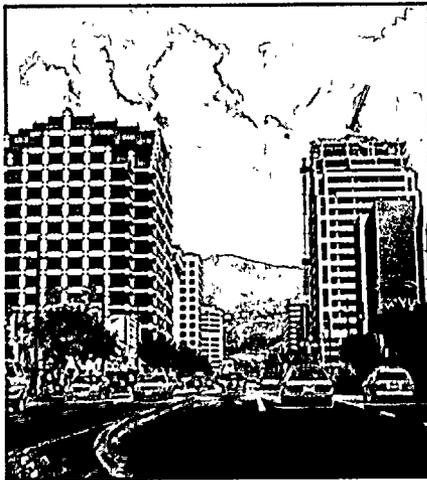
**Norman E. Nichols**  
 Assistant General  
 Manager—Power  
 Department of Water  
 and Power  
 Los Angeles, California



**Henry C. Lee**  
 Acting General Manager  
 Pasadena Water and  
 Power Department  
 Pasadena, California

Glendale purchased and generated a total of approximately 895,000 megawatt-hours in the fiscal year and had a peak of 232 megawatts. Serving about 73,000 customers, the city has its rates set by the city council.

The city most recently began receiving its entitlement from the Intermountain Generating Station and the Palo Verde Generating Station. It also has oil- and gas-fueled generation in the Los Angeles Basin, hydroelectric generation from Hoover Power Plant and purchases from the Bonneville Power Administration and other utilities.



*Glendale boasts a vibrant commercial center.*

**Los Angeles**—As the nation's second largest city with a population of 3.2 million, Los Angeles is one of the world's great metro-

polises. It is truly an international city, with people from virtually every country in the world calling Los Angeles home.

Airlines arrive and depart for all parts of the world from Los Angeles International Airport and ships bringing cargo from the Pacific Rim dock at the Port of Los Angeles on a regular basis. The city recently played host to the world when it held the Olympic Games in 1984 which were the most successful in history. Los Angeles is represented in almost every professional sport.

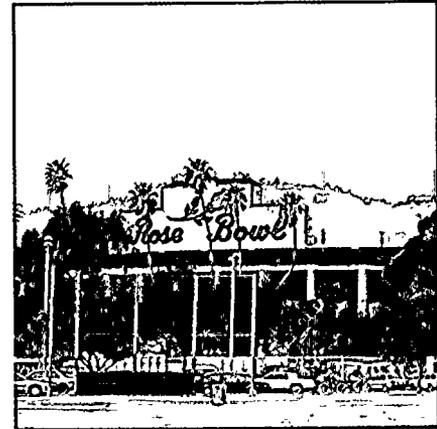
The Los Angeles Department of Water and Power is the nation's largest municipal utility. It serves power to about 1.26 million customers within a 465 square mile area. During the fiscal year a peak of 4,713 megawatts was experienced while a total of about 23 million megawatt-hours were produced.

Los Angeles' story starts more than 200 years ago when a pueblo was founded in 1781 along the Los Angeles River. The city grew quickly, and after the turn of this century, an aqueduct was built to bring water from the Eastern Sierra more than 250 miles north of the city. Power plants were built for aqueduct construction and later hydroelectric plants were built along the aqueduct. Thus the city entered into the power business in 1916. Today Los Angeles receives power from hydro, coal-fueled, oil- and gas-fueled and nuclear generating stations in four

*Downtown Los Angeles paces the growth of the city.*

states and makes purchases from the Pacific Northwest and Southwest utilities for a net dependable system capability of 7,254 megawatts.

The city is governed by a full-time elected mayor and 15-member council who have final authority on rates.

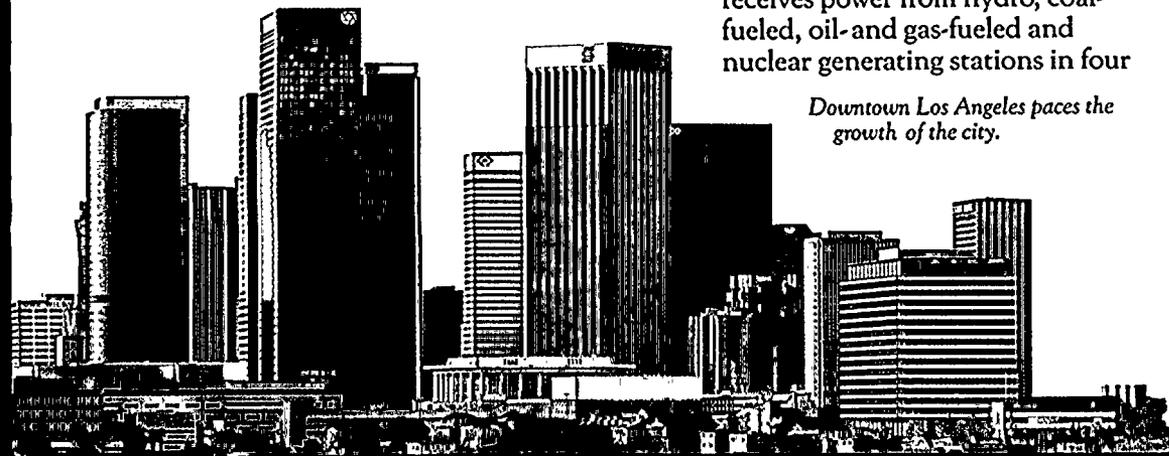


*Pasadena shines on New Year's Day with the Rose Parade and Rose Bowl football game.*

**Pasadena**—Pasadena is recognized as a major economic, cultural, residential and recreational center located northeast of Los Angeles at the foot of the San Gabriel Mountains.

The city of 130,000 people was founded in 1875 and incorporated the following year. Pasadena is best known for its Tournament of Roses Parade which began in the 1890s and is held every New Year's Day. The Rose Bowl is the site of one of the most prestigious college football post-season games also held on New Year's Day.

Pasadena is the home of the California Institute of Technology, one of the world's major scientific research centers, the Jet Propulsion Laboratory, a division of Cal Tech funded by the National Aeronautics and Space Administration, and the Norton Simon Museum of Art, containing one of the world's greatest collections.





Bill D. Carnahan  
Public Utility Director  
Riverside Public  
Utilities Department  
Riverside, California



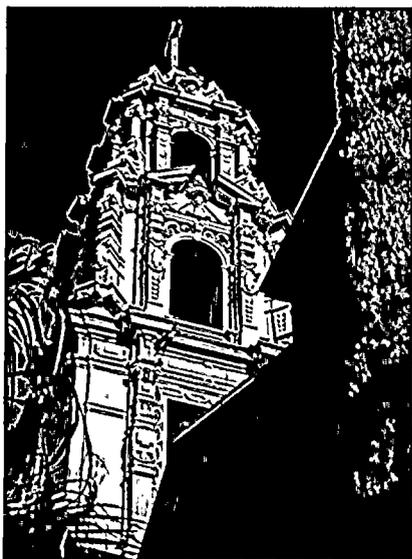
Bruce V. Malkenhorst  
Executive Director of  
Light & Power  
Vernon, California

Pasadena supplies electricity through a combination of oil- and gas-fueled generation in the Los Angeles Basin, hydroelectric generation from Hoover Power Plant and purchases from the Bonneville Power Administration as well as receiving its entitlement from the Intermountain Generating Station and Palo Verde Generating Station.

Its peak power requirement during the year was 232 megawatts and it generated and purchased a total of approximately 1 million megawatt-hours for the year.

**Riverside**—Silkworms, water and navel oranges all played a part in Riverside's history. The area was founded in 1774, but in 1868 a Frenchman tried establishing a silkworm colony there; it died about the same time the town of Riverside was born in 1870.

The city was incorporated in 1883 in order to annex lands



The old style architecture of Riverside is best embodied in its churches.

owned by an irrigation company to ensure an adequate water supply. The present municipal utility system, the oldest in California, had its beginning when a small hydroelectric plant was opened on a canal in 1888, and in 1896 the city started to distribute electric power from a more modern hydroelectric plant.

Riverside is located about 45 miles east of Los Angeles and is 72 square miles in area with a population of more than 175,000. It is the home of the University of California, Riverside.

The city has a council-manager form of government with a full-time elected mayor.

The city had peak requirements of 323 megawatts and total energy requirements of 1.2 million megawatt-hours. It has more than 1,600 circuit miles of subtransmission and distribution lines as well as 18 substations to meet the needs of its more than 75,000 customers.

Riverside purchases power from Southern California Edison at wholesale rates, has ownership in units 2 and 3 of the San Onofre Nuclear Generating Station, and receives power from its entitlement in the Palo Verde Generating Station and the Intermountain Generating Station.

**Vernon**—Incorporated in 1905, the city of Vernon was planned from its inception as an industrial city, the first in Southern California. The basic purpose of the city, located four miles south of downtown Los Angeles, is to provide a well-organized, hospitable center for industry of all types within its 5 square miles.

Vernon has residents numbering in the hundreds but a working



Murals decorate a meat packing plant in the industrial city of Vernon.

population of about 55,000. The city has more than 525 manufacturing plants and another 400 establishments engaged in the wholesale-retail trade. It is served by four railroads operating 114 miles of line within the city. Virtually every industry or business is on a direct transcontinental rail-line. In addition, 77 trucking lines have terminals in the city.

The city is only one of four in California to have its own health department. This is due to its unique status of serving the needs of industry.

The Vernon Electrical System, established in 1931, receives most of its energy from Southern California Edison. The remainder is supplied from its entitlement in the Palo Verde Generating Station and a city operated diesel generating plant. The city council establishes rates for Vernon. During the year Vernon had a peak requirement of 193 megawatts and a total energy requirement of 1.15 million megawatt-hours.

## Palo Verde Generating Station

— The first two units at the Palo Verde Nuclear Generating Station (PVNGS) in Arizona were placed in commercial operation during 1986. Unit 1 went on line in January and Unit 2 in September, providing electrical generation for the first time to its member agencies.

Fuel loading for Unit 3 is set for the first quarter of 1987. The generating station will be essentially completed in late 1987 when Unit 3 is finished.

Each of the three generating units at the site, 50 miles west of Phoenix, has a nominal capability of 1,270 megawatts. The Authority has a 5.91 percent interest in PVNGS and will receive about 216 megawatts when the facility is completed.

Palo Verde is providing power to 10 member agencies who have contracted with the Authority for its entitlement. This capacity and

## Palo Verde Project Participation

Participants	Project Entitlement	Generating Capability (Megawatts)
Los Angeles	67.0%	145.04
Imperial Irrigation District	6.5%	14.07
Riverside	5.4%	11.69
Vernon	4.9%	10.61
Burbank	4.4%	9.53
Glendale	4.4%	9.53
Pasadena	4.4%	9.53
Azusa	1.0%	2.16
Banning	1.0%	2.16
Colton	1.0%	2.16
<b>Total</b>	<b>100.0%</b>	<b>216.48</b>

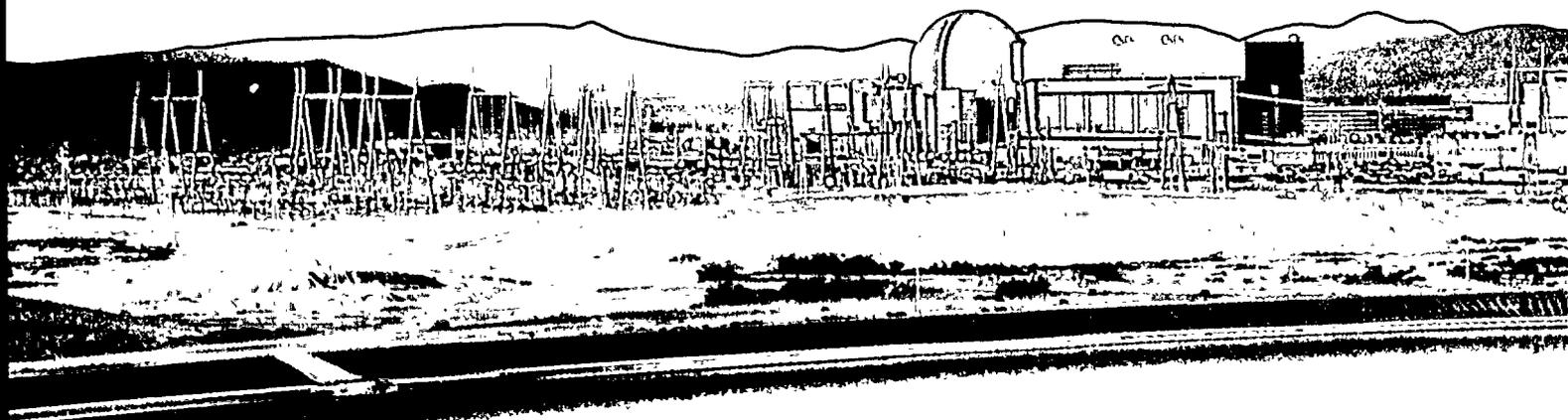
energy will be used either to meet growth, replace more expensive purchased power or to displace oil- or gas-fueled generation.

The project is managed and operated by Arizona Public Ser-

vice Company. The Authority has the right to use a certain portion of the project transmission system. The switchyard portion of the project is being operated by the Salt River Project of Arizona.

By the early 1990s, Palo Verde is expected to have a net annual energy output of more than 22 million megawatt-hours. It is projected that the Authority's interest in the generating station will result in the delivery of about 207 megawatts of capacity and 1,271,777 megawatt-hours of energy per year at the various points of delivery.

Taking advantage of lower interest rates in 1985 and the first half of 1986, the Authority issued approximately \$600 million in refunding bonds, resulting in a savings of about \$130 million to the members over the life of the project.



A total of approximately \$408 million in notes (of which \$75 million remains outstanding) and approximately \$958 million in bonds have been issued by the Authority for financing its interest in Palo Verde. It is estimated that about \$100 million in additional financing is needed.

**Southern Transmission System** — The ±500 kilovolt direct current Southern Transmission System (STS) has been commercially carrying power from Utah to Adelanto, California since June 1986 when the first 800-megawatt

unit of the Intermountain Power Project (IPP) went into operation. Power from IPP Unit 2 will also be transmitted over the system when it becomes available in mid-1987.

Six Authority members are benefitting from STS power brought 490 miles across mountain and desert from the coal-fueled generating station in Utah. When the generation station is completed, as much as 1600 megawatts will be sent to Southern California over the STS from IPP.

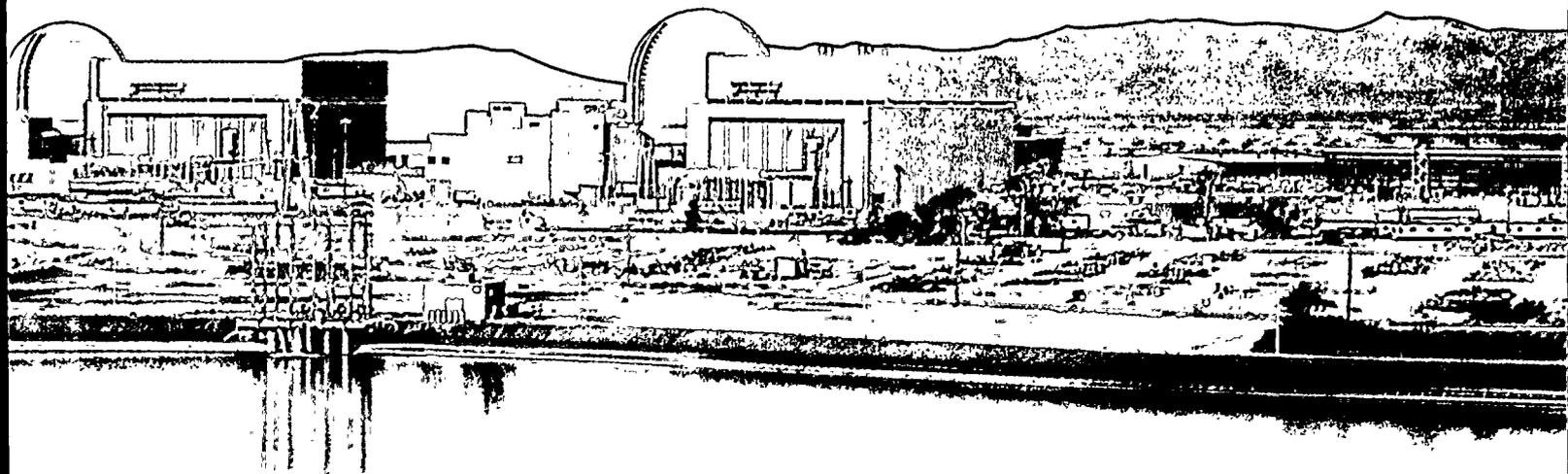
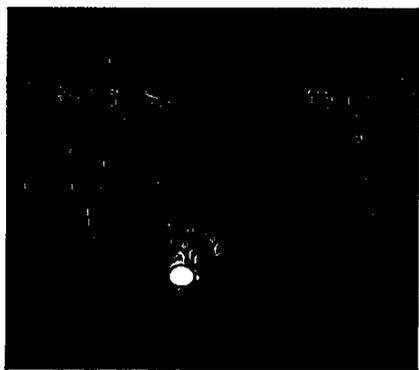
Alternating current produced from the generating station is changed into direct current at an adjacent converter station. After transmission over the line, it is changed back to alternating current at the Adelanto Converter Station in Southern California before being delivered to project participants.

**Southern Transmission Project Participation**

Participants	Transmission Service Share
Los Angeles	59.534%
Anaheim	17.647%
Riverside	10.164%
Pasadena	5.883%
Burbank	4.498%
Glendale	2.274%
<b>Total</b>	<b>100.000%</b>

The Intermountain Power Agency (IPA), a political subdivision of the State of Utah, is the owner of the IPP. It appointed Los Angeles as project manager and operating agent. A total of 36 utilities in California, Utah and Nevada are receiving power from the generating station.

In 1983 the Authority agreed to make payments-in-aid of construction to IPA in return for the rights to the entire capacity of the STS. Transmission service utilizing the entire capability of the system was sold by the Authority to the



California IPP participants, all of which are Authority members.

Power from the project will be used by California participants to meet load growth and displace Los Angeles Basin oil- and gas-fueled generation, and for some, to reduce purchases from Southern California Edison.

As a result of the Authority's refunding program for this project, three refunding sales have been completed in 1984 and 1986 totaling approximately \$1 billion, resulting in total savings amounting to about \$440 million over the life of the project.

**Hoover Upgrading Project**— New technology has made it possible to increase the capacity of electrical generators by installing modern stator windings and upgrading various auxiliary equipment. This is the premise behind the plan to uprate the 17 original generators at the Hoover Power Plant by the U.S. Bureau of Reclamation.



#### Hoover Upgrading Project Participation

Participants	Contingent Capacity		Associated Firm Energy MWh
	MW	%	
Anaheim	40.0	42.55	52,000
Riverside	30.0	31.91	39,000
Burbank	15.0	15.96	5,442
Azusa	4.0	4.26	5,000
Colton	3.0	3.19	4,000
Banning	2.0	2.13	2,000
<b>Total</b>	<b>94.0</b>	<b>100.00</b>	<b>107,442</b>

The Bureau, which will operate the 50-year-old facility beginning in June 1987, has determined that the nameplate capacity of the plant can be increased from 1,450 megawatts to 2,039 megawatts at 450 feet of head through uprating.

Six member agencies have contracted with the Authority to finance their portion of the uprating costs, and bonds were issued for approximately \$34.5 million to advance their costs to the Bureau for their share of participation. The members financing through the Authority will be allocated 94 megawatts of the additional output when the project is completed in 1992. Participants will receive the uprate capacity beginning in June 1987 and increasingly more amounts as the project advances until the full entitlement is received in 1992. The full energy entitlement will be available in June 1987.

Two of the generating units have already been uprated in a pilot program. The remaining units will be uprated in groups

under four or more contracts over the next four years. Other modifications to the power plant to increase its efficiency include the replacement of existing transformer banks, consolidation of control rooms and modernization to provide for automatic and remote control.

**Mead-Phoenix DC Intertie Project**— Studies continue by the Authority and other Southwest utilities as to the feasibility of constructing, owning and operating a  $\pm 500$  kilovolt, direct current transmission line. The intertie between Phoenix, Arizona, and Boulder City, Nevada, would have an initial capacity of 1,600 megawatts and could possibly extend into Southern California. It could later be upgraded to 2,200 megawatts.

The intertie if built would be scheduled for completion in the early 1990s and would be used to carry participants' entitlement in Palo Verde and to make economy energy/capacity exchanges with other utilities in the Southwest. Other study participants are Salt River Project of Arizona, M-S-R Public Power Agency and the Western Area Power Administration. As presently structured the Authority's members would be entitled to 2,062 megawatts of capacity in the line.

## Financial Statements

October 10, 1986

To the Board of Directors of  
Southern California Public  
Power Authority

In our opinion, the accompanying combined balance sheet and the related combined statement of changes in financial position present fairly the financial position of Southern California Public Power Authority at June 30, 1986 and 1985 and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying separate balance sheets of the Authority's Palo Verde Project, Southern Transmission Project and Mead-Phoenix Project, the related separate statements of changes in financial position and the separate statement of operations of the Palo Verde Project present fairly the financial position of each of the Projects at June 30, 1986, the changes in each of their financial positions and the results of operations of the Palo Verde Project for the year then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance

with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial data and schedules, as listed in the accompanying index, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental financial data and schedules have been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Price Waterhouse  
Los Angeles, California

# Southern California Public Power Authority Combined Balance Sheet

(In thousands)

ASSETS	June 30, 1986			Total	June 30, 1985 Total
	Palo Verde Project	Southern Transmission Project	Mead- Phoenix Project		
<b>Utility plant:</b>					
Production	\$203,247			\$ 203,247	
Transmission	1,864			1,864	
General	33			33	
	205,144			205,144	
Less accumulated provision for depreciation	3,340			3,340	
Utility plant in service	201,804			201,804	
Construction work in progress	342,317	\$ 636,706	\$10,630	989,653	\$1,042,281
Nuclear fuel, at amortized cost	37,412			37,412	
	581,533	636,706	10,630	1,228,869	1,042,281
<b>Special funds (Notes C, D and E):</b>					
Investments	274,565	219,546	3,677	497,788	935,805
Interest receivable	2,268	2,279		4,547	26,456
Cash	198		13	211	267
	277,031	221,825	3,690	502,546	962,528
Accounts receivable	5,419	13	10	5,442	6,675
Costs recoverable from future billings to participants (Note F)	7,340			7,340	
<b>Deferred costs:</b>					
Unamortized debt expenses, less accumulated amortization of \$18,502 and \$9,061 in 1986 and 1985	118,963	197,121	15	316,099	58,745
Other deferred costs	1,972			1,972	
	120,935	197,121	15	318,071	58,745
	\$992,258	\$1,055,665	\$14,345	\$2,062,268	\$2,070,229
<b>LIABILITIES</b>					
<b>Long-term debt:</b>					
Revenue bonds (Notes C and E)	\$866,060	\$ 998,385		\$1,864,445	\$1,617,892
Bond anticipation notes	75,000			75,000	275,000
Bank loan payable (Note D)			\$14,148	14,148	14,148
	941,060	998,385	14,148	1,953,593	1,907,040
Less long-term debt due within one year	75,000			75,000	
	866,060	998,385	14,148	1,878,593	1,907,040
<b>Current liabilities (Notes C and D):</b>					
Long-term debt due within one year	75,000			75,000	
Accrued interest payable	41,983	49,717	62	91,762	98,028
Accounts payable and accrued liabilities	9,215	7,563	135	16,913	65,161
	126,198	57,280	197	183,675	163,189
<b>Commitments and contingencies (Note G)</b>					
	\$992,258	\$1,055,665	\$14,345	\$2,062,268	\$2,070,229

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

**Southern California Public Power Authority  
Palo Verde Project  
Statement of Operations**

(In thousands)

Year ended  
June 30, 1986

<b>Operating revenues:</b>	
Sales of electricity to participants	\$10,042
<b>Operating expenses:</b>	
Nuclear fuel expense	\$ 2,022
Other operation	3,395
Maintenance	1,440
Depreciation	3,340
Expense charged to projects during construction	(1,056)
Total operating expenses	9,141
<b>Debt expenses:</b>	
Interest on debt, net	84,294
Interest charged to projects during construction	(76,053)
Net debt expenses	8,241
	17,382
<b>Costs recoverable from future billings to participants (Note F)</b>	<b>(7,340)</b>
	\$10,042

The Southern Transmission System Project and the Mead-Phoenix Project were not in operation at June 30, 1986 and, therefore, are not included in this statement of operations; none of the projects were in operation at June 30, 1985.

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

**Southern California Public Power Authority  
Combined Statement of Changes in Financial Position**

(In thousands)

	Year Ended June 30, 1986			Total	Year Ended June 30, 1985 Total
	Palo Verde Project	Southern Transmission Project	Mead- Phoenix Project		
<b>Funds provided by (used for):</b>					
<b>Operations</b>					
Revenues	\$10,042			\$10,042	
Expenses	(17,382)			(17,382)	
<b>Charges not involving funds:</b>					
Depreciation and amortization	5,362			5,362	
Other, net	7,933			7,933	
	5,955			5,955	
<b>Financing</b>					
Sale of revenue bonds					\$433,395
Sale of refunding bonds	333,312	\$1,010,213		1,343,525	205,918
Sale of bond anticipation notes					75,000
Payment of bond anticipation notes					(312,875)
Defeasance of revenue bonds	(289,320)	(841,609)		(1,130,929)	(174,647)
Defeasance of bond anticipation notes		(200,000)		(200,000)	
Reduction in long-term debt	(75,000)			(75,000)	
Bond issue costs	(57,653)	(174,617)		(232,270)	(52,891)
	(88,661)	(206,013)		(294,674)	173,900
Utility plant	(87,465)	(102,530)	\$(1,955)	(191,950)	(424,970)
Other, net	(1,972)	903	36	(1,033)	167
	\$(172,143)	\$(307,640)	\$(1,919)	\$(481,702)	\$(250,903)
<b>Increase (decrease) in funds</b>					
Investments	\$(94,031)	\$(342,128)	\$(1,858)	\$(438,017)	\$(203,003)
Interest receivable	(12,308)	(9,602)		(21,910)	(1,376)
Cash	(56)			(56)	112
Accounts receivable	4,741	(5,984)	10	(1,233)	6,675
Long-term debt due within one year	(75,000)			(75,000)	
Accrued interest payable	6,725	(472)	13	6,266	(25,865)
Accounts payable and accrued liabilities	(2,214)	50,546	(84)	48,248	(27,446)
	\$(172,143)	\$(307,640)	\$(1,919)	\$(481,702)	\$(250,903)

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

## Notes to Financial Statements

### NOTE A—Organization and purpose:

Southern California Public Power Authority (the 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 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 or transmission of electric energy. The Joint Powers Agreement has a term of fifty years.

The Authority, pursuant to an assignment agreement dated as of August 14, 1981 with the Salt River Project Agricultural Improvement and Power District (Salt River Project), has purchased a 5.91% interest in the Palo Verde Nuclear Generating Station (PVNGS), a 3,810 megawatt nuclear-fueled generating station being constructed 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). Unit 1 of the Palo Verde Project began commercial operation in January 1986; Unit 2, in September 1986. Unit 3 is scheduled for commercial operation in September 1987. The Authority is also studying the feasibility of constructing the proposed Mead-Phoenix DC Intertie Project (Mead-Phoenix Project), a transmission line from Arizona to Nevada. The Authority's present interest in the Mead-Phoenix Project is 93.75%.

The Authority, pursuant to an agreement dated as of May 1, 1983 with the Intermountain Power Agency (IPA), has agreed to make payments-in-aid of construction to IPA to defray the costs of acquisition and construction of the Southern Transmission System Project (STS), a transmission line which will provide for the transmission of energy from the Intermountain Power Project in Utah to Southern California. The Authority entered into an agreement also dated as of May 1, 1983 with six of its members pursuant to which each member assigned its entitlement to capacity of the Southern Transmission Project to the Authority in return for the Authority's agreement to make payments-in-aid of construction to IPA. STS commenced commercial operation July 1986.

In early 1986, six participant members of the Authority entered into an interim agreement with the Bureau of Reclamation of the United States of America (Bureau) to make advance payments toward the cost of uprating the Hoover Dam Facility's generating equipment. Construction is scheduled for completion by September 1992. The Authority will have an 18.68% interest in contingent capacity of the Hoover Uprate Project.

### NOTE B—Summary of significant accounting policies:

The Authority maintains its records substantially in accordance with accounting principles and methods prescribed by the Federal Energy Regulatory Commission and the California Public Utilities Commission. The Authority is not subject to regulation by such commissions.

**Utility plant**—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 capital-

ized as utility plant construction work in progress until a facility begins commercial operation.

During January 1986, Unit 1 of PVNGS began commercial operation; costs associated with this unit are included as Utility Plant in Service. Depreciation is provided using the straight-line method over the estimated useful life of the assets. 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. A contract has been entered into with the United States Department of Energy for disposal of the spent fuel.

**Nuclear decommissioning**—Decommissioning of PVNGS is projected to commence in approximately 35 to 40 years. Estimated future decommissioning costs are provided over the commercial life of PVNGS through annual charges to expense.

**Deferred costs**—Deferred costs are shown net of accumulated amortization. Unamortized bond and note discount and debt issue costs, including the cost of refunding, are amortized over the terms of the respective issues. Other deferred costs are amortized generally over five years.

**Investments**—Investments include United States Government and governmental agency securities and repurchase agreements, collateralized by such securities. These investments are stated at amortized cost. As discussed in Notes C and D, all of the investments are restricted as to their use.

Investments, in thousands, were as follows:

Project	June 30,			
	1986		1985	
	Carrying Value	Market	Carrying Value	Market
Palo Verde	\$274,565	\$291,969	\$368,596	\$381,339
Southern Transmission	219,546	233,641	561,674	572,320
Mead-Phoenix	3,677	3,679	5,535	5,560
	\$497,788	\$529,289	\$935,805	\$959,219

**Revenues**—Revenues are billed to participants 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 plant. (See Note F).

**Debt expenses**—Debt expenses include interest on debt and the amortization of bond premiums and discounts, debt issue costs and the deferred cost of refunding. Income from investments is recorded as a reduction of debt expenses.

**Reclassifications**—Certain reclassifications have been made in the prior year's financial statements to conform to the classification used in the current year.

### NOTE C—Revenue bonds payable and bond anticipation notes payable:

**Palo Verde Project**—To finance the purchase and construction of the Palo Verde Project, the Authority has issued Power Project Revenue Bonds and Power Project Bond Anticipation Notes pursuant to the Authority's Indenture of Trust dated as of July 1, 1981 (Bond Indenture), as amended and supplemented, and the Authority's Power Project Bond Anticipation Note Resolution (Note Resolution) adopted August 13, 1982, as amended and supplemented. See the Supplemental Schedule of Revenue Bonds and Bond Anticipation Notes Payable at June 30, 1986 for details related to outstanding bonds and notes. 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 the Palo Verde Project (see Note D) and interest on all monies or securities (other than in the Construction Fund) held pursuant to the Bond Indenture and (3) all funds established by the Bond Indenture (excluding the Decommissioning Account in the Reserve and Contingency Fund); subject to the provisions of the Palo Verde Project Bond Indenture providing for the application thereof. The Note Resolution provides that the Bond Anticipation Notes shall be special, limited obligations of the Authority payable from the proceeds of additional bonds, notes or loans obtained under the Revolving Credit Agreement.

All outstanding Power Project Revenue Term Bonds, at the option of the Authority, are subject to redemption prior to maturity.

The Bond Indenture requires mandatory sinking fund instalments to be made beginning in 1998 for the 1982 Series A Bonds, 1999 for the 1982 Series B Bonds and the 1983 Series A Bonds, 2001 for the 1984 Series A Bonds and 1985 Series A Bonds, 2005 for the 1985 Series B and 2003 for the 1986 Series A Bonds. Scheduled principal maturities for the Palo Verde Project during the five fiscal years succeeding June 30, 1986 are \$8,445,000 in 1989, \$9,040,000 in 1990 and \$11,050,000 in 1991. No principal maturities of bonds outstanding at June 30, 1986 are scheduled for fiscal 1987 and 1988.

The funds required by the Bond Indenture and Note Resolution contain balances, in thousands, as follows:

	June 30,	
	1986	1985
Construction Fund—		
Initial Facilities Account	\$ 52,826	\$ 63,595
Debt Service Fund—		
Debt Service Account	105,473	194,092
Debt Service Reserve Account	98,299	99,013
Note Fund		2,188
Bond Anticipation Note Fund	6,080	12,318
Revenue Fund	2,720	
Operating Fund	5,016	6,275
Reserve and Contingency Fund	6,272	5,945
General Reserve Fund	345	
	277,031	383,426
Bond Escrow Fund	539,261	210,539
<b>Total Palo Verde Project Funds</b>	<b>\$816,292</b>	<b>\$593,965</b>

**Southern Transmission Project**—To finance payments-in-aid of construction to IPA for construction of the Southern Transmission Project, the Authority issues Transmission Project Revenue Bonds and Transmission Project Bond Anticipation Notes pursuant to the Authority's Indenture of Trust dated as of May 1, 1983 (STS Bond Indenture), as supplemented, and the Authority's Transmission Project Bond Anticipation Note Resolution (STS Note Resolution) adopted January 20, 1984. See the Supplemental Schedule of Revenue Bonds and Bond Anticipation Notes Payable at June 30, 1986 for details related to the outstanding bonds and notes. The STS 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 the Southern Transmission Project (see Note E) and interest on all monies or securities (other than in the Con-

struction Fund) held pursuant to the STS Bond Indenture and (3) all funds established by the STS Bond Indenture; subject to the provisions of the STS Bond Indenture providing for the application thereof. The STS Note Resolution provides that the Bond Anticipation Notes shall be special, limited obligations of the Authority payable from the proceeds of additional bonds, notes or loans obtained under the Revolving Credit Agreement.

All outstanding Transmission Project Revenue Term Bonds, at the option of the Authority, are subject to redemption prior to maturity.

The STS Bond Indenture requires mandatory sinking fund instalments to be made beginning in 2000 for the 1984 Series A Bonds and 2001 for the 1984 Series B Bonds and the 1985 Series A Bonds, 2003 for the 1986 Series A Bonds and 2002 for the 1986 Series B Bonds. Scheduled principal maturities for the Southern Transmission Project during the five fiscal years succeeding June 30, 1986 are \$2,260,000 in 1989, \$3,785,000 in 1990 and \$7,945,000 in 1991. No principal maturities of bonds outstanding at June 30, 1986 are scheduled for fiscal 1987 and 1988.

The funds required by the STS Bond Indenture and the STS Note Resolution contain balances, in thousands, as follows:

	June 30,	
	1986	1985
Construction Fund—		
Initial Facilities Account	\$ 94,857	\$310,427
Debt Service Fund—		
Debt Service Account	35,705	129,744
Debt Service Reserve Account	91,262	93,320
Note Fund		40,063
	221,824	573,554
Bond Escrow Funds	966,347	
Note Escrow Fund	204,823	
<b>Total Southern Transmission Project Funds</b>	<b>\$1,392,994</b>	<b>\$573,554</b>

**Hoover Uprate Project**—Subsequent to June 30, 1986, pursuant to the Authority's Indenture of Trust dated as of March 1, 1986 (Hoover Bond Indenture), the Authority issued \$34,435,000 of Hydroelectric Power Project Revenue Bonds 1986 Series A to finance advance payments to the Bureau for application to the costs of the Project. The Hoover 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 of the sale of the bonds, (2) all revenues and (3) all funds established by the Indenture of Trust (except for the Interim Advance Payments Account in the Advance Payment Fund); subject to the provisions of the Hoover Bond Indenture providing for the application thereof.

The Hoover Uprate Project Revenue Bonds are subject to redemption prior to maturity at the option of the Authority.

The bonds mature between 1994 and 2017. The bond indenture requires mandatory fund instalments to be made beginning 2002.

The Bond Indentures and Note Resolutions for the Palo Verde Project and for the Southern Transmission Project each require certain funds to be established to account for the Authority's receipts and disbursements. The monies and investments held in these funds are restricted in use to the purposes stipulated in the bond indentures and note resolutions. A summary of these funds follows:

Fund	Held by	Purpose
Construction	Trustee	To disburse funds for the cost of acquisition and construction of the Project
Debt Service	Trustee	To pay interest and principal related to the Revenue Bonds
Note	Fiscal Agent	To pay interest and principal related to the Bond Anticipation Notes
Bond Anticipation Note	Trustee	To pay interest related to the Bond Anticipation Notes
Revenue	Trustee	To initially receive all revenues and disburse them to other funds
Operating	Trustee	To pay operating expenses
Reserve and Contingency	Trustee	To pay capital improvements and make up deficiencies in other funds and, in the case of the Palo Verde Project, accumulate funds for decommissioning
General Reserve	Trustee	To make up any deficiencies in other funds and any other purpose related to the Project
Interim Advance Payments	Trustee	To disburse funds for the cost of construction of the project during the interim phase

**Refunding bonds**—In fiscal 1986 the Authority sold two series of Power Project Refunding Bonds totaling \$371,850,000 to advance refund \$292,215,000 of the Authority's Power Project Revenue Bonds. In addition, the Authority sold three series of Transmission Project Refunding Bonds totaling \$1,070,780,000 to advance refund \$750,285,000 of Transmission Project Revenue Bonds, \$97,430,000 of Transmission Project Refunding Bonds and \$200,000,000 of Transmission Project Bond Anticipation Notes. The net proceeds of the refunding bonds, which have been placed in escrow accounts, have been invested in securities of the United States Government. At June 30, 1986, \$472,215,000 par value of Power Project Revenue Bonds, \$750,285,000 par value of Transmission Project Revenue Bonds, \$97,430,000 par value of Transmission Project Refunding Bonds and \$200,000,000 par value of Transmission Project Bond Anticipation Notes are considered extinguished for financial statement presentation.

**NOTE D—Long-term bank loan payable:**

As of June 30, 1986, the Authority has borrowed \$14,148,000 to finance the feasibility study and development costs of the Mead-Phoenix Project. This loan bears interest at approximately 67% of the prime rate; however, the interest rate cannot exceed 12%. The average interest rate on this loan was 6.13% and 7.63% during 1986 and 1985. Interest is paid on December 1 and June 1 of each year.

The proceeds of the loan were deposited in a Development Fund for which the lender is the trustee and can only be used for payment of Mead-Phoenix Project development costs, costs of issuance of the loan, including general and administrative expenses of the Authority related to the Mead-Phoenix Project, and loan principal and interest. At June 30, 1986 and 1985, the balance in the Development Fund was \$3,690,000 and \$5,548,000 of which \$3,677,000 and \$5,535,000 were invested in securities of the United States Government.

If the Mead-Phoenix Project is terminated for any reason prior to the issuance of long-term bonds to refinance the loan, ten California cities, the Salt River Project and the United States Department of Energy, Western Area Power Administration, have contracted to make payments to the Authority based on their participation percentage sufficient to retire the loan and accrued interest thereon. The loan is secured solely by the restricted assets and the above mentioned contracts.

The Authority has sold its entitlement to the output of the Palo Verde Project pursuant to power sales contracts with ten member participants (see Note G). Under the terms of the power sales contracts, the purchasers are entitled to power output from the Palo Verde Nuclear Generating Station 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 Power Project Revenue Bonds and other debt, whether or not the Palo Verde Project or any part thereof has been completed, is operating or operable, or its output is suspended, interfered with, reduced or curtailed or terminated. The contracts expire October 31, 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 entered into transmission service contracts with six member participants (see Note G). Under the terms of the transmission service contracts, the project participants are entitled to transmission service utilizing the Southern Transmission 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 Transmission Project Revenue Bonds and other debt, whether or not the Southern Transmission 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. The contracts expire June 15, 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.

**NOTE F—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 the debt requirements, operating funds and reserves in accordance with these agreements. Those expenses, according to generally accepted accounting principles, which are not included as "costs" are deferred to such periods as they are intended to be recovered through billings.

**NOTE G—Related party transactions:**

Under the terms of the various contracts, the Authority reimbursed the following entities for work performed on the respective projects. The Department of Water and Power of the City of Los Angeles has performed administrative and other work for the Authority totaling \$310,000 and \$379,000 for the years ended June 30, 1986 and 1985. Arizona Public Service Company (APS) as project manager of the Palo Verde Project, billed the Authority for various construction, operating and maintenance costs totaling \$50,101,000 and \$35,252,000 for the years ended June 30, 1986 and 1985. IPA billed the Authority for payments-in-aid of construction relating to the Southern Transmission Project \$62,561,000 and \$321,388,000 for the years ended June 30, 1986 and 1985. Salt River Project, as development manager of the Mead-Phoenix Project, billed the Authority for various develop-

ment costs \$1,165,000 and \$299,000 for the years ended June 30, 1986 and 1985.

Member participants have participation percentages as follows:

Participant	Project Participation Percentage			
	Palo Verde	Southern Transmission	Mead-Phoenix	Hoover Uprate Project
City of Los Angeles	67.0%	59.5%	61.2%	—
City of Anaheim	—	17.6	15.0	42.6%
City of Riverside	5.4	10.2	6.0	31.9
Imperial Irrigation District	6.5	—	—	—
City of Vernon	4.9	—	3.0	—
City of Azusa	1.0	—	.6	4.2
City of Banning	1.0	—	.6	2.1
City of Colton	1.0	—	.6	3.2
City of Burbank	4.4	4.5	5.0	16.0
City of Glendale	4.4	2.3	5.0	—
City of Pasadena	4.4	5.9	3.0	—
	100.0%	100.0%	100.0%	100.0%

**NOTE H—Commitments and contingencies:**

The Authority estimated as of June 30, 1986 that the total construction costs for the Authority's interest in the Palo Verde Project will be approximately \$470,000,000 of which \$366,000,000 had been expended as of that date.

The Authority estimated as of August 1, 1986 that the total financing requirements for the Authority's interest in the

Hoover Uprate Project will approximate \$34,435,000, of which approximately \$31,769,000 will be expended for payments for capacity and associated firm energy and the acquisition of entitlements to capability. Construction is scheduled for completion in September 1992.

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.

**Index to Supplemental Schedules**

Supplemental Schedule of Revenue Bonds and Bond Anticipation Notes Payable at June 30, 1986.

**Palo Verde Project**

Supplemental Balance Sheet at June 30, 1986 and 1985.

Supplemental Statement of Operations for the Year Ended June 30, 1986.

Supplemental Statement of Changes In Financial Position for the Years Ended June 30, 1986 and 1985.

Supplemental Schedule of Receipts and Disbursements In Funds Required By The Bond Indenture for the Year Ended June 30, 1986.

**Southern Transmission Project**

Supplemental Balance Sheet at June 30, 1986 and 1985.

Supplemental Statement of Changes In Financial Position for the Years Ended June 30, 1986 and 1985.

Supplemental Schedule of Receipts and Disbursements In Funds Required By The Bond Indenture for the Year Ended June 30, 1986.

**Southern California Public Power Authority  
Supplemental Schedule Of Revenue And Refunding Bonds And  
Bond Anticipation Notes Payable At June 30, 1986**

(In thousands)

	Series	Date of Sale	Effective Interest Rate	Maturity on July 1	Total
Power Project Revenue and Refunding Bonds	1982A	8/13/82	8.18%	1988 to 2017	\$ 141,310
	1982B	11/12/82	8.98%	1988 to 2017	44,445
	1983A	4/08/83	9.37%	1988 to 2017	150,000
	1984A	7/18/84	10.51%	1990 to 2004	42,030
	1985A	5/22/85	9.70%	1988 to 2014	208,335
	1985B	7/02/85	9.30%	1988 to 2017	214,205
	1986A	3/13/86	8.24%	1988 to 2015	157,645
					957,970
Transmission Project Revenue and Refunding Bonds	1984A	2/09/84	6.52%	1990 to 2004	65,945
	1984B	10/17/84	7.92%	1990 to 2000	18,770
	1985A	8/15/85	6.48%	1989 to 2021	121,620
	1986A	3/18/86	8.01%	1988 to 2021	371,720
	1986B	4/29/86	7.54%	1988 to 2023	480,010
					1,058,065
Total Principal Amount					2,016,035
<b>Unamortized Bond Discount:</b>					
Power Project Revenue and Refunding Bonds					91,910
Transmission Project Revenue and Refunding Bonds					59,680
Total Unamortized Bond Discount					151,590
Revenue and Refunding Bonds					
Less Unamortized Bond Discount					\$1,864,445
Power Project Bond Anticipation Notes	1984A	7/18/84	8.44%	6/01/87	\$ 75,000

Bonds which have been refunded have been omitted from this schedule.

**Palo Verde Project  
Supplemental Balance Sheet**

(In thousands)

	June 30	
ASSETS	1986	1985
<b>Utility plant:</b>		
Production	\$203,247	
Transmission	1,864	
General	33	
	205,144	
Less accumulated provision for depreciation	3,340	
Utility plant in service	201,804	
Construction work in progress	342,317	\$470,004
Nuclear fuel, at amortized cost	37,412	29,426
	581,533	499,430
<b>Special funds:</b>		
Investments	274,565	368,596
Interest receivable	2,268	14,576
Cash	198	254
	277,031	383,426
Accounts receivable	5,419	678
Costs recoverable from future billings to participants	7,340	
<b>Deferred costs:</b>		
Unamortized debt expenses, less accumulated amortization of \$10,959 and \$5,581 in 1986 and 1985	118,963	36,189
Other deferred costs	1,972	
	120,935	36,189
	\$992,258	\$919,723
<b>LIABILITIES</b>		
<b>Long-term debt:</b>		
Revenue bonds	\$866,060	\$789,014
Bond anticipation notes	75,000	75,000
	941,060	864,014
Less long-term debt due within one year	75,000	
	866,060	864,014
<b>Current liabilities:</b>		
Long-term debt due within one year	75,000	
Accrued interest payable	41,983	48,708
Accounts payable and accrued liabilities	9,215	7,001
	126,198	55,709
<b>Commitments and contingencies</b>		
	\$992,258	\$919,723

**Palo Verde Project  
Supplemental Statement Of Operations**

(In thousands)

Year ended  
June 30, 1986

<b>Operating revenues:</b>	
Sales of electricity to participants	\$10,042
<b>Operating expenses:</b>	
Nuclear fuel expense	\$ 2,022
Other operation	3,395
Maintenance	1,440
Depreciation	3,340
Expense charged to projects during construction	(1,056)
Total operating expenses	9,141
<b>Debt expenses:</b>	
Interest on debt, net	84,294
Interest charged to projects during construction	(76,053)
Net debt expenses	8,241
	17,382
Costs recoverable from future billings to participants (Note F)	(7,340)
	\$10,042

**Palo Verde Project  
Supplemental Statement Of Changes In Financial Position**

(In thousands)

Year ended June 30,  
1986      1985

<b>Funds provided by (used for):</b>		
<b>Operations</b>		
Revenues	\$ 10,042	
Expenses	(17,382)	
<b>Charges not involving funds:</b>		
Depreciation and amortization	5,362	
Other, net	7,933	
	5,955	
<b>Financing</b>		
Sale of revenue bonds		\$198,395
Sale of refunding bonds	333,312	205,918
Sale of bond anticipation notes		75,000
Payment of bond anticipation notes		(112,875)
Defeasance of revenue bonds	(289,320)	(174,647)
Reduction of long-term debt	(75,000)	
Bond issue costs	(57,653)	(47,960)
	(88,661)	143,831
Utility plant	(87,465)	(87,203)
Other, net	(1,972)	
	\$(172,143)	\$ 56,628
<b>Increase (decrease) in funds:</b>		
Investments	\$ (94,031)	\$ 67,496
Interest receivable	(12,308)	5,955
Cash	(56)	113
Accounts receivable	4,741	678
Long-term debt due within one year	(75,000)	
Accrued interest payable	6,725	(15,329)
Accounts payable and accrued liabilities	(2,214)	(2,285)
	\$(172,143)	\$ 56,628

**Palo Verde Project  
Supplemental Schedule Of Receipts And Disbursements  
In Funds Required By The Bond Indenture  
For the year ended June 30, 1986**

(In thousands)

	Construction Fund-Initial Facilities Account	Debt Service Fund	Note Fund	Bond Anticipation Note Fund	Bond Escrow Fund	Revenue Fund	Operation Fund	Reserve and Contingency Fund	General Reserve Fund	Total
Balance at June 30, 1985	\$63,862	\$284,034	\$ -0-	\$12,027	\$210,539	\$ -0-	\$6,014	\$6,001	\$-0-	\$582,477
<b>Additions:</b>										
Bond and note proceeds					333,312					333,312
Bond and note interest received		3,755								3,755
Investment earnings	4,114	32,557		1,072	21,007	1	589	763	2	60,105
Other income	88					9	105			202
Sales	2,563					8,646				11,209
Transfer-proceeds from sale of investments		(9,149)			9,149					
Transfer-interest payments		30,683	6,000	(6,000)	(30,683)					
Transfer-power sales receipts		1,806				(5,928)	3,325	455	342	
Transfer-bond proceeds	563	(4,516)			3,953					
Total	7,328	55,136	6,000	(4,928)	336,738	2,728	4,019	1,218	344	408,583
<b>Deductions:</b>										
Construction expenditures	38,933									38,933
Operating expenditures	(2)						4,319			4,317
Property tax paid	2,262									2,262
Other	28									28
Fuel costs	4,131						48			4,179
Interest paid	224	110,028	6,000				10			116,262
Financing costs/deposit repaid	2,618				8,016					10,634
Transfer of investment earnings	(30,390)	27,865		1,058		9	693	763	2	
Total	17,804	137,893	6,000	1,058	8,016	9	5,070	763	2	176,615
Balance at June 30, 1986	\$53,386	\$201,277	\$ -0-	\$ 6,041	\$539,261	\$2,719	\$4,963	\$6,456	\$342	\$814,445

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 \$2,268 and \$14,576 at June 30, 1986 and 1985, nor do they include total amortized net investment premiums of (\$421) and (\$3,088) at June 30, 1986 and 1985.

**Southern Transmission Project  
Supplemental Balance Sheet**

(In thousands)

ASSETS	June 30	
	1986	1985
<b>Utility plant:</b>		
Construction work in progress	\$ 636,706	\$ 534,176
<b>Special funds:</b>		
Investments	219,546	561,674
Interest receivable	2,278	11,880
	221,824	573,554
Accounts receivable	13	5,997
<b>Deferred costs:</b>		
Unamortized debt expenses, less accumulated amortization of \$7,121 and \$3,094 in 1986 and 1985	197,122	22,505
	\$1,055,665	\$1,136,232
<b>LIABILITIES</b>		
<b>Long-term debt:</b>		
Revenue bonds	\$ 998,385	\$ 828,878
Bond anticipation notes		200,000
	998,385	1,028,878
<b>Current liabilities:</b>		
Accrued interest payable	49,717	49,245
Accounts payable and accrued liabilities	7,563	58,109
	57,280	107,354
<b>Commitments and contingencies</b>		
	\$1,055,665	\$1,136,232

**Southern Transmission Project**  
**Supplemental Statement Of Changes In Financial Position**  
(In thousands)

	<i>Year ended June 30,</i>	
	1986	1985
<b>Funds provided by (used for):</b>		
<b>Financing</b>		
Sale of revenue bonds		\$ 235,000
Sale of refunding bonds	\$1,010,213	
Payment of bond anticipation notes		(200,000)
Defeasance of bond anticipation notes	(200,000)	
Defeasance of revenue bonds	(841,609)	
Expense of issuing bonds	(174,617)	(4,878)
	(206,013)	30,122
<b>Utility plant</b>	<b>(102,530)</b>	<b>(336,866)</b>
<b>Other, net</b>	<b>903</b>	<b>14</b>
	<b>\$ (307,640)</b>	<b>\$(306,730)</b>
<b>Increase (decrease) in funds:</b>		
Investments	\$ (342,128)	\$(269,534)
Interest receivable	(9,602)	(7,331)
Accounts receivable	(5,984)	5,997
Accrued interest payable	(472)	(10,557)
Accounts payable and accrued liabilities	50,546	(25,305)
	<b>\$ (307,640)</b>	<b>\$(306,730)</b>

**Southern Transmission Project  
Supplemental Schedule Of Receipts And Disbursements  
In Funds Required By The Bond Indenture  
For the year ended June 30, 1986**

(In thousands)

	Construction Fund-Initial Facilities Account	Debt Service Fund	Note Fund	Bond Escrow Funds	Note Escrow Fund	Total
Balance at June 30, 1985	\$ 305,502	\$219,710	\$38,373	\$ -0-	\$ -0-	\$ 563,585
<b>Additions:</b>						
Bond and note proceeds	189,208	14,654		806,351		1,010,213
Bond and note interest received		7,222				7,222
Investment earnings	18,430	20,023	3,764	7,282	384	49,883
Transfer for interest payment		12,146		(12,146)		
Transfer of funds	(340,248)	(41,389)		177,194	204,443	
Transfer of investment	5,034		(5,034)			
Other receipts	7,438		173			7,611
Total	(120,138)	12,656	(1,097)	978,681	204,827	1,074,929
<b>Deductions:</b>						
Payments-in-aid of construction and administrative costs paid	121,129					121,129
Interest paid	659	93,647	13,500			107,806
Financing costs paid	7,925			12,334		20,259
Transfer of investment earnings	(38,185)	14,405	23,776		4	
Total	91,528	108,052	37,276	12,334	4	249,194
Balance at June 30, 1986	\$ 93,836	\$124,314	\$ -0-	\$966,347	\$204,823	\$1,389,320

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 \$2,278 and \$11,880 at June 30, 1986 and 1985, nor do they include total amortized net investment premiums and discounts of \$1,396 and (\$1,911) at June 30, 1986 and 1985.



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